



TRANSFORMATIONAL IMPACT OF ARTIFICIAL INTELLIGENCE ON THE DIGITAL ENTERTAINMENT VALUE CHAIN

*Reece Hayden, Senior Analyst
Eric Abbruzzese, Research Director
Malik Saadi, Vice President, Strategic Technologies*



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INTRODUCTION

Artificial Intelligence (AI) is widely deployed across the digital entertainment value chain. But rapid innovation in Generative AI (GenAI) models and expanding AI accessibility will create transformative commercial and technology value chain opportunities. Content creators, distributors, and consumption enablers will see new AI-driven use cases that target experience, personalization, network optimization, and digital monetization. This whitepaper explores how rapid AI innovation will have a transformative impact on the digital entertainment industry over the next 10 years.

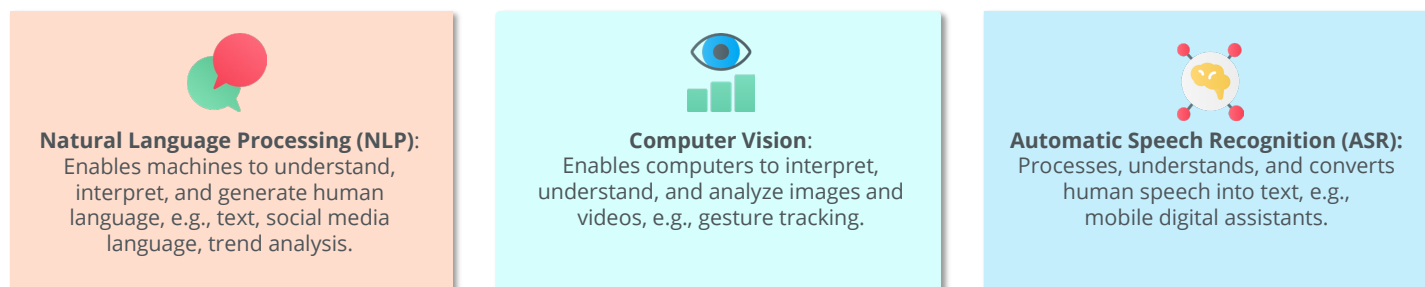
THE STATE OF ARTIFICIAL INTELLIGENCE

OVERVIEW

The AI market continues to rapidly expand, driven by the emergence of public-facing applications like ChatGPT built on giant GenAI foundation models. These models have increased the awareness and accessibility of GenAI by the wider public, as they are versatile and able to support a broad spectrum of applications across verticals. But GenAI is just one part of the ecosystem. Current AI applications are made up of three dominating fields: Natural Language Processing (NLP), Computer Vision (CV), and Automatic Speech Recognition (ASR). Each of these fields is explained in Figure 1.

Figure 1: AI Field Breakdown

(Source: ABI Research)



Each of these AI fields has predictive and GenAI models, which will transform the digital entertainment industry over the next 10 years.

Generative AI

GenAI models are not new, but since 2022, they have become widely available. GenAI models use Large Language Models (LLMs) and transformer models trained on billions or even trillions of data points to develop parameters (weights and biases) within their neural network structure, enabling them to generate content in response to user prompts.

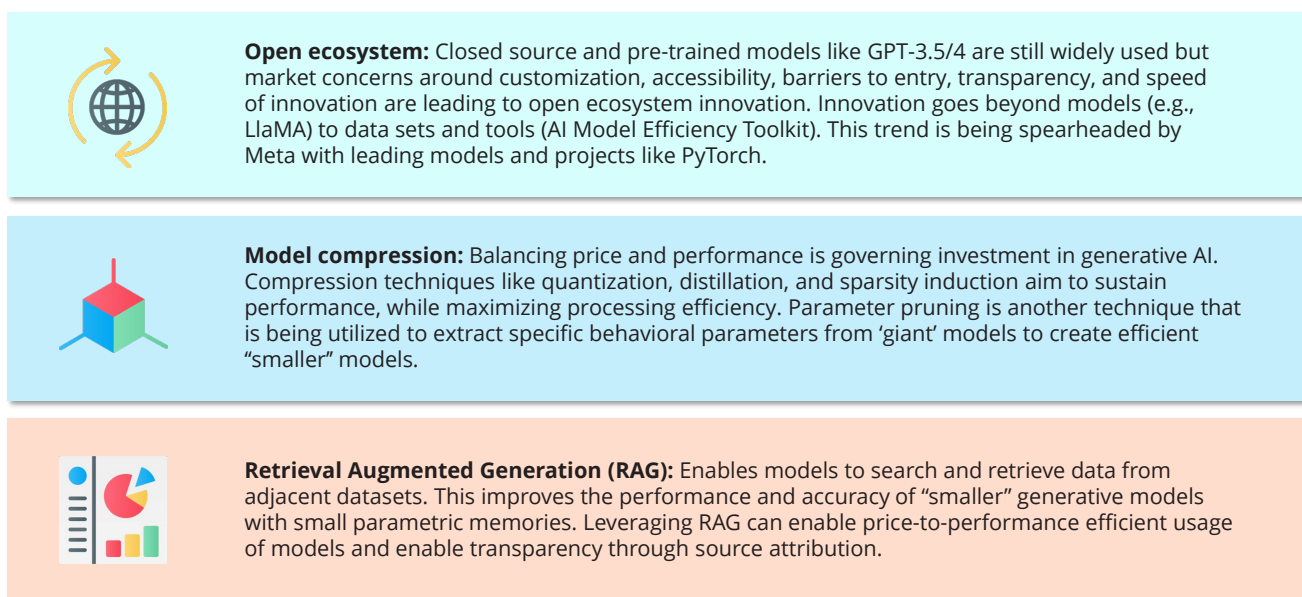
GenAI innovation has, thus far, focused on developing larger foundation models to improve probabilistic convergence, enhancing accuracy and performance. Models are now incorporating multi-modality that can respond to prompts and produce outputs across various modalities like audio, text, video, and images, enhancing GenAI's applicability for digital entertainment applications. This innovation is being complemented with new diffusion architectures (applied in models like DALL-E, which can generate images with state-of-the-art quality).

Although GenAI is rapidly evolving, it still faces significant challenges around Intellectual Property (IP), data availability, performance, bias, privacy, computational complexity, and consistency in quality.

