Everest Group®

Market Report | Interactive Experience (IX) Services

Generative AI – Revolutionizing the Creative Design and Development Process

April 2023

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EGR-2023-64-R-5941

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- Healthcare Information Technology
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- Interactive Experience (IX) Services
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- IT Services Executive Insights™
- IT Talent Excellence
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- Life Sciences Commercial Technologies
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- SAP Services
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01

Introduction and overview

- Research methodology
- Key information on the report

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Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

Function specific pyramid, Total Value Equation (TVE), PEAK Matrix®, and market maturity

02

Primary sources of information

Annual contractual and operational RFIs, provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and providers

Proprietary contractual database of over 680 experience-focused IT contracts (updated annually)

Year-round tracking of 35+ IT service providers and design agencies

Large repository of existing research in Interactive Experience (IX) services

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, providers, technology providers, and industry associations

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Background of the research

- Generative AI (GAI) as a technology has been around for the last five decades; however, recent developments in the maturity of AI models, faster computation power of systems, and the availability of high-quality training data for the models have redefined the technology in 2023
- There is a huge surge of use cases served by custom-built applications on top of the foundational models of GAI and the market is being flooded by a plethora of start-ups in the space
- While big giants such as Microsoft, Google, and Meta fight hard to dominate the GAI landscape, the market is experiencing huge investments from leading experience providers such as Adobe, Salesforce, and Oracle as well
- Enterprises in the financial services space such as Morgan Stanley and retailers such as Levi Strauss have already begun to operationalize multiple innovative use cases of GAI for business
- In this research, Everest Group has taken the opportunity to highlight the potential of GAI for streamlining marketer's content supply chain and optimizing their UI/UX value chain. We also emphasize on the future implications of the technology for both enterprises and service providers
- As the technology still has several limitations when it comes to its full-fledged commercial adoption, both service providers and technology vendors are working relentlessly to mitigate the risks associated with GAI technology

Scope of this report

Geography
Global

Technology
Generative Artificial Intelligence (GAI)

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02

GAI definition, use cases, and adoption

- Technology architecture for implementing GAI
- Use case of GAI
- Start-up ecosystem and unicorns in the GAI space
- Adoption of GAI across tech vendors
- Adoption of GAI across enterprises

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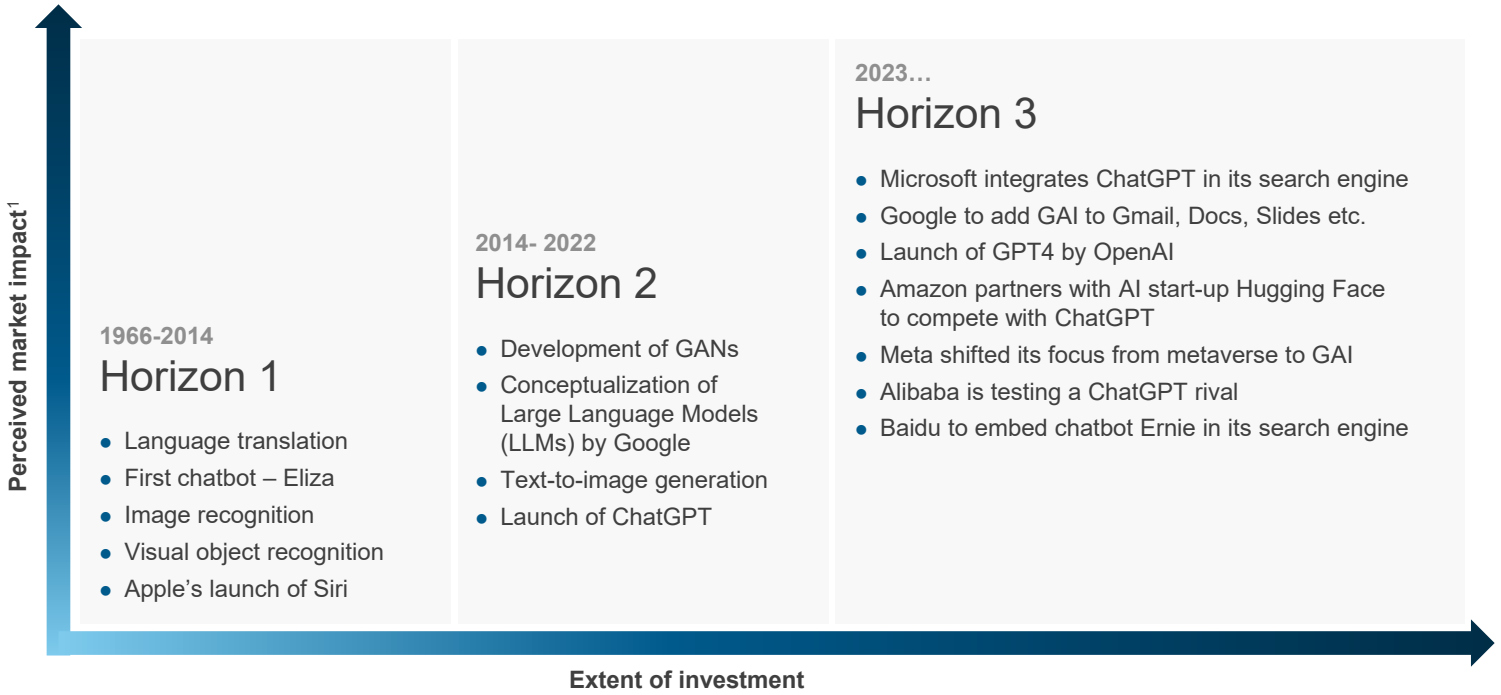
Though GAI has been around for the past five decades, mature AI models, faster computation, and high-quality training data is redefining the technology in 2023

Defining GAI

Everest Group defines Generative AI as a variant of AI technology based on deep learning Generative Adversarial Networks (GANs) and Transformer models, having the ability to provide convincingly unique content in the form of text, imagery, video, audio, and synthetic data

Evolution of GAI by the extent of investment and perceived market impact



Factors responsible for exponential GAI growth in Horizon 3

- Faster computation with TPU by Google for 275 Tera operations per second
- Mature AI models with more than 175 billion parameters (GPT4) by Open AI
- Growth in high-quality large classified training data sets such as the 800GB dataset, The Pile by Eleuther AI

1 Impact is measured in terms of the ability to drive efficiency (in operations/processes to extract productivity gains), effectiveness (direct impact on top/bottom-line growth), and experience (enhanced stakeholder experience).

