**AI x Gaming**

**Week of January 13th, 2024**

# **Top 3-5 Key News Items**

**Key News Item #1:** GOAT Gaming selling AI agents to play games and earn money ([Link](https://venturebeat.com/games/goat-gaming-will-launch-alphagoats-as-ai-agents-that-play-games-for-you/))

* GOAT Gaming, web3 developers who previously released Mighty Action Heroes, announced AI agents called AlphaGOATs that will play autonomous game-playing on a user’s behalf. The agents are pitched as “24/7 wealth creation Agents” with an “Initial Agent Offering” set for Feb 6th.
* The income generation system here is a little speculative in that it relies on the agents acting as autonomous content creators and tournament players that monetize through affiliate links. Considering everyone using these bots will be pretty similar outside of a purported “Self-tunes based on your playing style and personality”, it’s primarily going to benefit actual influencers that push their bot’s content.
* GOAT gaming isn’t just pushing AI in the form of agents, as they claim to have been developing AI tooling and uses in game development since 2016 with a capability now to create new games in as short as 1 week. Its games are built in Unity and deployed in WebGL to run in Telegram as the company had built up expertise and assets in Unity.
* These types of speculative investment driven technology of plays don’t necessarily have long term application or make sense for traditional publishers/developers, but they do tease at the edges of what’s possible when quickly riding trends. Realistically some people will make money from this and some will lose, but it does at least show one way to try and integrate AI bots economically.
* **Why does this matter to AI x Gaming:** The Telegram gaming bar is low enough right now that AI assisted game development is almost a must for rapid trend riding. The integration of AI agents and web3 into the mix in a way that is designed for viral activity will most likely be replicated if even slightly successful.

**Key News Item #2:** Microsoft and Sony filing game AI related patents ([Link](https://www.gamedeveloper.com/business/microsoft-files-patent-for-altering-narrative-experiences-with-genai))

* Both Microsoft and Sony recently filed AI x Gaming related patents for various technologies. Microsoft’s patent is focused on using genAI to alter or “co-pilot” narrative experiences. Sony’s patent is on using machine learning to predict player behavior for the purposes of reducing input lag.
* [Sony’s patent](https://www.gamedeveloper.com/business/sony-patents-new-tech-focused-on-behavior-tracking-and-reducing-input-lag) is interesting for leveraging ML to help improve technology against the frequent issues that pushing tech in both performance and cloud gaming can run into that tends to really frustrate players. As part of the process, they use cameras to study and record player actions that are then compared to AI predictions to get real-time training from players.
* [Microsoft’s patent](https://www.gamedeveloper.com/business/microsoft-files-patent-for-altering-narrative-experiences-with-genai) is something that could definitely throw a monkey wrench in some potential uses of genAI in gaming from a narrative perspective if they decide to overly enforce it. Algorithms have historically been quite terrible at narrative generation and while the current AI models put out some fairly generic fiction, that will undoubtedly improve through both the models and creative prompting systems.
* In this case the patent proposes to not create the narrative entirely on its own, but rather to assist game and narrative designers to help provide creative variations. This seems to be like the game narrative equivalent of using AI for rough drafts or to help brainstorm ideas for further human refinement.
* Ubisoft had previously hinted in this direction when showing off its NPC “bark” dialogue generation system that would batch create potential dialogue lines for humans to edit and refine. This sort of thing treads that fine line between outsourcing creativity and tool assisted efficiency, but in a way that should be much more acceptable to core gamers.
* **Why does this matter to AI x Gaming:** AI and ML based tech are easily finding footing in areas of game dev and tech where algorithmic solutions often fall short due to the inherent complexity or creativity problems. While gamers have good reason to push back against some areas of AI usage in games, these applications of problem solving using the tech will likely benefit both game devs and players.

**Key News Item #3:** Matthew Ball decks out his 2025 State of Gaming ([Link](https://www.matthewball.co/all/stateofvideogaming2025))

* Matthew Ball has made a name for himself since his involvement in talking about the metaverse, and leveraged that notoriety into continually using data to prognosticate on short and long term gaming trends. His analysis of the state of gaming at the start of 2025 is a mix of alarm bells, trend forecasting and useful suggestions.
* The most obvious problem being called out in the data is around major budget spending issues. He points out that the 10 years from 2011 to 2021 saw a growth at over twice the rate of the preceding 20 years while revenues only went up 150%. The COVID bump of course bears some responsibility for missed predictions of the revenue in the last few years with far more players dropping off of gaming and spending than expected.
* The things that have gone well are also areas where AI is trying to make inroads: Social behavior and UGC. On the social behavior side it’s become obvious that thanks to the increased connectivity of games, social stickiness and social play have become far more important than the pre-2010 period. Thanks to Roblox, Fortnite and GTA V there’s been an obvious overlap with UGC building on top of platforms for games and games and platforms.
* He also emphasizes the critical history UGC has had in creating nearly every new genre over the last few decades including massive hits like Counterstrike, Battle Royales and MOBAs. This is important as new genres are often one of the few things that can help grow games away from the domination of long running hits.
* In terms of genAI Ball sees potential for a few important applications, including the important topic here, costs/revenue. The potential for cost reductions and improved speed to market are slowly but surely working their way in and this dovetails nicely into the ability for most cost efficient live service that leads to better retention and monetization for the longer tail revenue at decreased cost. The other important lever is helping grow the possibility of entirely new genres or experiences built around the tech that can also increase or leverage social play.
* **Why does this matter to AI x Gaming:** Gaming as an industry has been running headfirst into a financial cliff from a variety of different directions. While there’s the clear benefit of paying attention to the important trends and adjusting, there is also the inevitable impact of new technology on interactive mediums, and genAI has a lot of potential to help steer at least some of gaming away from the cliff.