Figure 2: Three Key GenAI Innovation Trends

(Source: ABI Research)

Focused on optimizing performance, privacy, and costs at scale



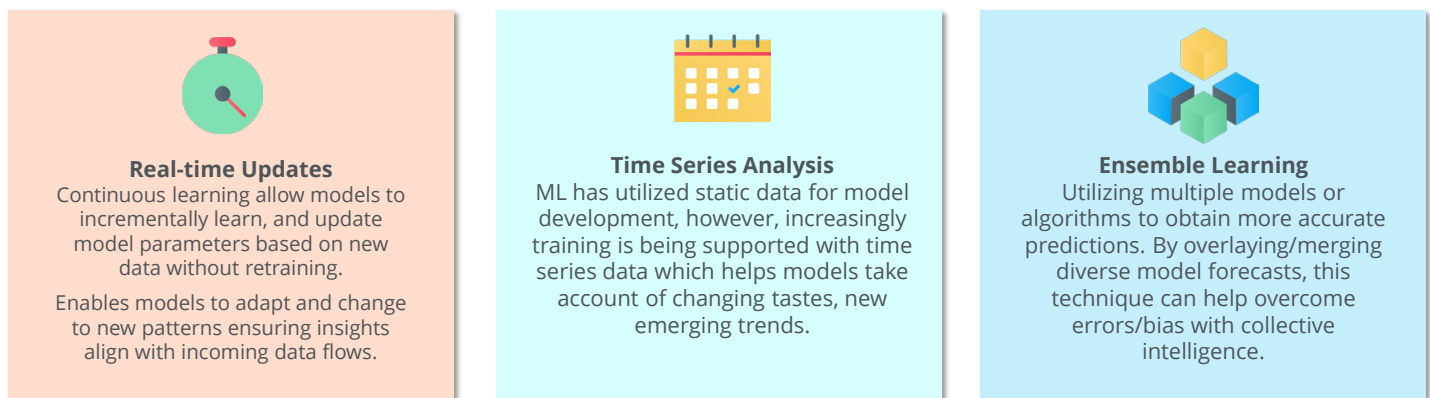
But beyond technological innovation, enabling a GenAI-driven future will require a functional stakeholder community to overcome challenges such as data availability and IP. Subsequently, generative AI success in digital entertainment will hinge on effective business relationships as much as it does on technological innovation.

Predictive AI

Predictive AI models are deeply integrated within digital entertainment, particularly in recommendation use cases. These models analyze historical data to identify patterns, relationships, and correlations within the data that can then be used to predict future outcomes. Recent innovations have focused on making predictive models more intuitive and transparent with NLP and GenAI integration. This enables AI to make and then explain predictions. As the market progresses, further innovation will focus on producing more effective and timely predictions, which are explored in Figure 3.

Figure 3: Predictive AI Innovation

(Source: ABI Research)



These advances will have widespread implications for the digital entertainment value chain. Most evidently, it will improve the efficacy of advertising with greater targeting and applicability, while enabling creators to produce content that is relevant to the evolving interests of an audience within the context of emerging trends.

KEY AI TRENDS

The following section explores key AI trends. The market is moving toward more accessibility, scalability, and privacy-focused solutions, which will accelerate deployments in the digital entertainment market.

Open Approach Accelerates Ecosystem Innovation

Significant investment and innovation are focused on the open ecosystem, which will lower development costs and accelerate innovation across the GenAI value chain. Numerous areas of AI, especially GenAI, are benefiting from an increasingly open approach:

- **Open Foundation Models:** Open foundation models like Meta's LLaMA 2 and Mistral 7B, which offer similar performance to closed-source leaders like OpenAI's GPT-4, are giving more developers inexpensive access to GenAI, enabling a new wave of applications and tools to be created.

Commitment to an open ecosystem continues to emerge as vendors aim to lower developmental barriers and unlock market innovation. However, challenges remain for stakeholders with limited ML expertise. They must prioritize developing expertise to maximize the commercial value of open-source AI tools.

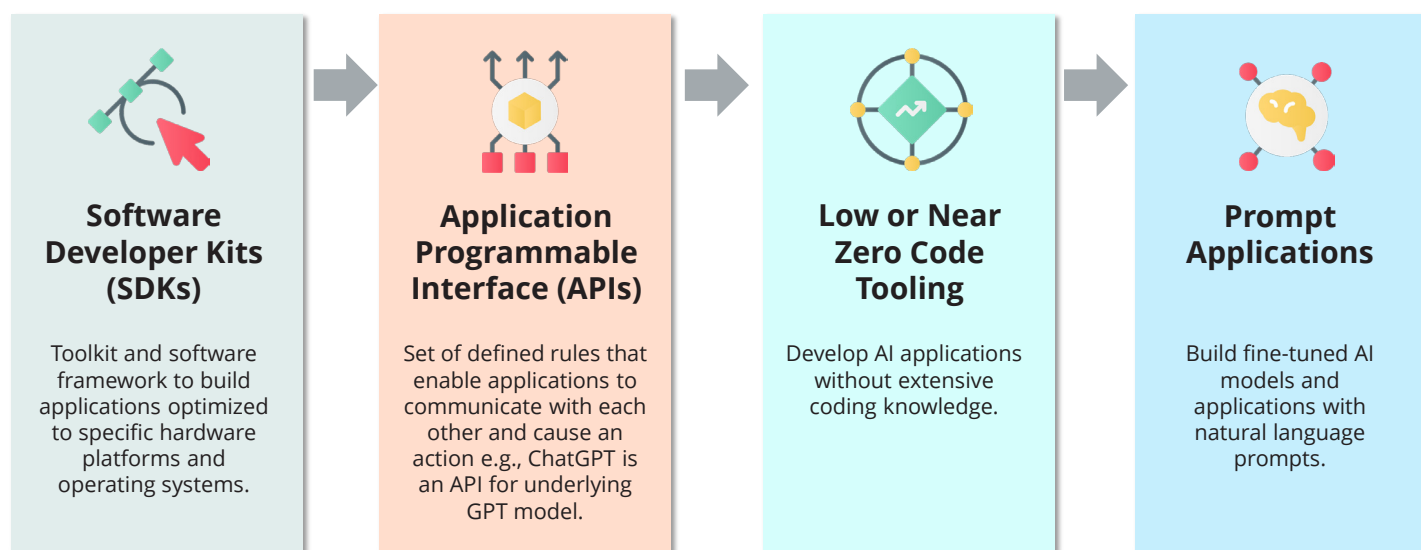
- **Datasets:** Legitimate data accessibility remains a key barrier to GenAI application development, especially in the digital entertainment value chain where IP remains a strongly contested topic (as exemplified by *The New York Times*' lawsuit against OpenAI and Microsoft). Open datasets have emerged to support training and accelerate standardization of Research and Development (R&D). These can bridge the data gap that may hinder AI adoption in digital entertainment. Platforms like Hugging Face enable sharing of more than 80,000 datasets.
- **Open-Source Project Development Tools:** These aim to improve developer access to code libraries and Machine Learning (ML) tools to support the generation of creative use cases. Examples include Magenta (a collection of music creativity tools built on open-source models); openFrameworks (a toolkit and library for creative experimentation); three.js (coding library and Application Programming Interface (API) for Three-Dimensional (3D) computer graphics); and p5.js (open-source coding library for creativity).