Source: Everest Group (2023)

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GAI is built on a three-layered architecture comprising infrastructure, AI models, and the end-user application interface

Infrastructure layer | Model layer | Application layer

Applications with proprietary AI models

End-user facing applications with proprietary GAI models built in the application from scratch

ChatGPT | Codex | DALL-E

Applications based on the existing AI models

Applications built on open-source GAI frameworks or libraries, such as TensorFlow and PyTorch

runway | wordtune | copy.ai

General AI Models

AI models that aim to replicate human-like thinking and decision-making processes

GPT-3 | DALL-E-2 | Whisper | Stable Diffusion

Specific – AI models

Models trained on specialized data for specific tasks such as generating ad copy, tweets, song lyrics, and 3D art

Localized AI models

Model trained on hyperlocal data such as generating e-commerce images aligned with a company's brand

Cloud infrastructure

Cloud computing for scalable resources and storage capacity for developing and deploying complex AI models

aws | Azure | Google Cloud | CoreWeave

Hardware infrastructure

Specialized processors such as GPUs or TPUs to handle complex computations for AI training and inference

NVIDIA | Google | intel | AMD

Source: Everest Group (2023)

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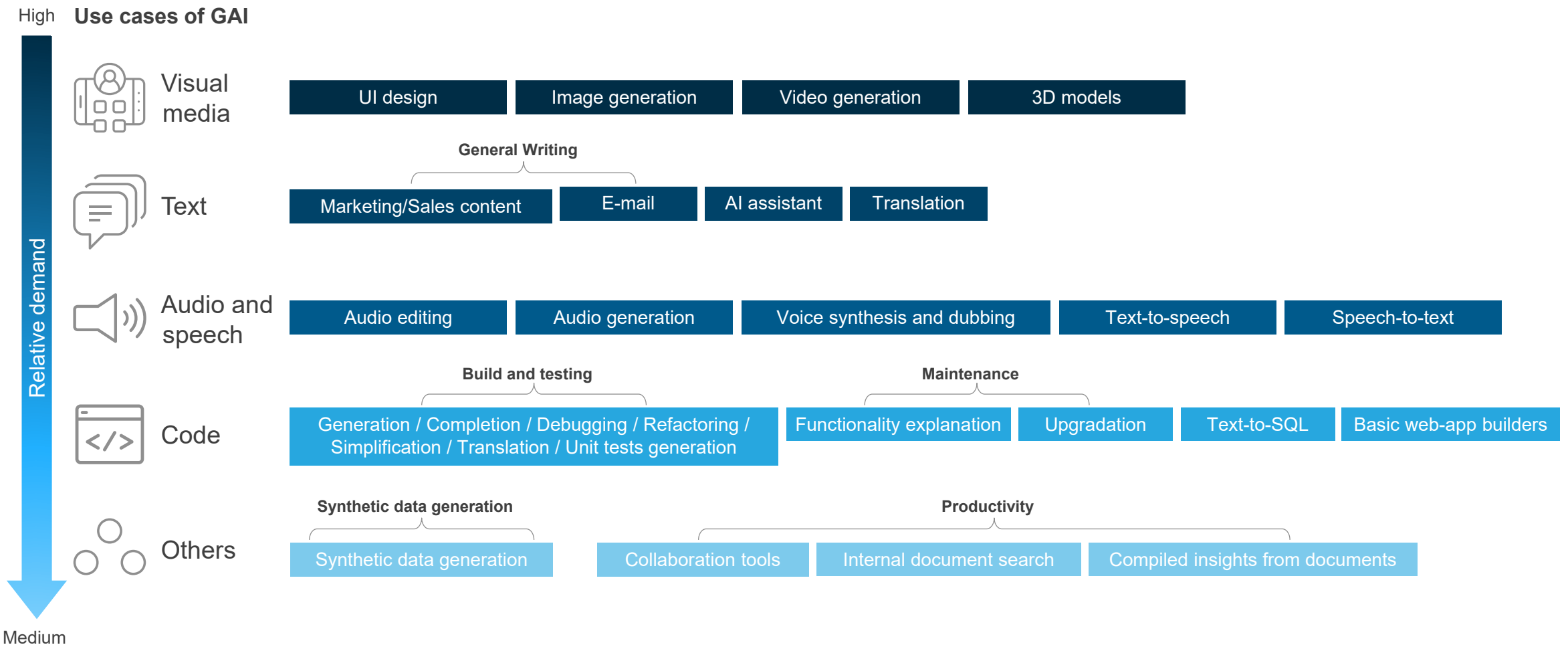
The evolution in GAI technology has flooded the market with a plethora of applications built on the intelligent model layer and serving multiple impactful use cases



Source: Everest Group (2023)

