

Brian Gracely (00:01.647)

Hello and welcome back to the Cloudcast. I'm your host Brian Graceley along with host Aaron Delp and host Brandon Wichert. Guys, another Cloud News of the Month, this time for September, actually for August of 2024. No, for September. We're covering October. We're recording at the end of September. We're going to put this out in October. So we're doing September. How's everybody doing so far? How was September for everybody? Kids back to school and all those things?

Aaron Delp (00:27.917)

Yeah, getting adjusted in, yeah.

Brandon (00:28.096)

Fantastic. It's always good to be back on the cloudcast. Good to have the weather being a little cooler here in Austin. And, you know, all my college football teams are still doing well. So, you know, nothing but optimism as we head into Q4.

Brian Gracely (00:41.162)

That's right.

Aaron Delp (00:41.904)

Brandon's still on the hype train. He hasn't got.

Brandon (00:43.638)

That's right, still on the hype train, still loving it. Check back in November, could be a little bit more depressing, we'll see.

Brian Gracely (00:49.358)

College football season has been up and down. Brandon's local team is great. Aaron's old team is great still. His new team stinks. One of my daughter's team is good. The other one stinks. It's a regular hodgepodge of what's going on in college football and so forth. All right. It felt like it was a little bit of an up and down month in terms of Cloud News of the Month. Why don't we start with some good old fashioned Cloud News stuff. Aaron, I know you.

You were the first to admit you don't even follow this stuff anymore. You have no care about the cloud whatsoever. You have no use to us anymore.

Aaron Delp (01:18.352)

I'm like, done. I'm out. Yeah, it was kind of funny prepping for the show. was like, all right, I've got this, I've got this, I've got this, I've got this. And by the way, yeah, look, they're all AI stuff, which is, we hadn't really talked about it yet, but that is like, my new job is AI marketing. And we'll talk about it more at some point, but I was like, that old cloud new stuff. don't know.

Brian Gracely (01:37.59)

Yeah, I...

Brian Gracely (01:43.542)

Yeah, I'm looking at the cloud stuff. And I think if somebody had asked us at the beginning of the year, hey, how much would you bet that Intel is going to dominate the headlines for like half the year? What sort of odds do think you could have gotten for that? Because I feel like we're now on about month three or four in which Intel is like the lead thing for the cloud stuff, which is amazing to me. It's not Amazon. It's not Microsoft. It's not Google. It's Intel.

Aaron Delp (02:06.192)

I just think it's because it's drama, right? Like drama creates the news cycles and all the other clouds. I mean, they're kind of steady state and kind of boring at this point, but Intel, man, there's lots of juicy drama. I mean, we talk about Intel for months. This is great.

Brian Gracely (02:08.523)

Yeah.

Brian Gracely (02:18.648)

Yeah.

Brandon (02:19.555)

Well, I think it's also to it's just a historic brand, right? You the company that sort of invented right. Only the paranoid survive Andy Grove, you know, legendary, like one of the first Silicon Valley. It's, know, obviously it's been a real fall from grace. And the fact that like,

I mean, what was unthinkable, like me, certainly late nineties and the odds, like the fact that Intel would just be acquired right now is there, there's a daily rumor about someone coming out, you know, thinking about acquiring them. So it's a, you know, it is just the same thing we learned over and over again. It's like, if you're on top, you better enjoy it because your day is coming.

Brian Gracely (02:50.87)

Yeah, yeah, it was, I guess from a news perspective, both Qualcomm and Arm approached Intel about either a partial takeover or a full takeover. Pretty amazing there. And then you're starting to see, I think the reality set in for, you know, for Pat Gelsinger, he's laid out, you know, unfortunately they had a big layoff, I think last month. This month they're talking about, you know, cutting back real estate. They're already starting to sell off real estate. think their European headquarters are looking to sell off. I know I've heard

through the grapevine in various places, they're starting to cut back marketing for this. think, I feel like we may be at the beginning of maybe not the downfall of Intel, because they're still a huge company. They still have huge intellectual property, huge expertise and things. But I do feel like we're starting to get to a point where maybe a breakup of Intel, splitting up of Intel for, as we've discussed a little bit, do you feel like we're seeing?

That trend or you think there's, Pat's got one last sort of hurrah left in his 500 page strategy of fixing Intel.

Aaron Delp (03:54.446)

You

Brandon (03:54.904)

I think there are two things. mean, I think the key points are Intel's obviously still designing chips and x86 business can be there for a while. And then there's this whole idea of the foundry, right? The idea that, know, and especially here in the US, the US and the United States government is pretty motivated to like have a great foundry presence, someone to like maybe not be an equal, but at least, know, to some of the works TSMC is currently doing. So there is I don't know, with that kind of backing, right? Was sort of like you.

You know, we're going to give you I don't say unlimited money, but we want you to succeed. makes a lot of sense, right? I mean, it's certainly you could probably spin off the foundry side and you know, and have that really funded in the next 86 and chip design. Like you said, not going anywhere. I mean, not.

Not necessarily going to grow, but you could see one takes. And I think that's what arm was saying is like, why don't we just take that business for from you? So if you really wanted to play it out as like maybe arm takes the design house side of it and maybe Qualcomm, you know, they wanted to get into the foundry business or someone else emerges. So I don't know. think it makes sense, but I doubt they doesn't seem gelsinger doesn't seem like the person to do this. That would be like, he, seems like the one that's, know, he's going to write a thousand page strategy document before he's the one that breaks it up. But we'll see. I don't know. What do think, Aaron?