Lowering Application Development Barriers

Enabling AI use cases within digital entertainment requires developing an ecosystem of applications targeting specific pain points. Figure 4 explores how the market continues to decrease the barriers to AI application deployment.

Figure 4: Tools to Lower Barriers to Developing AI Applications

(Source: ABI Research)



As the market quickly moves toward prompt-developed applications that can be generated through natural language prompts, more digital entertainment process experts within the digital entertainment value chain will be able to quickly and cheaply deploy innovative and functional applications that target specific pain points—even without programming skills. These tools are quickly maturing; for example, GPT Builder enables anyone to create a domain-targeted GPT-based application. Although, this remains basic, over the medium term, these low/no-code development tools will start to integrate multi-modality, enabling the development of more complex applications for the digital entertainment industry.

Inferencing Moves to the Device

Local, on-device AI processing can enable lower latency inferencing with significant applicability for content creators looking to build more immersive experiences across film/TV, gaming, advertising, and sports.

The first wave of GenAI deployment has leveraged the cloud for training and inferencing. As the market looks to scale, networking costs and limitations will create a bottleneck.

Increasingly, the market is pivoting toward on-device AI and deploying hardware capable of running inferencing locally for application-specific, compressed LLMs. This not only reduces network bandwidth use, but also enables the development of personal AI models. These new models will help support the development of customer identities or twins that can be used to support content hyper personalization.

Federated Learning Frameworks That Aim to Mitigate Data Privacy Risk

Stakeholder concerns over misuse or leakage of data is a primary challenge within AI deployment. Increasingly, customers are concerned about how their IP is being used to train or inform AI models. Federated learning is a key framework that is becoming more accessible and increasingly used to improve data privacy by enabling local training of AI models without centrally pooling data. This framework has enormous benefits, especially for the digital entertainment industry:

- **Customer Data Anonymization:** Used to preserve confidential information prior to model training. This ensures that customer-specific or personal information is not leaked into other AI models during the training process.
- **Differential Privacy:** Ensuring data privacy, while sharing information across various domains. This can be achieved by the including noise or randomness in model training.
- **Homomorphic Encryption:** Training computation can be performed on encrypted data without decrypting. This ensures data remain confidential during decentralized training, limiting the risk of data exposure.

Many of these key AI trends are still emerging within the digital entertainment industry; however, as the technology matures, expect to see significant growth in adoption within the next 1 to 2 years. The earliest deployers have been consumption enablers that are beginning to move inferencing to the device level, while they have already utilized training frameworks like federated learning to reduce consumer AI data privacy concerns.

TRANSFORMING DIGITAL ENTERTAINMENT WITH EMERGING AI-SUPPORTED TECHNOLOGIES

Over the next 10 years, ABI Research expects AI-augmented technologies to revolutionize the digital entertainment industry. The following section explores key AI-driven technology changes that will emerge across the short (1 to 2 years), medium (3 to 6 years), and long (7 to 10 years) terms.

ADVANCED CONTENT CREATION TOOLS FOR ALL

Underpinning AI-led advancements in digital entertainment is the increasing accessibility of models, tools, and datasets for anyone to use. The emergence and accessibility of large foundation models is one such advancement that has triggered innovation within GenAI with applications being developed and deployed across use cases. This is extending to multi-modality

with Large Vision Models (LVMS) and diffusion models that can be prompted and produce outputs in audio, text, image, and video.

In parallel, prompt engineering “for all” is having a profound effect on AI, as usage enables anyone to optimize AI deployments without ML expertise. Prompt engineering is designing specific queries to optimize and improve output accuracy from AI models. Easier access to prompt engineering techniques will enable low-skill users to enhance content creation to develop richer output and improve accuracy. The next wave of innovation will be created by application builders like OpenAI’s GPT Builder, NVIDIA GenAI Foundry, and Google Cloud’s GenAI App Builder. These will enable anyone with simple natural language or voice prompts to build AI applications to perform specific tasks across multiple domains, including multimedia content creation, gaming, or simple content scripting. For example, script writers could build an application to automate idea creation or to translate ideas into simple immersive storyboards.

*Multi-modal
generative tools are
quickly removing
AI development
barriers to enable
access for all
stakeholders across
the value chain.*

These short-term applications will retain significant human supervision with a focus on putting AI in human hands, while the medium and long run will be characterized by a shift to closed- or semi-closed-loop automation enabled by autonomous AI agents. These agents can make rational, intelligent choices based on incoming data from end users without human supervision. They can plan, track, and perform tasks without prompting. Their value lies in the ability to intelligently automate mundane or repetitive tasks, enabling humans to focus on creativity or complex tasks. ABI Research expects AI agents to be used across various facets of digital entertainment. For example, AI agents can autonomously develop and distribute targeted, contextualized social media ads in real time based on trends, target audience, mood, and attributes without human supervision.

Taking this a step further, the emerging concept of Q-learning is likely to play a part, leveraging reinforcement learning to enable foundational models to “self-learn” and correct their own actions based on human-like reasoning. This will help move the market toward closed-loop automation through which AI models can perform end-to-end tasks and continue to learn based on the outcome, similar to how humans perform tasks now.

NEW ENTERTAINMENT EXPERIENCES

Extended Reality (XR) that encompasses Virtual Reality (VR) and Augmented Reality (AR) is increasingly playing a role in digital entertainment. AI already plays a significant role, as machine vision models are used for visual tracking (i.e., head, hand, and spatial tracking). They are necessary for capturing movement and enhancing visual accuracy, but AI opportunities extend far beyond this.