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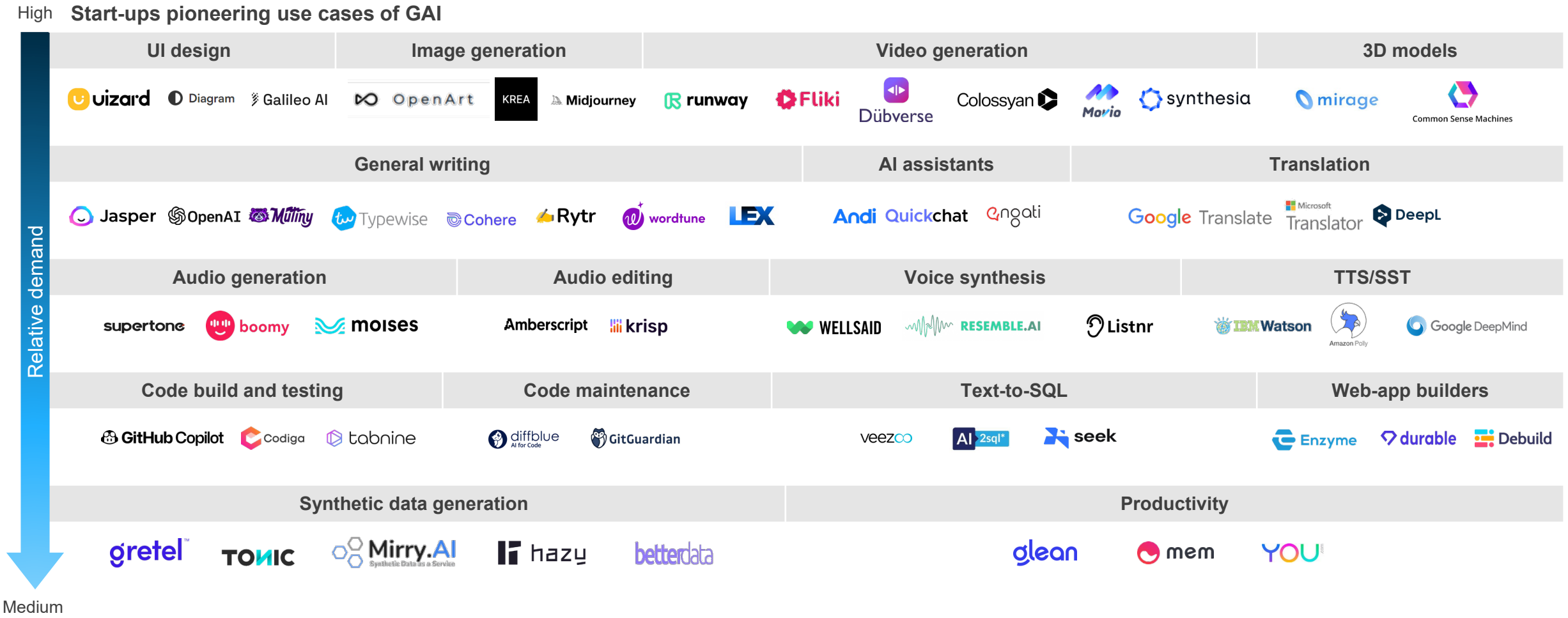
With a plethora of use cases, the GAI ecosystem is experiencing a revolution with more than 300+ start-ups in the space



Source: Everest Group (2023)

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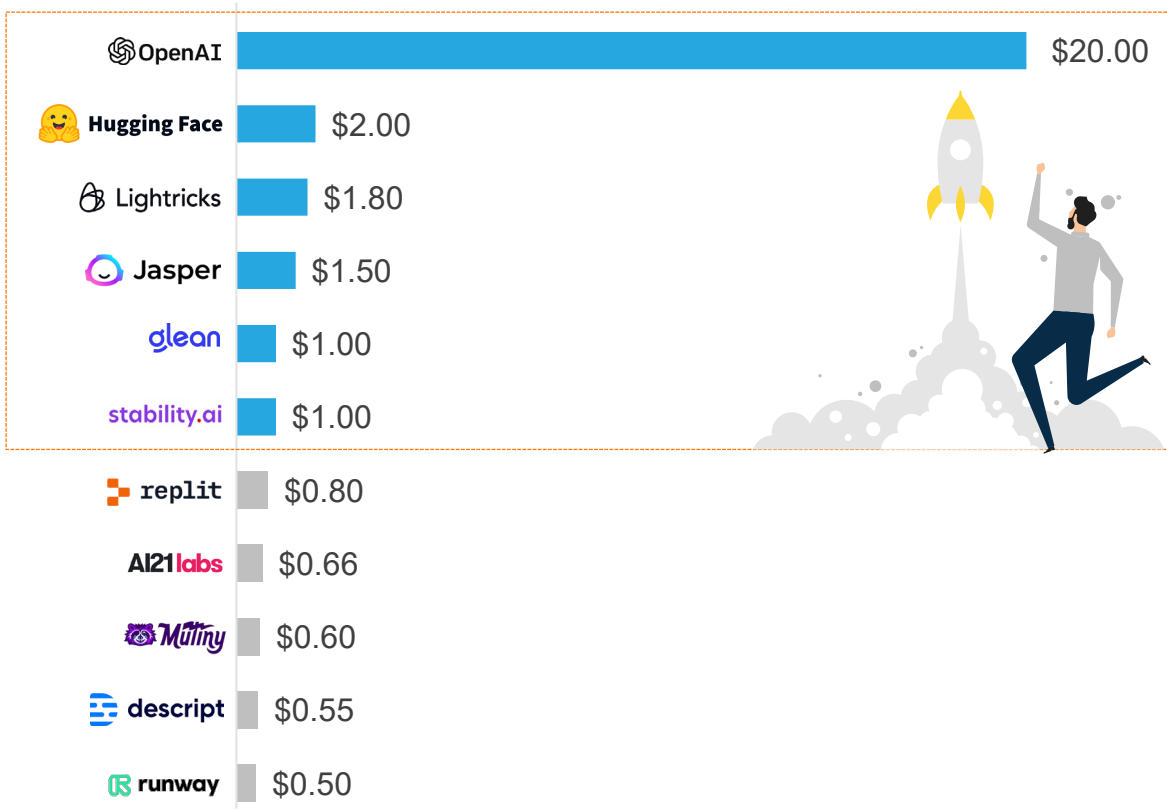
Among the high-growth GAI start-ups, some have emerged as the unicorns of the space by operationalizing unique use cases and gaining the first-mover advantage

Top start-ups in the GAI ecosystem as per disclosed valuations of 2022 in billions



	Founded in	Last funding round	Use case	Products
OpenAI	2015	US$2 Billion, Jan 2023	Chat and text to image	ChatGPT and DALL-E
Hugging Face	2016	US$100 Million, May 2022	Data science platform	Hugging Face Hub
Lightricks	2013	US$130 Million, Sep 2021	Visual editing	Facetune, Image Leap
Jasper	2018	US$125 Million, Nov 2022	Creative text	Jasper
glean	2019	US$100 Million, May 2022	Productivity	Workplace search
stability.ai	2019	US$101 Million, Oct 2022	Text to image	Dream studio
replit	2013	US$350 Thousand, Mar 2022	Code writing	Replit Ghostwriter
AI21labs	2017	US$64 Million, Aug 2022	Rephrasing	Wordtune
Mutiny	2018	US$50 Million, Mar 2022	Sales conversion	Mutiny
descript	2017	US$50 Million, Nov 2022	Audio/Video editing	Descript
runway	2018	US$50 Million, Dec 2022	Text to image, image to image	runway