Aaron Delp (05:06.831)

Yeah, no, I completely agree with you. And we've talked about it before. We've kind of said, hey, know, there really, it's like two or three companies that unfortunately none of them are doing well, all wrapped in one. And the only way they're going to be able to focus going forward is pick a lane and really focus on that. And yeah, there might be some sell-offs or there might be some mergers of the other divisions. I mean, I think Intel as we know it is going to change.

Brian Gracely (05:36.802)

Yeah, I think maybe the only way for us to sort of resolve this is going to be to probably have to have Michael Dell and Silver Lake on, let us know how they're going to VMware this thing. Because it feels like somebody needs to come into this thing with a bunch of sort of backed debt, take on Intel, and then basically sort of private equity them. Because I don't know that, like you said, I don't think Pat by himself is going to necessarily execute that. But I do feel like some external entity with the right motivation might break it up in.

Aaron Delp (05:47.191)

You

Brian Gracely (06:06.71)

at least some way and hopefully a good way, like you said, because it's got national security interest as well as capacity interest and sort of Western hemisphere interest and all sorts of things like that. Second thing I saw that was sort of interesting is it feels like Docker is taking a page out of VMware's playbook. They're raising their prices. They're doing a bunch of bundling. We keep wanting to have Docker on the show, whether it's Scott Johnson or somebody else to figure out.

What has Docker done that is gaining so much popularity and are they really at a point where they, I mean, they're basically just announced they're gonna basically double their prices. And I know they've been talking about doing well, but are you guys hearing things in the market that would let you know that people now value like Docker and Docker desktop and Docker registry so much that they wanna pay double for what they're paying for today?

Brandon (06:55.498)

Well, I think, you know, keyword there want to is probably different from like willing to, or I think that would be the way to say it. I think, I don't know. I think Docker sort of, know, it's just an amazing comeback story. I think that kind of figured out, you know, what they had and the developer side of it. And I think, you know, it's one of these things, I think once you're on the line of sort of like a recurring budgets and people, it's just the simplest thing to do is to buy the Docker subscription. And I think it makes total sense for them to.

Brian Gracely (06:59.565)

Right.

Brandon (07:20.522)

you know, up the price and make more money and they're probably eventually find that right price point. But I think the people that didn't want to pay anything, I think have long left. I think those people have moved on to other solutions. And I think they're probably left with a, you know, a very price insensitive group of customers where probably many corporations are picking up the tab. So it's like, why not raise the prices? So good for them.

Brian Gracely (07:41.45)

Yeah, yeah, yeah, I do. mean, I'm curious if this starts to become the new sort of enterprise software offering. I mean, it's not a new pattern by any means, but, you know, do a bunch of extreme bundling, get to where, you know, the one or two things that people love are bundled with other stuff. I mean, the nice thing about the Docker thing, I guess, is, you you're dealing with developers who,

may or may not complain about it. It's just gonna be, already, it's like you said, it's already installed on their laptop. They're probably not gonna turn it off. And they're really, the pricing changes look like cup of coffee changes, right? Like they don't, I said they're nearly 50 % or

even 100 % growth, but like it's a cup of coffee a month sort of thing. So they might be living that perfect sort of niche lifestyle as a business now where you can just sort of explain it in cups of coffee and people are like, that's not that big a deal.

I'm not going to worry. It's tens of millions of dollars. It's just a couple of cups of coffee a month type of thing, which might be the perfect strategy for this. It at \$5 a month, \$9 a month, whatever it is. Like you said, they've carved out a little niche that's sort of perfectly under the radar for getting chopped for budgets. And it doesn't.

Brandon (08:54.274)

Well, it's especially good timing for this to given all the VMware licenses changing in the bundling of that because you know, it's sort of like the VMware is like, you know, some of these price increases are like, meaningful, right? You know, 10x 100x year, crazy things and a pretty radical rebundling. I think Docker's just like, just just clean some stuff up. You know, we're just building a little happy mill here. Couple extra bucks a month.

Aaron Delp (08:54.297)

Yeah, but you ate.

Brian Gracely (09:04.993)

Right.

Aaron Delp (09:05.754)

You

Brandon (09:15.745)

You're still going to love it. know, so think it's a, I wonder if they just kind of watched that VMware thing is like, you know what you do? We should just let's do something similar, but on a much smaller scale and no one's going to talk about it. And again, kudos to them smart strategy. If that's how they decided.

Brian Gracely (09:28.342)

Yeah, they just.

Aaron Delp (09:28.773)

Yeah, but I'll just add, know, a cup of coffee today leads to, you know, an eventual Broadcom acquisition and three or five X after that. So it's a slippery slope, man. It's a slippery slope.

Brandon (09:34.836)

You

Brian Gracely (09:37.183)

Well, I mean that might be the other smart side of this is they're like hey Broadcom loves a cash cow. So yeah, let's go after that. Third thing I saw on the old-fashioned cloud news was the thing

that I had put up in the attic a couple of months ago is back. Infrastructure as Code is back. Adam Jacobs of Chef fame launched his product GA. Brandon, I know you and Matt Ray and others are sort of watching this closely. Does Infrastructure as Code need a revival?

something new or is this just sort of fit into the, know, there will always be money for observability sort of, you know, type of thing.

