



# Generative AI in Consumer Media & Internet

OC&C Perspectives

July 2023

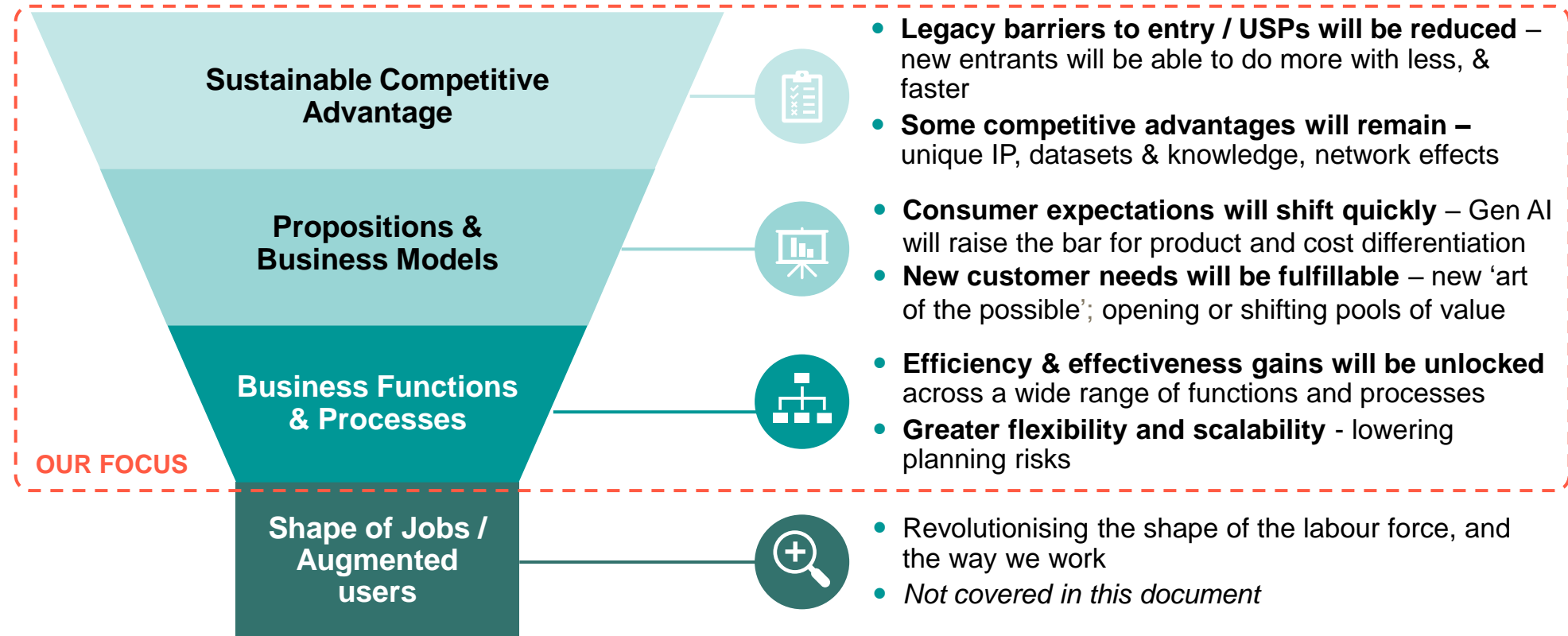


**OC&C**  
Strategy consultants

uncommon sense™

# GenAI is easily the most disruptive innovation in decades – shaking up whole industries and transforming businesses’ right-to-win