Source: Everest Group (2023)

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While the big giants fight hard to dominate the GAI landscape, the market is receiving significant investments from leading experience providers as well

Microsoft

- Invested US$1 billion in OpenAI in 2019 and again another US$10 billion in 2023
- Embedded ChatGPT in its Bing search browser and workplace productivity tools

Google

- Announced a host of new AI-powered features on its Workspace apps, including Google Docs, Gmail, Sheets, and Slides
- Opened its AI language model PaLM to challenge OpenAI and GPT-3

amazon

- Partnered with ChatGPT's rival The Hugging Face in February 2023
- Has existing partnerships with Stability AI, the maker of image generation tool Stable Diffusion and the Israeli AI company AI21 Labs for its text capabilities

IBM

IBM's launched its first AI-optimized, cloud-native supercomputer, Vela for training large-scale AI models

Meta

- Released the Meta Advantage+ suite of tools, which relies on AI to help marketers with creatives, placement, and targeting
- Shifting its focus from metaverse to GAI

Baidu

ERNIE Bot is a new-generation Large Language Model (LLM) and GAI product developed by Baidu

Snapchat

Snapchat released its own chatbot called My AI powered by ChatGPT

salesforce

Salesforce has announced the launch of Einstein GPT, a GAI tool for Customer Relationship Management (CRM)

NVIDIA

Announced a set of cloud services that aid in building, refining, and operating custom LLM and GAI models that are trained with proprietary data and created for their unique domain-specific tasks

Adobe

- Announced a family of GAI models, Firefly to be integrated with creative tools such as Photoshop, After Effects, and Premiere Pro
- Embedded tagging in AI-generated content to be used for commercial purposes

shopify

Launched Shopify Magic, an AI tool to help merchants generate product descriptions on their web pages without any external support

ORACLE

Oracle has partnered with NVIDIA to enable the deployment of critical NVIDIA AI applications on the latest Oracle Cloud Infrastructure (OCI) Supercluster

Source: Everest Group (2023)

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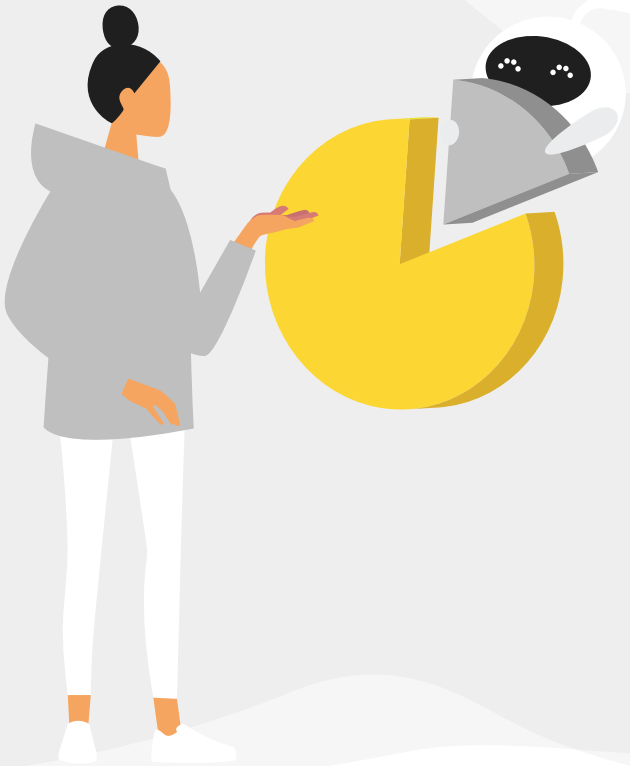
Enterprise pioneers have also begun to adopt GAI in multiple innovative ways



MORGAN STANLEY
Developed an internal-facing chatbot powered by GPT4 that searches the wealth management content repository, by unlocking the company's collective knowledge.

INSILICO MEDICINE
Insilico Medicine is using its GenAI platform called “Chemistry42” to generate novel chemical compounds for new medicines

LEVI STRAUSS
Levi Strauss has partnered with Lalaland.ai to design hyper-realistic AI-generated model avatars to promote diversity in body type, age, and skin color

SKIDMORE, OWINGS & MERRILL (SOM)
SOM is an architecture firm that has created its own GenAI tool called “SOM Computational Design” to generate design options for buildings

GOVERNMENT OF ICELAND
The Government of Iceland has partnered with OpenAI to preserve the Icelandic language by using GPT4. The government aims to improve GPT-4's abilities for the Icelandic language and create resources for preserving other low-resource languages.

Source: Everest Group (2023)

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03

Impact on the marketer’s content strategy

- Definition of the marketer’s content supply chain
- Challenges in the marketer’s content supply chain
- Roadmap for the optimization of the marketer’s content supply chain through GAI
- Importance of a human lens for customer-ready GAI content