Brandon (10:14.33)

Well, that is why I don't know that is that should be a cloud news of the month, just maybe one of the 10 commandments like there is always an more funding for observability. And I mean, it's just an endless amount of funding that goes into these. And really, it's the same venture capitalist firms. If you go look at who's doing it. as far as system initiative, it's like, yeah, you know, it's it's kind of just a slight. won't say it's it's a different, slightly different take, right? They're really into the idea of modeling, like modeling your whole environment and this idea of digital twins.

And, know, kind of the belief that like, you really got to do all of that to understand it. And, you know, I would say interesting approach, like novel approach. So I know Adam Jacob is super passionate about this area. So it'll be fun to see what happens. I kind of wonder a little bit as sort of like, you know, maybe, you know, bridging to some other topics here and sort of like, well, isn't this what AI is for? Can AI just like.

Figure all of this out, you know, I kind of just wonder if there's some middle ground where it's like I don't really want to be messing with this as much and like I would prefer that Someone else some other system kind of I don't want to model as much as I want it to be done I want some kind of system doing it for me So I'm interested to see that's probably a little asking a little too much, but I'm interested to see what happens But as everyone that's listening to this, I bet you all of you It just seems like production is never the same as dev text

Which is probably never the same as what you've modeled in your software. Like just history shows that it's always kind of different. So I'm I'm interested in it, but I'm a little skeptical to see it work in production. What do think, Aaron?

Aaron Delp (11:42.064)

actually you're going exactly where I was gonna go with the production versus testing kind of philosophy. I mean, I don't know, I feel like a lot of these tools, it's not that it's been there, done that, but it will be interesting to see what is the new take that ultimately comes out of all of this. What is truly new and different about this?

Brian Gracely (12:00.365)

Yeah.

Brian Gracely (12:03.937)

I think Brandon may have just accidentally sort of stepped into what can be. So for the last seven, eight, nine years, there was so much that we would look at, for example, that would get launched and end up in the CNCF. And we'd be like, is that really a company or is that just a feature? And I think we might now be asking ourselves, is that really a company or should that just be an LLM? Because I feel like you said, shouldn't this just be AI figuring this stuff out for me? So we may have to start using that.

that litmus test when new stuff comes out. Could this just be an LLM and be published as a small, probably an SLM, small language model, yeah. All right, so my one last thing, and if you guys say, hey, look, I don't know, I don't care, I'm not paying attention to this, I'll be perfectly fine with it, but I thought it was interesting. Three or four years ago, maybe it's been that long, Mark Zuckerberg basically bet the entire company Facebook.

which inclusive of Instagram, inclusive of WhatsApp on the metaverse. we, I think we generally, know we did, I think you guys did on software to find talk, generally sort of pan that as like, nobody wants the metaverse, nobody cares. mean, he changed the company's name, he bet tens of billions of dollars. Not only has their stock price gone back up, not only do they never ever, ever talk about the metaverse anymore.

but he now has everybody excited again about AR and these like sort of dorky, know, thick rimmed glasses. Are you at all excited about AR and more importantly, like, are you surprised that, you know, like they have so much money that they can just screw up something as much as Metaverse and then nobody cares about it. Nobody talks about it anymore.

Brandon (13:45.861)

Well, I think, know, another maybe the second of the Ten Commandments and Glad News Month is like, listen, when you have a advertising business based on the Internet that produces like 80 percent margins, like you can kind of do anything right. Like Google's shown that Meta formerly Facebook, right. And it has shown that. And so, you know, it's one of these things where it's like, I don't know if I would say it's slight of hand, but it's sort of like, well, what just happened here is they got even more efficient.

Brian Gracely (13:58.051)

Yeah. Yeah.

Brandon (14:09.691)

at showing ads and all of the various properties good for them. They've used AI to do that. So I mean, that's where all these profits are coming from here as well. And Google used to do this for a long time, too. It's like they make all this money, then they announce something way out in the future. Like remember what was like the balloons like loom was like we're to have Internet and balloons and this and this and this. And so I kind of put this in this category of like.

Brian Gracely (14:24.226)

Yeah, moonshots.

Brandon (14:31.808)

All those things I wouldn't even say I even want to render an opinion. It sounds like I read about the Orion Air glasses. Right. And it's like I heard a bunch of reviews. People seemed optimistic about like what it could do. And it's like seems fine. Right. And they even to met his credit. I think they were sort of like we're not producing them as a mass product. It sounds like they would be like 10 grand. So, you know, it's one of these things like I kind of go back and I'm thinking about the iPhone. There was like a demo of this giant. Maybe it was in like mid 2000s like of a

just a giant touch board, right? It was like as big as a desk, right? I remember someone showing that it'd be like, they were like, this is going to be this touch interface is the future. And you were like, okay, but then enough time went by and it's like the iPhone came out. You're like, okay, you 10 years go by, you're like, it gets good. So I just kind of put this in that category of like, all right, maybe in 10 years, maybe if there were glasses that were like \$1,000 that like did a bunch of cool stuff.

You know, maybe I would check it out, but it's sort of like, who knows? And also who knows who's actually going to like be the person to like actual company rather to bring that to actual to market. So I'd say, would, don't know. I don't want to like poo poo too much. And I do think stuff I'm happy to poo poo is, what was it was like, wasn't it when they were walking around in the virtual worlds with like the people didn't have any legs and they were like meetings and stuff. And I was like, yeah, all of that. If that's the metaverse, that part of the metaverse.

