Need to know

1 Voters do not think Rishi Sunak is responsible for falling inflation, even though he said last week that his plan was behind prices declining to their lowest level since Russia invaded Ukraine 18 months ago. A YouGov poll for The Times found 8 per cent of voters credited government policy for the fall. Inflation dropped to 6.8 per cent in July. **Pages 12-13**

2 Landlords and housing associations that bar tenants from setting up businesses in their rented homes must make an exception for childminders, the government has said. **Page 13**

3 Listed companies could be allowed to extract as much as £50 billion from their traditional staff pension schemes if the government goes ahead with a reform floated in the Mansion House speech last month. **Page 37**

4 Asking prices on Rightmove are falling at the fastest rate since the summer of 2018 as sellers become more "realistic" valuing their homes. The average asking price of new properties listed on the online property portal has fallen by 1.9 per cent this month to £364,895. **Page 37**

5 More than a dozen sports stars, including the England cricketers Ben Stokes and Jos Buttler, have merged their venture capital investing efforts in a deal that will give them more involvement in the firms they back. They are among the founding partners of The Players Fund, a £40 million venture capital fund. **Page 37**

6 Technology companies should help to reimburse the victims of social media purchase scams, bosses at Barclays have said. Their call comes after figures from the bank revealed a jump in the number of social media scams affecting British shoppers.

7 A reform of the government's apprenticeship levy would help to promote social mobility and would support the economy, Peter Macnab, chief executive of the health and beauty retailer Superdrug has claimed. **Page 40**

8 The Crosskeys Inn in Co Antrim is thought to be Ireland's oldest thatched pub and was named country pub of the year in 2017 by BBC Countryfile Magazine. Yet Vincent Hurl, 52, its owner, has faced a 14-year fight for compensation for what he claims is his mistreatment at the hands of Ulster Bank after a £775,000 fixed-rate loan to fund the purchase of a commercial property. **Pages 42-43**

9 The threat of strikes in Australia causing disruption to the world's gas supplies moved a step closer after unions warned that there could be a walkout at offshore gas platforms at the start of next month. **Page 43**

10 Twenty-five years after the dotcom boom took off, there are echoes in the clamour over artificial intelligence and other emerging technologies. The 34 per cent rise in the value of the Nasdaq in the first half of the year was one of the fastest rises in the US exchange's history. **Times Enterprise Network, pages 44-45**

Bosses scramble not to miss

The technology needs tweaking but it's here to stay. In a series of three articles, **Katie Prescott** looks to the future

Fake it till you make it

$7.9trn

Potential annual economic benefit of generative AI

Source: McKinsey

One third

of organisations are using generative AI regularly

Source: McKinsey

$800bn

of enterprise and consumer spending over the next decade will come from AI

Source: Wedbush Securities

The response to ChatGPT has been so huge that some in the technology industry speak of the world as "pre" and "post" its introduction. People outside the sector are taking notice, too: when Josh Wohle, an entrepreneur based in London, hosted a get-together in May for those trying to get their heads around generative artificial intelligence, 35 people attended; next month he is holding another gathering and has hired a venue that will hold 400. Such is the scale of interest in a technology that is dominating the agenda in boardrooms far and wide.

Generative artificial intelligence, or Gen AI, works by creating images or human-like answers from text prompts. "Large language models", the so-called LLMs that power chatbots, are trained on reams of copy from the internet, allowing them to detect language patterns and to "predict" sentences. As well as ChatGPT, the chatbot created by OpenAI, a start-up backed by Microsoft, we now have Google's Bard, Meta's Llama and Anthropic's Claude.

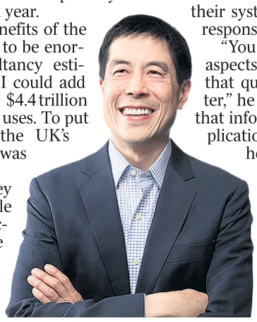
According to Benedict Evans, a technology analyst, it is like having an army of a million interns: they can do all sorts of jobs for you, but you still need to check the work. Nevertheless, chief executives are rushing to harness the technology, even if most are not quite sure how to do it. Some business leaders have described Gen AI as "bewildering" and have complained: "We're all like rabbits in the headlights."

