

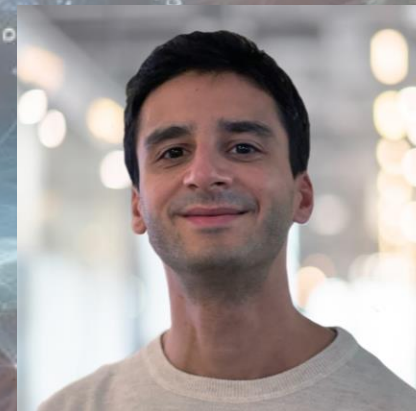
Winning with AI and business model transformation

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Housekeeping Notes

- ▶ The webinar is being recorded
- ▶ The link to the recorded webinar and to the presentation slides will be shared
- ▶ All participant lines have been muted
- ▶ When we have **Poll** questions, please make sure to click the “submit” button
- ▶ Feel free to comment in the **Chat**, but we may not be able to monitor or respond

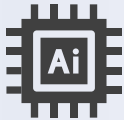


A black and white photograph of a man in a suit and glasses walking on a paved path. He is smiling and carrying a briefcase. The background shows trees and a brick building. A semi-transparent dark band is overlaid across the middle of the image, containing white text. The word "disruptive change" is highlighted in red.

Our purpose is to empower
forward-thinking organizations to navigate
disruptive change
and own the future

Innosight’s capabilities span digital and AI strategy, organizational change, and technology implementation

Capabilities



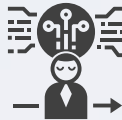
AI strategy

What is the **AI future of my industry** and how can I develop a **distinctive and value-maximizing portfolio of initiatives**?



AI & data business model acceleration

How can I design and de-risk specific **new digital and AI powered customer-facing products and experiences**?



AI & data capabilities

How can I continually advance my **organization’s digital and AI maturity**?



Data & technology strategy

How can I align my **data and technology assets** with my strategy?



AI & data organization and culture change

How can I build a **digital-ready organization that embraces agile ways of working** and AI transformation?



Technology implementation & delivery

How can I **build and integrate AI and robotic automation tools** into my business?

Select technology partners



Selected thought leadership



Leading into the Age of AI: A Five-Part Blueprint for Empowering Corporate Transformation (2023, Innosight e-book)

Three Tactics to Accelerate a Digital Transformation (2021, Harvard Business Review)



A Glossary of Common Artificial Intelligence Terms for Business Leaders (2023, Innosight executive briefing)



A Leader’s Guide to Capturing the Potential of Artificial Intelligence (2023, Innosight executive briefing)

Topics we'll cover today

1 Implications of AI as a General-Purpose Technology

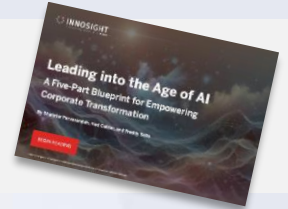
2 What it takes to optimize today's business with AI

3 Going beyond today: Creating tomorrow's AI-powered business models

AI is the twenty-first century's general-purpose technology

GENERAL PURPOSE TECHNOLOGIES

*“General-purpose technologies are **foundational innovations with extensive use cases that arise infrequently throughout history**. They enable seismic leaps in what humans can do, and **reshape economies, societies, geopolitics, and even our physical surroundings.**”*



1440



The printing press: Revolutionized the spread of knowledge and information, laying the groundwork for modern media, education, and communication sectors

1712



The steam engine: Revolutionized transportation, manufacturing, and agriculture in the eighteenth and nineteenth centuries

1876



The internal combustion engine: Transformed transportation, enabling the development of automobiles and airplanes, and influencing industries from petroleum to tourism

1870s



Electricity: Enabled lighting, industrial machines, telecommunications, household appliances, and much more

1947



Semiconductors: At the core of many electronic devices, driving advances in computing, communication, and various forms of digital technology

1970-1990s



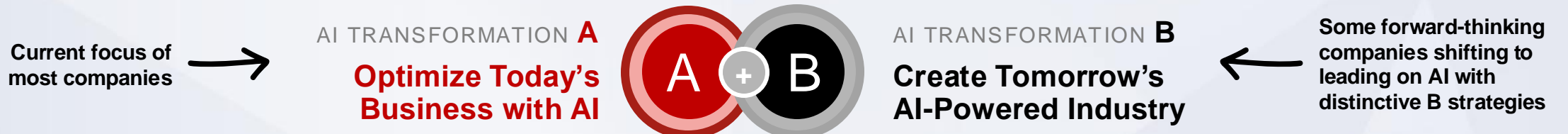
The PC and the internet: Dramatically transformed communication, entertainment, business, education, and countless other industries and aspects of daily life

