Generative AI

Beyond Hype: The Reality of adoption at American and Brazilian enterprises

April 2024

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Who we are

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Based in New York

Our conversation goal is to explore the current landscape of Generative AI adoption at enterprises in US and Brazil

Generative AI quarterly cross-industry survey (United States, Oct 23 and Jan 24)

~200 companies

10 sectors

VPs and C level

Revenue 50M to 10+B USD

Generative AI pulse check survey (Brazil, Mar 23)

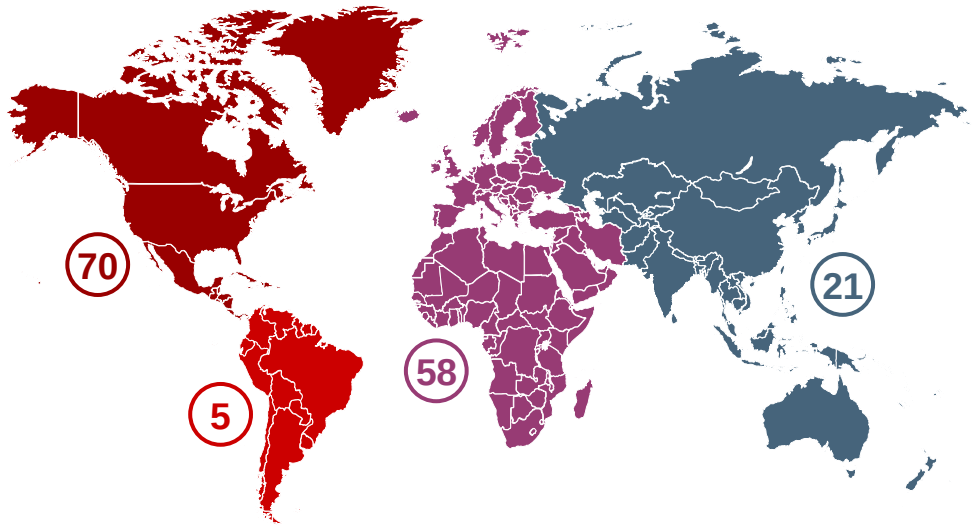
~75 companies

14 sectors

VPs and C level

Revenue 40M to 10+B BRL

Cutting edge Generative AI work with leading enterprises and investors across the world



150+

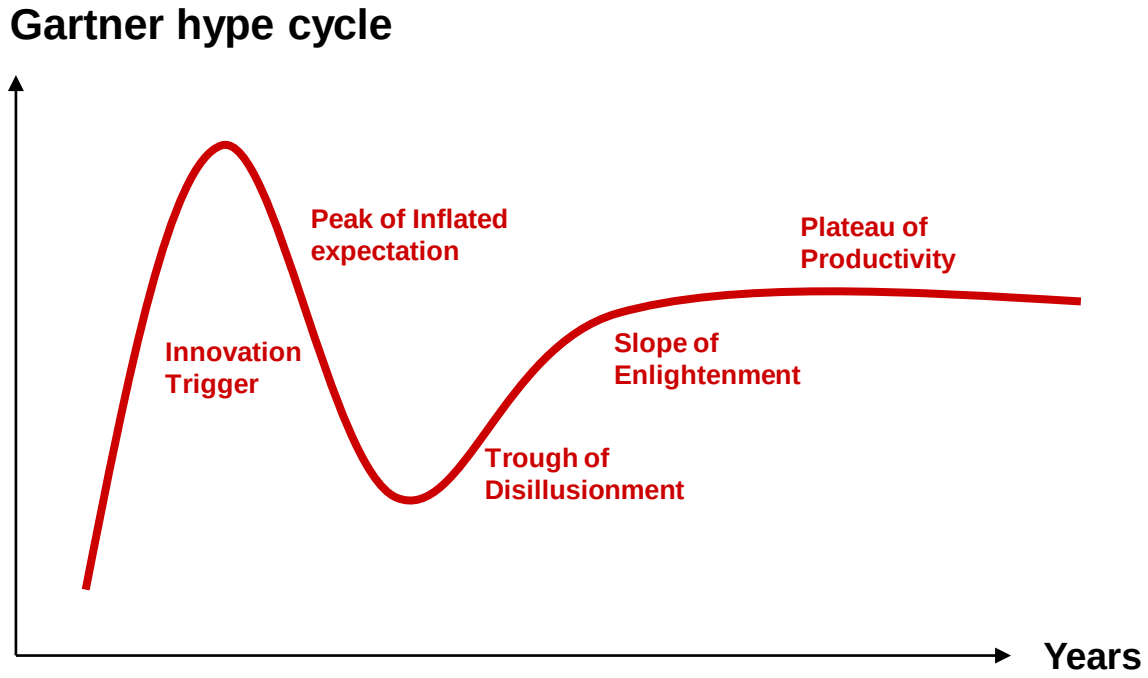
Generative AI projects delivered worldwide

10+

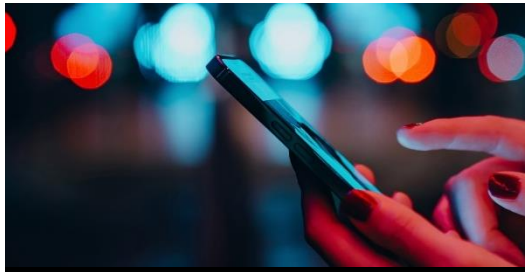
Industries

- Financial Services
- Private Equity
- Healthcare
- Advanced Manufacturing
- Tech. & Cloud Services
- Communications & Media
- Consumer Products
- Energy & Natural Resources
- Retail
- Education

After more than a year after GPT's introduction, where do we stand?



OUR AGENDA FOR TODAY



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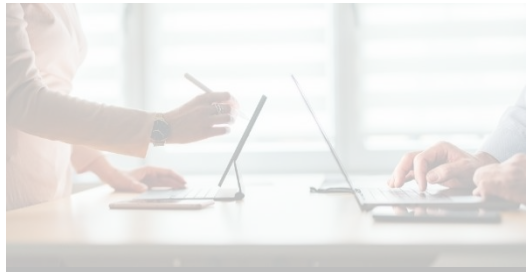

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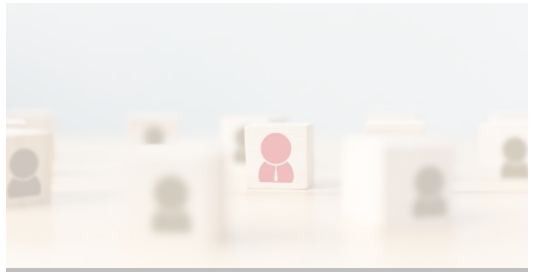
Has it been ROI positive?