Ajay Chowdhury, a managing director at Boston Consulting Group and the chairman of Cambridge Enterprise, Cambridge University's commercialisation body, said: "There's not a single CEO among our clients where it's not one of the top two or three things they're looking at. The good ones are taking a measured approach because the tech's not fully there yet. There is a danger of people rushing ahead because new things keep coming and it's extremely expensive."

Despite some confusion, in the most recent annual survey on AI, published by McKinsey this month, a third of those asked said their organisations were using Gen AI regularly in one form or another. A quarter told the consultancy that it was on their boards' agendas and 40 per cent planned to increase their investment in the technology. They cited cost-cutting, increasing productivity and generating business. Most said they were using the technology at work and personally.

Michael Chui, below right, a partner at McKinsey Global Institute, described all this as "remarkable", given that ChatGPT had been publicly available for only a year.

The financial benefits of the technology are set to be enormous. The consultancy estimated that Gen AI could add $2.6 trillion to $4.4 trillion annually across 63 uses. To put that in context, the UK's entire GDP in 2021 was $3.1 trillion.



Yet the survey found that while organisations recognised that the technology came with downfalls, such as inaccuracies, bias and security issues, very few have done anything about them.

Thus far, the most common uses of Gen AI are in marketing and sales, product and services development and services operations. Amazon is rolling out a tool for sellers on its marketplace that will write copy for product listings. Salesforce, the software group, is using it to personalise content for its developers. Law firms are using it for the first drafts of documents and contracts. Developers are using it to write code.

The holy grail of LLM use is for businesses to apply it to their database and company information. If you're a law firm, the model would have all your cases, notes and documents, so you could prompt it to generate content based on them.

Gaurav Dhillon, chief executive of SnapLogic and a co-founder and former boss of Informatica, thinks his business has cracked it with its product, SnapGPT. It brought "warp speedness" to mundane tasks, he said, building an easy-to-use bot on top of a range of LLMs that customers can plug into their systems to produce accurate responses.

"You can tell it to analyse aspects of a business, compare that quarter with the last quarter," he said. "It goes off and gets that information from various applications in your enterprise and helps you to build a large, sophisticated pipeline without you having to know pretty much anything beside usernames and passwords for accounts on your system."

One customer is a medical company that brings pharmaceutical products to market quickly by scanning drug discovery filings from other firms. It employs people to do this work, but in future this task will be automated, using SnapGPT to swallow and digest large amounts of unstructured data from legal documents.

At Boston Consulting, Chowdhury said Gen AI, which needed "tweaking", had cut research time for a consultant from a couple of days to two hours. However, it is an expensive tool. "We've almost gone back to the time-share world, where you're paying per call to the computer," he said. "Some Big Tech companies are saying that if everybody took this up at scale, they don't have enough computer power to do it."

Peter Nixey, the entrepreneur, advises companies on how to use LLMs. He believes businesses need to think of them as a humanoid: "You wouldn't expect a person to retrieve information without training or tools,"

Case studies

WPP

While some companies in the creative industries are nervous about using generative AI, WPP jumped in early on. The advertising conglomerate is using the technology to create, personalise and measure advertising.

In a campaign, an AI version of Jennifer Lopez, the film star and singer, called "Jen AI", was built for Virgin Voyages, above. It mocked the technology, showing a short film of a perfect avatar of the star being made to talk and act from a studio. To encourage interaction, people could create a "Jen AI" holiday invitation on the website, with Lopez speaking their name and that of a friend or partner.

Mark Read, WPP's chief executive, said: "I see this as like the period when the internet was evolving between 1995 to 2000. You see the potential for computers to do things we thought only humans could do — write text, produce ads — and that's fundamentally different from what they had done before."

Read has weekly meetings with the strategy teams to develop and implement the technology. "It has the power to transform what we do and to change the structure of an industry which hasn't changed in a hundred years," he said.

"One of the most amazing things about the large language models is they democratise access to tech. At low cost, you can leverage billions of dollars in research and development. There has never been a revolution like this. I'd encourage businesses to experiment at how they can use it to solve problems."

Sage

The FTSE 100 business accounting software company has had a division looking at AI for five years, creating products that can scan transactions and look for possible errors. It has two products in development.

