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

Layers of GenAI impact

- **Sustainable Competitive Advantage**
  - Legacy barriers to entry / USPs will be reduced – new entrants will be able to do more with less, & faster
  - Some competitive advantages will remain – unique IP, datasets & knowledge, network effects

- **Propositions & Business Models**
  - Consumer expectations will shift quickly – Gen AI will raise the bar for product and cost differentiation
  - New customer needs will be fulfillable – new ‘art of the possible’: opening or shifting pools of value

- **Business Functions & Processes**
  - Efficiency & effectiveness gains will be unlocked across a wide range of functions and processes
  - Greater flexibility and scalability - lowering planning risks

- **Shape of Jobs / Augmented users**
  - Revolutionising the shape of the labour force, and the way we work
  - Not covered in this document

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

Not reliable enough
- GPT4 40% more factual
- OpenAI working on asking follow up questions or saying “I don’t know”
- OpenAI estimates 18 months max until good models will be free from hallucinations

Too slow
- Smaller models have shown great performance despite few parameters
- OpenAI good at optimising with every release
- Combining GenAI with narrow AI fuelling speed-hungry use cases

Not good enough in my context or needs rich I/O
- Open source pioneered approaches dramatically improve
- GPT models will enable support for images, pdfs…

Too expensive
- Latest GPT4 update reduces resource requirements
- Economies of scale (will) apply

Not recent enough
- OpenAI, Bard and Bing retrieve live
- Workaround highly recent needs
We’ve seen disruption before: many verticals will see disruptive propositions and business models, of which some will succeed

Models of Disruption

<table>
<thead>
<tr>
<th>Type of Competitive Disruption</th>
<th>Historical Media Example</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Entrants at Disruptive Price Points</strong></td>
<td>Netflix, Zoom, Dropbox</td>
<td>• Long-tail first offering targeting customers at disruptive price point</td>
</tr>
<tr>
<td><strong>Substitutes (with New Adoption Curves)</strong></td>
<td>Slack, Spotify, Kayak, Shopify</td>
<td>• Need solved differently by tech-enabled substitute; typically faster, better, cheaper</td>
</tr>
<tr>
<td><strong>(Dis)-Intermediation</strong></td>
<td>KAYAK, Shopify</td>
<td>• Early adopters, early majority… typical adoption curve (Rogers curve)</td>
</tr>
<tr>
<td><strong>Leapfrog by Asset-Light Propositions</strong></td>
<td>GitHub, YouTube</td>
<td>• Added benefits from the substitute, i.e. integration, network effects, gamification</td>
</tr>
</tbody>
</table>

- **New player augments** product / service; customers prefer their offering or experience
- **Customers internalise** value previously bought or licensed
- **Some econ. of scale requirements decreased by GenAI**
- **Disruptively lower risk** allows competitor to react faster:
  - Scale up and down
  - Enter new geos
  - Cover peak demand
  - Leading to higher service availability and ubiquity
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

- **Content Creation & Production**
  - Script drafting
  - Rough cut video editing

- **Publishing, Aggregation & Packaging**
  - Channel scheduling
  - Customer service
  - Automated aggregation

- **Distribution & Monetisation**
  - Content optimisation: different modes of delivery, eg social clips vs long form

- **Marketing & Discovery**
  - Ad personalisation: creating specific ads for specific people

**Reduce Costs**

- Real-time translation of content for global audiences

**Improve Consumer Offer**

- Content safety: Detecting and flagging inappropriate content / making it age appropriate
- Better music or TV recommendations
- Improved marketplace matching

- Revolution in search *(see next page)*
... and search-dependent businesses will see radical changes in how they drive and monetise traffic

Impact of Search Changes on Search-Dependent Incumbents

<table>
<thead>
<tr>
<th>Critical Relevant Activities</th>
<th>Content Publishers</th>
<th>Search Providers</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>From…</td>
<td>Influence content discovery &amp; consumption</td>
<td>Ingest content</td>
<td>Find and consume content, goods &amp; services</td>
</tr>
<tr>
<td>To</td>
<td>Strong ability (via SEO, SEM)</td>
<td>Rank via meta data + linkage</td>
<td>On multiple sites</td>
</tr>
<tr>
<td>…To</td>
<td>Weak / need for new tools</td>
<td>Ranking change only comes with distinctive new content</td>
<td>High relevance; instream answers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Within GenAI search</td>
</tr>
</tbody>
</table>

Challenges for Incumbents

- SEO and SEM as we know it will change
- Hard to know how to drive traffic: black box
- Lack of content attribution
- Difficulties in content monetisation
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