21st century



Artificial intelligence: Poised to usher in a new age of scientific discovery and reinvent virtually every industry and field of human endeavor by replacing, enhancing, and surpassing what can be achieved with human cognitive abilities alone

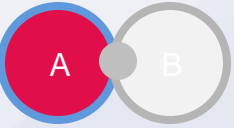
AI as a **general-purpose technology** is optimizing today's business models AND will also fundamentally transform industries



| Present Forward | | | | | | Future Back | | | | | |
|-----------------|------|------|------|------|------|-------------|------|------|------|------|--|
| 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | |

| | | |
|--------------------------------------|--|---|
| | <ul style="list-style-type: none"> ➤ Drive business as usual performance ➤ Existing competitive set ➤ Existing customers and performance dimensions | <ul style="list-style-type: none"> ➤ New business paradigms enabled by AI ➤ New competitive set / blurring of industry lines ➤ New and evolving customer expectations / performance dimensions |
| ✈️ EXAMPLE: AVIATION | Speeding up gate turnaround of aircraft and preventing contract leakage by monitoring ground handler performance with computer vision | Creating intelligent agents for travel that craft and book individualized itineraries from multi-modal travel to accommodation to experiences |
| 🏪 EXAMPLE: CPG / RETAIL | Streamlining and enabling revenue growth optimization | Developing and delivering individualized products & experiences |
| 🏦 EXAMPLE: FINANCIAL SERVICES | Retrieving and organizing information and data used to inform financial decision-making today | Using entirely new data and models created by the proliferation of AI across the economy to automate financial decision-making |
| ⚡ EXAMPLE: ENERGY | Optimizing oil & gas production from deposits through to extraction | Enabling technological progress and viability of nuclear fusion |

Two broad domains of AI strategy



Operational AI Transformation

Automate and augment processes across virtually every organizational function to increase both efficiency and effectiveness

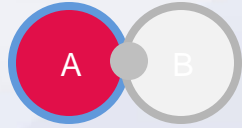


Customer-facing AI Transformation

Create differentiated customer value by embedding AI in existing or new customer-facing products and experiences to solve customer “jobs to be done”

Identifying AI Transformation A use cases at a major airline (1/2)

CLIENT CASE
STUDY



AI capabilities

+

Airline business model

AI = a collection of distinct technological capabilities all focused on the goal of making machines act intelligently



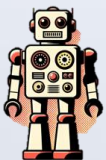
Machine learning



Generative AI



Computer vision



Robotics

Operational domains

1. Everyday Core Aviation Operations

1a. Aircraft Operations, Maintenance, & Safety: Flight operations, routine checks, repairs, and part replacements

1b. Ground Operations & Turnaround: Aircraft unloading, refueling, cleaning, de-icing, and reloading

1c. Fleet Management: Aircraft acquisition, leasing, and disposition

1d. Fuel Management: Buying & optimization of fuel usage

1e. Cargo and Baggage Management: Logistics and tracking of cargo and luggage

1f. Crew Management: Pilot and cabin crew recruitment, training, scheduling, and welfare

2. Airline Commercial Management & Innovation

2a. Route Planning: Optimization of flight paths and schedules

2b. Partnerships: Codeshare agreements and strategic alliances

2c. Cabin Product Design: Aircraft interior incl. cabin seat design and broader architecture, amenities, and offerings

3. Digital Infrastructure, Regulation, & Sustainability

3a. IT and Digital Infrastructure: Management of technology systems and cybersecurity

3b. Environmental Initiatives: Carbon offsetting, waste reduction, and sustainability practices

3c. Government and Regulatory Affairs: Liaising with aviation authorities and government bodies

Customer-facing domains

4. Pre-flight Passenger Service

4a. Ticketing: Sales channels, pricing strategies, and ticketing systems, including revenue management and pricing analytics

4b. Airport & pre-flight experience: Check-in, boarding, and lounge services

4c. Customer service: Answering customer queries, changing bookings, handling complaints (includes post-flight)

5. In-flight Passenger Service

5a. Catering: Menu design, meal planning and procurement, preparation, and delivery

5b. Entertainment: Media and in-flight connectivity (Wi-Fi)

