

50 dot points

Sharp Tech: OpenAI's Code Red and the AI Race

Andrew Sharp and Ben Thompson discuss the recent "Code Red" announcement from OpenAI and its implications for the AI market, particularly in relation to competition from Google.

The Angst of OpenAI

- Ben Thompson expresses his prolonged "angst" regarding OpenAI's strategic direction.
 - The discussion touches on a previous podcast where Ben was optimistic about a sports figure's team, only for news to break that he might leave.
 - Andrew Sharp jokes about the Washington Wizards' prospects for winning a championship.
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OpenAI's Strategic Dilemma

- Ben argues that OpenAI should have focused on the consumer space and launched ads much earlier.
 - He believes the API business has been a distraction from establishing dominance in the consumer market.
 - The long-term advantage lies in being an aggregator with a strong revenue flywheel, not just having users.
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The Power of Advertising

- Ben uses Google Search and Meta (Facebook/Instagram) as examples of successful advertising models.
- He explains that ads make products more accessible and that users often delay paying for premium services.

- The advertising model aligns incentives by making advertisers bear price increases, not users.
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Competition and Google's Play

- Andrew notes that ChatGPT is the one AI product everyone he knows uses and likes.
 - However, he acknowledges that the "Code Red" impulse is likely healthy for OpenAI.
 - Ben believes that if OpenAI were to introduce ads, it would diminish the user experience at a critical time.
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The "Inshittification" Concern

- Ben is frustrated by what he perceives as OpenAI becoming sloppy, citing the non-functional "share chat" feature on desktop.
 - He argues that a strong user experience is crucial, especially when competitors like Google are offering free alternatives.
 - The "inshittification" of YouTube, where buffering frequently interrupted videos, is used as a parallel to potential issues with AI services.
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Google's Market Dominance Strategy

- A listener's question suggests Google could leverage a negative reaction to OpenAI's ad rollout to attract users.
 - Ben agrees that Google's strategy of subsidizing AI with search revenue could drive out competition.
 - He compares this to Google's past dominance in search, smartphones, and browsers despite not being first to market.
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The Future of AI

- Ben expresses regret for not being more forceful in advocating for OpenAI to implement ads earlier.

- He highlights the importance of a sustainable revenue model to maintain leadership in the AI space.
 - Despite the current “angst,” Ben believes the game is not over and OpenAI still has opportunities.
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Listener Feedback

- Paul questions the timing of OpenAI’s ad integration, comparing it to YouTube and Facebook’s mature market positions.
 - Aaron suggests Google might use OpenAI’s ad rollout as an opportunity to capture its user base.
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Subscription Information

- Andrew reminds listeners that the free preview is ending and encourages them to subscribe for more content.
- Subscription options and feedback channels are provided.