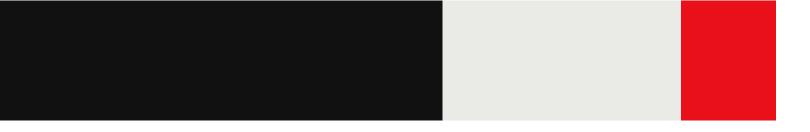# 5 developments to watch on the generative AI startup front

Article

Tech's hot topic: The generative AI startup scene outshines the tech industry slump. Here are the latest moves:

OpenAI: Its latest **ChatGPT upgrade is a web browser plug-in** that allows the bot to **access real-time information**.

- Its API integration also allows it to **fulfill user requests** like flight booking.

- The changes will likely **enhance the chatbot's commercial utility**.

  Character AI: Founded by former **Google** researchers, the startup **reached unicorn status** after a recent **$150 million** funding round.

- The company's role-playing chatbots that personify any living or dead, real or imagined people showcases **generative AI's lucrative entertainment potential**.

  Neo: The startup accelerator **partnered with OpenAI and Microsoft** to offer free software, **Azure** cloud access, and advice to AI startups.

- The move underscores **leading AI players' desire to influence the next wave of startups, gain them as clients, and incentivize talent** with AI skills to build on existing models.

  Rewind: The startup launched its **GPT-4-based chatbot** that runs in the background on users' computers to retrieve any data like meetings, tasks, emails, documents, and browser history.

- **We'll likely see more demand for such personalized chatbots, as well as rising concern about privacy implications.**

  Google: Its cloud division is **offering generative AI startups $250,000** in cloud credits, free technical support, and advice.

- It enhances the company's **Build with Google Cloud AI** program to assist companies in building, deploying, and using AI models.

- **The aim is to compete with Microsoft and Amazon on the cloud front by being the destination cloud provider for all things AI.**

  Market consolidation on the horizon: A flurry of startups entering the generative AI arena obscures the likely reality that the sector is headed toward a monopoly.

- Even with millions in funding, the high cost of entry into the generative AI market means that the field is far from democratized—a reality that **Nvidia's new pricey chips** won't change.

- Steep costs also mean **startups are likely operating at a loss** to **gain market volume as a strategy for eventual profitability.**

- Market capacity is limited, and a few successful survivors will be [primed for Big Tech acquisition](#) unless regulators step in.

Venture Capital Investment in Generative AI Worldwide, by Industry Segment, 2021-2022

millions

Text (48 deals)	**$852**
—Social media & marketing content	$317
—Cross-functional (APIs)	$249
—Summarization	$199
—Customer support	$65
—Sales email & outreach	$15
—Personal writing & storytelling	$6
Visual media (58 deals)	**$822**
—Enterprise AI avatars	$253
—Consumer social apps & tools	$133
—Photo & video editing tools	$131
—Synthetic training data	$126
—Images & NFTs	$114
—Graphics & product design	$22
—Hyper-real deepfake videos	$15
—Motion capture animation	$14
—Visual ads & marketing	$10
—Lip sync & video personalization	$4
Generative interfaces (20 deals)	**$586**
—Human-machine interfaces	$290
—Productivity & knowledge management	$211
—General search	$85
Speech & audio (26 deals)	**$212**
Code (20 deals)	**$140**

Note: based on an analysis of 210+ generative AI companies building cross-industry enterprise solutions; excludes deals to industry-specific companies and model developers such as OpenAI; reflects activity for 2-year period of 2021-2022
Source: CB Insights as cited in company blog, Jan 25, 2023

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