5c. Duty-Free Sales: Management and sales of duty-free products

5d. Health & Wellbeing: Delivery of passenger physical and mental health

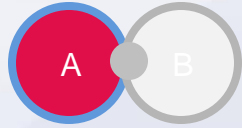
6. Non-flight Offerings

6a. Loyalty Programs: Frequent flyer programs and customer loyalty initiatives

6b. Broader Travel: Holiday and hotel design and bookings, rental cars and transfers

Identifying AI Transformation A use cases at a major airline (2/2)

CLIENT CASE STUDY

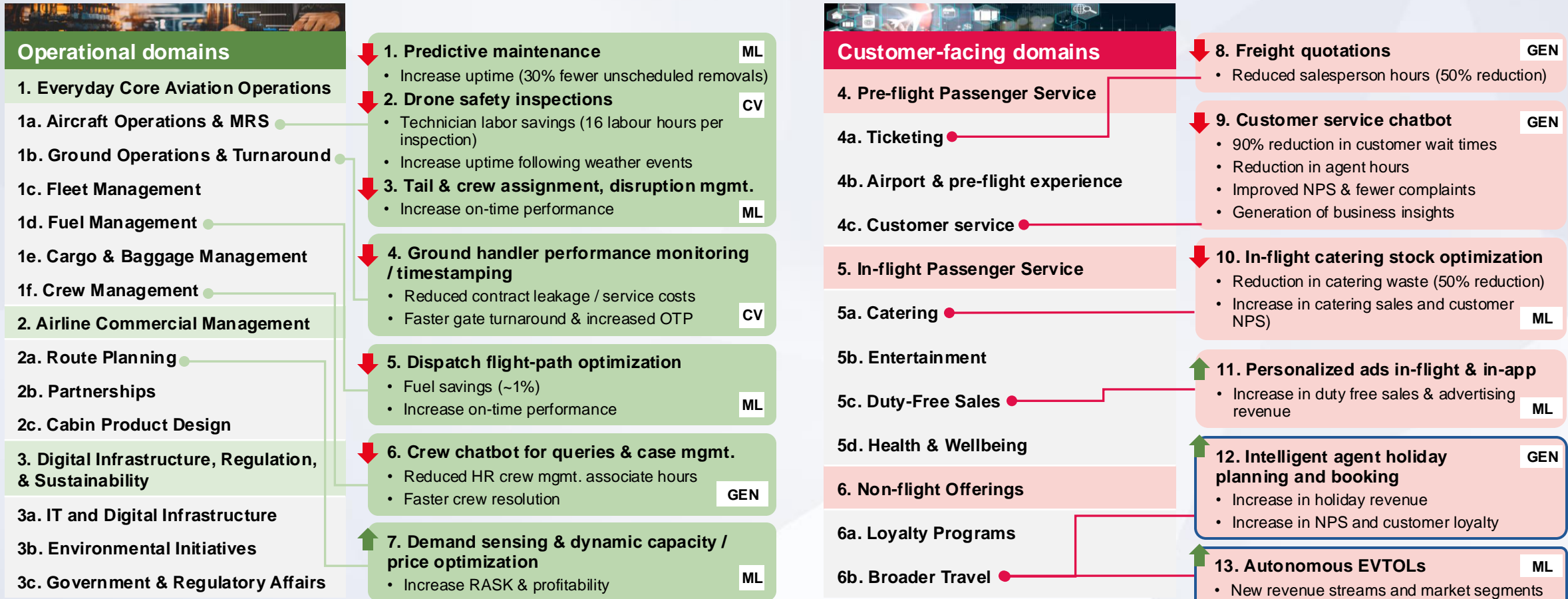


~100 use cases generated

- Global peer activity
- Adjacent industry scan
- Hyperscaler & startup capabilities
- Art of the possible ideation

13 use cases prioritized

- EBIT impact
- Implementation speed, cost, complexity, integration
- Data & digital maturity
- People & culture impact



Primary AI capability: ML = Machine learning GEN = Generative AI CV = Computer Vision

Primary P&L impact: ↓ Cost down ↑ Growth up

Transformation B use case

The importance of Transformation B: A failure mode of incumbents during the last GPT (PC + internet) was missing significant opportunities to reinvent their business



Example: PC + the internet

Incumbents used digital only to optimize their core businesses



Innovators used digital to create disruptive business models that gained value

HOSPITALITY



Hotel giants used digital technology to optimize existing processes and customer interfaces (e.g., online booking)