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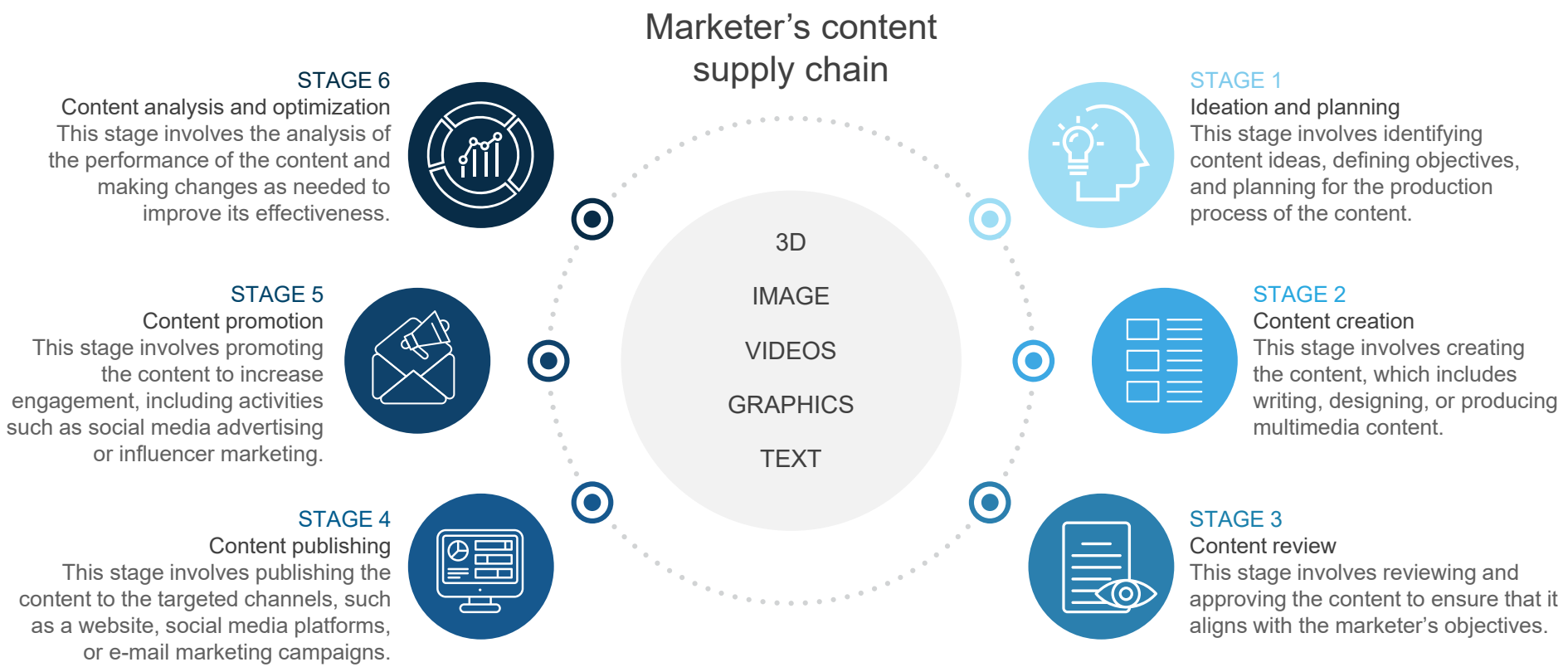
Being caught in the rat race for personalization at scale, brands are relentlessly trying to optimize their content supply chain for a continuous supply of real-time content at scale



Channels of content distribution:

- Social media
- Advertising
- E-mail
- Search engines
- Websites
- Mobile-app
- Chatbots

Source: Everest Group (2023)

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In the journey to manage the content supply chain at scale, marketers face several high-risk challenges

High-risk challenges faced by marketers

Complexity

As the content supply chain grows, there are high chances of it becoming more complex and difficult to manage between multiple stakeholders, teams, and departments being involved in the process, as well as an increased volume of content and channels for distribution.

Resource constraints

In order to effectively manage the content supply chain, there is a need for an increased number of resources, including time, money, and personnel. This can be a challenge for smaller organizations or those with limited budgets.

Quality control

It is challenging to control the quality of large-size content. It is important to establish clear guidelines and processes for content creation, review, and approval.

Consistency

It can also become difficult to maintain consistency in messaging, tone, and branding in the content, especially if multiple teams are involved in the content creation process.

Scalability

The content supply chain needs to be designed to scale as the organization grows by including agile processes, using flexible tools and technologies, and anticipating future needs and challenges.

Source: Everest Group (2023)

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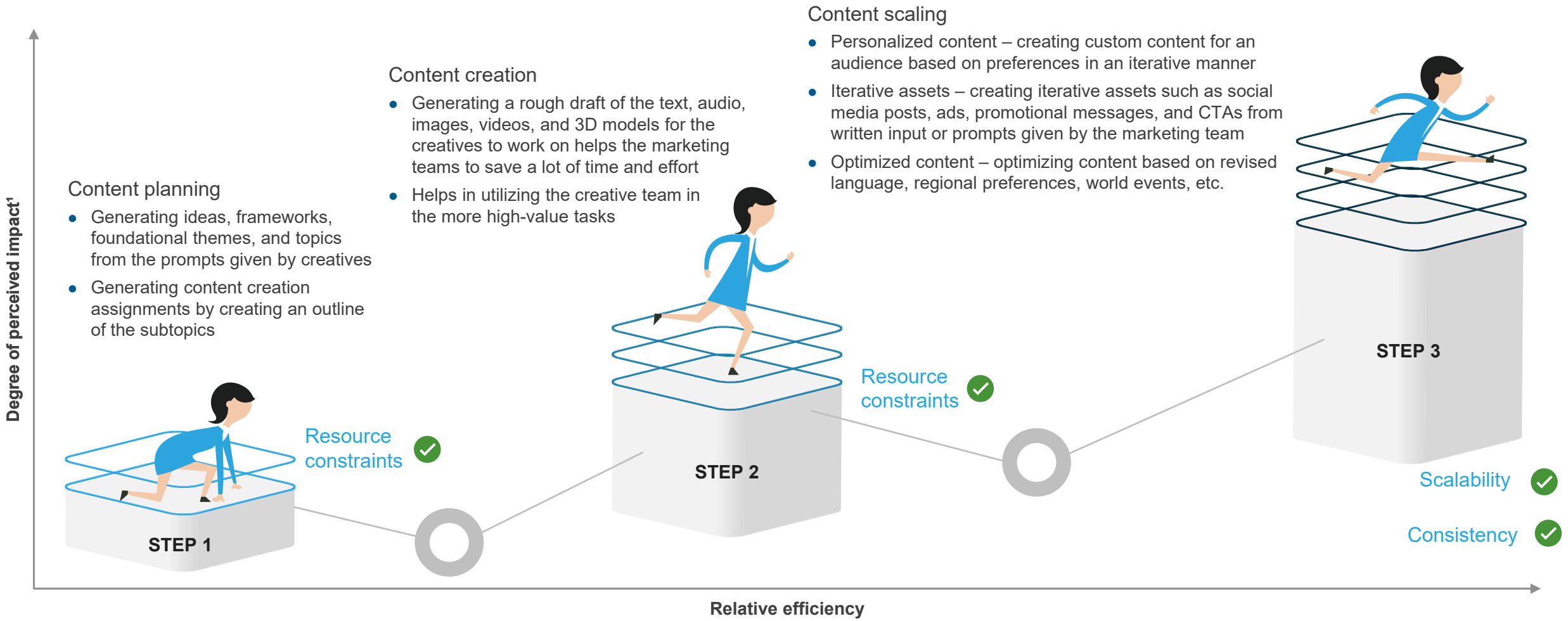
GAI has the potential to continuously mitigate major challenges to optimize the content at scale for the increased efficiency of the marketing teams



