



RESEARCH

## Tapping the \$6 Trillion Opportunity in AI

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### Key Takeaways

- Artificial intelligence is poised to revolutionize online search, commerce and content.
- This burgeoning technology could help tech companies tap some \$6 trillion in offline spending.
- Large platforms are best positioned to benefit since AI requires sizeable investments in data storage, engineering, processing speeds and more.

After more than 25 years of innovation, artificial intelligence is having a breakthrough moment. Better search tools and AI assistants could power stronger recommendation engines for social media and e-commerce, create advanced tools for producing content and optimize shared-economy marketplaces for transportation and other services, among many advances.

"We see AI accelerating digital transformation and tech diffusion across the economy," says Morgan Stanley Research's U.S. internet analyst Brian Nowak. And that, he says, could let both companies and investors tap into the current \$6 trillion in offline spending. Here's a closer look:

### The \$6 Trillion Opportunity

Advertising, e-commerce, travel, the shared economy and the cloud are particularly poised to benefit from the evolution of AI tools and their ability to digitize untapped offline spending.

- **Advertising.** Only about 21% of all advertising globally in 2022 was digital, with a potential \$780 billion in ad spending still offline. AI, large language models and generative-AI creation tools could help advertisers better target customers online, leading to improved paid and organic results from search engines, higher engagement in social media and online video, and more sales from ad units.
- **E-commerce.** With just 23%, or about \$1 trillion, of retail spending online in the U.S. in 2022, there is a potential \$3.3 trillion opportunity for e-commerce. AI and large language models can improve the shopping experience for customers, increasing sales and making online shopping more interactive and increasing sales. AI can also reduce costs for retailers with more efficient logistics networks and routing, lower return rates based on more efficient product targeting and improved customer service.

- **Travel.** Though 76% of travel is already being booked online, digital travel platforms are well-positioned to capitalize further on their large and unique data sets. AI-driven suggestions will assist in the research and planning process. Over time, AI will help devise prepackaged itineraries, and recommend specific flights, accommodations and experiences that best match consumers' needs. As a result, travel companies will benefit from higher customer conversion and repeat use.
- **Shared economy.** While ridesharing and food delivery are closely associated with digitalization, they had just 8% and 21% digital reach, respectively, when looking at the total population who could potentially use the services. AI-based improvements to data use will better match drivers to riders and food purveyors to consumers. Further in the future, AI-enabled autonomous driving and delivery could help lower costs.
- **Public Cloud.** Analysts expect cloud adoption rates to grow this year, with AI demand fueling the acceleration in the medium to long term. Over the next four years, IDC 1 forecasts that AI will drive one-third of the total growth in public cloud and expects global AI spending on the public cloud to reach \$328 billion in 2025.

### Seizing the Advantage

AI-driven tech innovation will lead to changes in consumer behavior, as well as new enterprise revenue and productivity enablers, says Nowak. But the largest tech platforms, he notes, are best positioned for this next stage in AI evolution. Here's why:

- Training in and development of AI tools requires investments in hardware, computing power, data storage, networking, bandwidth and additional data scientists.
- Companies with large, unique and high-quality data sets and a willingness and ability to invest will be better able to optimize their models.
- Developers will be critical to this next wave of innovation, building new applications for both businesses and consumers using these large language models. AI coding tools will be a key area of innovation and over time, AI-assisted coding will make coders faster and more efficient.

AI also could also disrupt those sectors that are slow to adapt. As AI models emerge for specific industries, companies in areas such as law, finance and healthcare will likely come under pressure to adapt both their technological and human resources.