CHAI

CHAI ROADMAP 2025

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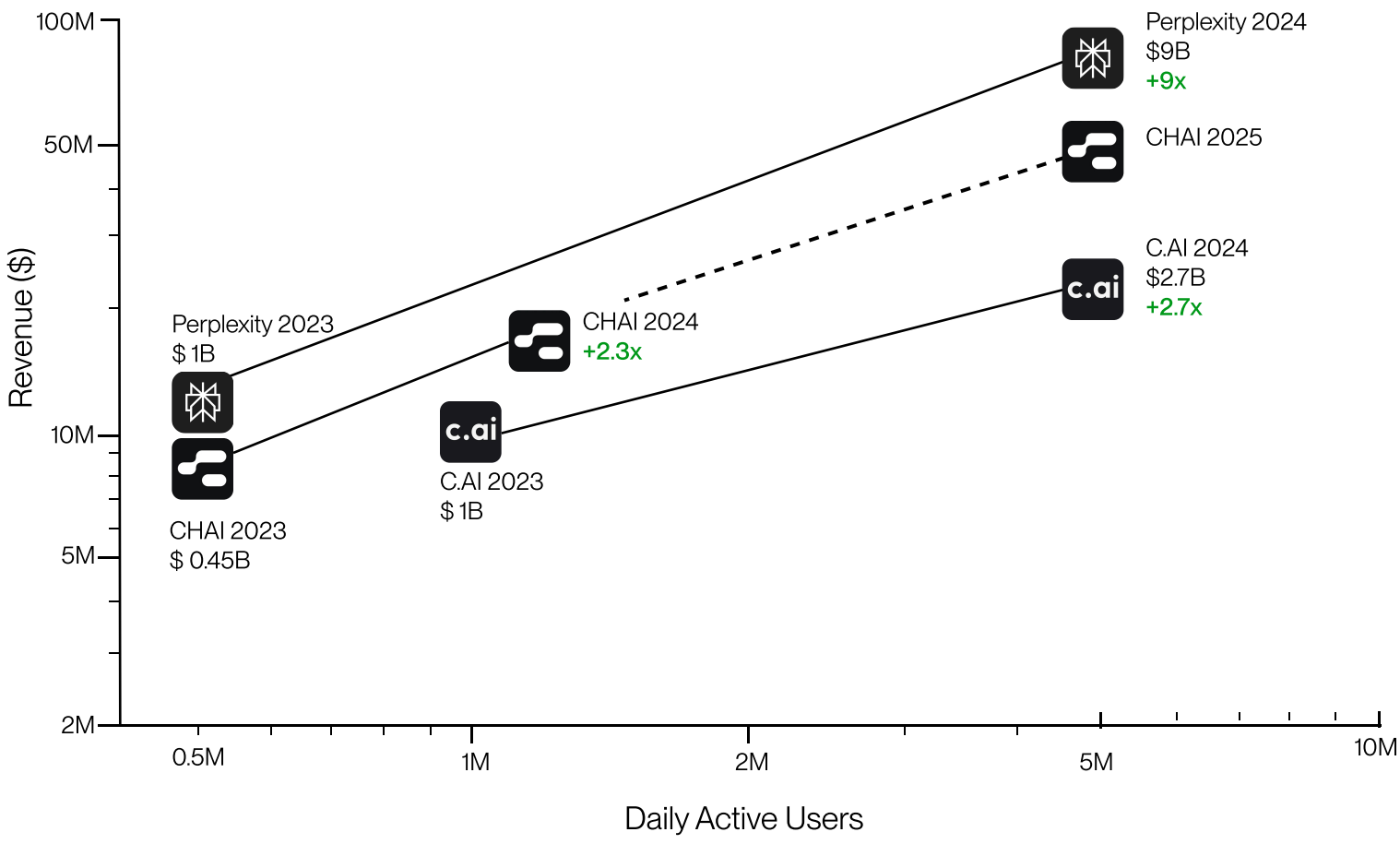
CHAI belongs to a small group of high growth, Gen AI, consumer companies.

Perplexity and Character AI took on significant investment in 2023 to amplify their organic growth. This has led to great outcomes for investors in 2024.

In this document we outline CHAI's plans to follow and expand upon this recipe. We believe that there is a strong chance of replicating this success.

Generative AI - High Growth Consumer Platform



- After receiving $100M investment in 2023, Perplexity grew from $10M in revenue to $60M.
- After receiving $100M investment in 2023, C.AI grew from 1M DAU to 5M DAU.
- CHAI expects to grow from 1.3M DAU to 4.5M DAU, with revenue growing proportionally from $20M to $69M.