Layers of GenAI impact



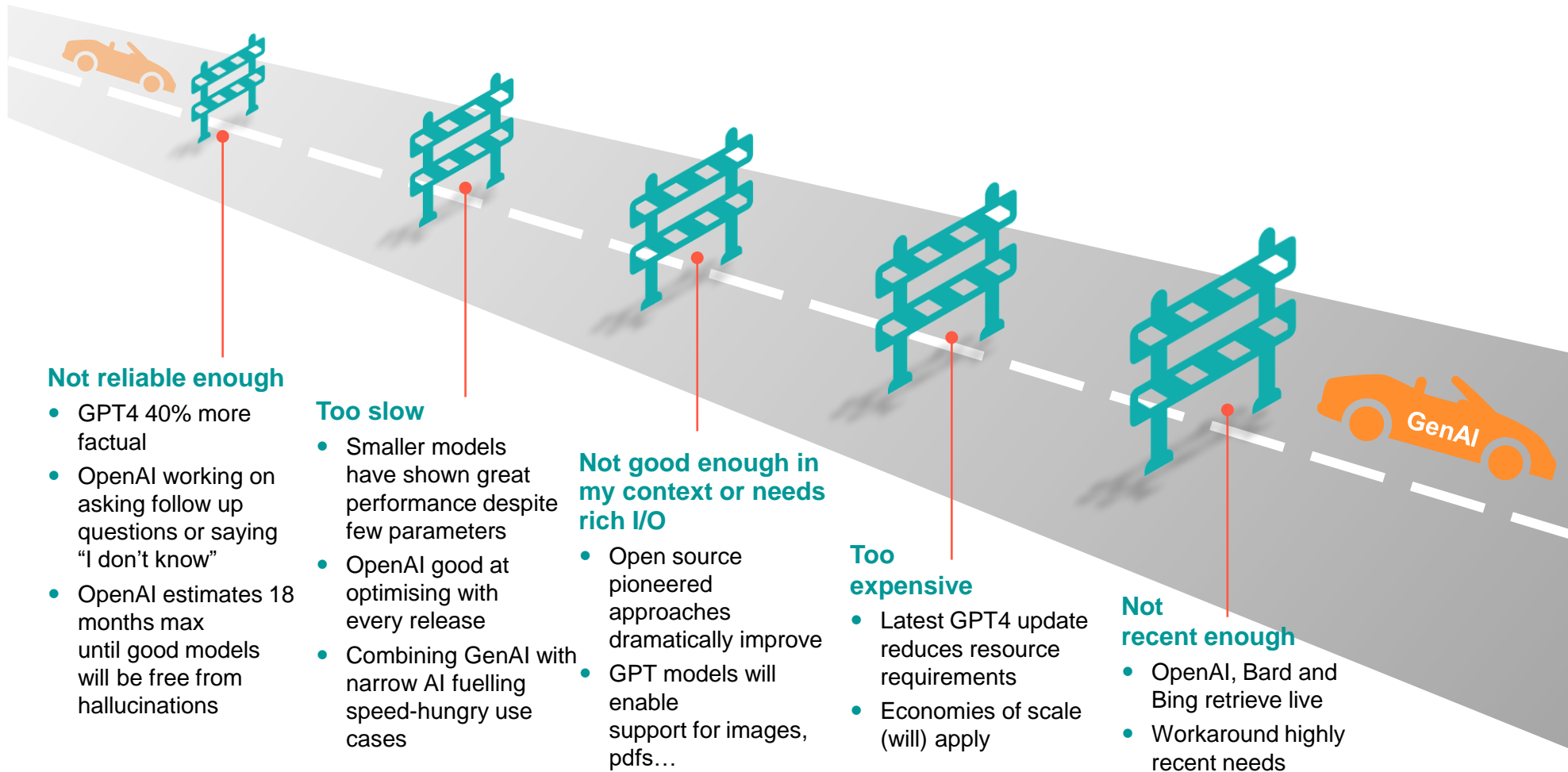
## What do we mean by GenAI:

- Mainly Large Language Models (LLMs) of sufficient sophistication
- Diffusion and other cross-modal generative models (video to animated 3D)
- Applications that use a GenAI as key component in addition to narrow AI / ML
- Examples: BARD, ChatGPT, LLAMA, MidJourney, Runway, nVidia’s models
- Most previous AI/ ML advances will be referred to as **Narrow AI**







# It is still maturing, especially for enterprise use cases – but within 18 months, most of its challenges will be resolved

## Generative AI Roadmap – Challenges and Resolutions



# We've seen disruption before: many verticals will see disruptive propositions and business models, of which some will succeed