Market capitalization (May 2024)
 • Hilton Hotels: ~\$50bn
 • Marriot: ~\$65bn



Large Physical Retailers: Digital to optimize bricks and mortar, online just as another channel

Market capitalization (May 2024)
 • Walmart: \$530 Mn



Media companies digitalized newspapers and billboards

Long-run decline of traditional media (eyeballs and ad spend) and associated company valuations



AirBnB developed a new, asset-light digitally-enabled peer-to-peer community business model

Market capitalization (May 2024)
 • AirBnB: ~\$95bn (world's most valuable hotel company)



Amazon and Ebay created new business models and value proposition via marketplaces, delivery, free returns

Market capitalization (May 2024)
 • Amazon: ~\$2tn



Facebook, Twitter, YouTube & TikTok transformed how content is created, shared, & monetized

Now accounts for majority of eyeballs and ad spend, with significant growth and leading company valuations

Sustaining strategy

Disruptive strategy

Missed growth opportunities

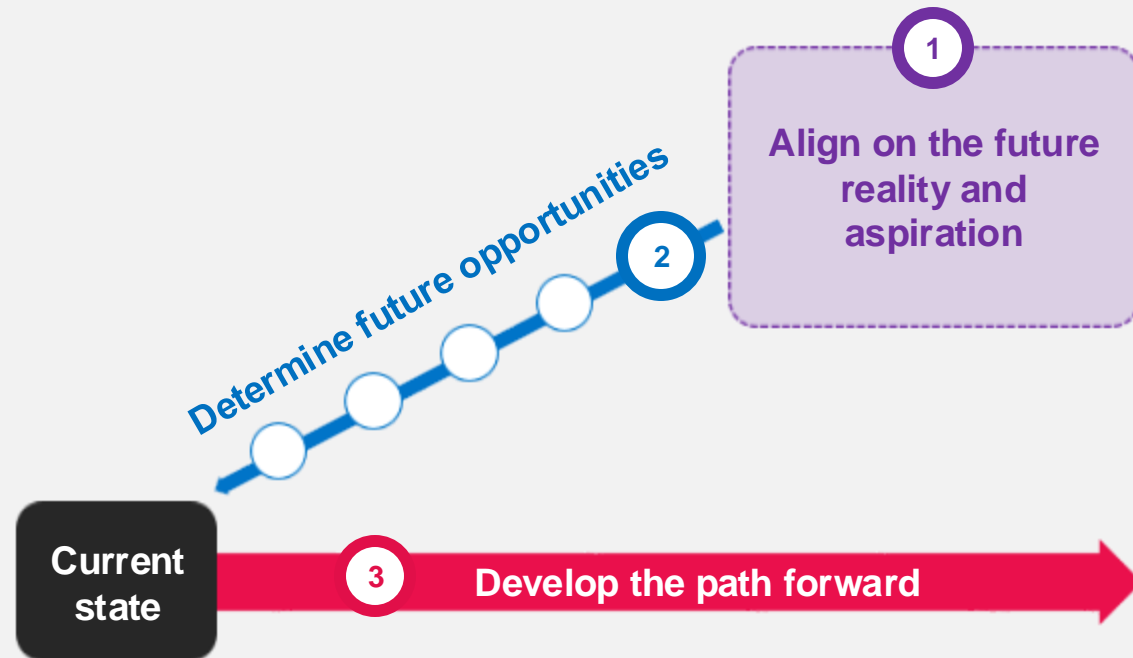
Disruption

We follow a Future-back approach to develop transformational opportunities

A

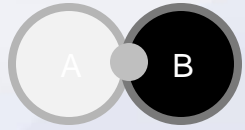
B

Future-back approach



- 1 Align on the future reality and aspiration**
Align on a future “View of the World” by considering stakeholder jobs to be done, and key trends in lifestyle, technology, regulation, and competition. Determine aspiration for what to achieve in this future.
- 2 Determine future opportunities**
Develop Strategic Opportunity Areas (where to play choices) based on future environment, identify assets and capabilities required to deliver sustained competitive advantage and determine possible solutions
- 3 Develop the path forward**
Create a masterplan that enables your organization to make the connection between your future vision and current state (e.g., systems, organizational principals, resource allocation, and metrics)

There is significant value creation potential for firms who start working today on AI initiatives that can evolve into tomorrow's business models



ILLUSTRATIVE, NOT EXHAUSTIVE



Investment in gut health testing to support personalized nutrition

- Ombre offers at-home microbiome tests and personalized nutrition recs using AI based on the results
- Unilever intends to leverage microbiome insights to optimize food portfolio