Signed by:

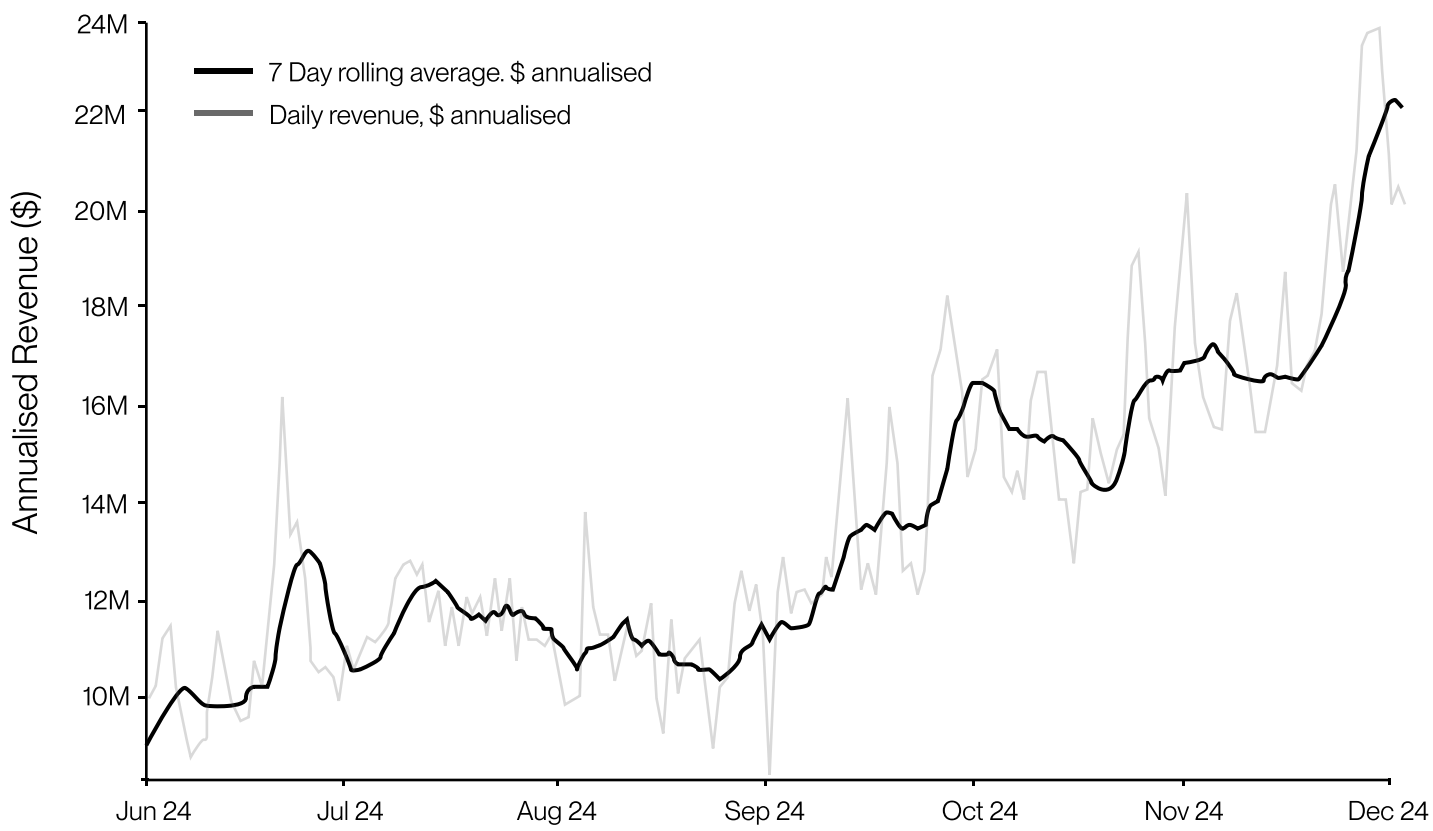
William Beauchamp

Founder & CEO

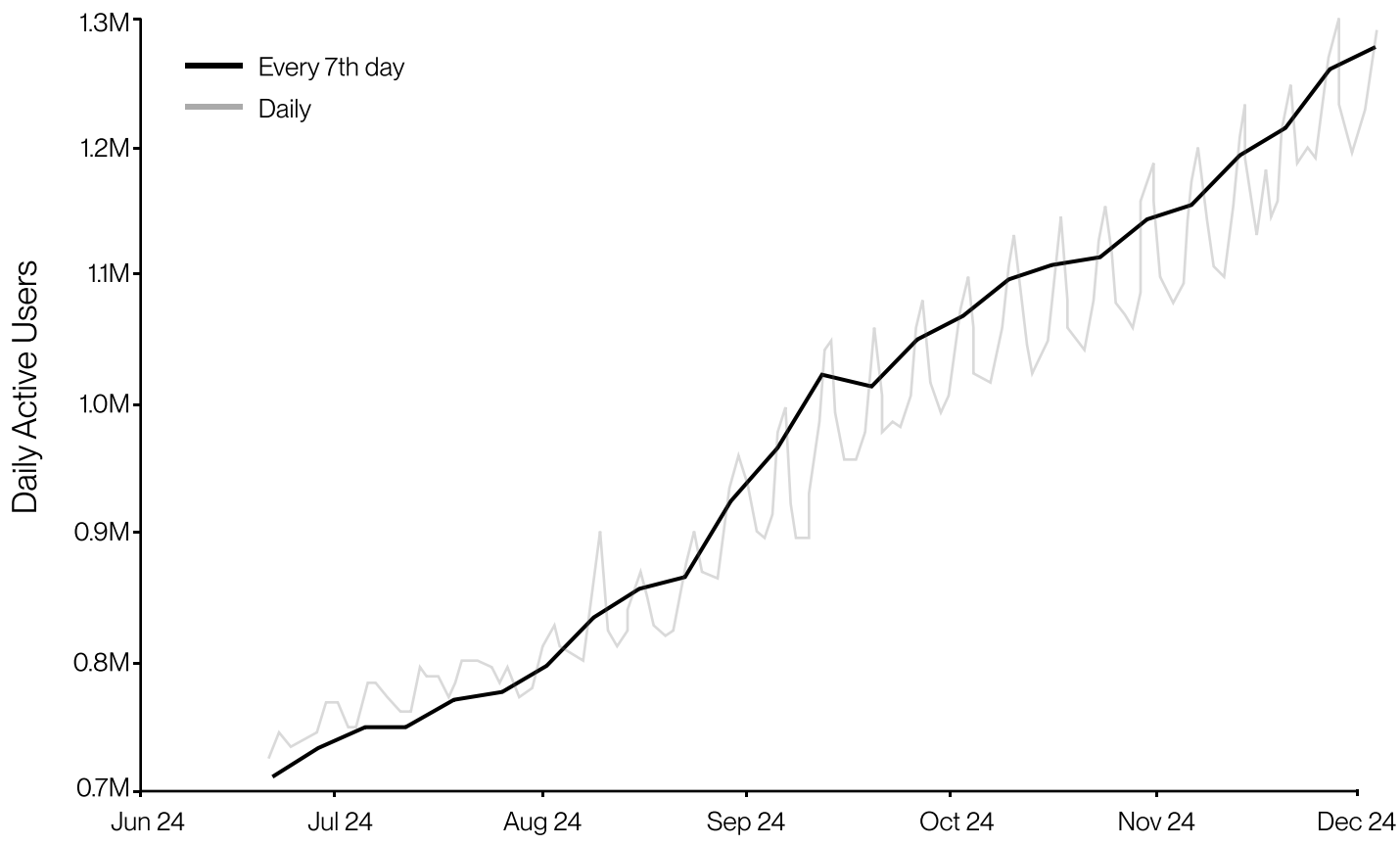
CHAI

CHAI Metrics

Revenue Growth Over Time