What can we learn from the pioneers?

Fonte: Gartner hype cycle

Executives agree GenAI will create substantive change to the basis of competition, leaving those who “wait-and-see” behind

Source: 2023 Bain AI Survey (N = 571)

70-75%

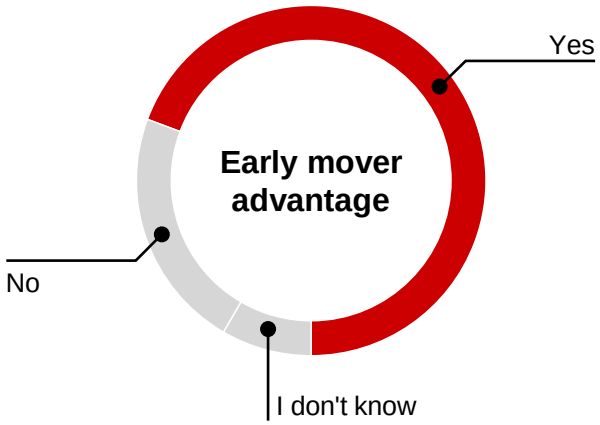
enterprises think AI is changing rules of the game for **customer engagement and business models**

2/3 of the industry participants believe early movers will have a sustained advantage which will not level off

65-70%

think AI will significantly disrupt the **cost structure** in their industries

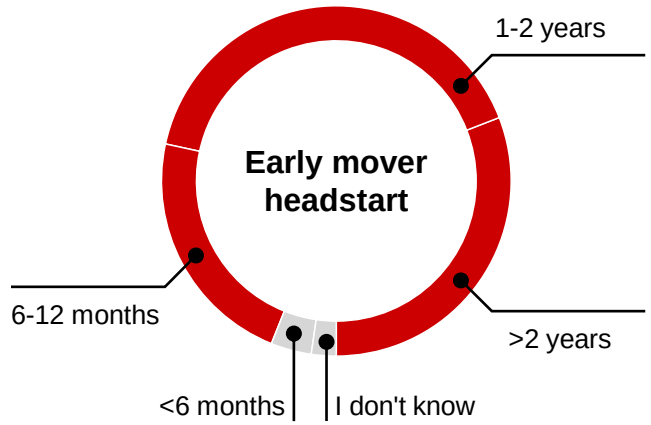
Do you believe these early AI movers will have a sustainable advantage?



60-65%

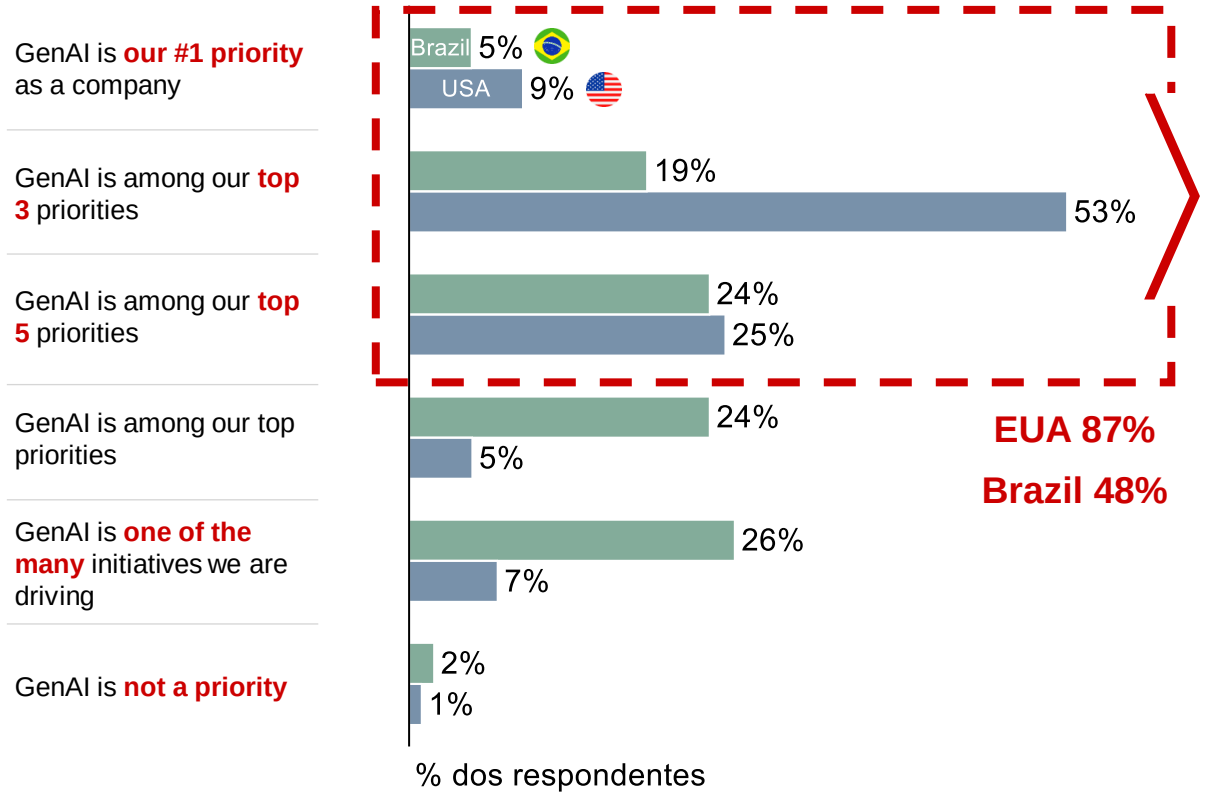
think AI will upend competition in terms of **core product differentiation**

How far ahead would you estimate AI early movers are in your industry?



Most companies elevated GenAI into their most important strategic priorities for 2024

Is GenAI a company priority for 2024?



EUA 87%

Brazil 48%

What are the expected outcomes?