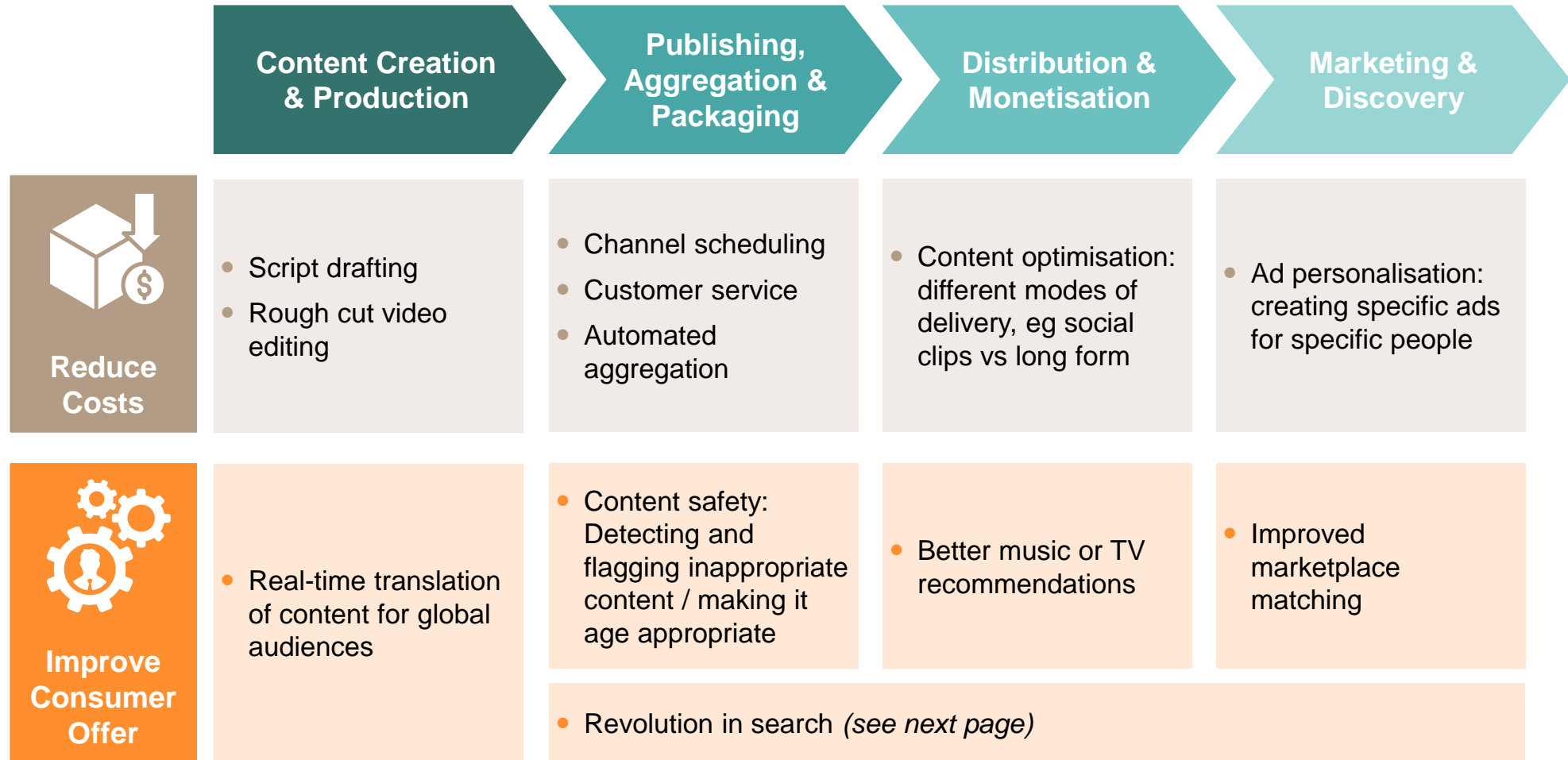
## Models of Disruption

Type of Competitive Disruption	1	2	3	4
	<b>New Entrants at Disruptive Price Points</b>	<b>Substitutes (with New Adoption Curves)</b>	<b>(Dis)-Intermediation</b>	<b>Leapfrog by Asset-Light Propositions</b>
Historical Media Example				
Impact	<ul style="list-style-type: none"> <li>• <b>Long-tail first</b> offering targeting customers at disruptive price point</li> <li>• <b>Spill-over</b> into more profitable or high potential segments</li> <li>• <b>Legacy becomes niche</b> esp. high complexity customers likely remain</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Need solved differently</b> by tech-enabled substitute; typically faster, better, cheaper</li> <li>• <b>Early adopters</b>, early majority... typical adoption curve (Rogers curve)</li> <li>• <b>Added benefits</b> from the