Brian Gracely (15:45.66)

No legs.

Brandon (15:52.777)

I'm done with that. Like we saw already saw that was second life. We saw this now. It's like, I don't want to see any of that. so yeah, that just put in the trash can this other stuff. We'll see what happens.

Brian Gracely (16:02.274)

Yeah, yeah. Aaron, any thoughts or cares about Facebook glasses, meta glasses?

Aaron Delp (16:05.874)

Well, I mean, did we learn nothing from Google Glasses, which was probably what, 10 years ago or thereabouts, right? Like the Google Glass thing, like, I mean, they're just, yeah, it's 10 years later and it's still dorky as hell. Like, there's no way. I just, I...

Brian Gracely (16:12.824)

Yeah.

Brian Gracely (16:19.66)



Yeah. Okay, fair enough. Fair enough. It was a big deal. thought we may want to talk.

Brandon (16:24.063)

Well, maybe you want to say this, though. Maybe the dork level is like haft, right? Because Google Glass was like, I mean, it was that was bad. Like these glasses, like they kind of look like glasses. Right. So it's like a I mean, people would know it's different. But like, I don't know. I want to put like I think Google Glass deserves its own sort of Hall of Fame dorkiness level. Right. You're like when you were wearing that you think you were standing opinion. This would be like, are those just like a fashion statement or are those Facebook glasses? So we'll give them I'll give them a slight

Aaron Delp (16:30.585)

It was, it was bad.

Aaron Delp (16:38.511)

Right.

Aaron Delp (16:42.822)

Yeah.

Brandon (16:52.755)

a slight better than Google Glass approach at this point.

Brian Gracely (16:56.151)

Yep, yep. All right. We're gonna move on to the AI section. Brandon, I'm gonna give you the floor. Do you wanna do a quick synopsis of this week in Sam Altman, in Sam Altman Kingdom Building?

Brandon (17:08.959)

Wow, how much time we have, don't want to go that long. But yeah, I mean, I think the short story is, you know, really the final, you know, big executives abruptly announced her retirement, right? She was in fact, she if those playing along at home back in November, she was the one that was the acting CEO that they promoted. So she abruptly resigned. Of course, like everyone that leaves OpenAI is like really thankful for their time. Everything is great. Of course, you know, there's absolutely no reason anyone should ask any questions.

And then followed by the speculation that Sam often is they're going to change the company from a nonprofit or to basically a for-profit company, culminating in a hundred and fifty billion dollar acquisition, likely of which he'll get seven percent, making him worth about ten billion dollars, at least on paper. So I think we do have to like for those listening along, if you followed in November, right, we were like, remember, it was like Sam's being ousted. We're not sure why. But then it comes out. The board is sort of like

We don't think Sam's on board with the mission, right? And everyone's like, they don't get Sam's. got to reinstate Sam now flash forward all this time. It's like, Nope. That seems exactly what went on here. It's like, they clearly wanted to be a for-profit company. Sam Altman clearly wants to be in charge. He clearly wants the money. And now he is, ousted everybody else that's really been related to it. And they've all left for various reasons. And of course he's ousted them in a way that no one says anything that

And so I'll just leave it on this. If you've ever seen the wire, right? There's like sort of the, local assassin that runs it. And in the great quote, right? Omar says, you know, if, if you come at the King, you best not miss. And I think that's exactly what went on here. It's like they had their chance to depose Sam Waltman. They missed he has now purged the company of everything. And he will go on likely to be probably one of the richest people in the world is, is my quick summation of that. I don't know. Is that accurate, Aaron? Did I miss anything?

Aaron Delp (19:02.706)

No, I think you hit it 100%. The thing I would add too is I read something, it was in one of the articles here, that there is now, including Sam, three of the original 15 left in the entire company.

Brandon (19:20.771)

Right. And one person, not one of those people is on per are on sabbatical till like till Christmas. So I don't know. I mean, is he working? mean, so so even though even the of the three, it's like one sort of not there, but go on.

Aaron Delp (19:24.651)

Right. Right. Right. Right. Right.

Brian Gracely (19:24.77)

Right. Yeah, the main product guy is gone.

Aaron Delp (19:32.818)

Yeah, yeah, and so like, mean, that's pretty much all you have to say right there is like, yeah, I mean, the original mission was, you know, maybe a little bit more nonprofit and was a little bit more AGI and they somewhere along the way flipped that switch. And yeah, I mean, it was Sam versus everyone. And, you know, we see what happens now when the dust starts to settle.

Brian Gracely (19:55.886)

Yeah.

Brian Gracely (19:59.583)

It's interesting because yeah, you had these people that just, you know, that have resigned since November were the ones who tried to kick them out. And then they were like, no, all the rest of the people would go with Sam to Microsoft or they're all would revolt. And you kind of wonder about this. Like I think the bet is less about Sam's bet, but about the bet that everybody else made, because they all basically, it seems like they've all realized like, if I want to, I can go

back to Microsoft or I can go back to work. I can go back to Google, right? I'm going to get rehired by those places.

