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AI Business Spending Is Surging, but Can It Last?

Enterprise investment in generative AI increased in 2024, but only time will tell which tools become essential to business.

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Business investment in generative artificial intelligence (AI) is surging as companies seek to capitalize on its potential.

In 2024, generative AI business spending jumped to \$13.8 billion, a sixfold increase from 2023, according to a recent report from Menlo Ventures.¹

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This 500% increase in generative AI spending suggests that companies are betting on the emerging technology's ability to enhance business productivity by generating code, analyzing large datasets, and drafting legal documents.

The question now is which investments will deliver lasting value and which ones may fade as AI hype moderates. Investments tied to improving core processes — such as supply chain optimization, predictive analytics and research, forms processing, and customer experience/journey applications — are more likely to endure because they address ongoing challenges that directly impact profitability.

According to the report, the bulk of generative AI investment in 2024 targeted foundation models, which are pretrained. Spending on foundation models will likely remain higher than before the launch of generative AI two years ago.

However, investment in foundation models is unlikely to continue growing at its 2024 breakneck pace of 550%. In some cases, businesses may find that although foundation models excel at many tasks, they only offer marginal improvements that don't justify their cost.

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The degree to which companies continue pouring money into certain areas — such as generative AI model training and deployment — hinges on which technologies can boost business efficiency as well as prove both reliable and effective in augmenting human productivity.

Overall, the outlook remains largely optimistic. Generative AI already demonstrated its ability to reshape industries, and companies that take a strategic, thoughtful approach to adoption are likely to experience lasting gains.

[1] "2024: The State of Generative AI in the Enterprise," Menlo Ventures (2024).

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