substitute, i.e. integration, network effects, gamification</li> </ul>	<ul style="list-style-type: none"> <li>• <b>New player augments</b> product / service; customers prefer their offering or experience</li> <li>• <b>Customers internalise</b> value previously bought or licensed</li> <li>• <b>Some econ. of scale</b> requirements decreased by GenAI</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Disruptively lower risk</b> allows competitor to react faster: <ul style="list-style-type: none"> <li>– Scale up and down</li> <li>– Enter new geos</li> <li>– Cover peak demand</li> </ul> </li> <li>• Leading to higher service availability and ubiquity</li> </ul>

# In consumer media, GenAI has multiple ways of being deployed across the value chain...

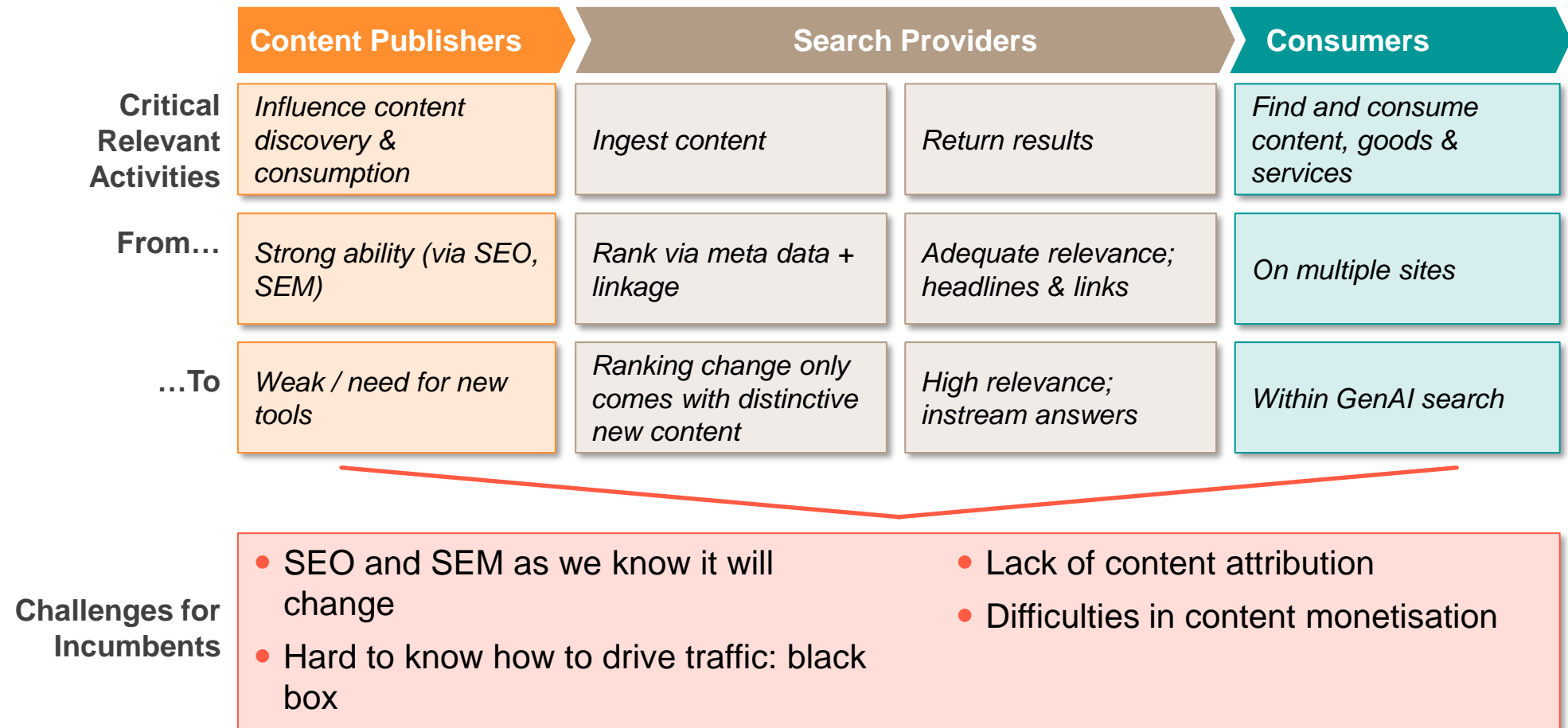
GenAI: Examples of Potential Applications Across the Consumer Media Value Chain