The short-term focus is on enabling XR to sense, understand, and interpret the world like humans—with spatial mapping and object recognition. Live translation will also be enabled with NLP and GenAI model integration, supporting human-to-human interactions and enhancing content delivery (e.g., for TV and films). There will be increased usage of local 3D content generation with Deep Learning (DL) techniques like Neural Radiance Fields (NeRF). These models, deployed natively on XR, will enable consumers to create new, hyper-personalized digital environments or assets in real time, responding to various external stimuli.

In the medium term, expect greater support and improvements in 3D volumetric video generation, enabling wider use of holograms for more immersive experiences. Innovation will focus on improving realism, enabling techniques to create greater clarity in images and videos.

AI will play a key role in shaping the success of spatial computing as it supports more intuitive and natural interactions between humans and digital environments.

Multi-device will be a central tenet of new digital entertainment experiences, as consumers want seamless handoffs and consistent multi-user, common experiences within emerging platforms like the metaverse.

This will help spatial computing gain traction. Spatial computing seamlessly converges physical and virtual objects, allowing for a more immersive/natural interaction between users and digital assets. Spatial computing will use CV (for gesture, body language, and object detection), GenAI (for analysis and content generation), and ASR (for voice recognition).

In the long term, XR and spatial computing will benefit from interactive AI, which will enable end users to prompt content generation through natural language or gestures, creating a more intuitive way to communicate with AI. It will also significantly impact content consumption experiences: pervasive screens (being able to view content anywhere); environment interactivity (e.g., consumers wearing smart glasses could look at a film ad and ask to see a trailer); and digital items embedded in the physical world. Each iteration will enable content creators to develop new and more immersive experiences.

Democratization of 3D digital asset generation will also significantly impact the development and feasibility of the metaverse. GenAI models will enable developers to build and populate a metaverse quickly at a much lower cost. This will also support in-metaverse game development with enhanced Non-Player Character (NPC) humanization, game dynamism, realism, and customized/immersive in-game experiences. The metaverse will also benefit from human scanning, enabling personalized avatar development.

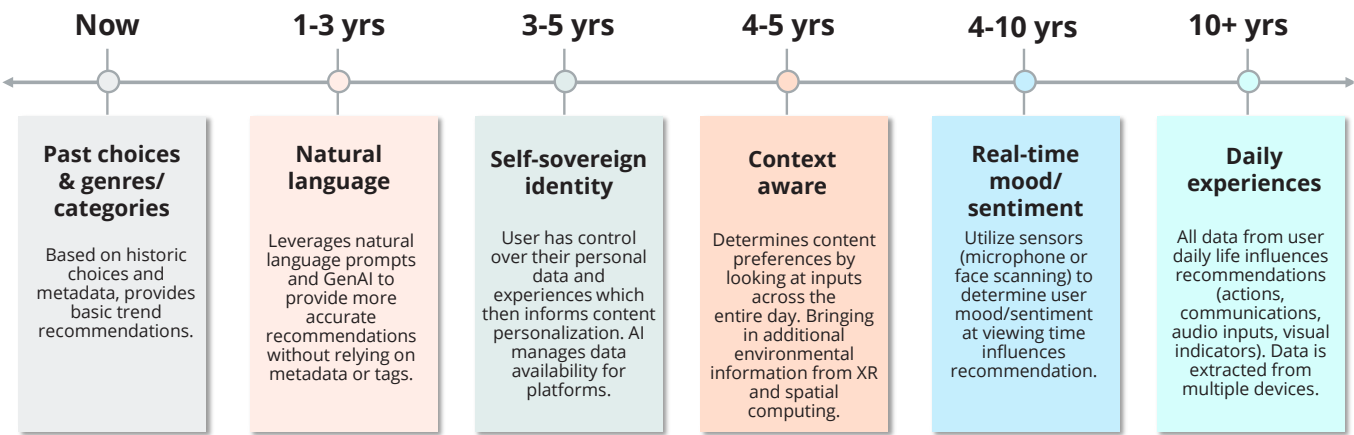
Enabling these new AI-driven experiences within spatial computing and the metaverse will require seamless multi-device capabilities (e.g., spatial capture on mobile devices). The short term will see innovation focused on making cross-ecosystem and cross-operating system experiences possible. It will also aim to support seamless handoffs to ensure consistent and continuous user experiences across devices. This will transform over the medium term into multi-device experience sharing, allowing different users to engage and interact with digital platforms or universes in real time across devices, enabling deeper, community-focused experiences.

DEEPER ALIGNMENT WITH CUSTOMERS AND HYPER-PERSONALIZATION

The next 10 years will see huge strides in customer analytics and hyper-personalization beyond narrow predictive models used today. Figure 5 provides ABI Research’s long-term expectations for AI-driven personalization.

Figure 5: Moving from Personalization to Hyper-Personalization

(Source: ABI Research)



Hyper-personalization will use “digital identities” developed by integrating all customer data to

Comprehensive digital identities will eventually encompass all of the user's physical and digital interactions.

provide a better understanding of preferences. In the short term, they will be siloed within different digital platforms; however, “common digital identities” will increasingly be aggregated on devices based on all digital interactions. In the long term, these will consider other inputs from interactions and actions in the physical world, including the ability to sense mood changes. Voice assistants will benefit from digital identity development.

Initially, personalization will be limited to personality trait customization informed by digital actions and behaviors captured through direct interactions with platforms. This will extend to voice assistants that will be hyper-personalized with the ability to sense and respond to mood changes, as well as personalizing decisions based on the user’s entire digital identity.

CONTENT DELIVERY NETWORK OPTIMIZATION

With new AI-enabled technologies like the metaverse, spatial computing, and complex customer entertainment with advanced 3D visual content, upstream and downstream data flows will multiply, placing a greater strain on network bandwidth. Solving this emerging problem will require AI-enabled networking. These use cases are explored in Table 1.

