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# How regional tech champions can succeed in GenAI

The advent of generative AI (GenAI) represents an inflection point in the innovation cycle—similar to how the internet gave rise to a burgeoning software market, and smartphones spawned apps and social media markets. As a result, some of the largest tech companies are in a race to establish their primacy. In 2023, for example, global private investments in GenAI exceeded US$25 billion, including $415 million in venture capital investment in the Middle East.

This foundational shift is creating multiple opportunities for companies to pursue innovation and disrupt markets. The region's tech champions find themselves at a crossroads: To succeed, they must craft a strategy that creates clear differentiation in the market. This will require a profound understanding of regional dynamics, a tailored approach to address specific market needs, and the agility to respond to emerging trends.

Regional tech champions should explore five strategies to focus their investments and achieve a long-term competitive advantage.

1 **Focus on industry verticals** Established players—including hyperscalers, closed source and open source data and AI platform providers, and large language model (LLM) incumbents—dominate infrastructure, foundation platforms, and foundation models. Still, regional champions can capture market share by creating specialized solutions tailored to verticals and enterprises. Tech champions could concentrate on specific use cases to improve performance, quality, experience, and efficiency. In the Middle East and Africa, Polaris forecasts that by 2032 the media and entertainment and the banking, financial services, and insurance FSI sectors are likely to be the top verticals, accounting for 70% of the $7.8 billion GenAI market.

Apps currently capture 30% to 35% of the value across the GenAI tech stack. Their strength lies in understanding the "control point" (the most important system in the business and the last to be turned off to save money) in each industry and building solutions around it. This approach entails fine-tuning models for industries or enterprises and developing front-end applications with unique and industry-specific workflows. Oracle, for instance, integrated a clinical digital assistant tool into its electronic health record platform, Cerner, reducing administrative tasks for clinicians and improving the overall value proposition of its platform.

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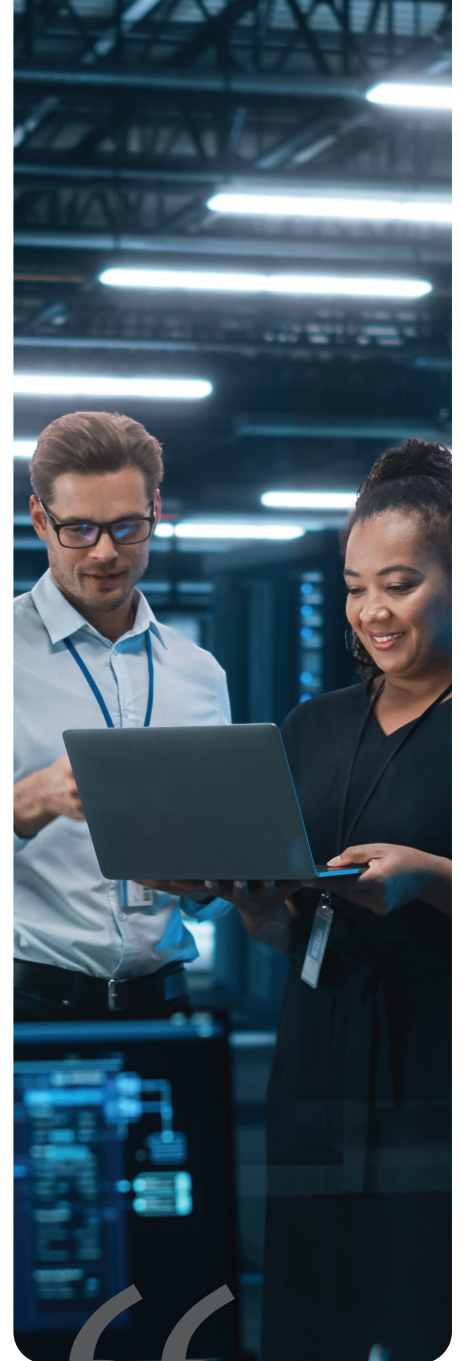
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2 **Follow an integrated stack approach** Tech champions could develop solutions that combine computational infrastructure (the software used to manage computing resources) and LLMs. This strategy enhances commercial returns, given its higher customer stickiness and capital efficiency. Dell, for instance, partnered with Hugging Face to offer solutions that integrate infrastructure and GenAI models to enable customers to build and deploy their own GenAI applications.

3 **Own, localize, and control the infrastructure and computing stack** To ensure adaptability, scalability, and resilience in an ever-evolving tech landscape, regional tech players need to control the infrastructure layer (the data centers and equipment to support solutions). Companies adopting this strategy would need to focus on providing GenAI solutions in a localized environment, which allows for greater data security and supports customization for regional large enterprises and government customers. Watad, a Riyadh-based AI and cybersecurity company, implemented Mulhem, the first Saudi Arabian domain-specific LLM trained on local data sets and developed by leveraging NVIDIA's on-premises high-performance computing system.

4 **Differentiate with access to unique data sets and proprietary IP** Solutions relying solely on publicly available data will not create incremental value or deliver a competitive advantage. That makes it critical for regional tech champions to gain access to and manage proprietary data sets. To develop intellectual property (IP) across key verticals, they should find co-investment opportunities with customers that could offer market traction. This strategy would provide tech champions with access to unique data sets while still being able to own the IP. Tech champions could also expand their access to unique data sets by striking strategic partnerships and licensing agreements with other organizations such as data providers, industry leaders, and research institutes.

5 **Drive cost efficiencies without hindering performance** Trends in GenAI indicate a continuous increase in the size and cost for LLMs and applications built on top of them. For example, the training costs for GPT-4 and Google's Gemini Ultra are estimated to be around $78 million and $191 million, respectively. Given LLMs are becoming larger—and thus pricier across the board—regional tech champions could seek to contain costs while maintaining performance (that is, limiting hallucinations, answers that are plausible but wrong). For instance, they could use an LLM controller (a tool for ranking and synthesizing output from multiple LLMs) to manage a cascade of smaller and cheaper models before relying on larger models, an approach that can significantly reduce costs.

To succeed in the commercialization of their GenAI offerings, regional tech champions should partner with AI service providers that can build and deploy bespoke use cases for customers using their GenAI stack. Further, capturing GenAI market share requires the adoption of innovative pricing models and use cases, such as success-based pricing (GenAI-driven customer service solutions, for instance, could link fees to the resolution of customer inquiries) or freemium pricing (in which a basic service is deployed for free and monetized through premium offerings, end-customer usage, or both). As one example, Microsoft 365 Copilot has a free tier for users to promote adoption and premium pricing that includes additional GenAI features.

Regional tech champions have a significant opportunity to thrive in the era of GenAI—provided they adopt a strategic approach centered on one of five strategies and a clear go-to-market model. Demand in GenAI will likely only increase globally, so regional tech champions should act now to position themselves to secure a substantial share of this burgeoning market.

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