Non-exhaustive



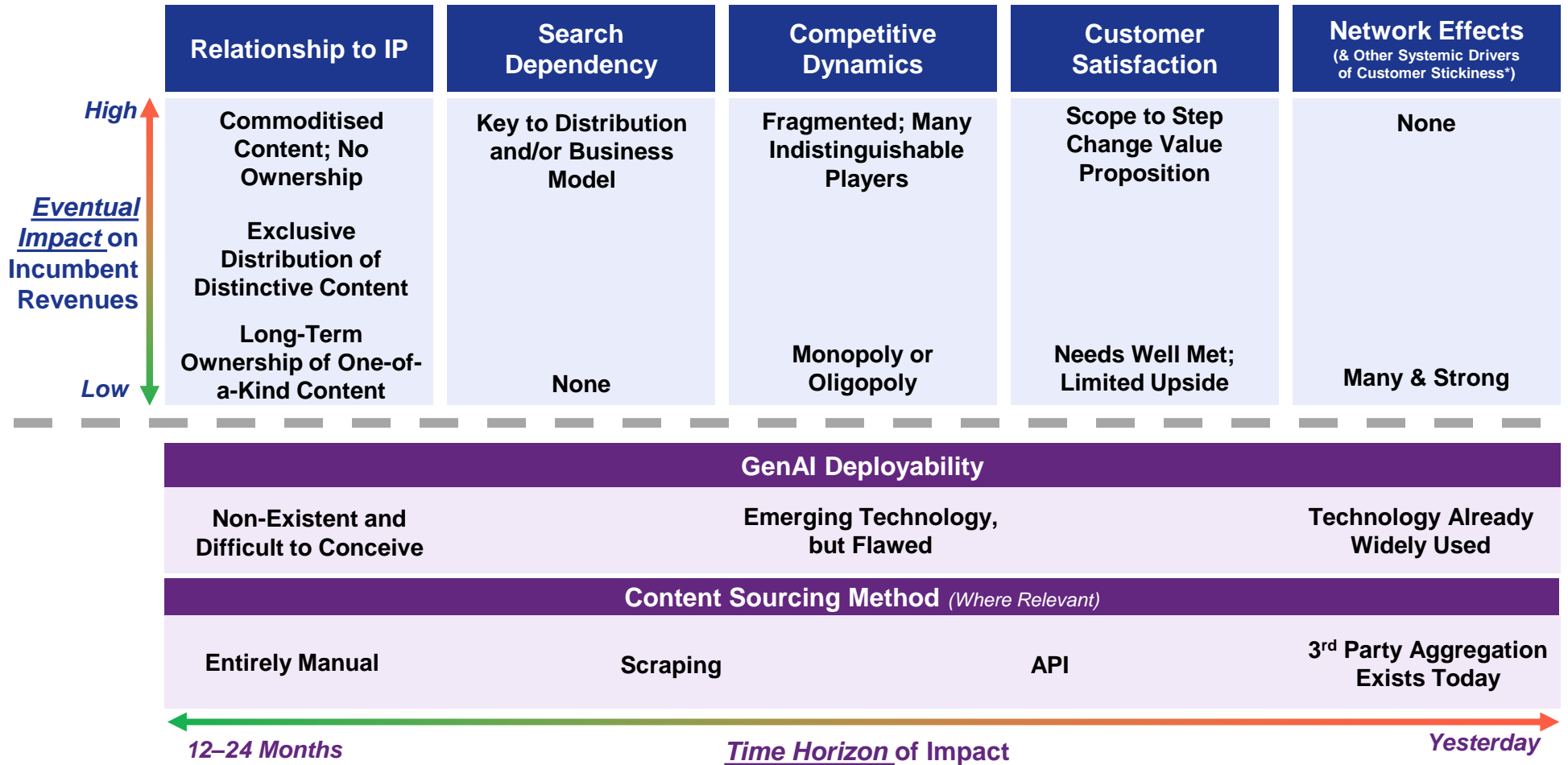
# ... and search-dependent businesses will see radical changes in how they drive and monetise traffic