Daily Active User Growth Over Time



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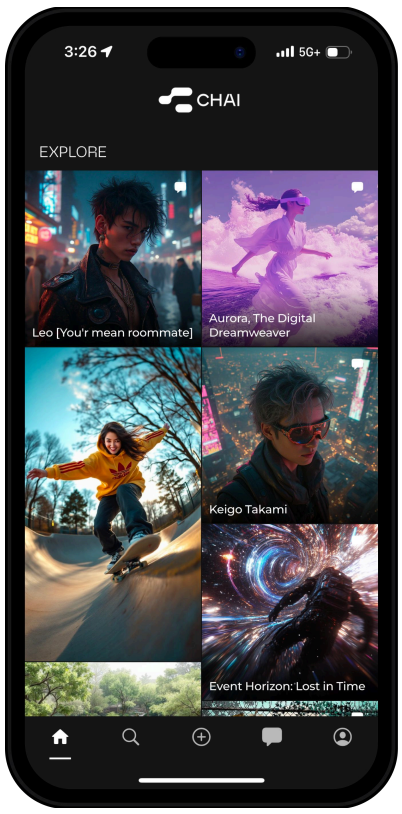
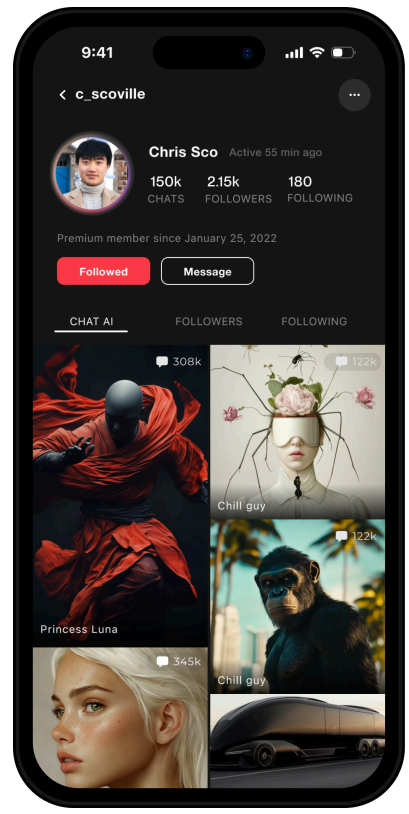
The APP