The first is an email tool for accountants, being tested by a few hundred businesses, that can read

the AI party

emails, digest what customers want and propose draft responses. For example, if someone has asked for a copy of an invoice, it will pull up the required information and attach it.

Aaron Harris, Sage's chief technology officer, said: "The human has to always feel in control, so everything is presented as a recommendation. We present them with a draft email. They can make changes if they want."

Its second product, yet to be released, is a digital assistant that can be embedded within Excel, becoming an interface with the accounting system. Customers can ask: "What do you predict my cash balance will be in three months?"

Errors are a deep concern. "One out of 20 times, it does the wrong thing. In the world of accounting and finance, one out of twenty is not good enough. So most of our research is around how we audit what it's doing to ensure its answers are accurate. If we breach trust in this industry, we lose the game."

he said. "LLMs need tools to search the database and there is a lot of plumbing that doesn't exist that eventually will make this easier."

There is also the challenge of ensuring that models come up with correct and useful answers and don't make things up, known as "hallucinating".

While companies such as Dhillon's are growing fast, a lack of understanding of the tools persists, which Nixey likened to the early days of the internet. "If you don't know if you are holding a hammer or a hairdryer, you don't know what you're looking for," he said.

Euro Beinat, head of AI at Prosus, a technology investment company that holds an enormous stake in China's Tencent conglomerate, said the fund had created an assistant and was experimenting. "No one knows exactly where this is going, so there is an intrinsic fluidity and an uncertainty," he said. "It can be disorienting, because this thing is faster than anything we've seen."

Headlines have focused on the potential for AI to lead to global destruction. Those in the industry talk more about the exponential creation of spam and poor-quality websites that could "choke" the internet.

Dhillon said: "It is a fascinating time for world history, but it is a superpower. You can see the possibility for misuse and we should take [that] to heart." There are concerns around inaccuracy, privacy, copyright infringement, compliance and bias.

"Companies that are approaching Gen AI most constructively are experimenting while having a structured process to identify and address the broader risks," Alex Sukharevsky, head of QuantumBlack, an AI consultancy created by McKinsey, said.

However, those that are using AI successfully are seeing the gains. "The rich are getting richer," Chui said.

Standing back from the frenzy, analysts at the Gartner consultancy put Gen AI at the "peak of inflated expectations" on their infamous hype cycle for emerging technologies. They believe that it will take two to five years to achieve a "transformational benefit".

TOMORROW
How AI will change the workforce

Refund social media scam victims, tech firms urged

Times Business Reporter

Technology companies should help to reimburse the victims of social media purchase scams, bosses at Barclays have said. Their call comes after figures from the bank revealed a jump in the number of social media scams affecting British shoppers.

Purchase scams, where people buy a "good" or product that never arrives or is not as advertised, account for 66 per cent of all reported scams, the research showed. Barclays said that 87 per cent of all scams, which cause victims to lose £1,000 on average, start on technology platforms, including social media, online marketplaces and dating apps.

The bank has called for more to be done in order to prevent such scams, demanding further action from social media companies and politicians. It has called for a victim reimbursement fund to be financed by all companies whose systems and platforms are used to perpetrate scams, including technology companies and banks, as part of four recommendations. At present victims were reimbursed only by funding from banks, Barclays said.

The bank also called for the creation of a cross-government group within the Home Office to deal with the issue in order to co-ordinate regulators, policymakers, industry groups and companies in different sectors. In addition, it said the prevention of scams should be made mandatory, particularly for technology companies, in a shift from today's voluntary measures, and it urged the government to make organisations publish their scams data to inform consumers of the risks involved in using their platforms.

Matt Hammerstein, chief executive of Barclays UK, said: "Our data shows that tech platforms, particularly social media, are now the source of almost all scams. However, there is no current legislative or regulatory framework obliging the tech sector to support the prevention of these crimes, as there rightly is for banks. We can only drive back this epidemic and protect UK competitiveness by stopping scams at their source, preventing the flow of funds to organised crime."

CONTINUED FROM PAGE 37
Pension surpluses to be targeted

year. "The funding patterns have flipped," Tinsley said. "Some companies that had the biggest deficits now have the largest surpluses."