Impact of Search Changes on Search-Dependent Incumbents



# There are seven critical factors determining the scale of the challenge in different types of consumer media business

Critical Factors Determining Scale of Challenge from GenAI

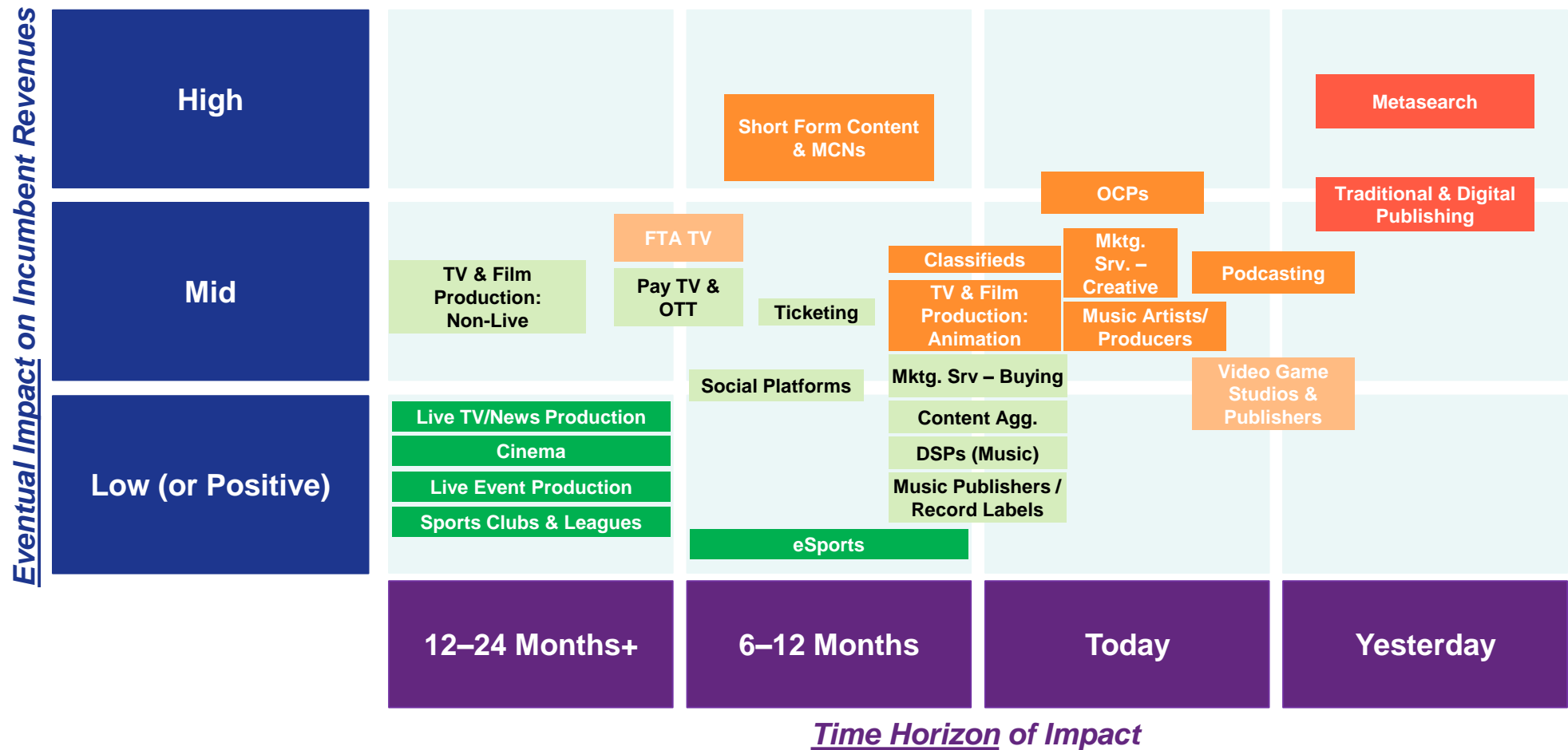


\*E.g. ecosystem benefits and customer investment in the service such as seller ratings or learning curve effects



# As such, depending on the type of business, Gen. AI represents anything from a valuable productivity boost to an existential threat...