Table 1: AI-Enabled Networking Use Cases

(Source: ABI Research)

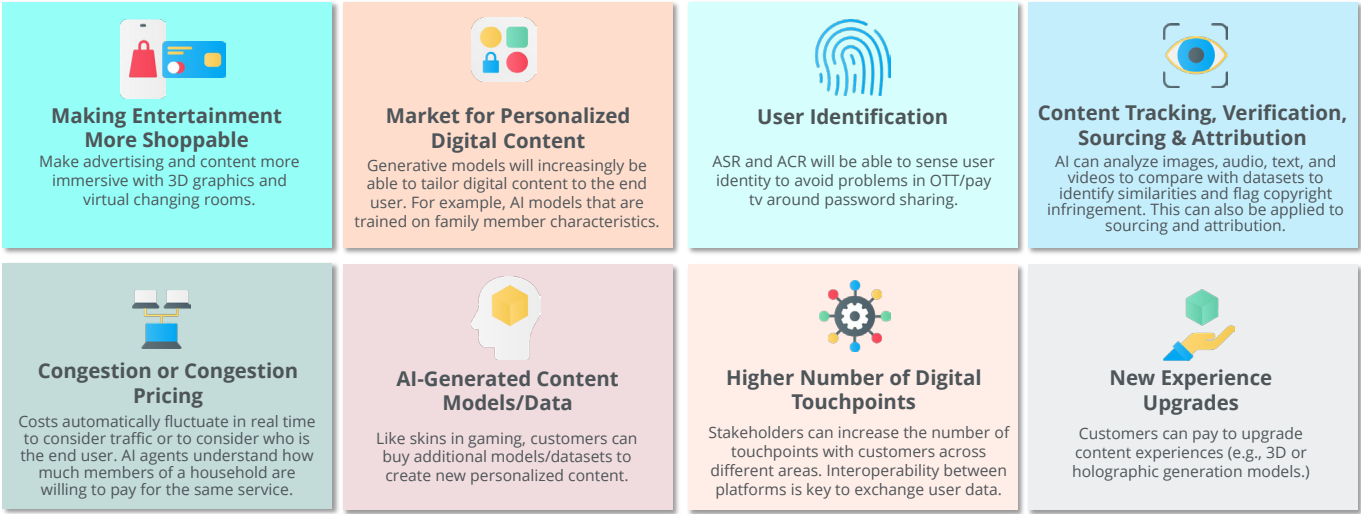
Short Term	Medium Term	Long Term
AI is used to manage AI compute from cloud to edge considering performance, price, and resource availability. Intelligent network handoff is used to optimize content delivery. Content Aware Encoding (CAE) deployed to assess incoming video streams, determine low interest pixels, lower their quality, and decrease bandwidth usage.	AI-everywhere with intelligent handling of workloads across devices, the edge, and multi-cloud. AI manages connection points to streamline data delivery and lower latency in distributed environments. AI managing federated Content Delivery Networks (CDNs) to share resources and enable infrastructure monetization by selling excess capacity.	Full autonomous networking with AI integrated to optimize content delivery.

MONETIZATION OF DIGITAL ASSETS

AI-technological advancements will bring additional opportunities for monetizing digital content. Figure 6 highlights eight key monetization opportunities.

Figure 6: AI-Supported Monetization of Digital Content

(Source: ABI Research)



HOW CAN THE DIGITAL ENTERTAINMENT VALUE CHAIN MAKE THE MOST OUT OF AI?

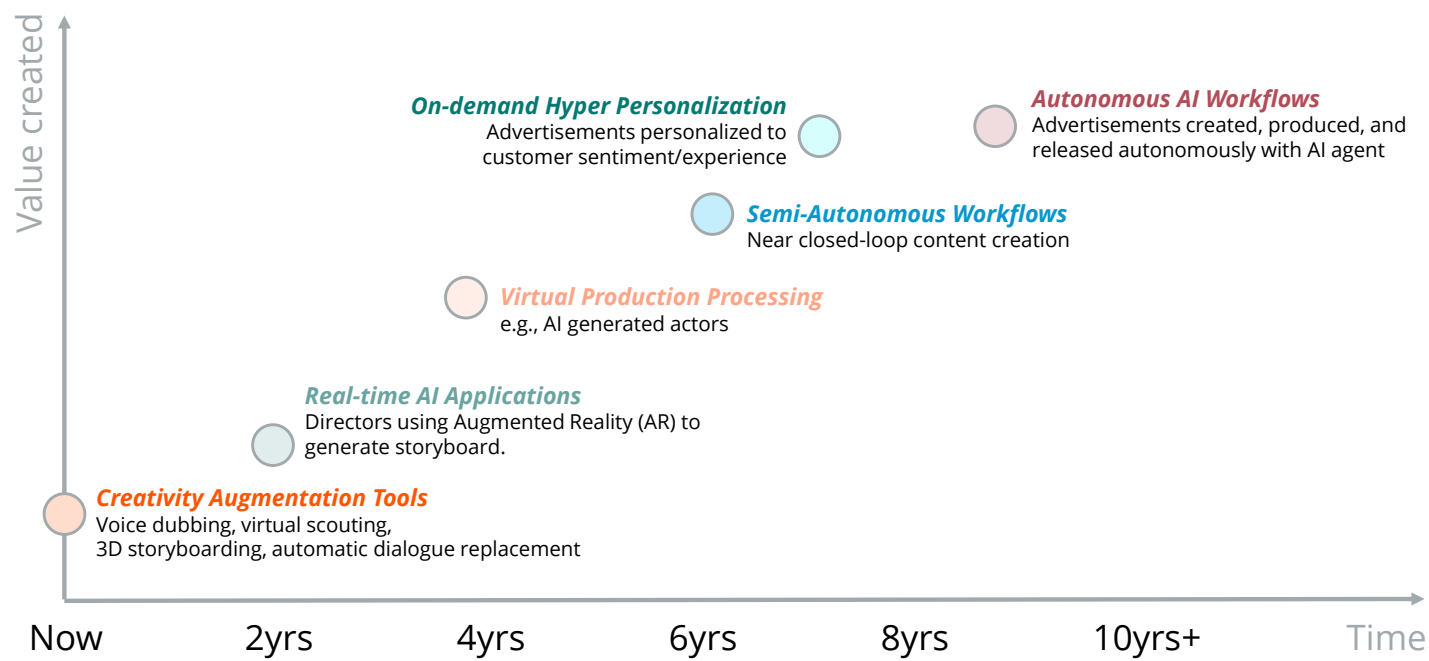
The AI-led technology transformation explored here highlights content creators, distributors, and consumption enablers, along with new digital entertainment use cases and commercial opportunities. ABI Research breaks down these opportunities and answers this question: how can stakeholders avoid pitfalls and make the most out of AI-led technology transformation?