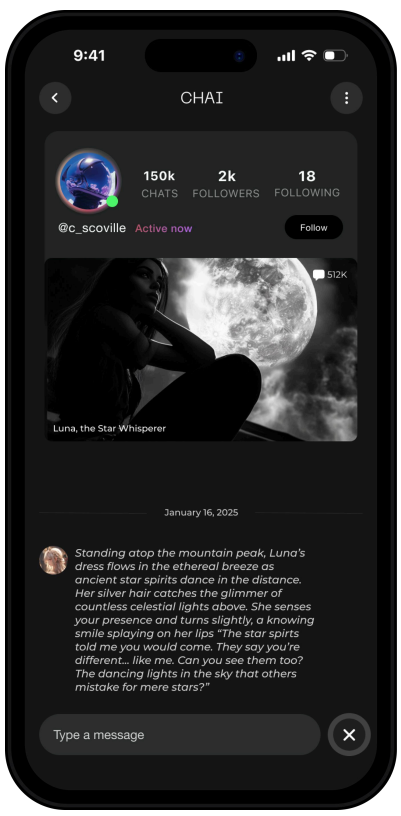
CHAI: Social AI Platform- Chat 17+
Build and Share AI
Chai Research Corp.
#34 in Entertainment
★★★★★ 4.5 • 149K Ratings
Free · Offers In-App Purchases

Screenshots iPhone iPad



Social Network & Creator Virality

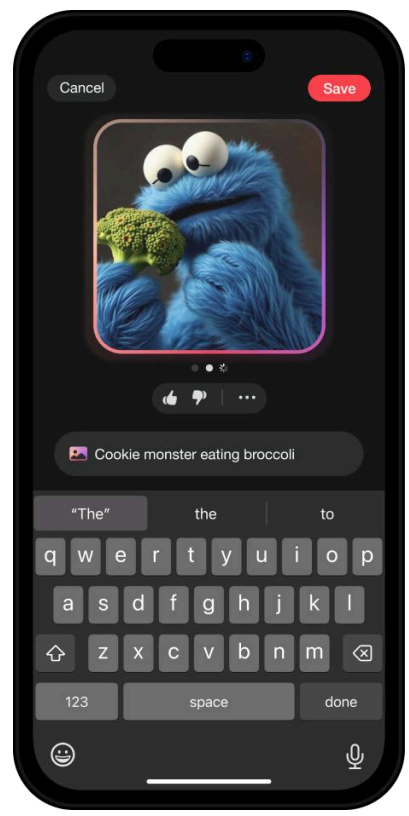




Content Discovery & Creator Tooling

Over 25 million Chat AIs created

CHAI Recommendation system for content discovery



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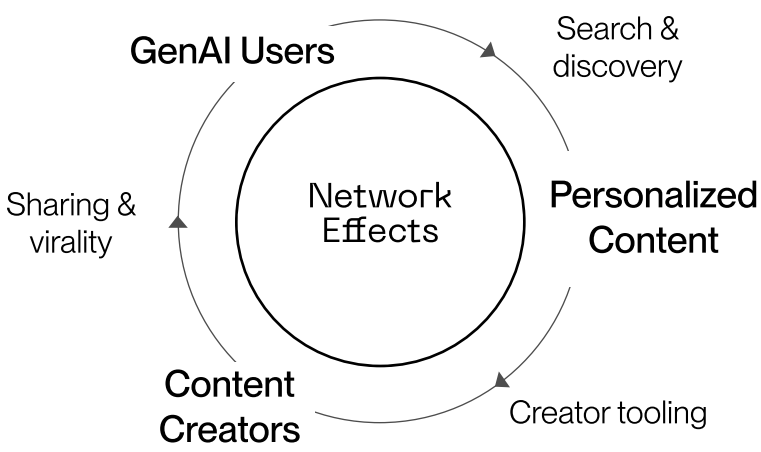
WHAT IS THE VISION?