But they all basically bet that they're like, we think us doing our own thing is going to make us more money than whatever Google is going to pay us to come back to. That ultimately, I if that was the biggest leverage that Sam had, that everybody's going to quit and come work for me wherever I go, essentially, I think they all bet on themselves, which, you know, you got to absorb that a little bit. You know, mean, Sam may or may not have read the room as well as anybody, but like the rest of them probably were like, well, you know, I can, I can always go back to Google because they could, there's no way.

They were sitting on the knowledge that OpenAI had and they weren't thinking about how much money they were going to make. None of them are that altruistic. There is nobody out in Silicon Valley that's that altruistic.

Brandon (21:08.072)

Well, I think to that end, think it's, it's even more than as like, no, think you had a really good show a while back, you know, tech heroes and imposters. And like, really what we're seeing here is we're just seeing this play out again. It's like, no one can really predict where like massive product market fit happens and just how big it gets. So we won't rehash it, but like even going back, even the open AI people, when they launched chat GPT, like I think they said like 50 or a hundred thousand people, right? It's kind of a small project and it's like,

When these waves just hit right where it was like you stumble into what is potentially the next biggest consumer cloud opportunity that's going to be potentially worth trillions of dollars, right? Everything changes and we've seen this every I mean Google, Facebook. I mean they made a whole movie about Facebook, right? About like what went on there. So you're just seeing the same thing here.

I for one, I'm going to enjoy the Hulu documentary about this opening. think whenever it comes out, it's going to be fantastic. And I actually like chat, GPT use it all the time. I it's really good, but it just kind of shows, you know, kind of your thing about it. It's like, you know, Sam Holman is, is a smart person, right? But he isn't even the one that sort of wrote these papers. He wasn't by all means he's not the researcher, right? But at times you do these people just find themselves in these situations. And it is about, want to say manipulating, but it's about managing people, managing investors.

Kind of keeping the if you are riding the wave of any massive success and like who can stay on top It is a little bit of a game of Thrones, right? That's sort of why I was using all these different analogies. So I Get it, know, we'll see what happens eventually all these people are gonna come out and tell us what really went down and why they really left maybe they just left because they wanted to go make more money maybe they left because there is some real, you bad blood going on and you know Hopefully one day chat GPT will summarize this entire thing for us Maybe even write a script for us about what what went on and it be fantastic

But until then, we'll just see how it plays out right there in the driver's seat. We'll see what happens. And then, of course, Google will go down as the company that published all the papers that had all the people working for it and like literally walked, watched it all walk out the door. So so again, but again, much more to be written in this movie in this trilogy. Right. So maybe we're in like this is episode two, episode three. I'm sure there'll be plot twists. I'm looking forward to it.

Brian Gracely (23:19.791)

Yeah, yeah. I do feel like there's a couple of other things we're seeing. So Aaron put a whole bunch of notes in there. Appreciate all the homework you did here. OpenAI revenue, 3.7 billion, still loses 5 billion. So in essence, they had at least almost \$9 billion of cost this last year. We saw Apple Intelligence roll out, but only on select phones and only like two features are going to be available.

The voice rollout of OpenAI, the new stuff that we saw four months ago, is just now rolling out. They really aren't really sure who's going to get it. I do feel like there's a certain amount of how, and I hate to say this because we've lived through an entire decade of companies that just sort of plotted along making no money and making no money, but like they weren't losing tens of billion dollars a quarter. Like how long?

Like are we in an era where there's just unlimited funding for AI because of its possibilities and these companies are going to continue to lose billions of dollars a quarter for the unforeseeable future? do you see a reality here where people are like, what am I getting out of the billions for AI? I feel like we are at a little bit of a show me something stage. And I don't know if we're going to get that here in 2024. Or is that even realistic that we're going to see something beyond a chat bot?

Brandon (24:44.189)

I'd say a couple things there like one I think it's become a game of just the biggest biggest competitor. So you're to see consolidation at the low end. Probably the biggest company I'm questioning is like Anthropic. What do they do?

But all rumors are opening eyes going to come out. They're going to double the monthly subscription. guess not maybe taking a page out of Docker and VMware. The other thing that you're kind of seeing is that they have rat again, allegedly. So again, everything that I say about opening, just like, we only know what we're we read. Anything could be false. But the things I've read is that they have gotten the cost down, the inference costs down significantly. So through these smaller models through, guess, just optimizations and things like that. you have what looks like a potentially

pretty big business that could be profitable, right? And you could kind of see your way through it. Now, I think for like Anthropic, which is, I don't know, probably just as good, like I, know, it's just one of those things though, but like the Chet GPT, like everyone just uses that. Like when you

look at the usage, it's so much bigger, right? So if you have so many people consolidating around one, and they're the ones really driving the cost down, while also getting the additional revenue, you could see like a winner take all moment. And I think that's why

There's maybe not unlimited money for everyone, but I think there's unlimited money for open AI, at least until they prove that they kind of fall off this cliff. think people want to see what's going to happen there. But everyone else, I think you're kind of seeing it like you kind of mentioned it before. We've already seen a bunch of people kind of like give up on their startups, get acquired back by Google and Microsoft for like billions of dollars, just sort of like return back to those companies. So it kind of just leaves you out like, you know.