1 Impact is measured in terms of the ability to drive efficiency (in operations/processes to extract productivity gains), effectiveness (direct impact on top/bottom-line growth), and experience (enhanced stakeholder experience).
Source: Everest Group (2023)

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Though GAI can replace certain repetitive marketing jobs, customer-ready content will continue to require a human's creative lens

	Step 1: Content planning	Step 2: Content creation	Step 3: Content scaling
Source	ChatGPT	Stable Diffusion	Stable Diffusion
Input	Suggest ideas for a toothpaste Ad?	Create a cavity protection toothpaste ad	Create a cavity protection toothpaste ad for Chinese customers
Output	"Steer clear of cavities and keep your smile sweet." "Fight cavities and brighten your smile all at once." "Affordable, fast-acting toothpaste with mint flavor." "It's paste! It's white!" "Micro-fine abrasive polishing formula." "Cavity protection that tastes great." "New formula, new taste." "Kiss your dentist goodbye."		

There is still a lot of human-led fine-tuning and enhancement that is required in the content before it goes to the customer; however, technology has a drastic impact on the time to the customer. The quality of output from the technology would now depend on the skill to generate targeted prompts, which translates to the closest desired output.

Note: Images are generated by using the publicly available website version of the Stable Diffusion application
Source: Everest Group (2023)

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04

Impact on the marketer's UI/UX strategy

- Challenges faced by front-end development teams
- Leveraging GAI for mitigating UI/UX development challenges

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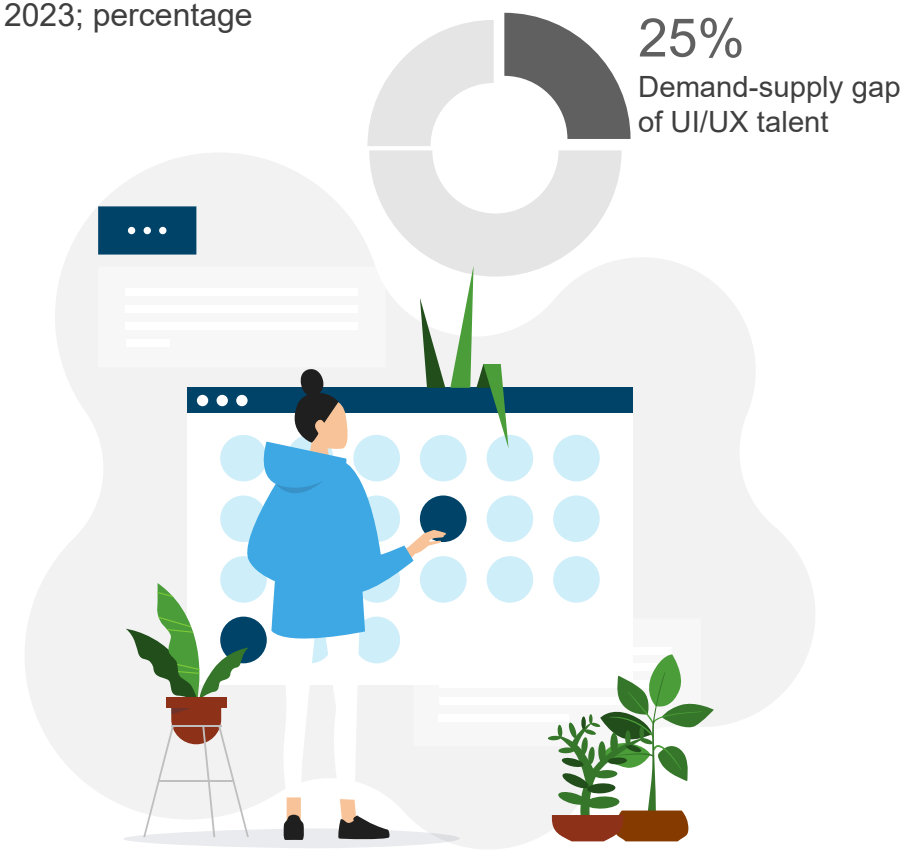
In order to pacify the effects of the persistent talent shortage in the area of UI/UX design, enterprises need to identify and mitigate the challenges faced by the internal teams

UI/UX talent demand
2023; percentage



Analyzing the challenges faced by the UI/UX teams

1. Constantly and rapidly changing frameworks, tools, and programming languages
2. Cross-platform optimization of code for different screen sizes and resolutions
3. Consistent personalized dynamic user-experience design
4. Advanced prototypes for testing design before initiating the development process
5. Consistent performance optimization of the user interface through bug testing

Source: Everest Group (2023)

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GAI can be a significant blessing for optimizing the UI/UX development value chain; brands need to make significant strides in incorporating the technology in their current workflows

Increasing the efficiency of the front-end team

1 USER RESEARCH

GAI can analyze user behavior and preferences for creating personalized user experience flow diagram.