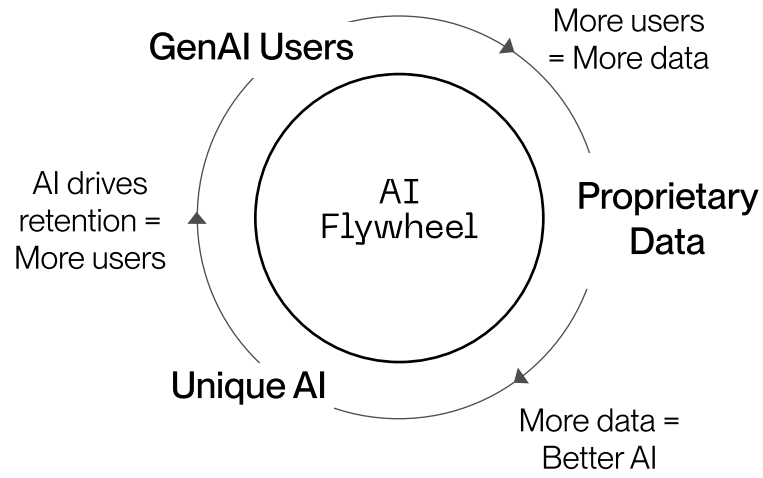
People want to create their own AI. People want to share their creations. People want to search, and interact with AI created by others.

Just as Social Media Platforms arose to meet the demand of consumers when video creation and consumption became ubiquitous.

Now there is a need for Social AI Platforms to create tools, and recommendation algorithms so consumers can create generative AI, share, and interact.

NETWORK EFFECTS & DATA FLYWHEEL





2022 - CHAI becomes the first Social AI platform, preceding both Character AI and ChatGPT by over a year, to reach 1 million users, with our ‘chat creator tool’

2023 - AI assisted creation results in +56% higher quality prompts, and +33% more AI being created by users.

2024 - Phase I of user-controlled-SFT is begun. Power users are able to train AI with performance almost 2x the engagement rate of in-house AI systems.

2025 - Work has commenced on user-controlled-AI. This will match the power of SFT + RLHF and put it in the hands of users, so that each agent on the platform will be served by a unique, user-trained, AI.

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The AI

In-House Research

CHAI has developed several techniques which yield a cost and performance advantage over both open and closed-source models.

arXiv > cs > arXiv:2401.02994

Computer Science > Computation and Language

[Submitted on 4 Jan 2024 (v1), last revised 23 Jan 2024 (this version, v3)]

Blending Is All You Need: Cheaper, Better Alternative to Trillion-Parameters LLM

Xiaoding Lu, Zongyi Liu, Adian Liusie, Vyas Raina, Vineet Mudupalli, Yuwen Zhang, William Beauchamp

In conversational AI research, there's a noticeable trend towards developing models with a larger number of parameters, exemplified by models like ChatGPT. While these expansive models tend to generate increasingly better chat responses, they demand significant computational resources and memory. This study explores a pertinent question: Can a combination of smaller models collaboratively achieve comparable or enhanced performance relative to a singular large model? We introduce an approach termed "blending", a straightforward yet effective method of integrating multiple chat AIs. Our empirical evidence suggests that when specific smaller models are synergistically blended, they can potentially outperform or match the capabilities of much larger counterparts. For instance, integrating just three models of moderate size (6B/13B paramaeters) can rival or even surpass the performance metrics of a substantially larger model like ChatGPT (175B+ paramaters). This hypothesis is rigorously tested using A/B testing methodologies with a large user base on the Chai research platform over a span of thirty days. The findings underscore the potential of the "blending" strategy as a viable approach for enhancing chat AI efficacy without a corresponding surge in computational demands.

