



# Perplexity

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PEAK, TROUGH OR PLATEAU IN THE RACE FOR AI DOMINANCE?

## Competitive Strategies in Technology Based Industries

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## Vision

To become the best platform for answers and information.

## Mission

Serve the world's curiosity.

# EXECUTIVE SUMMARY

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- Perplexity is in a very competitive environment and it needs to **expand on its niche** to become the winner in the generative AI industry.
- **Changes in AI regulations** and the **pace of technological advancements** are the most unpredictable scenarios that Perplexity will have to navigate
- There is a need to **stay agile as rapid innovation fuels competition**, while **evolving regulations either empower growth or restrict advancements**
- **Growth of upstarts** will depend on maximizing opportunities in a leniently regulated environment while the big players fight for dominance in a slow- paced technological era
- **Heavy Consolidation, Aggressive Partnerships** and **Cross Platform Integration** will emerge as key strategies to tackle the technological and political uncertainties in this industry
- Perplexity's **strategic imperative** should be to create **an ecosystem of partners** to navigate competitive pressures and regulatory complexities
- Perplexity should seize **AI collaborations with top universities, evolve its model with AWS/NVIDIA partnerships, and lock in leadership through ethical AI standards and sector-specific applications**

# CHANGES IN AI REGULATIONS AND THE PACE OF TECHNOLOGICAL ADVANCEMENTS ARE THE MOST UNPREDICTABLE SCENARIOS THAT PERPLEXITY WILL HAVE TO NAVIGATE

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SOCIETAL

- Plagiarism issues highlight increasing awareness and concern about data privacy in AI-powered services and its impact on public perception
- PwC estimates that up to 30% of jobs could be at potential risk of automation by the mid-2030s. There's uncertainty about how society will balance collaboration with AI against fears of job displacement.

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TECHNOLOGICAL

- The ease of technology replication by competitors threatens the ability to maintain a competitive advantage.
- Heavy dependence on a few AI infrastructure providers could allow them to exploit their dominant position by raising prices, limiting access, or imposing unfavorable terms. Ex. Nvidia AI deal under antitrust scrutiny.

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ECONOMICAL

- Industry giants can quickly scale up and expand their dominance into the Generative AI digital marketing space.
- An economic downturn leading to reduced funding for AI ventures, slowing the development of offerings from smaller AI companies.
- Heavy competition in the AI API market, leading to pricing pressures to balance their competitive premium pricing with unique value propositions.