CONTENT CREATORS

Democratized access to multi-modal GenAI models is having and will continue to have a significant impact on content creators. The core long-term impact will be the significant decline in cost and time for content creation. This has been steadily declining for years, but AI-generated 3D content and immersive story-boarding will accelerate this process. Figure 7 explores how AI accessibility will impact and create value for content creators over the next 10 years.

Figure 7: AI Opportunities for Content Creation

(Source: ABI Research)



AI accessibility will create enormous value for content creators in the short, medium, and long term with hundreds of valuable use cases emerging across different verticals, as explored in Table 2.

Table 2: AI Opportunities for Content Creators

(Source: ABI Research)

	Gaming	Advertising	Sports	Film/TV/Podcasts
Quick Wins	Quality Assurance (QA) testing. Non-player character humanization. Digital asset development and game environment creation.	Wider accessibility of content creation to non-creatives (e.g., marketers) with AI and pre-approved templates to remain on-brand. Generate new artwork in 2D and 3D. Generate storyboards. Virtual scouting. Personalize mass market campaigns to specific regions and audiences.	Enable new XR experiences with shoppable content. Immersive and customizable experiences. Real-time and customizable on-demand statistics.	Real-time language translation. Script generation. AI-enabled lighting changes, weather condition changes. Automatic dialogue replace. 2D to 3D generation storyboarding. Automated closed captions. AI-automated media campaigns. Automated podcast development (voicing, editing, and scripting).
Medium-Term Value	Users' customization of digital content. Avatar scanning and integration. Real-time, hyper-personalized adaptive story lines with auto open-world generation. Create more complex and immersive worlds.	Transform ads from 2D to 3D in XR. Virtual, customizable, and interactive storyboard. Custom ads development. Immersive ads across different devices/digital environments. AI-generated assets, actors, and sets. AI-enabled ad directors. Generate new immersive ad experiences with spatial computing.	In-game hyper-personalized ads targeted to specific viewers. AI-enabled content director. Increased frequency of ads with predictive models.	Virtual, interactive storyboard. AI director. AI-generated actors. User-prompted adaptive content. Holographic set design.
Long-Term Opportunities	Full automation of game creation and testing cycle. Deeper customization and monetization of digital content. Integration of biometrics and avatars into game experience. Personalized game world generation. Adaptive gaming experiences that change with mood/sentiment/daily life. Interactive content with story changing based on users' inputs.	Fully autonomous reactive ad creation, management, and monitoring with AI agents. Hyper-personalization of ads based on digital identity.	Holographic sport viewing with spatial computing.	User-requested content generation through natural language prompting or mood tracking, e.g., create a TV show based on user preference (genre, mood, themes, actors, or time period). Virtual actors/characters, set pieces, etc. made available on a per-use basis for user-generated content. Interactive content with story changing based on users' inputs.

CONTENT DISTRIBUTORS

Basic AI algorithms are already being used by content distributors. But accessibility to more complex GenAI models will create huge opportunities to discover insights, engage more effectively with customers, and develop new products/services.

GenAI will go beyond meta data and labels to enhance content search functions and personalization.

AI deployments can help content distributors overcome some membership leakage by tracking users and content, and eventually using sensors to analyze who is viewing content.

OTT and Pay TV

Over-the-Top (OTT) and pay TV will immediately see opportunities in the short term to optimize networking and content delivery with AI video transcoding, AI upscaling, network simulations with digital twins, and enhanced streaming through automated network load balancing and intelligent handoff.

Moving forward, AI will be used to manage and optimize (quality of experience, traffic costs/ contracts, etc.) content distribution and storage from origin servers to the cloud and edge, including multi and federated CDNs. This process will increasingly become automated from end-to-end in the long run. AI agents will be able to flexibly move content to optimal locations based on dynamic commercial and technical criteria. OTT and pay TV providers will also see significant long-term opportunities in video encoding to lower networking burdens. These tools will initially compress individual scenes to reduce the file size, while maintaining consistent quality. However, in the medium term, CAE will leverage AI algorithms to determine less important pixels and optimize compression based on human perception, further reducing file sizes.

Beyond network optimization, AI presents opportunities to augment OTT and pay TV services. One big opportunity over the next 10 years is to transform content search functions through hyper-personalization:

- **Quick Wins:** Leverage AI techniques to automate indexing; integrate NLP and GenAI models into search functionality to enable deeper content searches without using metadata labels.
- **Medium-Term Value:** Deploy multi-modality functionality to enable users to search based on sound, images, and video to receive similar content.
- **Long-Term Opportunity:** Search informed by user inputs and digital identity to ensure content result is hyper-personalized to one or more viewers.

Hyper-personalization will extend to recommendations. Recommendations have become a cornerstone of OTT and pay TV; increasingly, distributors will improve them by deploying GenAI. Generative models do not compare or rely on metadata and viewing histories, but can analyze content more effectively and align the content with the customer's comprehensive digital identity gathered from interactions across platforms. Eventually, this will extend to recommendations based on perceived customer mood and sentiment determined through device sensors, virtual assistants, and other incoming data flows.

Content protection will be another significant AI use case for OTT and pay TV. Shared memberships and content piracy are significant revenue drains on OTT and pay TV, as they enable consumers to circumvent "pay walls." AI will help support content tracking and sourcing by comparing new content against existing databases, and eventually, machine vision models may be used to track and verify the identity of end users to ensure that they match the subscription holder.

Social Media and Marketing

Integrating GenAI with social media is already underway with new features being released that support content generation (e.g., AI-powered LinkedIn post generation). Short-term opportunities will focus on new features that include automation and enhanced User-Generated

Content (UGC). GenAI models will also offer support for regulatory tracking that extends beyond key words and understands post sentiment. This will heighten accuracy, especially when performed autonomously using AI agents. This can be extended to brand monitoring for stakeholders looking to gain a dynamic understanding of how consumers perceive their brand.