Increasing headcount efficiency / productivity	**76%**	**64%**
Improving customer experience	**69%**	**56%**
Growing revenue	**47%**	**67%**
Faster time-to-maket	**27%**	**44%**

35% of respondents have some GenAI initiative in **their budget for 2024**

Source: 2023 Bain GenAI Survey USA (Qualified, valid N = 198, Oct'23) ; 2024 Bain GenAI Survey Brazil (Qualified, valid N = 75, Fev'24)

While excitement has been large and many have been experimenting with GenAI, it has been hard to move from experiments and pilots to at-scale applications

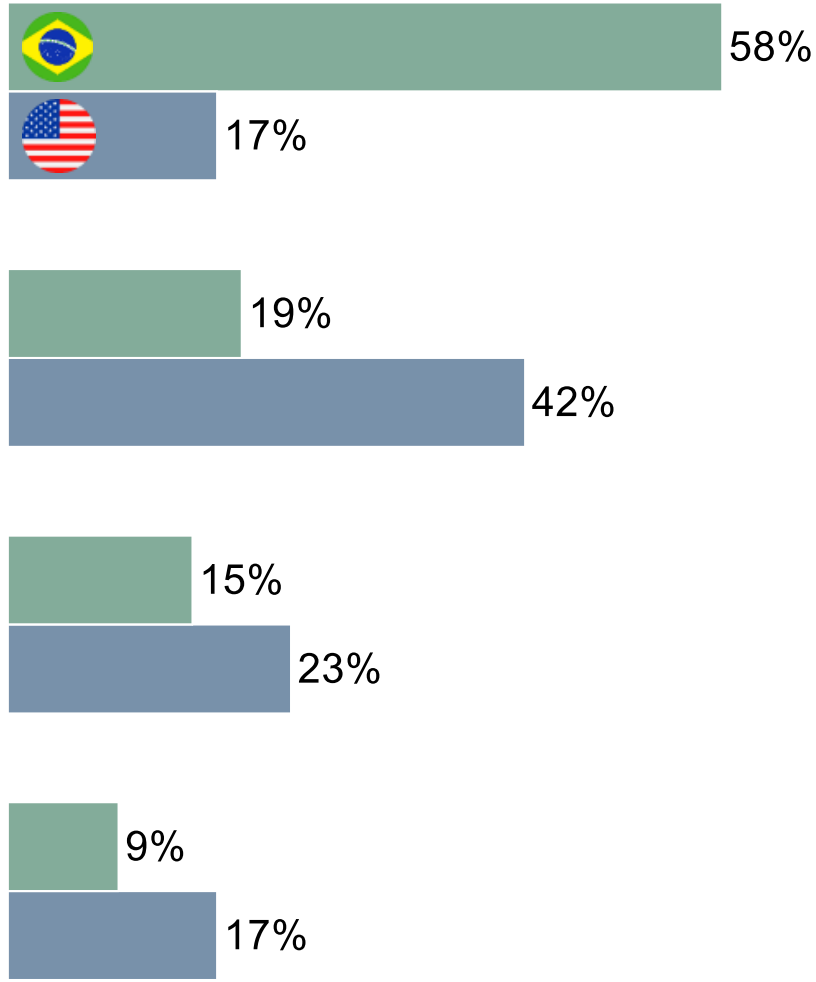
% of respondents who identified within each bucket

Late Adopters
No GenAI experimentation yet

Learners
Companies with very experimental use cases led by Data & Analytics teams

Followers
Companies with a GenAI enterprise agenda but still in development or piloting phases

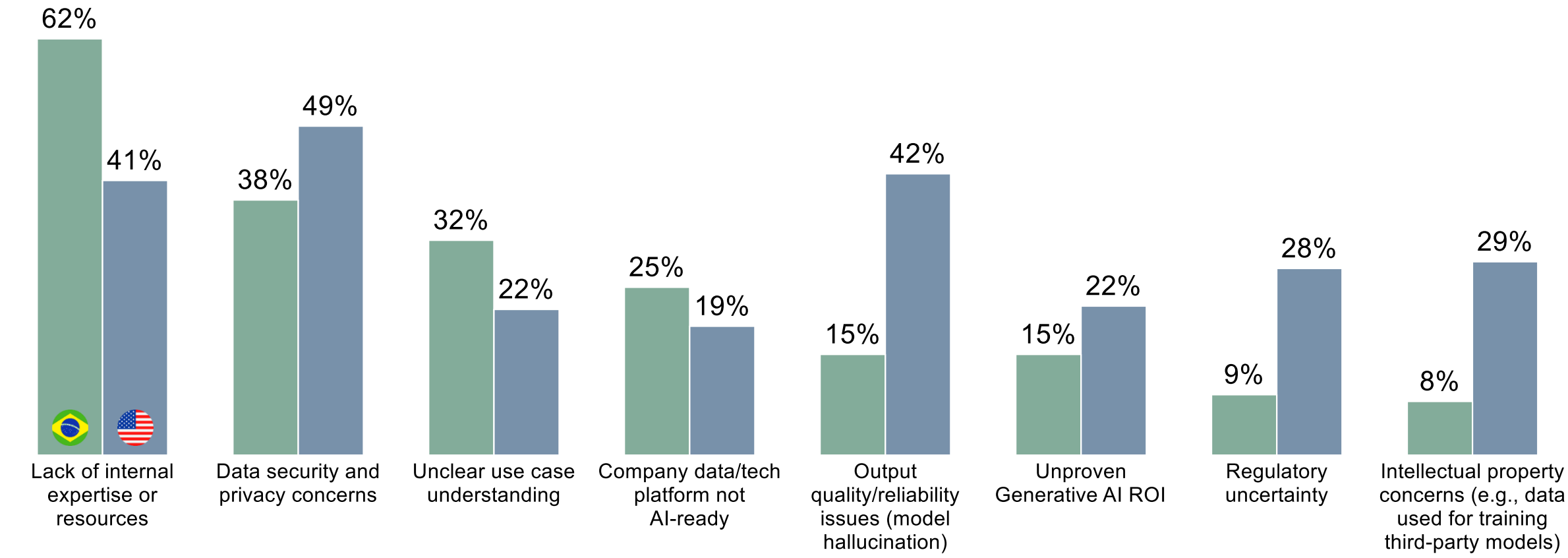
Leaders
Companies with one or more GenAI applications at scale generating value



Source: Bain AI Case Team Survey (2024); Bain TMA survey refresh 2022

Primary barrier to faster GenAI adoption in Brazil is lack of talent, whereas in US are concerns over privacy and security

What prevents you of moving faster with Generative AI?