Open AI seems like the big one everyone's going to bet on. And then you sort of have Google sitting over there with their pile of money. Right. What can they make of Gemini? And I think Metta has probably made more money off AI than anyone else, because I think they're fine to like build it and just use it for their ads. So I think that's sort of like the three three that I see as kind of, if you will, kind of making it out of this, like if you will, massive funding. What do you think, Aaron? You're close to this now. You're a marketing person. You're figuring this all out. What's happening?

Aaron Delp (26:45.615)

Yeah, now here's the thing. mean, it's your typical, just like any new category, right? Who's going to be the category king? And as of right now, we decided to make this arms race, you know, fundraising in billions and billions, right? And so I think OpenAI, the only thing left for them is to just claim that category king title. It's going to happen. I agree with you, Anthropic. Anthropic is fantastic. I actually use Claude. I really like it.

but I don't think there's gonna be, I mean, they're gonna be the also RAM kind of thing and all the others. Like, I don't know, yeah, think Meta with Llama, I just think they're doing that to have an angle to release and talk about things, but they're more than happy to just use everything internally and if people wanna use Llama externally, great. I just don't, I don't see there's a lot of other players, unfortunately, in this market that, I mean, OpenAI just.

Outraised and you know went bigger than everyone to make it almost impossible for a lot of other folks now

Brandon (27:49.954)

Yeah, I think the one I wonder about is going forward is this Amazon. Amazon's the logical one that could like buy an anthropic and sort of like, you know, if you will package it in with all the Amazon Prime, you know, sort of like throw it in there. They're probably a place where they have enough money and enough pool of consumers where they can, you know, maybe become like a viable number two. I don't know. I'm not sure. I think Amazon's, you know, busy with

Brian Gracely (27:50.738)

How much, how much?

Brandon (28:14.432)

reorganizing the office. I'm not sure where that is on their list of things to do. So I don't be fun to see what happens.

Brian Gracely (28:18.255)

So here's a question. So let's say we play that out and we say, the ones that technically, let's say Anthropic is like in the ballpark with OpenAI, right? A lot of the same people. Let's just say they're roughly in the ballpark technology-wise. They don't really have a huge financial backer. mean, Amazon has put some money into them. I think they've talked about \$4 billion, although I don't know that they've even given them all of that money. And a lot of it's probably

AWS credits like how much do you think they would have to put in to get them caught up to where open AI is or the perception of where I mean is it is it a 50 billion dollar investment you know is that is that even something that Amazon like Amazon I feel like is in this chicken and egg situation in which you know if they made a huge investment in them you know a most of it's probably going to go to buying GPUs which is going to live in their own cloud you know do they want those margins versus their cash cow

versus like, I even have, do I want to put \$50 million to this thing? Like, are they still sort of hedging their bets that maybe this hasn't necessarily panned out per se, right? I mean, I feel like we talked about this before, like what's their billion dollar, trillion dollar market cap number? What's the number they would need to get to that trillion dollar market cap? Is it \$50 billion investment? Is it \$75 billion investment? like, is there something other than entropic they could invest in?

Brandon (29:45.713)

Well, I think it comes down to this. It's sort of like one first question I have to ask yourself is like, is the large scale consumer chat bot going to be the next trillion dollar company? I think everyone investing in chat GPT and opening, I believe that right. That's why you're 150 billion do 10 times that you get to a trillion, right? That's what people are thinking. So if you're Amazon and you're sitting there you're like, I think we want to try for that. We believe that's going to happen. I think if you look at an, sure, Aaron can comment on this more, like if we just look at the raw benchmarks,

Anthropic is as good if not better in some cases in chat GPT. So let's just say technology wise like it's there What anthropic is missing is sort of like how do you kick start a real consumer movement that would challenge? You know chat GPT, right? mean Google's kind of doing a Gemini, but there isn't I mean that's really where anthropic is just missing They don't have anything Aaron just said he's like I like it I use it but it's only in like small circles where people are doing that so I think that's what you're doing if you're Amazon you're like if we bring this on and we sort of

behind the scenes, we put kind of all of our might behind building a new consumer thing around it. And we believe it's going to be a trillion dollar opportunity. Like do do is that worth it? Right. Because I think today, at least on the AWS side, it's sort of like bring your own model. Use our models, bring your own model, use these open source models. So it's sort of like having your cake and eating it, too. But they're not really trying to for that big, huge consumer opportunity. So that's, guess, the question, I guess, for like, you Andy Jassy and others, right. It's like

What do they actually believe? What's the big bet they want to make? but I don't know, Aaron, what's your thing on technology? Am I right there? It seems like, you know, they're at parity in the benchmarks.

Brian Gracely (31:16.652)  
Right. Right.

Aaron Delp (31:17.481)  
Yeah. No, you are, but it's a slightly different dimension to think about this too. OpenAI clearly made this like, we're going to make this an arms race and we're going to like, you know, like with the new O1 model and it has the new way to reason and you know, it's much beyond just a regular transformer model, right? Or a Mamba model or one of these technologies, right? It's obviously they're trying to win.

by throwing billions of dollars and trying to win an arms race of like, we're gonna have this new model and it reasons and it does all these other things. But at the same time, I don't know that everyone's kind of stepped back and go, do we really need that? I mean, because a GPT-4 class model or anthropic model, vast majority of people that are out there today, it's good enough. Like we've kind of reached like as long as it has.

vision and multimodal and it can kind of do some of those other things, do we need the next generation to be PhD level at everything?