While few listed companies have yet to publish up-to-date numbers on their pension fund finances, high street banks such as HSBC and NatWest and supermarket groups including Sainsbury's and Tesco are among FTSE 100 groups that could be beneficiaries.

The Pensions Regulator set out the improvement in the finances of Britain's 5,000 defined-benefit schemes in April. "Our analysis shows that around a quarter of all DB schemes may now have sufficient assets to buy out their liabilities with insurance companies," it said at the time. Since then, gilt yields have powered higher, potentially pushing more funds into surplus.

Barnett Waddingham has estimated that more than a third of FTSE 350 defined-benefit schemes were fully funded on a buyout basis as of May 31 this year. Insurers have been reporting record volumes of buyout deals in recent weeks.

The week ahead

The world's leading central bankers will gather this week for the annual Jackson Hole symposium hosted by the US Federal Reserve. The meeting in Wyoming will run from Thursday to Saturday and will address the theme of "structural shifts in the global economy".

Leading central bankers from the United States, Britain and the eurozone will meet at a time when financial markets have begun to expect further interest rate rises to quell inflation. They are braced for at least two more rate rises from the Bank of England and one each from the Fed and European Central Bank in the coming months.

This year investors' attention is likely to be focused on Jerome Powell, the Fed chairman, who is set to be among the symposium's speakers. Seth Carpenter, a global chief economist at Morgan Stanley, said Powell may use his speech to keep the Fed's options open for further rate rises, without pre-committing to any moves before September's rates decision. Aditya Bhave, at Bank of America, said Powell would use his appearance to hint that interest rates "will remain restrictive for an extended period", adding "he will likely note that although there has been progress on the inflation front, there is still a lot more work to be done".


Jerome Powell is set to be among the leading speakers in Wyoming

TOMORROW

Will there be surprises in John Wood Group's latest half-year results? The Aberdeen-based engineering consultancy's share price slipped by 35 per cent after Apollo Global Management walked away from a potential £1.7 billion takeover deal in May, yet Wood's shares are still up more than 5 per cent since the start of 2023. Ken Gilmartin, its chief executive, has stuck to his strategy of steady, sustainable improvements and an update last month forecast that first-half revenue would rise 15 per cent to $2.9 billion with earnings before interest, tax and other charges up by 6 per cent to $195 million. Analysts expect full-year revenue to be about $5.8 billion.
Interims Anexo, Empresaria, John Wood Group

WEDNESDAY

Costain Group recently afforded itself more room for investments and dividend payouts on the back of the triennial review of its pension deficit. The infrastructure group's shortfall now stands at £25.1 million, compared with £99 million previously, and its bosses can now cut payments to only £3.3 million a year.

The half-year results will provide an update on progress towards its expected annual sales and adjusted profit before tax of £1.3 billion and £40 million, respectively. Peel Hunt told investors this summer that the company's market valuation had been bolstered by its improved cash position and added that the shares could rise from Friday's 45p to a possible 60p. Numis expects a revenue decline of 6 per cent in the half-year to be offset by stronger margins and forecast earnings before interest and tax of £15 million.
Interims Costain Group

THURSDAY

Recruiters have been much quieter this year than they were in the past two years and Hays' share price reflects that, down more than 15 per cent in the year to date. When the agency reports its annual results investors, already know that it will reveal an operating profit of about £196 million, a fall of 7 per cent from last year.

The decline would have been steeper if it did not make most of its money from placing temporary workers, demand for whom has held up better than permanent hires, given the reluctance of companies to make long-term commitments in an uncertain economic climate. Rather than the numbers, then, the City will be looking for commentary around present trading. In an update last month, Hays said there remained "reduced client and candidate confidence", a line that has been repeated by many of its rivals this year. The update also revealed that Hays had £135 million of cash on hand. Even though conditions are uncertain, Steve Woolf, an analyst at Numis, thinks its bosses might look to return some of that "via a buyback or special dividend".

CRH, the Dublin-based building materials group, is due to report its interim results weeks before a switch of its primary listing to the United States. The company is set to leave the Irish stock exchange on September 25 and will move its primary listing to New York, but will maintain a standard listing on the London Stock Exchange.
Interims CRH, Harbour Energy, Hunting, MacFarlane, Tribal
Finals Hays, James Cropper

FRIDAY

There are no big company announcements scheduled