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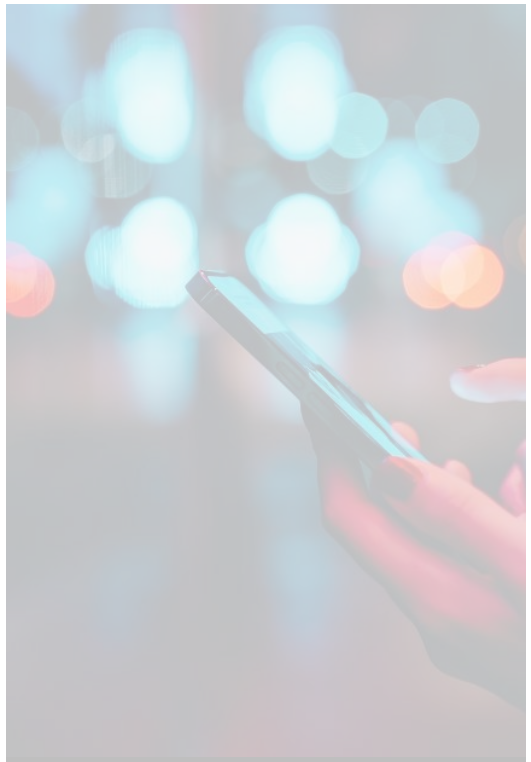

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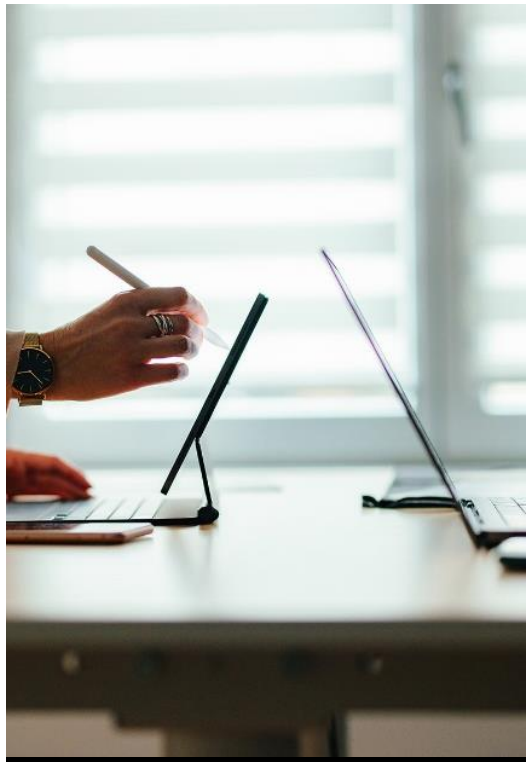


What are they doing and what are emerging sucess stories?

Has it been ROI positive?

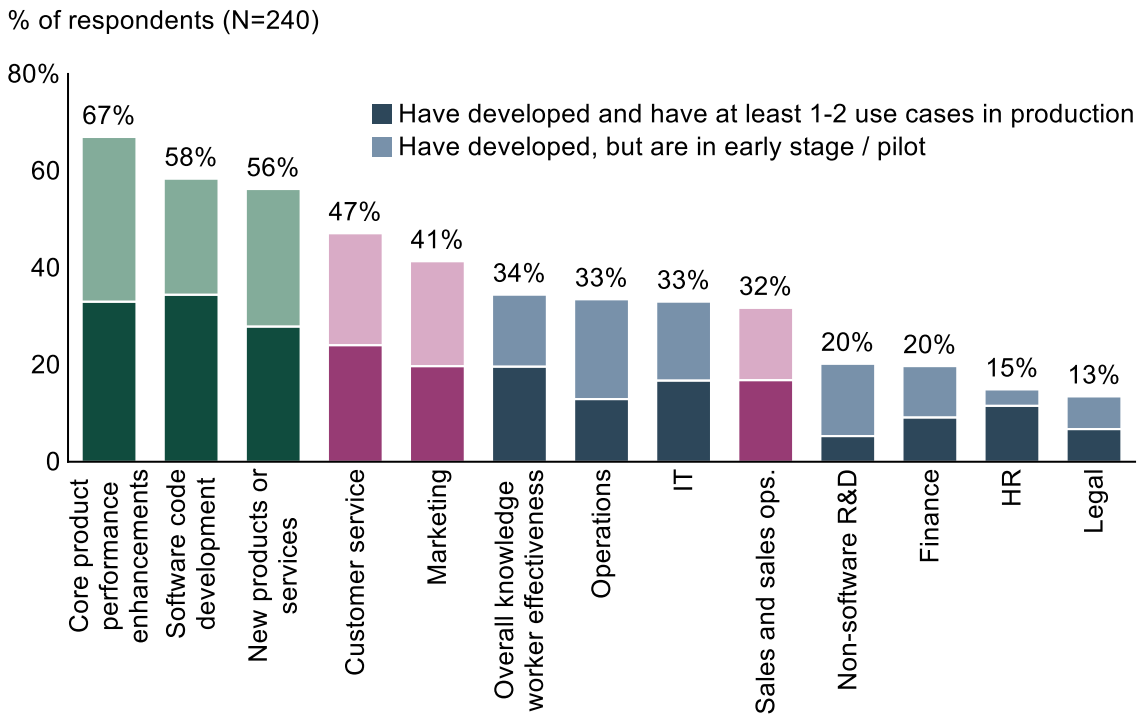
What can we learn from the pioneers?

Tech companies are ahead pursuing product enhancements and efficiencies at development teams, while non-tech firms have prioritized customer service or internal productivity use cases

