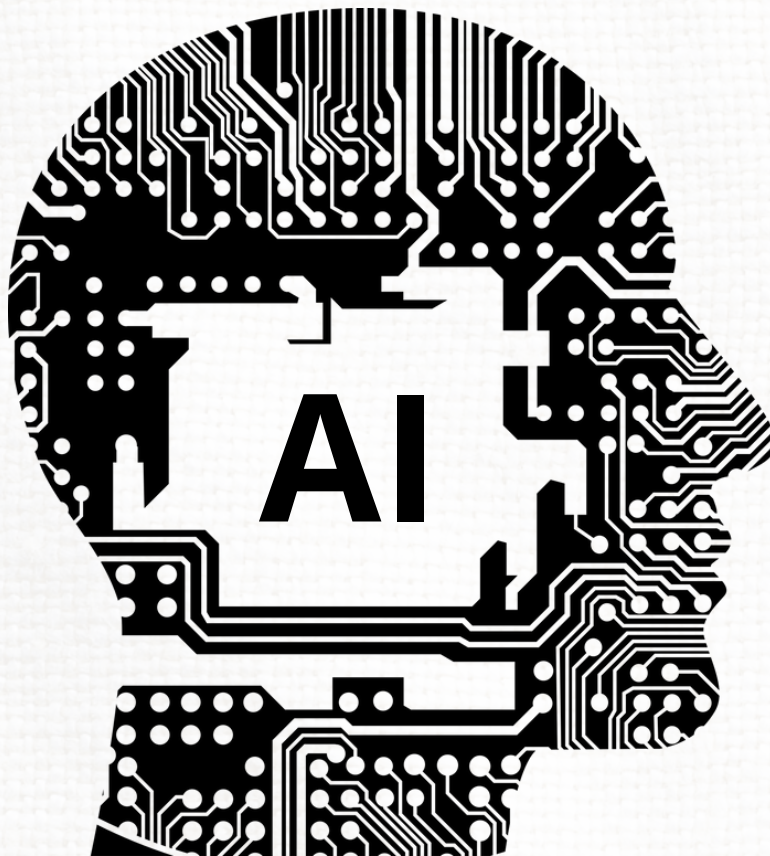MyConsultancy

AI STRATEGY 101:

UNLOCKING PRODUCT VALUE, NETWORK VALUE, AND DATA VALUE

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AI Strategy 101: Unlocking Product Value, Network Value, and Data Value

Manoj Tavarajoo | AI Essentials for Leaders Series – Article 9

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In the age of AI, advantage no longer comes from physical assets or distribution networks but from how digital capabilities reinforce each other to create **product value, network value, and data value**. These three drivers, when designed to interact, create a self-reinforcing system that gives AI-first firms their edge.

1. Product Value: From Features to Continuous Learning

Traditional products were designed, shipped, and left largely unchanged until the next version. In AI-first firms, products are **dynamic systems** that get better the more they are used.

- **Examples in practice:**

  - **Tesla:** Every mile driven feeds back into the fleet, improving autonomous driving.

  - **Netflix:** Recommendations become more personalised with every viewing choice.

  - **Healthcare AI:** Diagnostic tools improve accuracy as they are exposed to more patient data.

- **Incumbent miss:** Nokia treated phones as hardware devices. Apple treated the iPhone as a **living product** that improved with every software update.