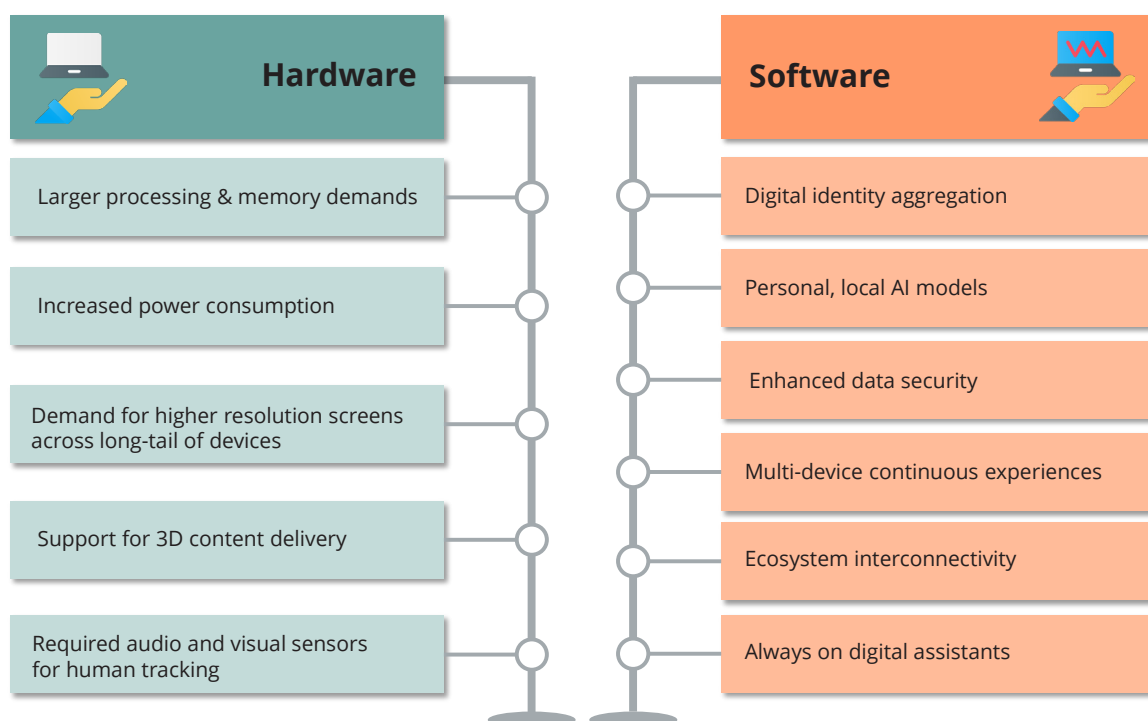
Social media and marketing will also benefit from AI-driven hyper-personalization. AI marketing agents will be able to track user activity across devices and leverage digital identities to contextualize ads and improve Return on Investment (ROI). A key will be user opt-in, which will be required across many regions to enable granular tracking. Virtual assistants could offer a solution by providing a more efficient way to opt-in for ads within certain brands or platforms. The long-term trajectory toward spatial computing will offer significant commercial opportunities. Marketers will be able to align ads more effectively based on both a consumer and location. They will also be able to create new immersive and interactive ad experiences with 3D generation and even holographic content, with XR offering a new way in which to deliver content.

CONSUMPTION ENABLERS

AI-led technology innovation will significantly impact the consumer device market. As complex AI models (multi-modal GenAI) become more accessible and strides are made in the accessibility of spatial computing, consumer devices will play a vital role in supporting these complex experiences. This will create both software and hardware challenges as explored in Figure 8.

Figure 8: What Impact Will AI in Digital Entertainment Have on End Devices?

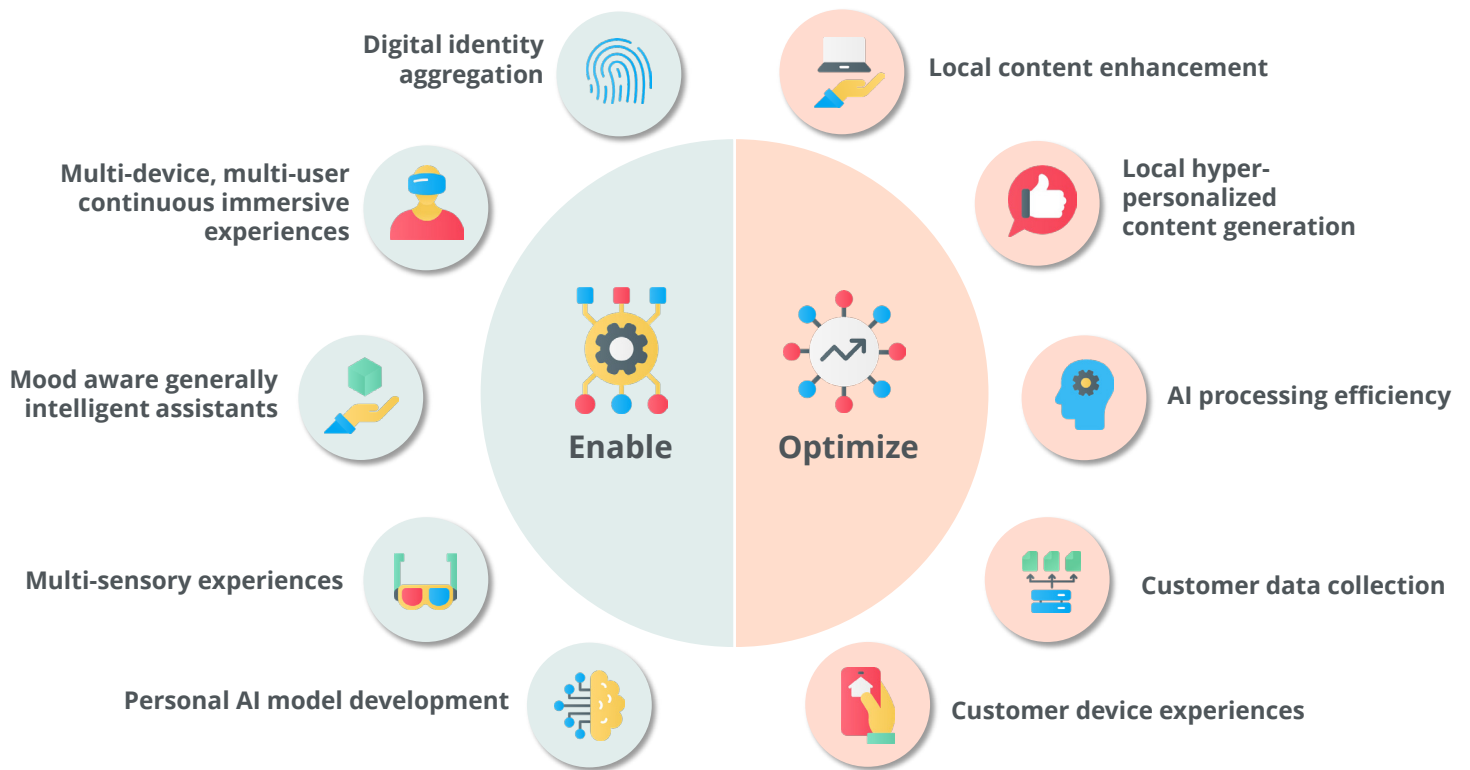
(Source: ABI Research)



Although AI innovation may create challenges, it will also open opportunities for consumer devices to move beyond simply hosting entertainment to a more active role; enabling new experiences and optimizing content delivery as explored in Figure 9. As AI integration may increase device prices, it is critical that consumption enablers build new experiences and applications to build a stronger value proposition to justify the investment.