[Source: arxiv.org/abs/2401.02994]

Proprietary Data

CHAI is able to leverage its vast datasets, which consist of hundreds of millions of messages each day, to create AI that is 1.6 times more retentive and monetizable than OpenAI's GPT-4o-mini.

arXiv > cs > arXiv:2303.06135

Computer Science > Computation and Language

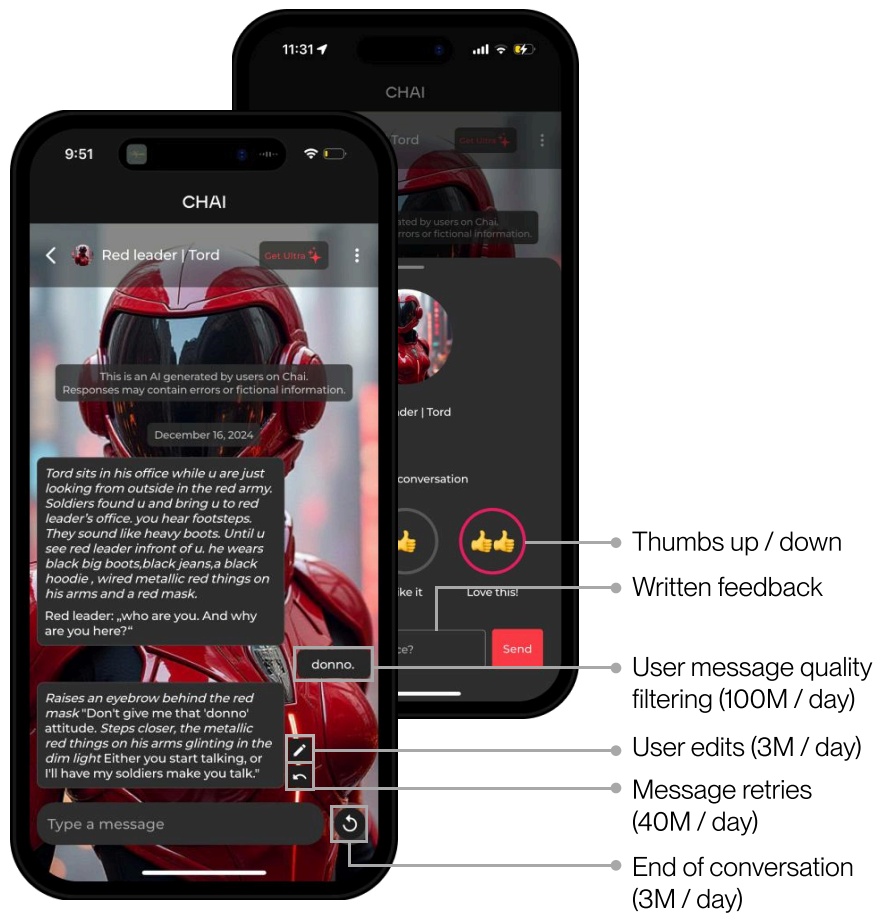
[Submitted on 10 Mar 2023 (v1), last revised 30 Mar 2023 (this version, v2)]

Rewarding Chatbots for Real-World Engagement with Millions of Users

Robert Irvine, Douglas Boubert, Vyas Raina, Adian Liusie, Ziyi Zhu, Vineet Mudupalli, Aliaksei Korshuk, Zongyi Liu, Fritz Cremer, Valentin Assassi, Christie-Carol Beauchamp, Xiaoding Lu, Thomas Rialan, William Beauchamp

The emergence of pretrained large language models has led to the deployment of a range of social chatbots for chitchat. Although these chatbots demonstrate language ability and fluency, they are not guaranteed to be engaging and can struggle to retain users. This work investigates the development of social chatbots that prioritize user engagement to enhance retention, specifically examining the use of human feedback to efficiently develop highly engaging chatbots. The proposed approach uses automatic pseudo-labels collected from user interactions to train a reward model that can be used to reject low-scoring sample responses generated by the chatbot model at inference time. Intuitive evaluation metrics, such as mean conversation length (MCL), are introduced as proxies to measure the level of engagement of deployed chatbots. A/B testing on groups of 10,000 new daily chatbot users on the Chai Research platform shows that this approach increases the MCL by up to 70%, which translates to a more than 30% increase in user retention for a GPT-J 6B model. Future work aims to use the reward model to realise a data fly-wheel, where the latest user conversations can be used to alternately fine-tune the language model and the reward model.

Subjects: **Computation and Language (cs.CL)**; Artificial Intelligence (cs.AI); Machine Learning (cs.LG)
Cite as: arXiv:2303.06135 **[cs.CL]**
(or arXiv:2303.06135v2 **[cs.CL]** for this version)
https://doi.org/10.48550/arXiv.2303.06135



[Source: arxiv.org/abs/2303.06135]

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Economics of User Acquisition

Acquiring users is good for two reasons.

Economies of Scale:

+ More users leads to greater amounts and variety of user generated content.

+ Fixed costs, such as branding and R+D get spread over more users, meaning we can invest more in total.

+ After a certain scale, CHAI will build it's own ad network, just as Facebook, TikTok, Snap have. Unlocking even higher rates of monetization. TikTok was able to 25x it's ARPU after building its ad network, from $2 to over $50.