<table>
<thead>
<tr>
<th>Relationship to IP</th>
<th>Search Dependency</th>
<th>Competitive Dynamics</th>
<th>Customer Satisfaction</th>
<th>Network Effects (&amp; Other Systemic Drivers of Customer Stickiness*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity Content; No Ownership</td>
<td>Key to Distribution and/or Business Model</td>
<td>Fragmented; Many Indistinguishable Players</td>
<td>Needs Well Met; Limited Upside</td>
<td>None</td>
</tr>
<tr>
<td>Exclusive Distribution of Distinctive Content</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Ownership of One-of-a-Kind Content</td>
<td></td>
<td></td>
<td></td>
<td>Many &amp; Strong</td>
</tr>
<tr>
<td>Low</td>
<td></td>
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</tr>
</tbody>
</table>

GenAI Deployability

- Non-Existent and Difficult to Conceive
- Emerging Technology, but Flawed
- Technology Already Widely Used

Content Sourcing Method *(Where Relevant)*

- Entirely Manual
- Scraping
- API
- 3rd Party Aggregation Exists Today

Time Horizon of Impact

- 12–24 Months
- Yesterday

*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

Eventual Impact on Incumbent Revenues

High

Mid

Low (or Positive)

Time Horizon of Impact

12–24 Months+

6–12 Months

Today

Yesterday

TV & Film Production: Non-Live

Pay TV & OTT

Ticketing

Social Platforms

Live TV/News Production

Cinema

Live Event Production

Sports Clubs & Leagues

eSports

Short Form Content & MCNs

FTA TV

Classifieds

TV & Film Production: Animation

Content Agg.

DSPs (Music)

Music Publishers / Record Labels

Mktg. Srv. – Buying

Video Game Studios & Publishers

OCPs

Music Artists/ Producers

Podcasting

Traditional & Digital Publishing

Metasearch

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

Urgency of Action, by Business Type

- **High**
  - **Fast Follow**
    - TV & Film Production: Non-Live
    - Pay TV & OTT
    - FTA TV
  - **Actively Develop Capability**
    - Short Form Content & MCNs
    - Ticketing
    - Social Platforms
  - **Act Now: Single Biggest Challenge**
    - Classifieds
    - Mktg. Srv – Buying
    - Mktg. Srv – Creative
    - Music Artists/Producers

- **Mid**
  - **Watch & Learn**
    - Live TV/News Production
    - Cinema
    - Live Event Production
    - Sports Clubs & Leagues
    - eSports
  - **Time Horizon of Impact**
    - 12–24 Months+
    - 6–12 Months
    - Today
    - Yesterday

- **Low (or Positive)**
  - **Invest for Benefits**
    - TV & Film Production: Animation
    - Content Agg.
    - DSPs (Music)
    - Music Publishers / Record Labels
    - Video Game Studios & Publishers

Business Types:
- Metasearch
- OCPs
- Traditional & Digital Publishing
- Podcasting
- Video Game Studios & Publishers
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

Rapid Diagnostic: Understand the Starting Point

- What are the specific AI technologies which are emerging in the category/vertical?
- How are these changing and disrupting customer behaviour?
- How are your competitors responding to this?
- Do you see any AI-enabled substitutes already?
- How are your employees and suppliers leveraging AI today? Where is there further opportunity to evolve workflows and practices?

Static Perspective: Optimise for Today

- How is gen AI shaping your market/competitive position?
- What internal use cases are there for Gen AI to deliver better, faster, or more cheaply?
- What external-facing use cases can enable you to gain a competitive edge?
- What defensive moves are necessary to protect your position?
- What is the right tactical plan to maximise economic benefit, and minimise structural risks?
- What is the best approach to implement these? (ie tools, resources, capabilities, training)

Dynamic Perspective: Optimise for a Changed World

- How will generative AI shape your sector fundamentally?
  - Unmet/emerging needs of your customers?
  - New ‘art of the possible’?
  - Likely competitor moves/substitutes?
- What is your vision? Do you want to be the AI-driven leader, or only keep up?
- What are the key internal pain points which will limit growth / scale? Can GenAI address these?
- What assets & capabilities do you need? How do you build them?
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

<table>
<thead>
<tr>
<th>Content Creation &amp; Production</th>
<th>Publishing, Aggregation &amp; Packaging</th>
<th>Distribution &amp; Monetisation</th>
<th>Marketing &amp; Discovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audio</td>
<td>Podcasting</td>
<td></td>
<td>Marketing Services</td>
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<tr>
<td>Recorded Music</td>
<td>Music Artists and Producers</td>
<td>Music Pub. &amp; Record Labels</td>
<td>Ticketing</td>
</tr>
<tr>
<td>Theatre &amp; Concerts</td>
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<td>Digital Service Providers (DSPs)</td>
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<tr>
<td>Sports</td>
<td>Sports Clubs &amp; Leagues</td>
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<tr>
<td>TV</td>
<td>TV &amp; Film Production</td>
<td>Live Event Production</td>
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<td>Film</td>
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<td>Short Form Video</td>
<td>Short-Form Content Production</td>
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<td>News</td>
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<td>Written</td>
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<td>Video</td>
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<td>Text</td>
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<td>Gaming</td>
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<tr>
<td>Media Technology</td>
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<tr>
<td>Analytics</td>
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NB. Size of box does not correspond to scale.