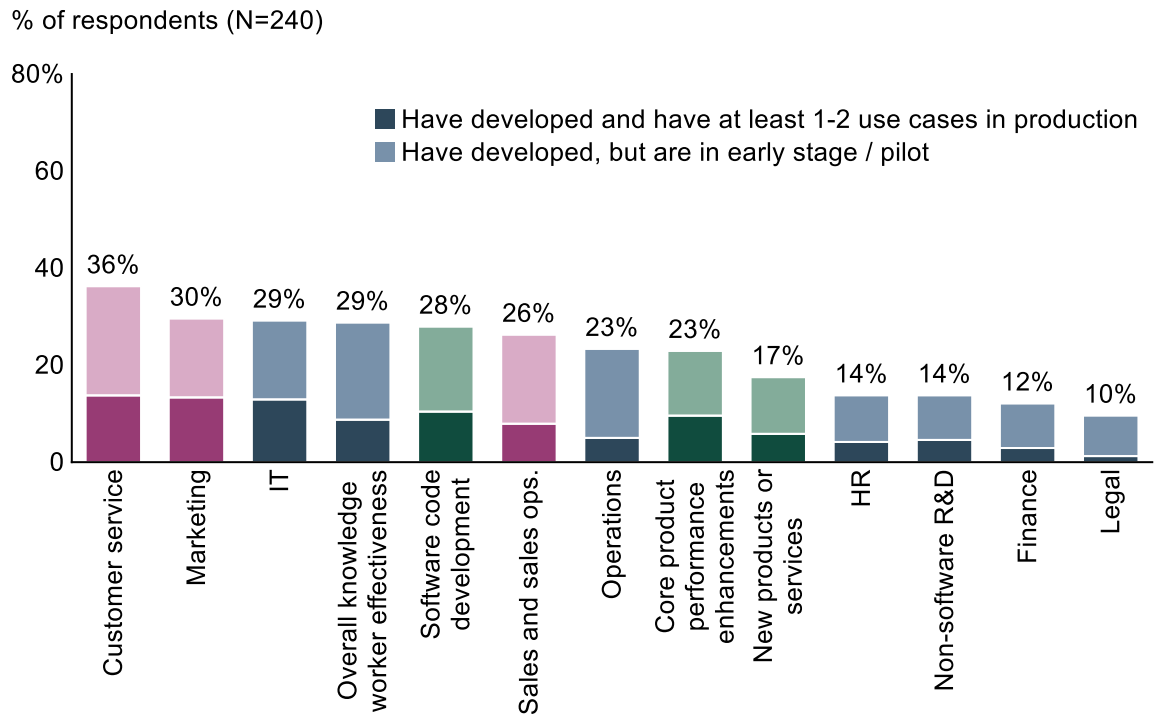
*For which **use cases** has your company **adopted or is considering adoption of Generative AI**?*

Product differentiation use cases | Internal productivity use cases | Customer facing use cases

TECH | Productizing numerous use cases



NON-TECH | Earlier on in developing use cases



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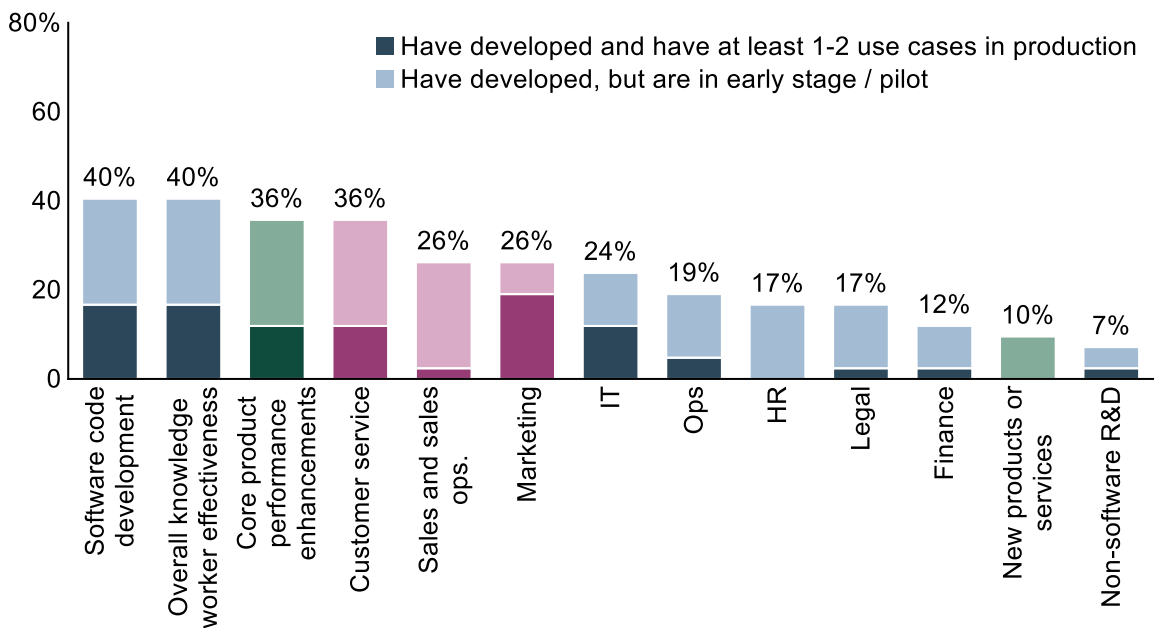
Non-tech American firms pursuing internal productivity use cases first while non-tech Brazilian firms more eager to experiment with customer facing use cases

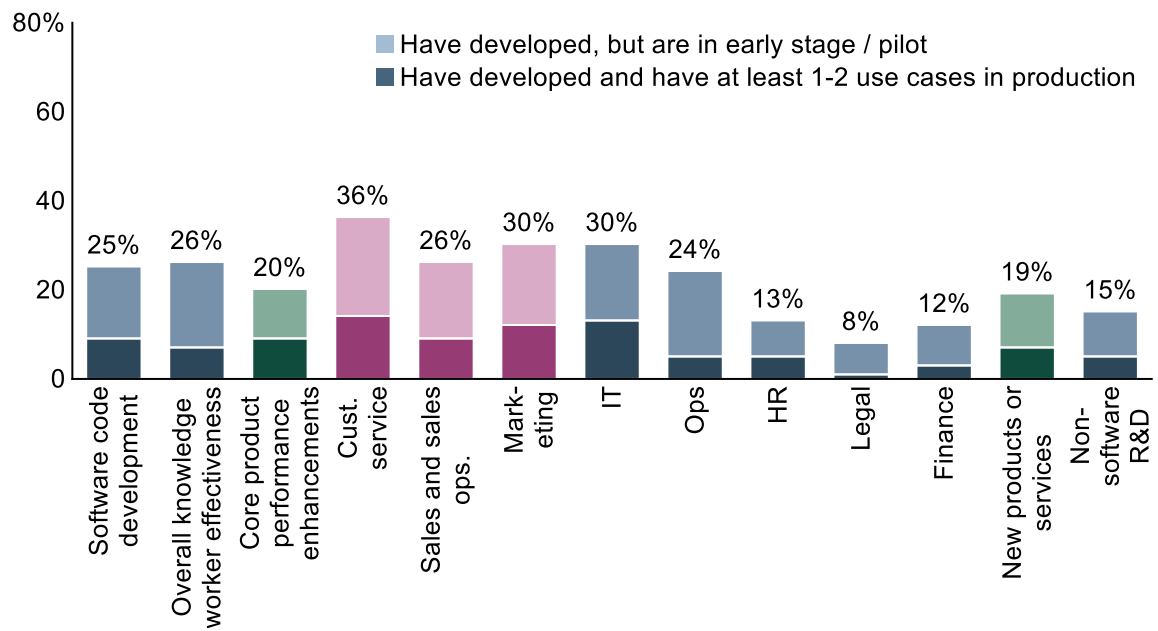
*For which **use cases** has your company **adopted or is considering adoption of Generative AI**?*