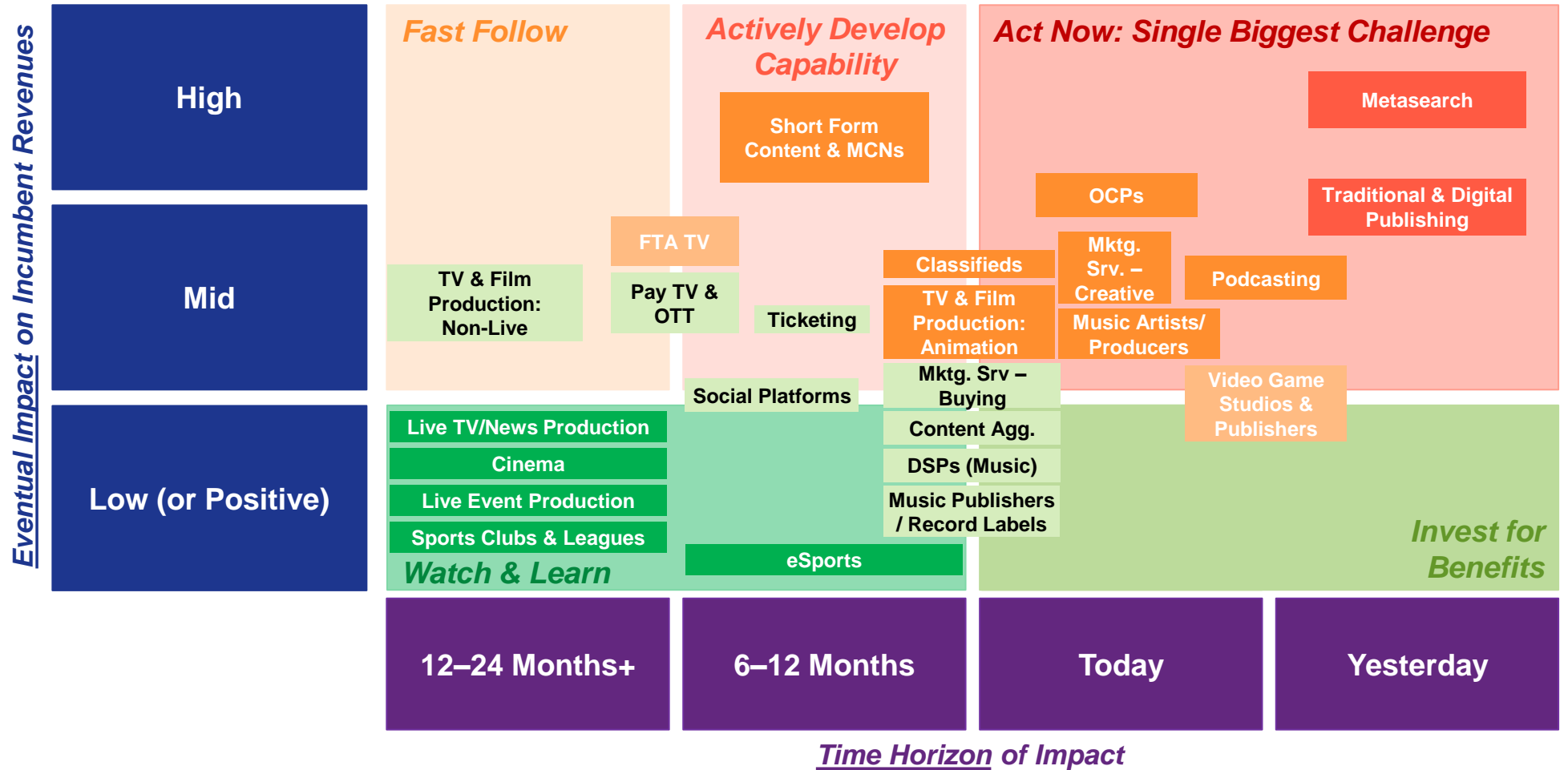
Gen AI risk, by Business Type





# ... requiring different courses, and levels of urgency, of action

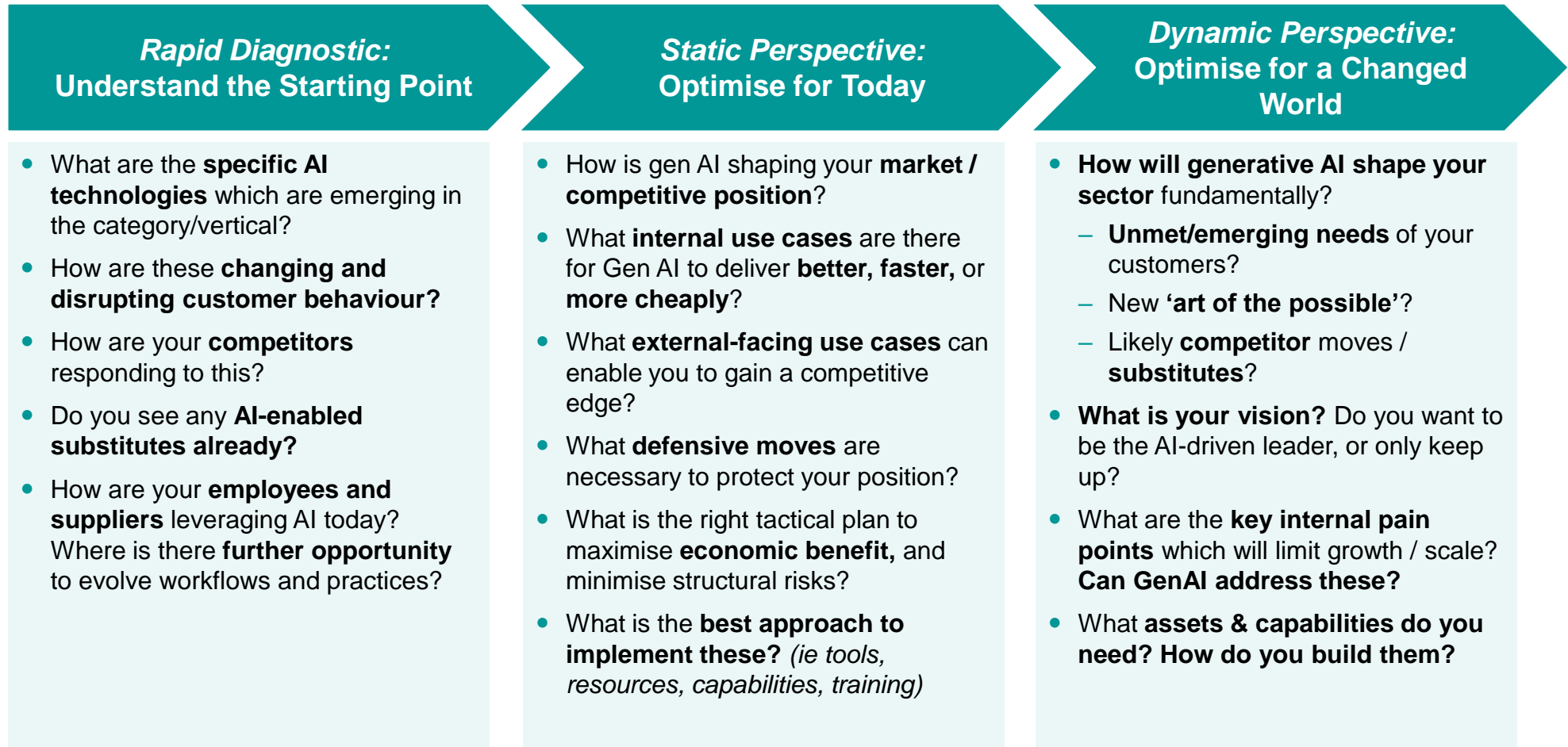
Urgency of Action, by Business Type



# It is critical to be front-footed – but evolutionary micro-use cases are not enough! A first principles revision of your business position is needed

OC&C Support

Simplified



If you would like to discuss these topics further, please get in touch!



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# Back-up: We have considered how GenAI will affect the many players in the consumer media ecosystem, across their value chains

Types of Business in Consumer Media

NB. Size of box does not correspond to scale