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ENVIRONMENTAL

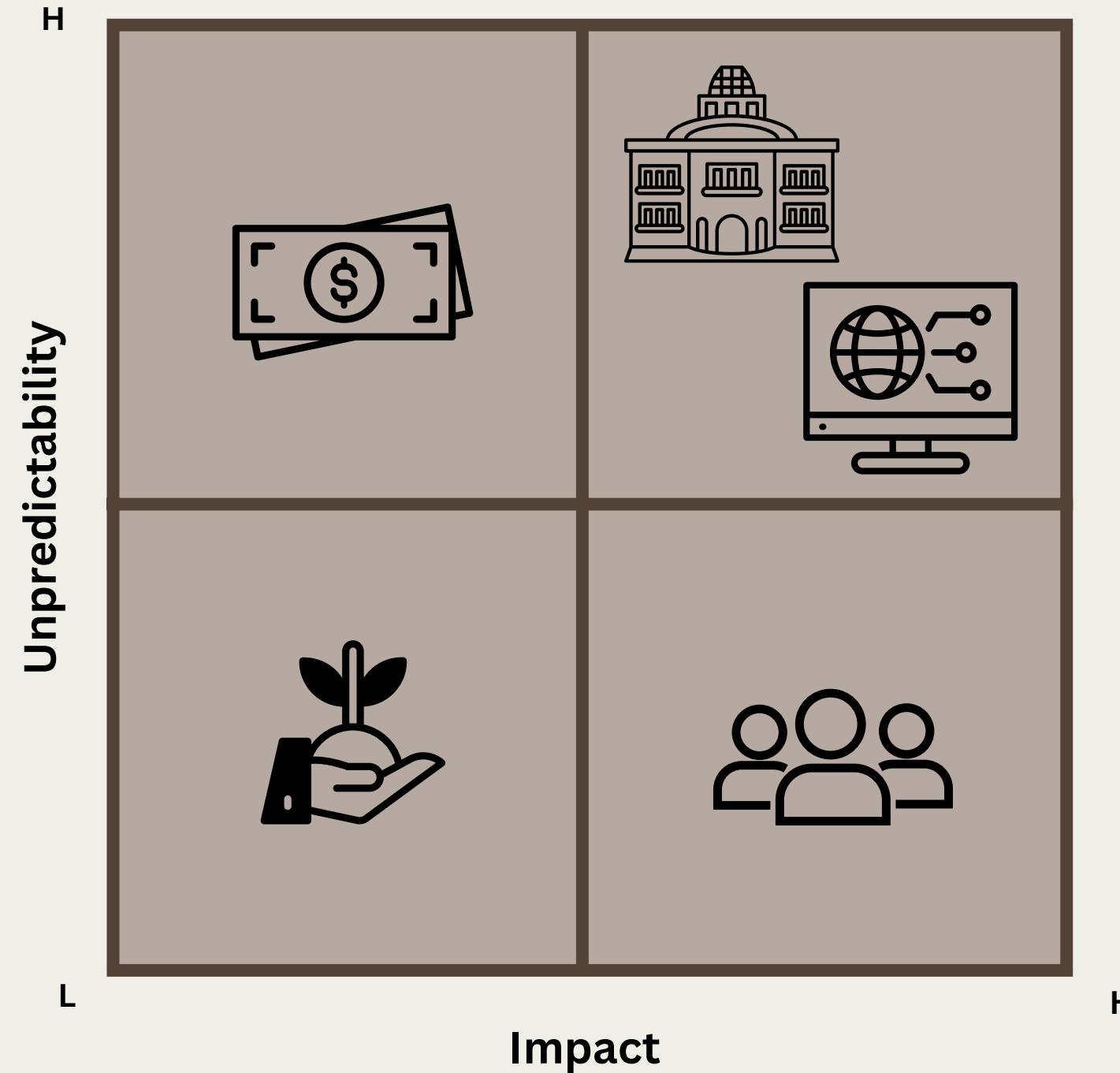
- AI data centers are facing increasing scrutiny for their carbon footprint. AI's carbon footprint is approaching 1% of global emissions.
- Data centers supporting AI consume over 1% of global electricity, with a significant portion derived from fossil fuels

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POLITICAL

- On 13 March 2024, the European Parliament formally adopted the EU AI Act. Introduction of new regulations, pertaining to data usage, privacy, or AI's impact on employment, could dramatically shape AI development.
- The rapid pace of AI innovation outpaces suitable government regulations
- Increasing concern among political leaders about the spread of misinformation through AI-generated content.

# THERE IS A NEED TO STAY AGILE AS RAPID INNOVATION FUELS COMPETITION, WHILE EVOLVING REGULATIONS EITHER EMPOWER GROWTH OR RESTRICT ADVANCEMENTS