Product differentiation use cases | Internal productivity use cases | Customer facing use cases

US NON-TECH | Internal productivity



BRAZIL NON-TECH | Customer facing



Note: 'I don't know' and 'No plans yet' has been hidden in the above charts | Source: 2023 Bain GenAI Survey; (Qualified, USA: valid N = 198, Oct'23; Brazil: valid N = 55, Mar'24)

Emerging success histories of Generative AI

Natural language interfaces

HOPLA by Carrefour

Advice chatbot in Carrefour France

Myntra

Shopping assistant for clothes

amazon

Expert shopping assistant trained on Amazon's catalogue

Customer support

Klarna.

Created an **assistant to handle queries** that can do the work of 700 agents

octopus energy

Using AI to **answer customers emails** increasing productivity and customer satisfaction

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Incorporated **Generative AI in the assistant Erica to assist customers**

Marketing

Coca-Cola

Create a real magic: reinvented marketing **co-creating with clients**

Mondelēz International

Created a **marketing campaign that can be customized in scale**

YouTube

Investing in AI to **automatic dub videos** and **create backgrounds**

Meta

Using in **features for advertisers to customize images**

Sales team co-pilots

Morgan Stanley

Knowledge assistants to build the 'Advisor of the future'

HealthCo

Support relationship managers **automatizing tasks and retrieving information**

BankCo

assistant to **supercharge Bank managers** and **increase productivity**

Knowledge teams assistants

BAIN & COMPANY Sage

Bain tool to **improve information discovery through dialogue**

Shell

Developing a Gen AI approach to **accelerate pace of oil&gas exploration**

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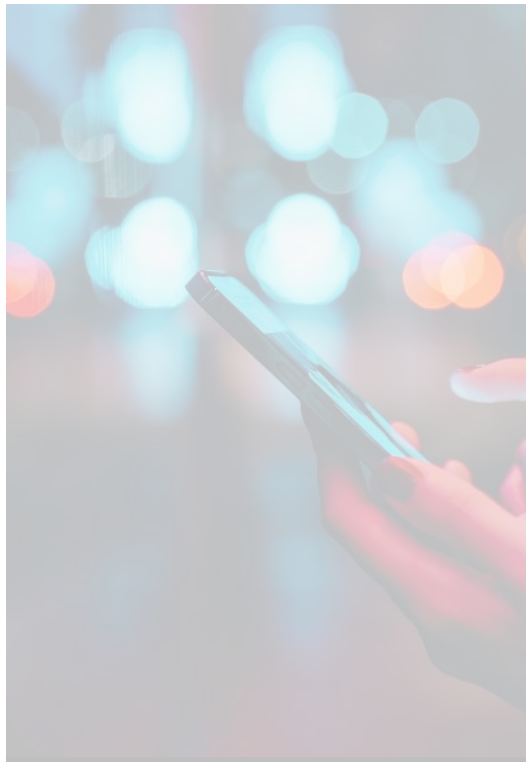

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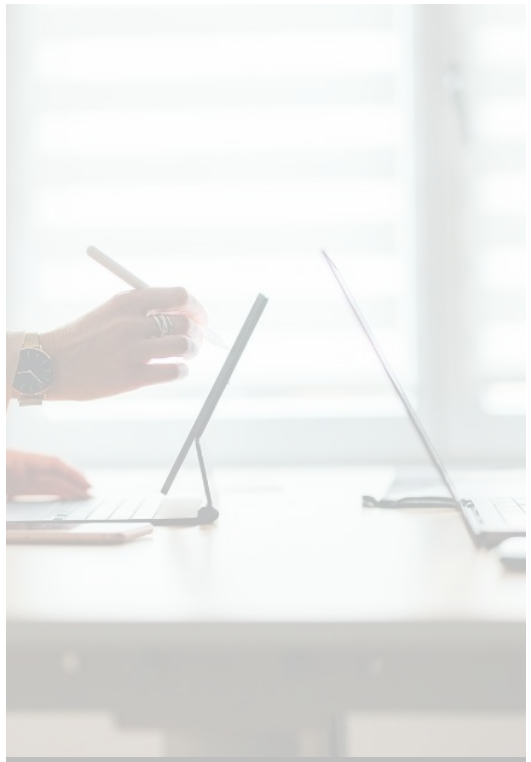


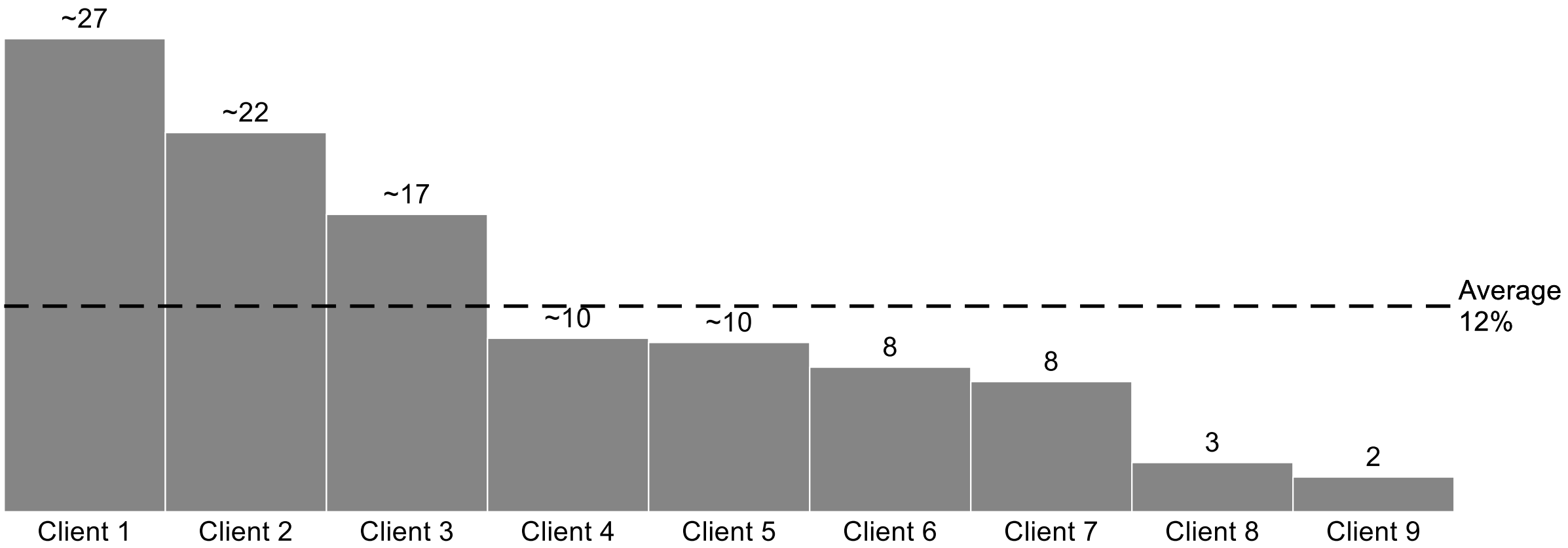
What are they doing and what are emerging sucess stories?