2 DESIGN

- GAI can generate design and dynamically update the design of the UI based on real-time upgrades in user data
- Help teams collaborate in the design process

3 PROTOTYPING

- GAI can generate web-app like prototypes for design team approval
- Reduce the effort of multiple iterations between design and development teams by increased prototype accuracy

4 DEVELOPMENT

GAI can be used for code generation and language translation, code refactoring and completion, and code screen and resolution optimization

5 TESTING

- GAI can generate test cases to reduce testers' manual efforts
- Bug fixing to optimize UX performance

Source: Everest Group (2023)

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05

Risk and the future roadmap of GAI

- Current risks associated with GAI
- Efforts being taken to mitigate GAI adoption risks
- Highlight on the emerging human-machine creative loop
- Future potential of the GAI technology

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While leaders are proliferating strong positive messaging around GAI, the technology currently has a significant amount of risk associated with its commercial adoption

Relative degree of complexity Low → High

Cost

Technology cost – building and deploying GAI models can be expensive, particularly if large amounts of data or specialized hardware are required.
Environmental cost – complex and huge AI models running behind the GAI engines require a humungous computation and storage capacity, which leads to a multifold increase in the carbon footprint from these technologies

Legal and ethical

Accountability – a lack of source attribution and degree of confidence has led to several lawsuits against the technology because of copyright issues and accuracy concerns

Bias – while training on large sets of data, the model tends to replicate biases in its source. While ChatGPT has content moderation guardrails in place to prevent sexual, hateful, or violent content, these filters can be easily bypassed by rephrasing the prompts. On the user's side, since GAI is programmed for being overly confident about its output, it can cause a hallucination bias in the user's mind where he tends to completely trust the information provided by these systems without checking its credibility. This can further lead to the Eliza effect where users start personifying the GAI system and thus over-estimating its overall capabilities

Privacy – the technology it feeds on is publicly available, which can cause the following privacy concerns:

- No consent is being taken from individuals for the scraped data
- Individuals do not have the right to ask if their PII data is being used
- Individuals do not have the right to delete their data
- Individuals are not being compensated for the usage of their data (even if it is not copyrighted)
- Prompts contain sensitive information which can be further used to train the model
- Sharing of PII data with third-party vendors
- Products using the technology are not compliant with most privacy standards such as GDPR

Skill gap

There is a shortage of skilled AI professionals who are capable of building and deploying GAI models, which can make it difficult for organizations to adopt these technologies.

Training data

Data quality – the GAI models require high-quality training data for increasing the accuracy of output, which can be difficult to source

Data quantity – the efficiency of the GAI models also depends on the breadth of training data, the labeling of which can be a very time-consuming and expensive affair

System integration

Integrating GAI into existing systems and workflows can be difficult, especially if those systems were not designed to work with AI.

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Researchers are relentlessly trying to mitigate challenges pertaining to the commercial adoption of the technology, but are unable to find the way forward with some

Relative complexity of solutions

Plagiarism checkers and GAI content auto-tagging
The technology for checking the content created by GAI has already been developed by some of the major players such as Adobe and Salesforce for ensuring the commercial usability of the GAI content.

Compensation structure for creatives
Companies such as Adobe and Salesforce have already come up with robust compensation structures for creatives for mitigating copyright issues and increasing the continuous flow of authentic training data.

Addressing the skill gap in GAI
Companies such as IBM, Microsoft, and Google are investing heavily to upskill employees on GAI skills and aim to shorten the skill gap in GAI by 2030.

Training with customized data
Though the accuracy of open-source models such as GPT4 is still questionable, training the GAI models with custom data increases the reliability of output to a great extent.

Fair-representation learning models
Although not commercialized, Google has introduced the first fair-representation learning method called LASSI for GAI models to be able to segment similar data to mitigate bias.

Relying on cleaner energy sources
Though the adoption of green energy for GAI is the core strategy to mitigate the AI carbon footprint, efforts across enterprises still remain sluggish for the same.

Questions that are still haunting the GAI pioneers

Does GAI require organizational restructuring?

How to reduce GAI carbon footprint?

Can GAI replace creatives?

Will GAI get cheaper?

Do I need to replace resources with GAI?

What about PII data?

Will GAI become GDPR compliant?

Is GAI 100% accurate?

Source: Everest Group (2023)

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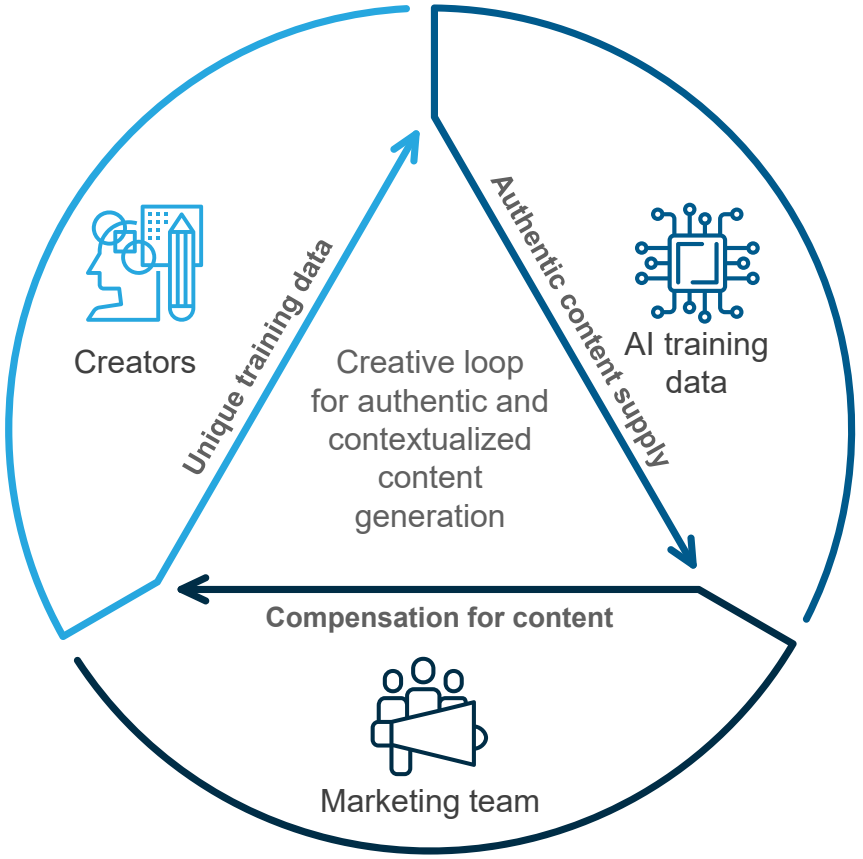
Creating an ecosystem for authentic content is the way forward; pioneers in the industry are taking baby steps for enabling long-term commercial usability of GAI content

Human-machine collaboration for authentic and customized GAI content supply

Adobe has taken significant efforts in creating this ecosystem with its recently launched Firefly product, which is going to be a backbone GAI technology for the Adobe Creative suite of products.



Key takeaways from the GAI content ecosystem

Human-machine collaboration is the future

GAI models need a constant supply of authentic content created by a human lens to ensure the uniqueness and quality of the output.