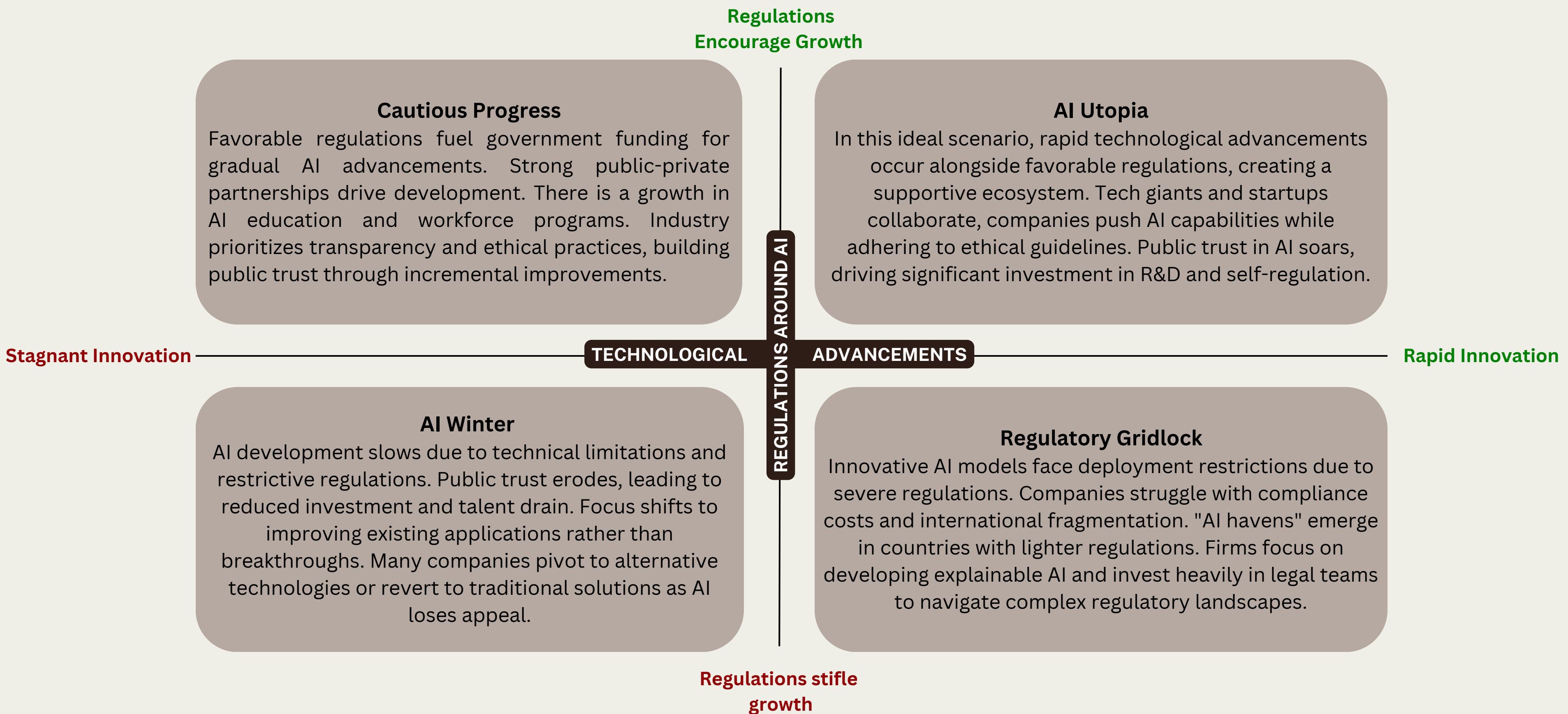
**Competitors could unveil superior capabilities, forcing new entrants to rapidly innovate or lose its market position – Technological**

- **Rapid Innovation** : Companies are racing to develop and deploy advanced AI technologies, leading to a highly competitive landscape. Established industries are being challenged by AI-driven solutions, creating new opportunities and threats.
- **Stagnant Innovation** : Technological progress in AI slows significantly, with fewer breakthroughs and reduced investment. There is a stagnation in AI capabilities, potentially allowing established players to maintain their market dominance.

