

# Why the FTC's warning to advertisers about generative AI matters

## Article

**The news:** The Federal Trade Commission (FTC) is advising advertisers of AI products not to make promises they can't keep.

- The agency has cautioned companies against making false or exaggerated claims about artificial intelligence (AI) capabilities in their advertising.

- In a blog post titled “Keep your AI claims in check,” **Michael Atleson**, an attorney with the FTC’s Division of Advertising Practices, stated that **AI is a “marketing term”** that is **subject to overuse and abuse**.
- Companies are warned against making misleading claims about what AI can do in its current state and using the AI label to justify inflating prices or influencing labor decisions.

To combat this (perceived) threat, the FTC plans to create a new department and increase the number of technologists it employs by more than double to keep up with major players in Silicon Valley.

**The big picture:** The FTC's warning comes amid a surge of interest in AI triggered by new solutions such as **OpenAI’s ChatGPT** language-learning model, which recently received a \$10 billion investment from **Microsoft**.

- OpenAI is working with Microsoft to improve its Bing and Edge offerings and has formed partnerships with **Snap** and **Bain & Company**, among others.
- **Thorny legal issues** have cropped up. **Getty Images** recently **sued Stability AI** for using its collection of over 12 million images to train its AI without permission.
- Despite that, new AI ventures are emerging rapidly, seeking fresh capital during a challenging investment period for technology.

**Case in point:** **Typeface**, an AI workflow product, came out of stealth this week to announce **\$65 million** in funding. The company has developed an AI-powered dashboard for creating marketing copy and images.

- That product combines generative AI with a brand's tone, audiences, and workflows to create personalized content, said CEO **Abhay Parasnis**. Customers can type a command such as "Write a fun blog post about apple juice," and Typeface will produce several paragraphs along with customized images to target specific demographics or align with a brand's style.
- Typeface has customers in industries including marketing, advertising, sales, HR, and customer support. The company claims its platform has safety and governance capabilities and can incorporate brand-specific visual assets.

**It’s not just Typeface. Jasper, Runway, Anthropic, Cohere, and Lensa AI** are just a few of the **450+ startups** that are raising money on account of their generative AI capabilities. Who

looks under the hood to see if there's a “there” there? And should marketers even care?

**Gaining traction:** Generative AI is gaining popularity in advertising, with many marketers seeing it as a game-changer that can aid productivity and creativity.

- Agencies have been using imagery from text-to-image systems such as [OpenAI's DALL-E 2](#) and **Midjourney** to create ad campaigns for clients including **Heinz**, **Nestlé**, and **Bacardi**-owned Martini & Rossi.
- **Coca-Cola** has also recently signed a deal with OpenAI to use ChatGPT and DALL-E 2 to craft ad copy, images, and personalized messaging.
- Marketers are seeing a plethora of use cases for AI, including [email personalization](#).

**Our take:** The FTC is right to warn vendors to keep their AI claims in check—and the comments suggest that there may be future confrontations between regulators and technology firms as they compete in an industry-wide race to develop AI technologies, taking advantage of the OpenAI chatbot's success.

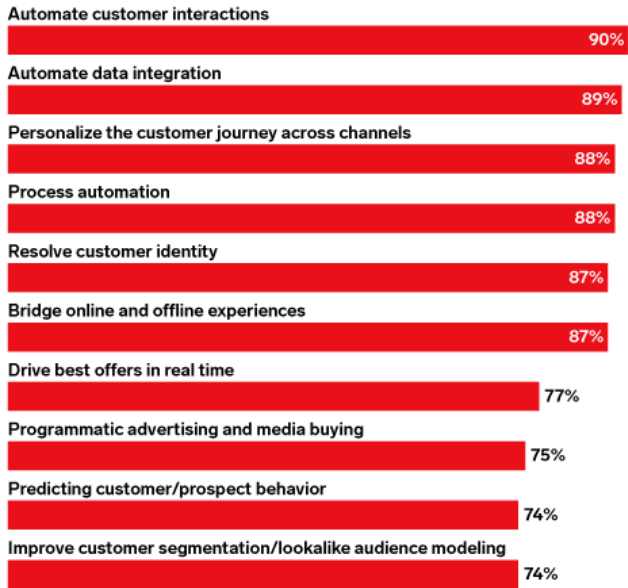
- Advertisers need to be mindful not to get carried away by AI hype, either.
- It doesn't matter if a new ad tech or martech tool is “AI” —what matters is if it helps an organization spend money more efficiently or make money. The label shouldn't matter.

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## AI Uses for Marketers Worldwide, Aug 2022

% of respondents

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Note: among respondents who use AI

Source: Salesforce, "The 8th Edition State of Marketing Report," Nov 1, 2022

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