Contextualized content is the need of the hour

GAI models need to create content that resonates with the brand messaging, style, and goals, which require inputs from humans for generating customized outputs.

Compensating the creatives

Creating an ecosystem of creatives along with the GAI infrastructure is essential, and therefore establishing robust compensation models for the creatives would be essential to incentivize them to continue their contribution.

Source: Everest Group (2023)

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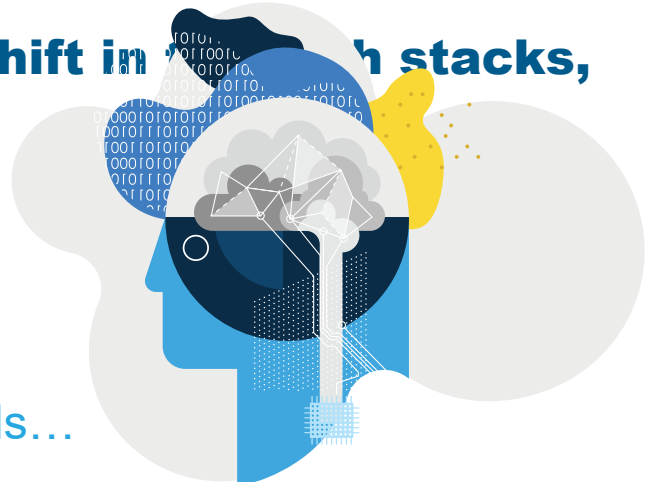
As the GAI technology matures, the industry will see a paradigm shift in [illegible] stacks, organizational structures, use cases, and governance models



	Today…	What the future holds…
Technology stack	• Computation on GPUs/CPUs hardware • Deployment on servers/cloud • Limited interoperability	• Computation on TPUs • Seamless integration with NLP, computer vision, and other AI tech • Edge-based deployment on IoT devices/smartphones
Organizational structure	• Hierarchical structure • Siloed teams • Maximum focus on technical expertise	• Flat structure • Collaborative teams • Equivalent focus on techies, creatives, and domain experts
Use cases	• Content creation • Product design • Chatbots	• Personalized recommendations • Autonomous driving • Medical diagnosis and treatment suggestion • Cybersecurity threat prevention
Governance	• Multiple scattered governance initiatives • No universally agreed-upon governance framework	Collaboration between governments, organizations, and other stakeholders on the development and implementation of global standards for GAI

Source: Everest Group (2023)

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06

Implications for service providers and enterprises

- Implications for service providers
- Implications for enterprises

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GAI has taken the industry by storm and enterprises need to act quick to respond to this revolutionary technology disruption

01

Embrace

Understand the opportunities and risks associated with GAI. Educate and engage internal stakeholders on the benefits and pitfalls as they will soon seek advisory services around the potential of GAI.

02

Identify use cases

Enterprises need to evaluate their current processes and identify relevant use cases for GAI and establish the scope of the use cases.

03

ROI analysis

Cost to benefit analysis of the technology adoption is necessary for extracting maximum value out of the investment in GAI use cases.

04

Capabilities

Enhance technical and operational capabilities in GAI technology to generate business value for operationalizing use cases.

05

Governance

Create a governance framework across the organization to mitigate the risks associated with compliance, privacy, and legal aspects of GAI.

06

Partner

Partner with technology and IT service providers to leverage their skilled talent pool in GAI to achieve economies of scale.

Source: Everest Group (2023)

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Enterprises aiming to attain scalable GAI adoption would require consistent hand-holding from service providers

Build use case repositories for identifying and building the required technical skills and capabilities.

Evaluate the ecosystem and move beyond immediate tech partners to evaluate innovative partners and start-ups offering platforms and services around GAI.

Create multi-disciplinary teams in addition to those with core tech skills; hire creatives and domain experts.

Revamp internal business applications by integrating them with GAI technology to enhance team productivity

Create thought capital in collaboration with the ecosystem to educate the market on the long-term benefits of GAI adoption.

Build a GTM structure and devise a use case-specific, geography-driven, and advisory-led verticalized GTM strategy to target a wider spectrum of GAI demand themes.

Source: Everest Group (2023)

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07

Appendix

- Glossary
- Research calendar

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Glossary of key terms used in this report

CRM	Customer relationship management is a technology used to manage all engagement activities with a company's existing and future customers to promote business growth
GAI	Generative artificial intelligence is a disruptive technology that can create content through human-led prompts
GPU	A graphics processing unit is a computing engine that helps in processing graphics, effects, and video
GPT	Generative pretrained transformer is a language model developed by OpenAI, which is revolutionizing Natural Language Processing (NLP)
GTM	A go-to-market strategy is a well-developed action plan that specifies how a company will reach its target customers and move ahead of its competitors
TPU	A tensor processing unit is a computing engine developed by Google for neural network machine learning using Google's in-house TensorFlow software.

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Research calendar

Interactive Experience (IX) Services

Published | Planned | Current release

Reports title	Release date
Digital Experience Platform (DXP) Products PEAK Matrix® Assessment 2021	August 2021
Digital Marketing's Reckoning with Privacy	October 2021
Digital Interactive Experience (IX) Services PEAK Matrix® Assessment 2022	February 2022
Digital Commerce Platform Trailblazers: Top 15 Start-ups Redefining Shoppable Experiences	March 2022
Emergence of CDPs: Charting the Path to Data-driven Personalization	July 2022
Adobe Services PEAK Matrix® Assessment 2022	September 2022
An Enterprise Guide to Building Scalable Digital Product Experiences	January 2023
Metaverse: the New Gateway to Enhance Stakeholder Experience	February 2023
Digital Commerce Platform PEAK Matrix® Assessment 2023	March 2023
Digital Commerce Platform – Provider Compendium 2023	April 2023
Generative AI – Revolutionizing the Creative Design and Development Process	**April 2023**
Customer Data Platform PEAK Matrix® Assessment 2023	Q2 2023
Digital Experience Platform PEAK Matrix® Assessment 2023	Q3 2023
Marketing Cloud Vendors PEAK Matrix® Assessment 2023	Q4 2023

Note: Click to see a list of all of our published Interactive Experience (IX) Services reports

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