Has it been ROI positive?

What can we learn from the pioneers?

Many enterprises estimate Generative AI program value to be worth up to ~10-15% of EBITDA

Overall potential value of GenAI program (% of EBITDA)

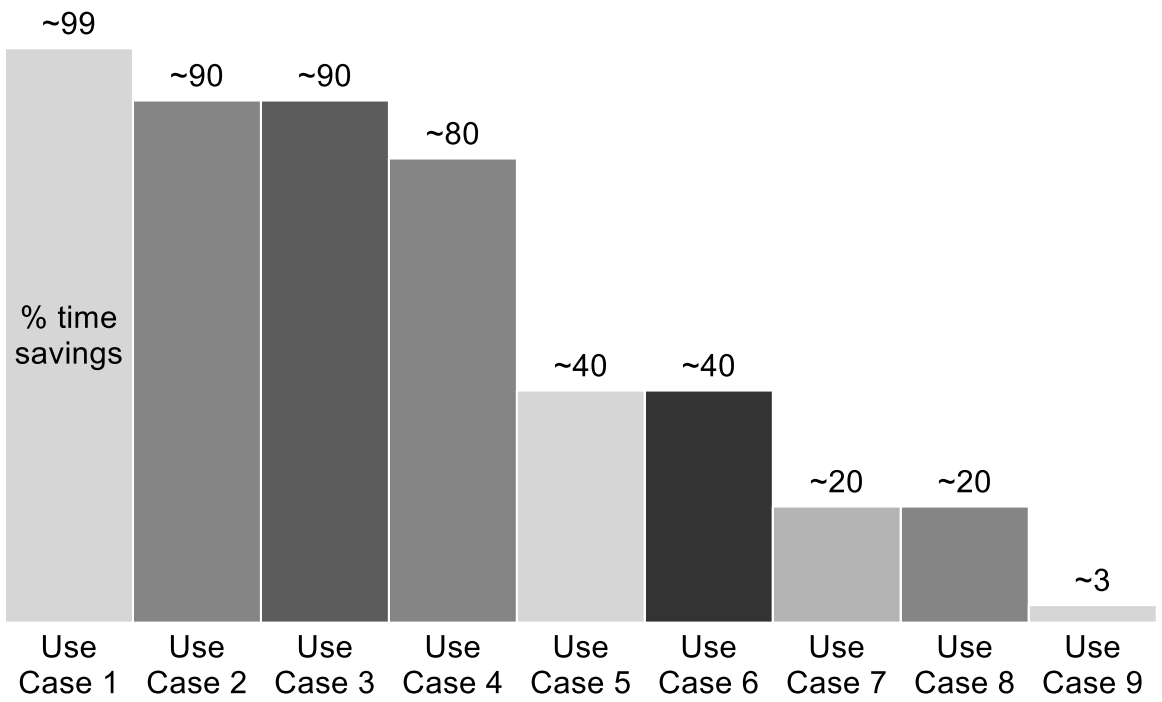


Note: Operating income used in some cases when EBITDA is not reported – for use case that have an expected revenue uplift last twelve months EBITDA margin was used to calculate value (EBITDA impact), number of use cases not known for cases that only gave a top-down estimate, Top-down methodology indicates there were not individual value estimates for each use case
Source: SEC Filings, Bain Case Work

Early proof-points give enterprises confidence in Generative AI ability to realize long term value

PRODUCTIVITY
Improvements range from ~20% time savings to nearly full automation

% time savings on task addressed by GenAI use case



EXPERIENCE
Enterprises are improving customer and employee experience

Customer service/contact center

Logistics Co
50% improvement in customer experience

Credit Co
15% improvement in call classification accuracy

Bank Co
~50pt. increase in employee NPS relative to old tool

Sales and marketing

CPG Co
20-30% improvement in click-through rate

Medtech Co
50%+ reduction in content revision cycles

Product development

Medtech Co
5-10% developer satisfaction improvement

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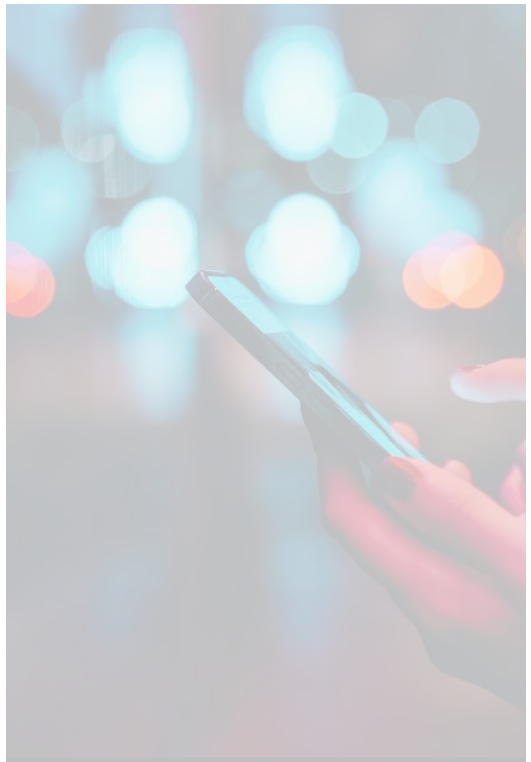