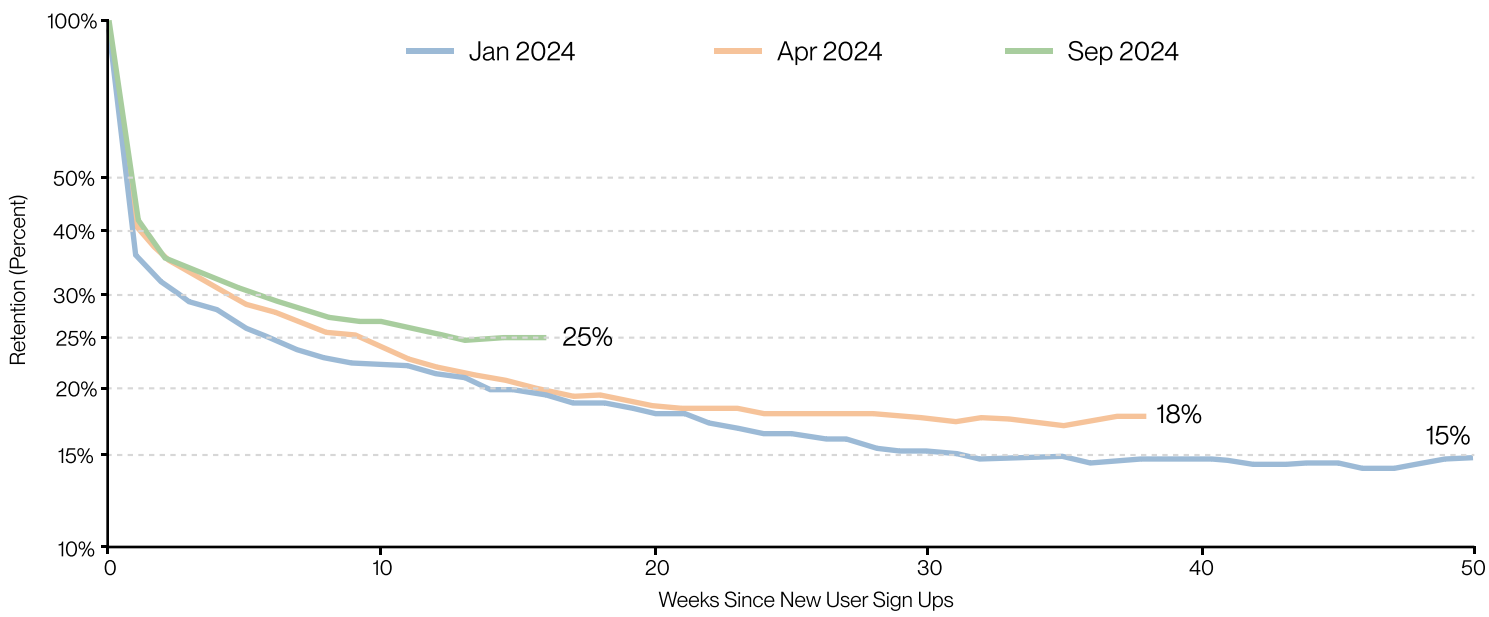
Profit Maximization:

Revenue is driven by engagement, monetization rates, and total number of users.

CHAIs engagement is strong. Average usage is ~80 to 90 minutes a day. We see weekly retention rates flatten at least around 15%*. This makes CHAI naturally strong at monetization. Our ARPU in USA is $5.67, this is higher than our CAC which is under $4. So CHAI can acquire users profitably.

The short-term economics of UA are positive and after accounting for the long-run benefits CHAI is in an incredibly favourable position. To reach this point took 4 years of AI research and product innovations.

Cohort Weekly Retention Over 1 Year



[Data source: Amplitude]

*Week 50 user retention defined as - for new users who sign-up and send at least 1 message within week 0, the percentage users who send at least 1 message exactly within the 50th week from their respective sign-up dates

