Predictions from top investors on AI in 2024

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Term Sheet readers share their predictions for artificial intelligence this year.Photo illustration by Victoria Ellis; Original photos by Getty Images

It's 2024, and a special week of Term Sheet.

In a longstanding tradition for this newsletter, we ask readers to weigh in on what the new year will bring for the private markets. This year, we're dedicating the whole first week of January to the Crystal Ball, and today's edition features a collection of predictions readers made on artificial intelligence.

Is there too much hype around artificial intelligence? Or not enough?

Here's what you had to say.

Note: Many answers have been shortened for clarity and/or brevity. The deals section will be back next week!

Funding: The Gen AI reckoning
At least one AI startup will raise a substantial round of financing before the investors realiz
contains no actual humans and the founder is a bot. —*Ivan Gaviria, partner, Gunderson D*

Next year will be a year of reckoning for Gen AI. As the novelty factor fades for tourist inve
adopters who raised at hundreds or thousand times revenue multiples may go bankrupt or
fractions of their valuations, while the elusive few that find true product market fit will beco
monopolies. —*Pegah Ebrahimi, cofounder and managing partner, FPV Ventures*

Due to overhyped expectations and free-flowing AI budgets in 2023, we'll see significant c
companies in 2024 as companies pull back on AI experimental budgets. Many companies

stall and cash burn increase as they figure out business models, including pricing, and de[...]
fit use cases. The companies that will continue to grow and thrive will figure out measurab[...]
deeply embed into existing workflows. —*Cathy Gao, Partner, Sapphire Ventures*

2023 was year 1 of the current AI hype cycle and I expect it to continue for another 9 mon[...]
tech hype cycle – whether it's mobile in 2009 or fintech in 2021 – there's an initial period v[...]
flood of investment, FOMO, and everyone gets a huge valuation. But after a couple years[...]
companies don't grow as fast as you'd hoped. Everything starts to feel busy and you feel [...]
Immad Akhund, cofounder and CEO, Mercury

AI related companies are going to continue to be the bulk of what we see next year. —*Aa[...]
partner, NEA*

2024 will get cold for many hot AI startups, with wary VCs questioning how many winners[...]
be in the generative AI market and pulling back investment to the cash-burning startups. –[...]
senior reporter, Crunchbase News

In 2024, over $200B will be spent powering AI infrastructure, as hyperscalers and upstarts[...]
their robust demand for AI compute. —*James Luo, partner, CapitalG*

Replacing people?
A majority of Gen Z will have at least a close or best friend that is AI-generated discussing[...]
Making internet friends from Discord, Twitter, Twitch, Roblox, etc. will have prepared the y[...]
to maintain relationships with people they've never met face-to-face, and retention will be [...]
friends as these companions will cater to each person's specific interests and emotions. T[...]
will be predominantly text-based but will eventually evolve to include voice and potentially[...]
future. —*Lindsey Li, Investor, Bessemer Venture Partners*

AI isn't going to take away our jobs or control us, but people will need to start embracing a[...]
Personal AI agents will evolve and adapt, but instead of being an all-knowing intelligence,[...]
that act as tireless assistants, relieving humans from tedious tasks. —*Michael Stewart, pa[...]

Despite warnings that GenAI and other intelligent software will slowly—or not so slowly—t[...]
human developers, the industry should instead expect to see more job listings for security[...]
require extensive background in developer roles. This is because as every vendor across [...]
scrambles to bolster their security solutions to stand up against AI-based attacks, tried-an[...]
will become essential in carrying out strategies that ensure minimal-to-no vulnerabilities…[...]
benefits of LLMs—e.g. being able to use natural vs. programming language—will not be e[...]
the next 12 months, so companies need skilled developers to implement DevSecOps suc[...]
Mamo, VP of engineering, Crowdstrike

The buzz about Gen AI being the silver bullet and disrupting every process as we know it [...]
Generative AI excels at many things, such as data aggregation, analysis, and spinning up[...]
such data. Plenty of existing digital businesses provide the infrastructure needed for AI to[...]
some processes can be more efficient with AI. However, there will be plenty of use cases[...]

evidence that GenAI will move the needle. —*Simon Wu, partner, Cathay Innovation*

Many will realize that there is still a technology gap between what AI can do today and wh do in the future. —*Rob Rueckert, partner, Sorenson Capital*