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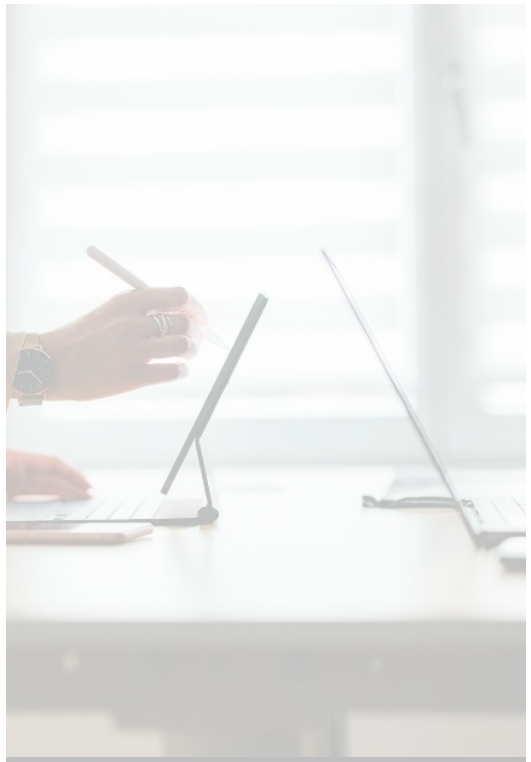

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Lesson #1: Pioneers have reached a clear alignment within their executive teams around the investment posture regarding Generative AI

STRATEGIC POSTURES

"Let's first prove the ROI"

Cautious approach seeking clear demonstration of value and signals of existing, matured adoption from within the industry (1-2 initiatives, incremental / efficiency-focused)

"Let's pilot in a few areas to experiment"

Openness to experiment with a few mid-scale pilots, particularly on more conservative internal / enabling initiatives (likely innovation / labs driven, limited to no growth focus)

"We're going big, but starting with focus"

Stated commitment to generative AI / acknowledge-ment of potential value (single BU focus to demonstrate value before exploring bolder plays, mixed efficiency / growth focus)

"Fully ready to be bold"

Commitment to future-back transformational plays, incl. new-to-world value propositions; desire to accelerate efforts to deploy (portfolio of efficiency / growth initiatives across 2-3 BUs)

EXAM QUESTIONS

Where can we **demonstrate value** with low investment?

Where in the org is the most energy / **buy-in to begin?**

What do we **need to believe / prove** as an organization?

Which initiatives will provide the required learnings and what is our **bar for success?**

Which BU is **most likely drive** / demonstrate success?

How do we measure / translate success to **build momentum?**

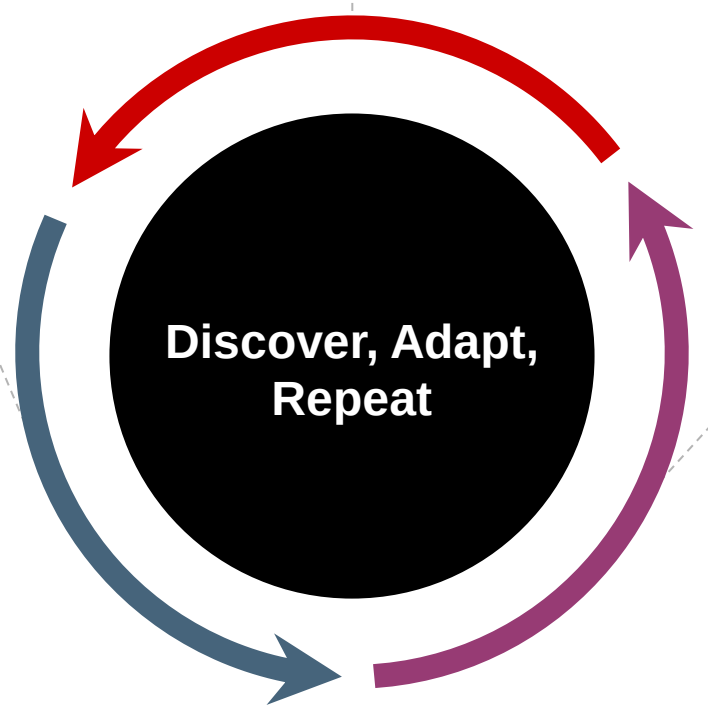
What is our **GenAI ambition /** where are we **best positioned to be bold?**

Which pilots will provide the **stepping-stones to success?**

Lesson #2: Pioneers are tackling Gen AI as a company-wide transformation, embracing the uncertainty and learning through the process

Learn by doing

- Prioritize and launch initial use cases
- Resource them with joint business-technical teams
- Set up ‘minimum viable’ capabilities
  - Lean Gen AI COE / program office
  - ‘Minimum viable’ tech and data platform, talent, and vendors / partnerships
  - ‘Minimum viable’ governance, including risk/ethical evaluation and user-back change management



Rally around a direction

- Educate the executive team about the technology
- Articulate a shared strategic vision and view of value
- Commit as a top team to enable experimentation

Adapt and scale

- Get smarter from pilots on build and adoption
- Understand the hurdles to scaling
  - Scalable tech and data platform
  - Build vs. Buy vs. Partner approach
  - Talent and capability building strategy
  - Operating model shifts
  - Responsible AI strategy
- Inspire and educate the organization and other stakeholders

Like every transformation, Generative AI has its own challenges

Some lessons learned from experiences so far




PRIORITIZING WELL IS ESSENTIAL

- Prioritization should direct **efforts towards the biggest impacts**, thus **avoiding dilutions** with low return
- Choices should take into account the **complexity of the problem** and **readiness for execution**. Taking too long to capture results causes **frustration**

BALANCE CENTRALIZATION VS. DECENTRALIZATION

- **Centralization accelerates** the organization's ability to deal with GenAI. **New technology, talent scarcity, and the creation of a scalable platform** are more easily managed
- **Execution** should be **integrated with the Business**, directed by the **central area**, and **close** to **the impacted areas**

MANAGE RISKS ALONG THE WAY

- Risks need to be managed **pragmatically** in relation to use cases, creating management **mechanisms that generate security and prevent paralysis** in using the technology
- **Regulations and compliance practices** will need to be **adapted** as the technology evolves

ACTIVELY MANAGE CHANGE

- Finding strategic **sponsors from the beginning** of the initiative reduces the friction of change
- **Communication** and **engagement** actions should be **frequent and well-structured**
- The **strategy of expertise composition** can be a differentiator

Thank you!

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