Brian Gracely (32:23.087)  
Well, it sort of begs the question, if you're going to have a commercially viable thing, you're right. Does it need to be PhD level? Because most people's lives, they have no, there's nothing in their life that requires any sort of PhD level thinking, but they need just stuff that takes time off their plate. But I got to imagine if you live in the cutting edge, frontier, state of the art, LLM world, you can't imagine not being, you

that level and being viable, right? That's gotta be a sort of, you know, like, there people in open AI that can fathom what it takes to build a consumer thing, right? Like they built ChatGPT, maybe that's their only thing that ever comes out of it, right? Like they don't know what the next thing is gonna be.

Brandon (33:12.865)

Right. then we haven't mentioned it yet, but Apple is the other big one, right? They're obviously you didn't mention. Sorry. You did actually mention that they're rolling out there and the new stuff. And so that's the other one is like, maybe they're the ones that figure out is like actually using it through the phone and the Apple platforms is the way to go. And, know, maybe they'll they'll buy something or they'll build it to Aaron's point. They'll just build exactly what you need. They'll figure out the small models that you need that you just use on your devices and you don't have to pay any monthly subscription. And then only occasionally do you venture out to like the, if you will, the PhD level model.

Brian Gracely (33:16.269)

Right.

Brandon (33:43.149)

And only for like very specific use cases, but like yeah, I don't know rewriting my text messages like I don't need a PhD level I mean, I'm certainly not PhD level. So so I just need somebody good at grammar. So we'll see

Brian Gracely (33:53.848)

Yeah, yeah.

Aaron Delp (33:54.749)

Well, and you also wonder too, does a new model or from a financing standpoint, mean, because obviously there's, the monthly subscriptions and, you know, there's the ad base and all those other things like that. But it almost becomes a per incident kind of thing of like, hey, I need that PhD level thing for this one project and I'm willing to pay you 20 bucks one time as opposed to, you know, open access to PhD all the time. Like maybe it becomes a specialized world with specialized offerings.

Brian Gracely (34:22.573)

Yeah, I did see one thing this month that I thought was sort of interesting and Ben Thompson from Stratechery brought it up. Both Salesforce had their big conference, AI was sort of everything there. And then Microsoft did a new thing where they sort of rebranded the copilot stuff. But Ben brought up a really interesting thing. said, technology aside, keep an eye on how these guys are pricing things because on one hand, you've got Microsoft.

whose business is all about seat-based licensing, right? Like how many people are running office and whatever. And so they're pricing it based on essentially seat-based, which assumes that AI is gonna be like a human augmentation, right? Like they need people in seats to be where you can price things. And he said, Salesforce seems to be taking a very different approach, which is they're doing it on a per usage basis, which essentially implies we expect humans to sort of be periodically or, you

systematically over time taken out of the loop. So I don't know that I have necessarily an opinion on which one will win. As a human, probably would hopefully bet on the seat based side of it.



But I thought it was an interesting observation at the most basic level of what these companies are betting on. Essentially, Salesforce is betting we're going to take humans out of the loop. their entire business is based on people being in the loop versus Microsoft, who are like,

taking a more pragmatic, you know, sort of human augmentation approach. So any, any thoughts on that or like if you were running a company that was an AI company, do you think you'd be that bold in, in, you know, sort of the Salesforce approach to this?

Brandon (36:02.062)

Well, I think, you know, I did read Ben's pieces always, you know, always a good thinker, but I will tell you it is, the one thing that came through is like that. He is definitely an analyst and someone that has not used Salesforce ever, at least in a very long time, because like one Salesforce is seat based license. Anybody that has ever wanted to be like, could I just get access to this? So could see some data. They're like, no, you're not a sales rep. not getting you access. And then you have to like, go through these hoops to get the data.

Brian Gracely (36:14.797)

Yeah.

Brandon (36:26.52)

to has there ever been a system that is less customer friendly than Salesforce? Like you can't find anything in Salesforce. You have to go to a Salesforce admin, right? And the Salesforce admin, and then there's a user reporting expert that will maybe create a report for you or maybe they'll export just the data that you want. So, you know, I saw the whole Benioff thing and this whole talk about agents is like, why don't we just start with the CRM? Like, cause that thing is just a total mess, right? I don't think I've seen nothing from Salesforce that indicates they have the level

Or the ability to implement agents. How about just like how much money is my product making right now? Like, know, how about something simple like that? Good. Where's the agent I can just get from that? So it's an interesting vision. But the agent thing is always back to like, okay, it's a great vision. But you know, when, when are we actually going to do it? When are you actually going to sit down and be like, book my flight to this city?

Book my hotels and everything I need to do and just have it done. That feels so far in the future. And Salesforce seems like the least capable company of delivering that that I've that I know of. Right. Because just do it for the CRM. Right. Just like show me all the contacts I personally need to reach out to or reach out to all of them. So I'm I while I like the vision, I'm very skeptical of Salesforce's ability to do anything meaningful there. What do think, Aaron?

Aaron Delp (37:44.914)

I think, first of all, I completely agree. If Salesforce were ever able to have an AI front end to their CRM that you could just conversationally ask questions, they could triple the price of

Salesforce overnight because it is impossible to use. I mean, yes, I agree with you unless you know an admin and you're good friends with the admin and they can create the reports for you.