The next big thing?
Large Language Models will shrink. Domain specific models will be trained on smaller dat outperform general purpose LLMs. Similarly, emerging architectures that shrink the size o Liquid Neural Networks, which dynamically adjust the model size by distilling tasks and dr information, will unlock exciting, new deep learning use cases. For instance, in manufactu on site lack the processing power to run sophisticated machine learning models but smalle run on such devices, will unlock new capabilities for edge computing. —*Rudina Seseri, fo managing partner, Glasswing Ventures*

In 2024, expect a clearer distinction between authentic AI applications and tech superficia The real measure of AI's success will lie in its ability to address customer challenges and business issues. Platforms and applications that excel in these areas will win the market v business problems in ways that were previously impossible. —*Megh Gautam, Chief Produ Crunchbase*

Enterprise AI moats—and shareholder value—for foundational model providers, like ChatG challenged by open-source equivalents, beginning a tectonic shift in the market. The exist shareholder value will be destroyed, and the consumer value gained will be massive. —*R cofounder and partner, Underscore VC*

In 2024, we're going to see a shift in phases from AI toys (hype-first products that capitaliz tech) to native AI products (products that utilize AI to solve long standing human needs in —*Jacob Andreou, partner, Greylock*

Generative AI will make social platforms social again. The big social platforms have becor entertainment platforms at the expense of actual social interaction, and ironically AI could You don't have to be an expert painter, drawer, or singer to express yourself elegantly. An creative idea and use gen AI to bring it to life. This ease of creation will encourage more e storytelling, and more interaction, seeding the next generation of social platforms. "Look w new "what's on my mind." —*Ashley Lundström, partner, EQT Ventures*

The rise of AI has created a huge demand for computing power and storage space, not to 2024, I expect we'll see more innovation taking place in data centers, with opportunities fo can improve networking efficiency, access alternative sources of power, and find better m the immense heat generated by GPUs. —*Erin Price-Wright, partner, Index Ventures*

The big dogs
With the emerging learnings in core neural net architectures that led to the transformer an OpenAI, it is likely that their imminent release of GPT5 will be surpassed in specific perfor by a new dark horse market entrant, on the backs of more efficient architectures, improve

capabilities, better contextual understanding of the world, and enhanced transfer learning.
will be built on emerging research in spatial networks, graph structures, and combinations
that will lead to more efficient, versatile, and powerful capabilities. —*Ethan Batraski, partn*

We hear a lot about the players vying for leadership in AI, but the real sleeping giant is Me
generative AI capabilities, supported by its many billions of diverse social data points inclu
videos and text, will leapfrog Google and Open AI in the AI race. They understand how hu
with each other, and by harnessing their global platform as a launchpad, Meta has the pot
revolutionize the landscape of everyday life, bringing AI into any imaginable moment. The
positioned perfectly to be at the forefront of widespread adoption, where AI seamlessly int
very fabric of every household. —*Alex Beckman, founder and CEO, On Platform*

Google, Meta, and Microsoft will continue to grow revenues, but they will have roughly 10°
five years from now as AI productivity improvements cannibalize growth and absorb suppo
development, and administrative roles. At the same time, slowing revenue growth rates wi
to find operating expense efficiency. —*Mark Sherman, managing partner, Telstra Venture*

Amazon will launch AI-powered search. Generative AI has revolutionized online search, s
ChatGPT and Microsoft Bing. One of the biggest Internet search engines is Amazon.com,
highest traffic website in the U.S., and arguably the default search for e-commerce in the l
Amazon to integrate generative AI into its search bar soon, allowing shoppers to visit Ama
shopping, but also for inspiration and get answers for the day-to-day. —*Bob Ma, investme*
Ventures

Ethics and safety
Generative AI will be weaponized to drive misinformation around the U.S. election, forcing
before the problem is fully understood resulting in reactionary legislation that is constantly
of-the-art technology and largely ineffective. —*Graham Brooks, partner, .406 Ventures*

With more than 1 in 3 Americans having avoided going somewhere due to fear of gun viol
stark difference among the companies that have—and have not—successfully applied AI
easier and safer while prioritizing the needs of the public. —*Peter George, CEO, Evolv Te*

Etc.:
At least one government will attempt to ban people from representing themselves in court
—*James Clough, CTO and cofounder, Robin AI*

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