

Mission 2.4 (Generative AI)

Market Analysis

(Worked Example)

Venture Capital Analyst
EntryLevel 2023

1. Market Size and Customer Analysis

Market size

The current market share is valued at \$26.11 billion and is expected to reach \$190.61 billion by 2025. This growth is driven by the increasing adoption of AI technologies in various industries, as well as the availability of funding and investment in the AI space.

Customer analysis

Customers in the global AI market include businesses and organizations across various sectors, as well as governments and research institutions. These customers are adopting AI technologies to improve their operations, increase efficiency, and gain a competitive edge in their respective markets.

Customer perceptions:

Perceptions of AI amongst customers vary, with some expressing concerns about the potential negative impacts of AI on jobs and privacy.

However, many customers also recognize the potential benefits of AI, including increased productivity and the ability to solve complex problems. As a result, there is a growing demand for AI technologies among customers in the global market.

2. Market Outlook and Trends

Market outlook

The global AI market is expected to grow significantly in the coming years, with a CAGR (compound annual growth rate) of 36.62% from 2020 to 2025. This growth is driven by the increasing adoption of AI technologies in various industries, including healthcare, finance, and ecommerce.

Recent trends

Creative AI: In recent years there has been increased application for AI in creative sectors, for example in art, music, poetry, plays, video games, and even the creation of movies. With new models coming out in the future like GTP-4 and Google's equivalent, it can be expected that AI continues to be used more in creative business tasks such as copy and design.

Improved language modeling: As OpenAI releases future language models beyond GPT-3, the increased number of parameters (datapoints) will allow them to become even more powerful. Some say we may even be approaching Alan Turing's test to mimic human responses!

Ethical AI: A shift in AI towards issues of bias in the aim to adhere to strong values within companies using this technology regarding things such as rights, privacy, non-discrimination, and non-manipulation.

Deal Activity

- Canopy Study, funded by Folklore Ventures (\$1.1M):
 - Canopy Study creates curated flashcards and questions for students based on notes and lecture slides using AI.
- Stability AI, funded by Coatue and Lightspeed Ventures (\$101M):
 - Stability AI funds development of open-source music and image generating systems including Stable Diffusion.
- Upollo, funded by Index Ventures (\$4.15M):
 - Helps businesses create more useful products, convert, keep, grow, and understand their users using AI.
- Spice AI, funded by Blackbird (\$13.5M):
 - Using AI technology to make developing in machine learning and AI more accessible.

3. Key Players

OpenAI: OpenAI is a research organization that has developed several influential generative models, including GPT-3.

Products and News:

- OpenAI has raised a total of \$11.3B in funding over 8 rounds. Their latest funding was raised on Aug 14, 2023
- **DALL-E:** A generative model designed to create images from textual descriptions, enabling the generation of unique and imaginative visual content.
- **GPT-4:** OpenAI's latest model that can generate, edit, and iterate with users on creative and technical writing tasks, only available in their paid tier.

AI21 Labs – Known for its product, "ChatGPT by AI21," which is designed to assist users in generating human-like text for various applications.

Products and News:

- AI21 Labs Announces Series C Funding Round at \$1.4 Billion Valuation
- **ChatGPT by AI21:** AI21 Labs has developed ChatGPT, a language model designed to generate human-like text. It's positioned as a tool for creative writing, content creation, and general language generation tasks.

Hugging Face – Hugging Face is an open-source platform that provides a library for natural language processing and is involved in generative models.

Products and News:

- AI startup Hugging Face has raised \$235 million in a Series D funding round.
- **Transformers Library:** Hugging Face is well-known for its open-source Transformers library, which provides a collection of pre-trained natural language processing models, including GPT-2, GPT-3, BERT, and more.