# **Other News Items**

* **Top Nvidia Pro Dishes On The Future Of AI** ([Link](https://www.forbes.com/sites/johnwerner/2025/01/16/top-nvidia-pro-dishes-on-the-future-of-ai/)): Research Jim Fan at Nvidia discusses his short term predictions for how AI tech evolves, including some talk of NPC usage in games, something Nvidia has made pushes into lately.

# **Content Worth Consuming**

* **What Companies Succeeding with AI Do Differently** ([Link](https://hbr.org/2025/01/what-companies-succeeding-with-ai-do-differently)):
  + One of the big pushbacks against any emerging tech bubble is simply that the hype is very overstated. In that case it helps to push case studies of where it does work as soon as possible to ground the theoretical in the practical. This article looks at four factors underlying what made AI adoption successful at many companies.
  + The first, Executive Sponsorship, can go wrong as easily as it can go right, however without it many employees simply use AI in secret. The second, a network of partners, highlights that most companies really won’t have all the internal resources needed to truly leverage AI, and being able to tap into outside resources at this time is key. The third is more focused on those internal resources, cross-department communications, which will often come down to ensuring more company wide alignment on AI use and preventing misunderstandings from spiraling out of control. The final factor, data management, leans into the importance of data when it comes to working with AI, which is critical for AI to maximally do its job.
* **A16Z Games: Use of AI in Gaming in 2024** ([Link](https://gamedevreports.substack.com/p/a16z-games-use-of-ai-in-gaming-in)):
  + A16Z’s access to game studios helped it collect data on AI usage from a whopping 651 respondents, with an important 73% of game studios already using AI in their processes and 88% planning to do so in the future. They do mention that in terms of cost reduction it wasn’t 100% successful as 16% saw no productivity benefit and 35% saw no cost reductions.
  + In terms of sentiment there was a moderate 67% either excited or extremely excited, but unsurprisingly the strongest negative sentiment was from artists with 36% considering AI tech to be a threat to themselves. At least artists can be happy that model accuracy and quality are the major impediments found to be holding back expanded usage.
  + Interestingly the broadest usages so far were found on the design and narrative side as inspiration, storyboarding, narration or story gen. This makes sense when recognizing that if model quality and accuracy aren’t quite there yet, you use it to assist the elements that aren’t immediately player facing and instead help push rough drafts and inspiration.
  + One big growth area that’s unsurprising is using AI to help develop 3D assets for at least greybox level/prototype designs and rough 3D assets. The quality here is still relatively low and much like with the design and narrative side it’s more about the early part of the process where humans can refine it. The need for human refinement for at least the moment does help ensure many of these areas aren’t shedding jobs over the tech just yet, although juniors and interns are clearly most at threat as AI will catch up with their level much faster.
* **AI x Gaming: How Campfire Used AI to 5X Engagement in Their Game** ([Link](https://www.gamemakers.com/p/ai-x-gaming-how-campfire-used-ai)):
  + In an interesting twist to the AI as customer support usage, interactive AI tool developers Campfire found players of its social gaming platform spending 5x more time talking to its lobby AI concierge than playing the actual games. Some of this is a mix between novelty and positive on-demand social interactivity, but it was enough to encourage them to pivot heavily into AI experiences and tools.
  + The linked podcast is an interview between Joseph Kim, CEO at Lila Games, and Siamak Freydoonnejad, CEO at Campfire. Being an interview it manages to touch on broader AI usage in games. They discuss EA using AI to scale content creation, AI copilots in game engines and tooling, brand new genres and possibilities thanks to AI like conversational systems, many of the challenges and some insights on actually implementing AI.
  + As you’d expect based on their pivot, Freydoonnejad sees the lowest hanging fruit in conversational AI and personalization. It’s clear from the discussion that this is all in a very experimental stage and it’s really about moving quickly with small ideas and tests rather than betting the whole game or company on a single unproven idea. It’s expected that this is really just the initial wave of tapping into what’s working right now and more consistently.
* **How AI is revolutionizing user acquisition in gaming** ([Link](https://mobidictum.com/how-ai-revolutionizes-user-acquisition-gaming/)):
  + In a tangent to actually using AI in games, the marketing side of things has already found almost immediate success in a tougher post-IDFA environment. The big benefits mentioned here are around being able to process lots of player data, making creatives at beyond human scale, and smart dynamic budget allocation.
  + While very experienced teams will still have an edge for now, leveraging AI is allowing smaller devs to scale up UA far more competitively at scale than before. Eventually bigger devs will be able to swing this back to full domination, the smaller players willing to experiment and be more agile can at least for now get a shot at finding some quick impact.
  + This has the feel of one of those short term moments where it will benefit game discoverability, and diversity. Unfortunately these tactics will eventually be utilized potentially even more effectively by the AI equivalent of shovelware, “AI Slop” and things could be an even bigger mess than before without an extra AI layer on top to filter through the noise.
* **AI art is entering video games and players aren’t loving it** ([Link](https://spilled.gg/ai-art-video-games/)):
  + With constant rising costs around content development and marketing for live service games it’s no surprise that AI is being leveraged when possible for the art side of things. While this clearly benefits game developers, it’s certainly not benefitting players for now and leading to growing backlash and witch-hunting behaviors. Some of this backlash of course is well justified when the technology scales much faster than quality control and you end up with Call of Duty putting out paid cosmetics/marketing that includes 6 fingered zombies.
  + For now at least the smart thing for game developers to do is only use it for the early stages and preferably still create finished art from scratch rather than touch up AI generated art. It’s also not a good idea to openly discuss the topic publicly whether for or against AI tools as it adds politicization that will distract from the game. Much like with the backlash to NFTs in games, there are interesting possibilities but the audience accepting of the tech is simply too small for most games to be a benefit instead of a curse.