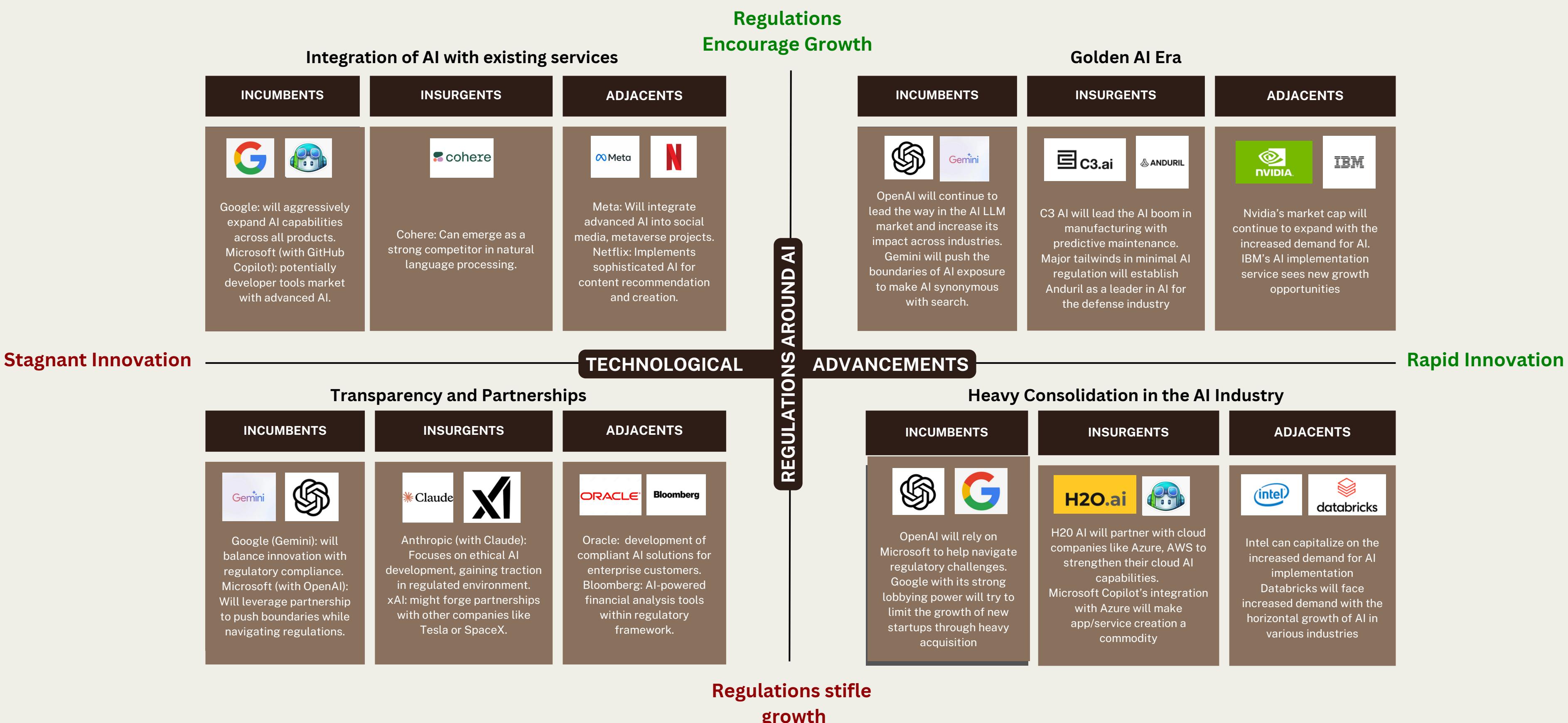
**The introduction of new regulations, could dramatically shape development strategy and business model – Political**

- **Regulations encourage growth** : Regulations around the usage of AI, especially concerning data privacy, intellectual property and advertising policies, are lenient ,leading to favourable environment for AI growth
- **Regulations stifle growth** : Tighter regulations strip organisations of operational flexibility , and create bottleneck for rapid growth and innovation. There's constant pressure on AI companies and researchers to push boundaries and create novel solutions to stay relevant.