And most of the time, even if you have access, especially a publicly traded company, they won't give you full access because then you might be in violation of all these other things. And it just becomes just an absolute nightmare. mean, Salesforce is one of the most maybe useful and hated tools all in one, in all of

Brian Gracely (38:36.802)

Yeah. Yeah. Valuable data. Heavily hated. Kind of a weird combination there. So I'll ask one last question, and I want to ask this as a non litigious person or non-legal person. Have any of you been paying attention to what's going on, this AI bill out in California that got passed and then vetoed and, you know, like the different sides taking, you know, it seemed like the VC community was sort of against this and like,

Aaron Delp (38:44.305)

Hehehehehe

Brandon (38:44.859)

You

Brian Gracely (39:03.382)

Like why did this thing happen? You know, what's the basics of it? What should people pay attention to? Or do we just sort of go, I got vetoed, don't worry about it.

Brandon (39:12.638)

I got to be honest. I have not followed it closely. I just all the AI legislation. It's like, I guess it's good. People are looking at it, but it's just like with the market changing so fast and trying to regulate or legislate anything. It's just, I don't know. It's almost like grabbing water. It's just like, it's just very hard. So I'm, you know, it's like, know, the name, of course everyone's for safety, but like, what does that actually mean? You know, I don't know. So I just sort of feel like it, while it will generate a lot of conversation, I don't think.

Aaron Delp (39:12.917)

Well...

Brandon (39:41.851)

much is going to come of it because it's hard for anyone to even know what to regulate much less right. I would hate to be the lawyer trying to write any type of legal structure to do it. But Aaron, I'm sure you have the answer on all of this.

Aaron Delp (39:53.711)

Well, no, so here's what's interesting it got rejected but not for the reasons like that makes everyone in Silicon Valley rejoice like yeah I mean all the tech people were against this they

didn't want any regulation. They want the wild wild west and if you read Governor Newsom's like reason why he vetoed it actually it was because it didn't

apply the regulations appropriately. It basically penalized really big AI companies and there's only a couple of them that would actually apply. And it basically was like, well, you can create a little company and not be regulated and they can go wild and be dangerous. And so he vetoed it, but he vetoed it because he really wanted it to be more and to cover the small companies as well as the large companies. And so he rejected it.

Don't be, I wouldn't surprise me at all if another version is written that actually is more restrictive and then actually gets his support. So I don't think it's the victory lap Silicon Valley thinks it

Brian Gracely (40:57.821)

Yeah, I was

Brandon (41:03.017)

But probably if we talk about regulation, probably the use the place where it's actually happening, right? They've written it such a way that a lot of the AI stuff sort of not being, you know, I have one of the cohorts over time and talk lives in Europe and it's like constantly talking about, doesn't just can't access this stuff. So I don't know that's a good approach, but like they've successfully, if you'll kept it out. I don't know time will tell what happens with that.

Brian Gracely (41:25.518)

Yeah, yeah, it does feel a little bit like the EU, while they may intending to be doing the right thing, they're sort of running the thing that everyone complains about, which is, you don't know what you don't know and the consequences are pretty ham-fisted or pretty...

Brian Gracely (41:41.422)

pretty restrictive, which I don't know that that's what Europe necessarily needs right now is sort of more restrict access to technology and trying to be a world leader and so forth. So anyways, guys, we've been going for a long time. We covered a lot as always. I feel like we're in a little bit of a repetitive mode right now until we get into trade. So season, which is coming up here in October and November and all the good things as well as, you know, did we call it? Executive.

telling us your secrets. That's coming up here in November as well. So for those of you left at OpenAI, if you guys want to come on the podcast, break your NDAs, we're happy to talk to you about those things. Any excitement, anything you're looking forward to in the upcoming trade show season, whether it's from AWS or anybody that you want to preview for people, any predictions before we wrap up?

Brandon (42:31.455)

Not so much prediction, but obviously AWS reinvent. We've been saying, I think probably on every one of these shows, like that's the big one. think, you know, does Andy Jassy make an appearance? What are their big AI announcements? Are they going to get in the consumer

world? I think that's the biggest one to watch. Right. think, I think the industry will definitely be watching around that. And then of course, right. Open AI drama. mean, maybe next time Sam will be ousted and then we'll just, nobody will be there we'll just wonder what happened. So those will be the things I'm watching for sure.

Aaron Delp (42:59.746)

Yeah, every Thanksgiving is a time to oust Sam for us here in the States. The annual ousting of Sam.

Brian Gracely (43:03.874)

Yeah.

Brandon (43:05.89)

It's annual tradition, Turkey and open AI news and football. That's what we need.

Brian Gracely (43:06.616)

That was pfft.

Aaron Delp (43:10.272)

Hehehehehe

Brian Gracely (43:11.47)

That would be great if it just became an annual thing like Satya Nadella's just like, yeah, I'm just putting a new guy in. And you're like, wow, how did you pull that off? Yeah, we need more succession brought back into the real world. It just does a TV show by itself. It was great, but we need a little more in the real world. Gentlemen, thank you as always for wrapping up the month for everybody. think we've gone, yeah, 45 minutes, which is about on character for us.

Brandon (43:16.352)

You

Aaron Delp (43:17.441)

Brian Gracely (43:35.094)

So folks with that, if you've got any questions, feel free to reach out to us show at thecloudcast.net. If you got any comments and stuff, I'd love to include them. And with that, I'll wrap it up. Boys, see you next month.