Figure 9: How Will AI-Enabled Devices Create Value?

(Source: ABI Research)

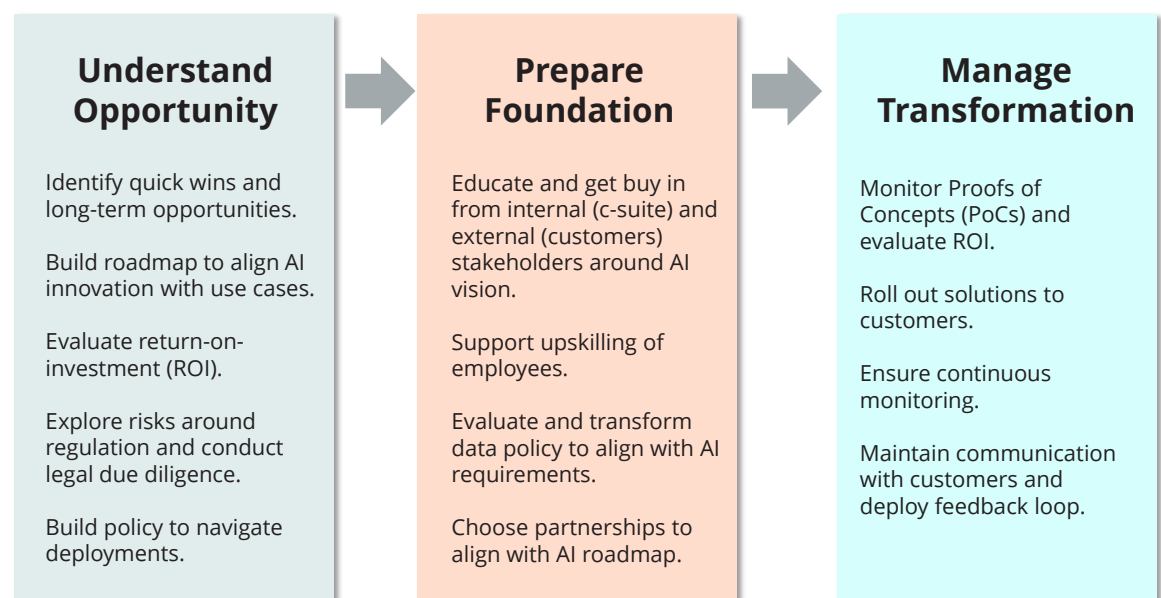


STRATEGIC RECOMMENDATIONS

The next 10 years will offer plenty of AI-led opportunities for stakeholders within the digital entertainment value chain. This transformation will require a comprehensive strategy to prepare solid foundations and mitigate risks. Figure 10 explores steps that stakeholders should take to make the most out of AI-led sector transformation.

Figure 10: Key Strategic Steps to Build a Strong Foundation for AI Deployment

(Source: ABI Research)



But even with strong foundations, significant risks and ethical concerns must be addressed:

- **Autonomous AI:** Autonomous AI agents will help streamline content creation and distribution with clear time/cost advantages. However, hallucination (whereby AI models make incorrect predictions, create false positives/negatives) and data bias will bring accuracy and perceptual risk. Stakeholders must, at least for now, maintain human touch points and oversight to manage risk and reward of AI deployments.
- **Bias:** Data are the most important variables in AI deployment, especially in digital entertainment use cases. Inaccurate, narrow, or biased data will create content that perpetuates stereotypes. It is important to ensure that AI models are exposed to wide and diverse datasets within training.
- **Job Destruction:** Although AI will mostly augment, rather than replace employees, stakeholders cannot ignore that AI will displace some legacy job roles. Stakeholders should embrace the need to evolve with AI and implement strategies to upskill employees and prepare them for the AI era. Content creators will benefit enormously from AI, as it will augment, rather than replace them, as humans will still inject creativity and operate AI tools.
- **Intellectual Property Rights (IPR):** Most generative models are not yet capable of generating new creative content, but they are proficient at reframing existing ideas to fit prompts. Therefore, any content generated will be based on underlying datasets that models have been exposed to, which could create IPR problems. This will extend to identity ownership, e.g., using celebrity visual or voice AI doppelgangers for ad development. Many still question if or how identity ownership restrictions can be enforced. Stakeholders must be careful to understand these challenges, implement clear internal governance to mitigate risk, and look to influence emerging global or regional IPR AI regulation. Given the speed of development around copyrights, the market should expect a lack of direction around dataset access and ownership of generated assets, especially over the next 10 years.
- **Customer Buy-in:** Enabling advanced AI customer-facing use cases will rely on increased collection and analysis of customer data. Given the data privacy concerns, stakeholders must look to build trust with customers through clear data regulations and transparent AI development processes. In addition, carefully explaining the proposition of new AI-enabled experiences will help display the value of increased data analytics. This will become increasingly important as the market moves toward customer “digital identities.”
- **Competition:** Decreasing creative barriers will enable anyone without technical skills to start building. Also, content distributors will see monetization opportunities by moving downward and creating content in-house. Addressing emerging challengers requires effective usage of AI in-house and a clearly differentiated approach that does not target mass-market content creation.

Customer trust and buy-in will be one of biggest barriers for stakeholders trying to create value with AI, given the data privacy concerns.

CONCLUSION

AI will transform each layer in the digital entertainment value chain over the next 10 years. GenAI advancements and accessibility will likely be the main drivers with immersive digital experiences, content creation tools, and hyper-personalization quickly becoming pervasive. Stakeholders must adapt their existing strategies, culture, and resources to reflect the new pace of innovation and to comprehend and acclimatize to significant commercial, technical, ethical, and legal risks associated with universal AI deployment.



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New York, NY 10023
Tel: +1 516-624-2500
www.abiresearch.com

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