# THE FUTURE OF AI DEPENDS ON MAXIMISING THE OPPORTUNITIES IN A LENIENTLY REGULATED ENVIRONMENT WHILE THE BIG PLAYERS FIGHT FOR DOMINANCE IN A SLOW- PACED TECHNOLOGICAL ERA



# HEAVY CONSOLIDATION, AGGRESSIVE PARTNERSHIPS AND CROSS PLATFORM INTEGRATION WILL EMERGE AS KEY STRATEGIES ACROSS THE COMPETITIVE LANDSCAPE



# PERPLEXITY'S STRATEGIC IMPERATIVE SHOULD BE TO CREATE AN ECOSYSTEM OF PARTNERS TO NAVIGATE COMPETITIVE PRESSURES AND REGULATORY COMPLEXITIES

## D

### DRIVERS

Competitors could unveil superior capabilities, forcing Perplexity to rapidly innovate or lose its market position

The introduction of new regulations, could dramatically shape Perplexity's development strategy and business model

## O

### OPPORTUNITIES

**Early access to groundbreaking AI research** - Collaborating with academic institutions would allow Perplexity to integrate cutting-edge research ahead of competitors.

**Leveraging the need for specialized content** - By curating expert-level, niche information, Perplexity can establish itself as a trusted source for professionals.

**Developing a regulation compliant AI search solution** - Creating a search engine focused on regulatory compliance could position Perplexity as a reliable partner for industries with strict legal requirements.

**Large scale data processing** - Offering advanced data processing service would enable Perplexity to tap into the growing demand for big data analytics.

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### THREATS

**Technological Replication:** The risk of being outcompeted by larger, well-funded competitors pose a serious threat of quickly replicating and enhancing Perplexity's innovations.

**Regulatory Risks:** New AI regulations on ethics, privacy, could impose costly compliance challenges, slowing Perplexity's growth and forcing business model adjustments.

**User trust:** As an AI-driven "answer engine," Perplexity must always ensure content accuracy and user trust. If the platform delivers misleading answers in sensitive areas, it risks eroding user confidence.

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### STRATEGIC RESPONSE

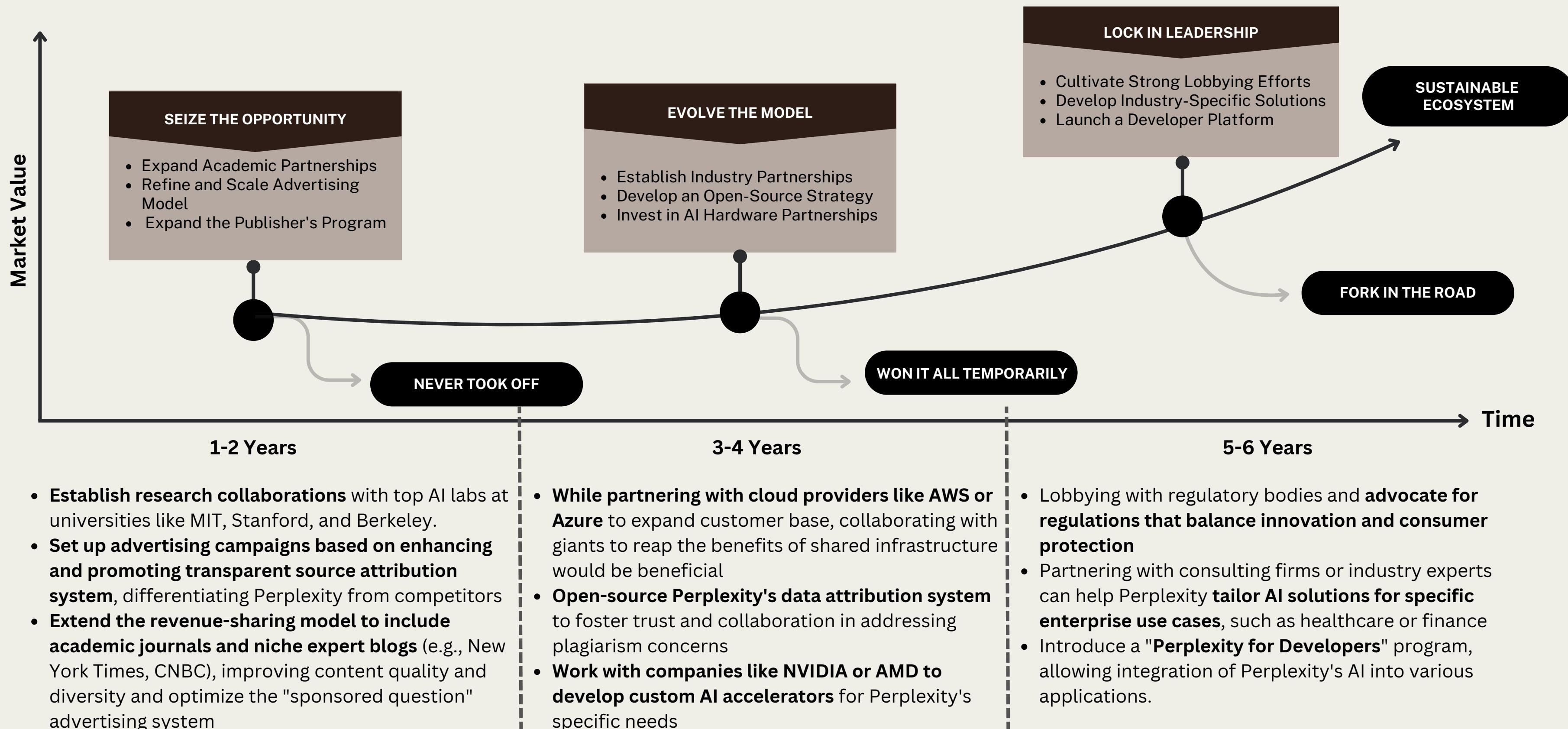
**Industry Specific Content Providers :** Partnering with premium content providers across different verticals (e.g., healthcare, finance, education)