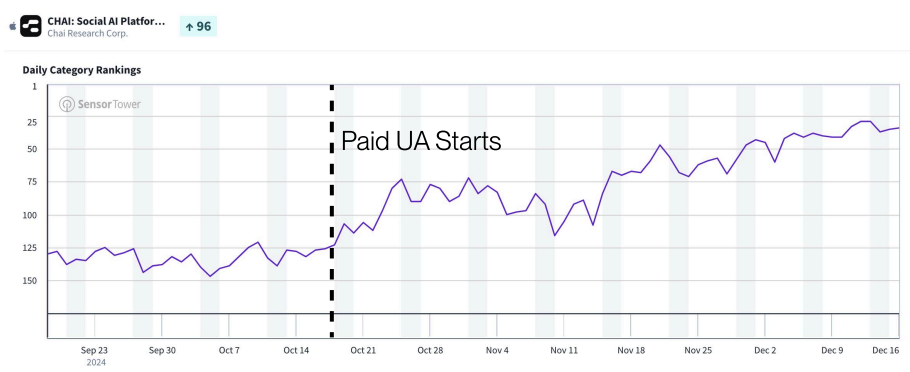
Capital Allocation Strategy

Investing $20M in User Acquisition

To run a user-acquisition strategy requires upfront capital. If done well, it will be a self sustaining fly-wheel, as revenue spent acquiring new users generates even greater amounts of revenue than initially spent, funding more cycles of User Acquisition (UA). CHAI requires $20M to run a high growth UA strategy.

Character AI is estimated to be spending ~$40M a year in user-acquisition. Talkie AI is estimated to be spending $20M to $40M a year in user-acquisition. This spending has accelerated their growth and seen them both reach ~6M and ~3M DAU respectively, with market valuation of both companies publicly announced to be $2.7B and $2.5B

In October CHAI hired **Marco Fernandez** who was the **Head of Growth for ByteDance**, in the USA between 2022 and 2024, contributing to their TikTok user acquisition strategy. Upon joining CHAI he has set up our user-acquisition pipeline. We have scaled spending to ~$40M/year in 3 months and are acquiring users in the USA at under $4 per user. At this rate CHAI will acquire 10 million users over the course of the next year,



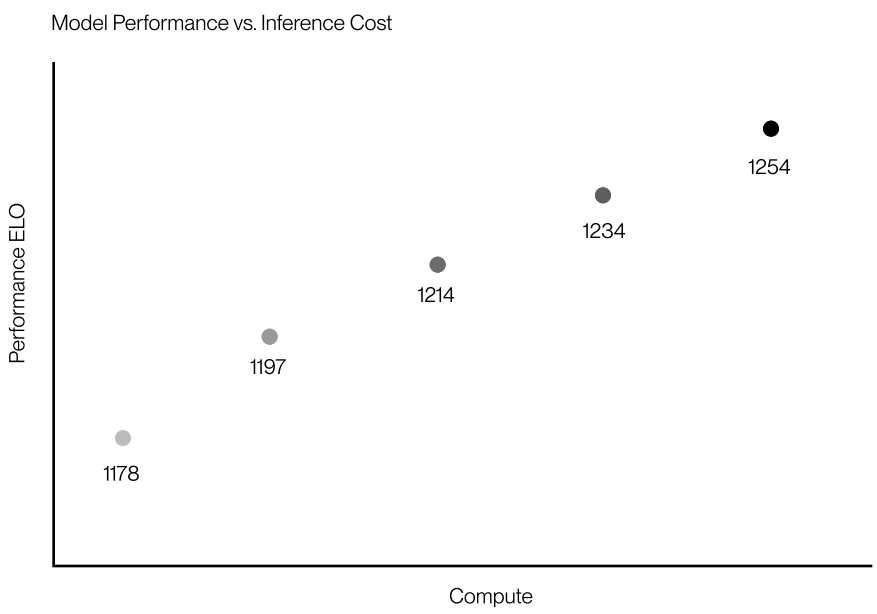
[Source: Sensortower]

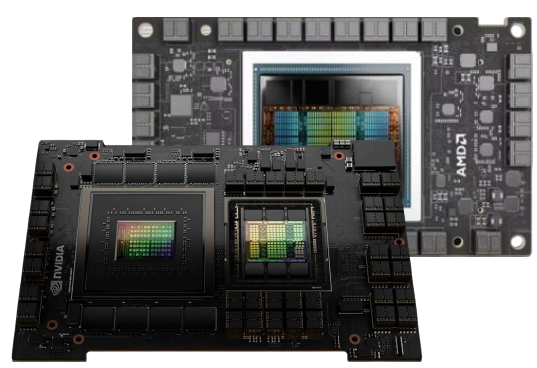
Investing $20M in Compute

In September 2023 - CHAI took a strategic investment of $8M from CoreWeave. We reserved 256 A100s which represented a doubling of compute. We began serving larger models and utilizing more tokens. The larger models were more intelligent, safer and had higher rates of retention and monetization.

With an investment of $20M we'd double our compute once again. Scaling to larger models, context and inference time compute.

It is worth noting, as we've built on top of CoreWeave's GPU cluster we've built in a modular way which allows us to easily expand onto different clusters and different hardware such as AMD's MI300x.





Chai Research Corp.
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