Personalized formulations for vitamins and food products based on microbiome



BEEs B2B Digital Platform with AI-powered recommendations

- Developed digital marketplace for small and mid-size customers (HORECA + retail) to buy from AB InBev & 3rd parties
- Platform launched in 2019; as of 2023 has 3+ million active users and ~\$40bn in gross merchandise value

AI-powered custom solutions and recommendation engine for HORECA & retail



Siemens Industrial Copilot

- Partnered with Microsoft to develop a generative AI-powered assistant for industrial applications
- The copilot integrates with Siemens' automation portals, allow users to generate, optimize, and debug complex automation code, significantly shorten simulation times, and bring genAI to customers' shop floors

Scalable Industrial AI Software Platform for automation customers

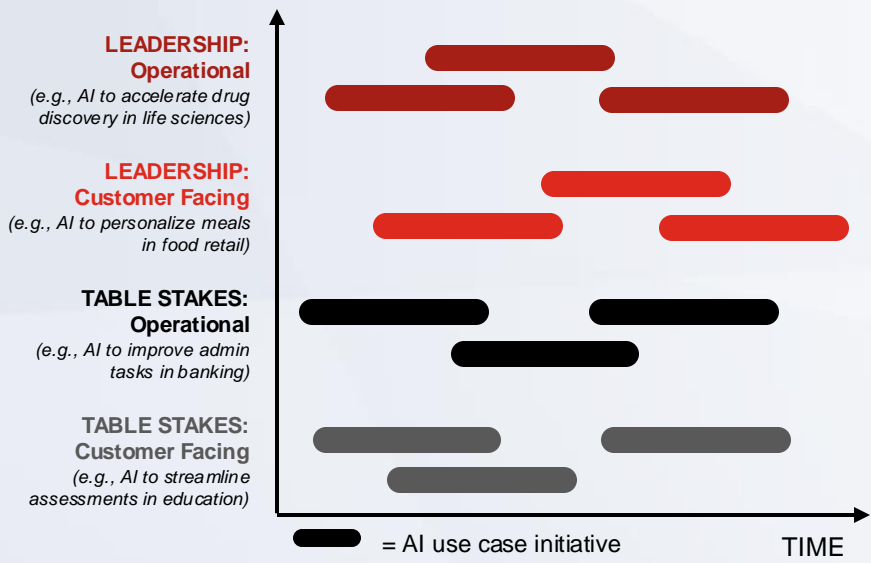
TODAY
AI INITIATIVE

TOMORROW
TRANSFORMATIVE
POTENTIAL

AI portfolios should encompass use cases across operational and customer facing domains spanning multiple time horizons

Portfolios should include both table stakes and distinctive, leadership use cases which offer a first mover advantage:

ILLUSTRATIVE AI PORTFOLIO & DESIGN CRITERIA

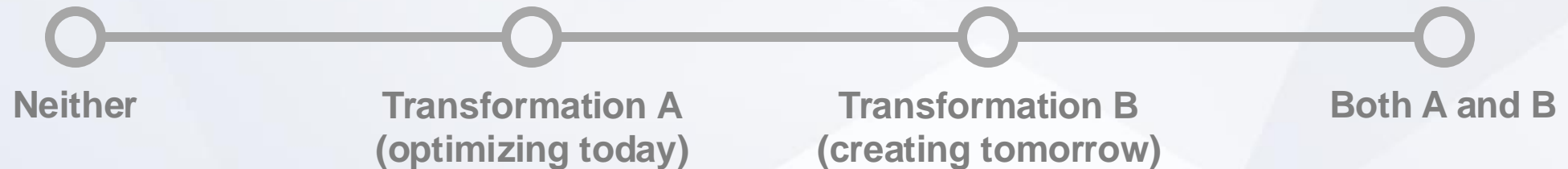


INDUSTRY EXAMPLES

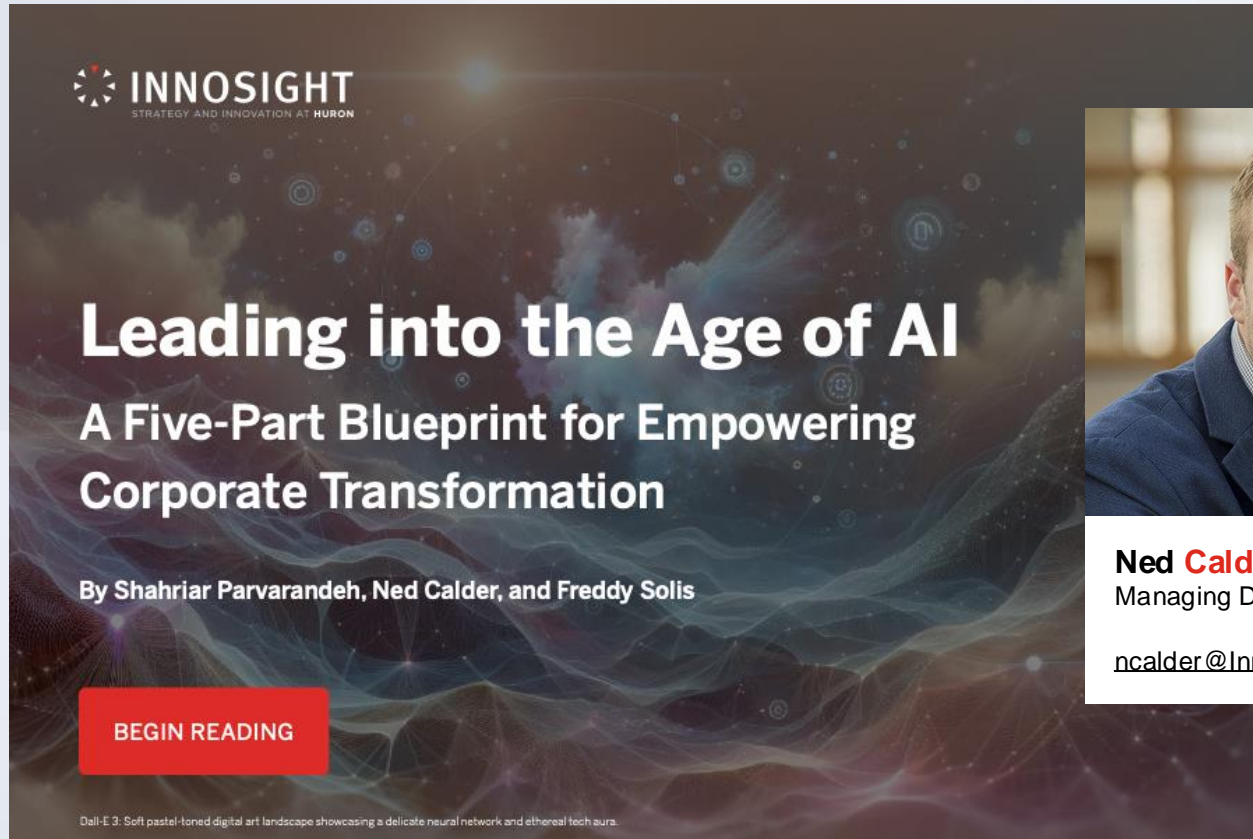
| TABLE STAKES | | LEADERSHIP |
|---|--------------------|---|
| Analyze pharmaceutical and patient data to streamline clinical trial matching | Life Sciences | Model molecular interactions and gene evolution for disease prevention and personalized medicine for each patient |
| Develop algorithms for fraud prevention and creditworthiness analytics | Financial Services | Run algorithmic trading, forecasting, and scenario planning for real-time investment that outperforms humans |
| Use computer vision to monitor shelves and inventory to inform order levels and frequency | CPG | Create an AI strategic business advisory service to support HORECA customers with revenue growth optimization |

Poll + Q&A

Which **AI transformation area** do you believe your organization needs the most help with?



Thank you



INNOSIGHT
STRATEGY AND INNOVATION AT HURON

Leading into the Age of AI

A Five-Part Blueprint for Empowering Corporate Transformation

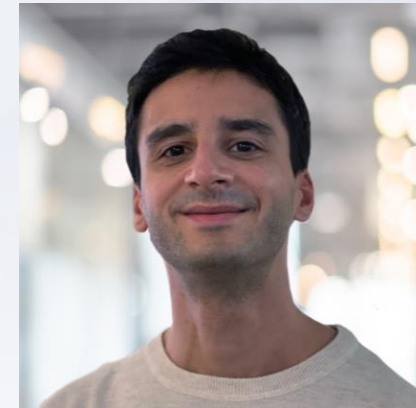
By Shahriar Parvarandeh, Ned Calder, and Freddy Solis

BEGIN READING

Dall-E 3. Soft pastel-toned digital art landscape showcasing a delicate neural network and ethereal tech aura.



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