**AI Research institutions:** Partnering with leading AI institutions provides early access to cutting-edge research and development.

**Regulatory and Compliance Experts :** Establishing early relationships with regulatory bodies will allow Perplexity to anticipate and influence regulatory changes related to AI, privacy, and data usage.

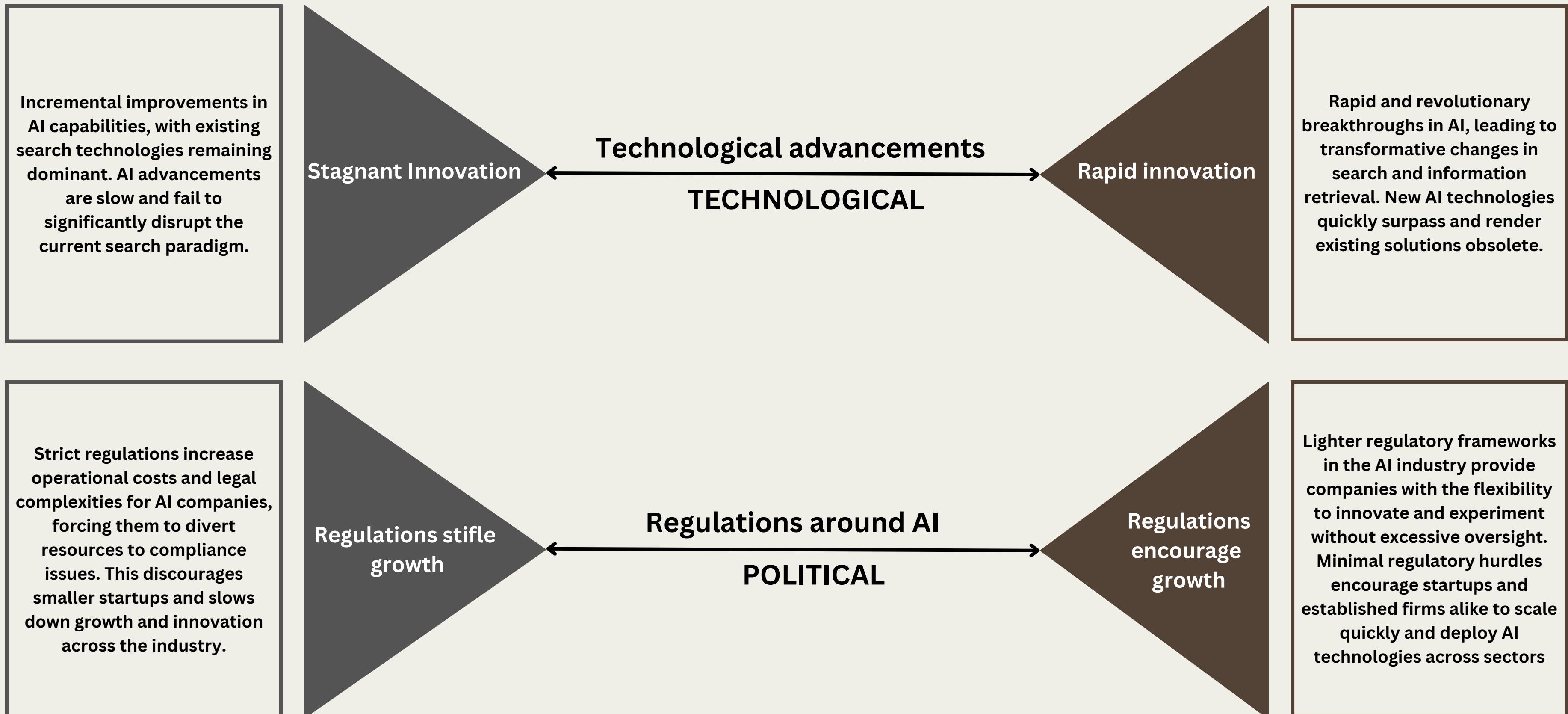
**Strategic Corporate and Industry Partners :** Collaborating with cloud providers and forming alliances with related corporate partners can extend Perplexity's reach into new markets and customer segments

# PERPLEXITY SHOULD SEIZE AI COLLABORATIONS WITH TOP UNIVERSITIES, EVOLVE ITS MODEL WITH AWS/NVIDIA PARTNERSHIPS, AND LOCK IN LEADERSHIP THROUGH ETHICAL AI STANDARDS



# **APPENDIX**

# THE GROWTH OF AI HINGES ON TECHNOLOGICAL ADVANCEMENTS AND REGULATORY IMPACTS—EITHER DRIVING RAPID INNOVATION OR SLOWING PROGRESS WITH COMPLIANCE CHALLENGES.



# THE PERPLEXITY ECOSYSTEM



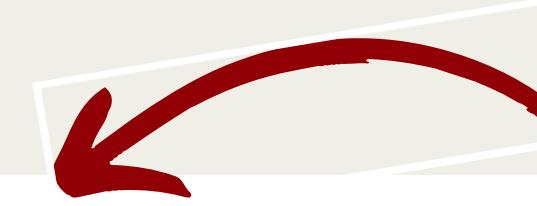
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# PERPLEXITY FEATURES VS COMPETITORS



Infrastructure sharing collaborations

Functionality	Perplexity	Google (Gemini)	Microsoft Bing	ChatGPT	You.com	Anthropic Claude
Real-time information	✓	✓	✓	✗	✓	✗
Source citations	✓	✓	✓	✗	✓	✗
Multiple AI models	✓	✗	✗	✗	✓	✗
File upload and analysis	✓	✗	✓	✓	✗	✓
Ad-free search	✓	✗	✗	N/A	✓	N/A
Visual search	✗	✓	✓	✗	✗	✗
Voice interaction	✗	✓	✓	✗	✗	✗
Integration with productivity tools	✗	✓	✓	✗	✗	✗
Collaborative workspaces	✗	✗	✗	✗	✓	✗
Custom AI agents	✗	✗	✗	✗	✓	✗

Google Cloud's TPUs (Tensor Processing Units) and custom machine learning chips are highly optimized for specific AI applications. Perplexity could work with Google Cloud to share advances in infrastructure capabilities (e.g., edge computing or cloud AI) while competing in areas like AI-driven search or knowledge aggregation.

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