Leader question: *Does our product or service improve the more it is used, or does it stagnate until the next release?*
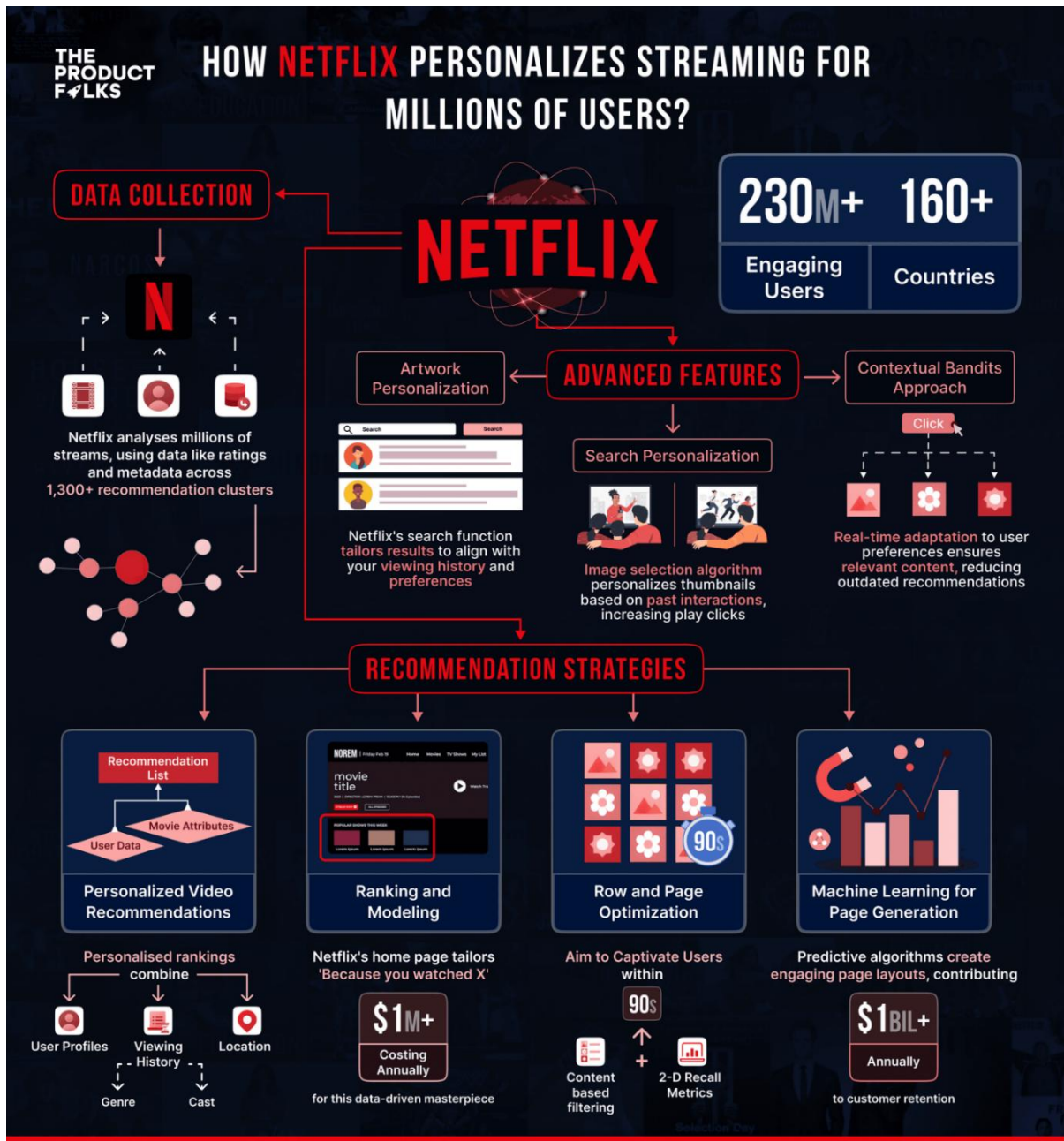
Figure 1: Example of Product Value in the AI Age (Source: The Product Folks)

This diagram illustrates how Netflix uses data to continuously personalise streaming for users.

2. Network Value: The Multiplier Effect of Connections

Networks have always created value, but AI accelerates their power. Every new user strengthens the network, while AI makes interactions smarter and more personalised.

- **Direct network effects:** More users make the platform more valuable to each other (LinkedIn connections, WhatsApp users).

- **Indirect or cross-side effects:** More sellers attract more buyers, and vice versa (Amazon, Alibaba).

- **AI multiplier:** Algorithms match, recommend, and price more effectively as the network grows.

- **Examples in practice:**

    - **Amazon Marketplace:** The flywheel of buyers and sellers is accelerated by AI-driven logistics and recommendations.

    - **Uber and Grab:** The more riders and drivers join, the more accurate pricing and routing become.

    - **Ant Group:** Payments, credit, and insurance products reinforce each other through network effects.

- **Incumbent miss:** Blockbuster owned thousands of stores, but no digital network. Netflix built a platform where every new viewer improved content discovery.

Leader question: *Are we building a platform where each new participant increases value for all, or are we still stuck in linear growth models?*
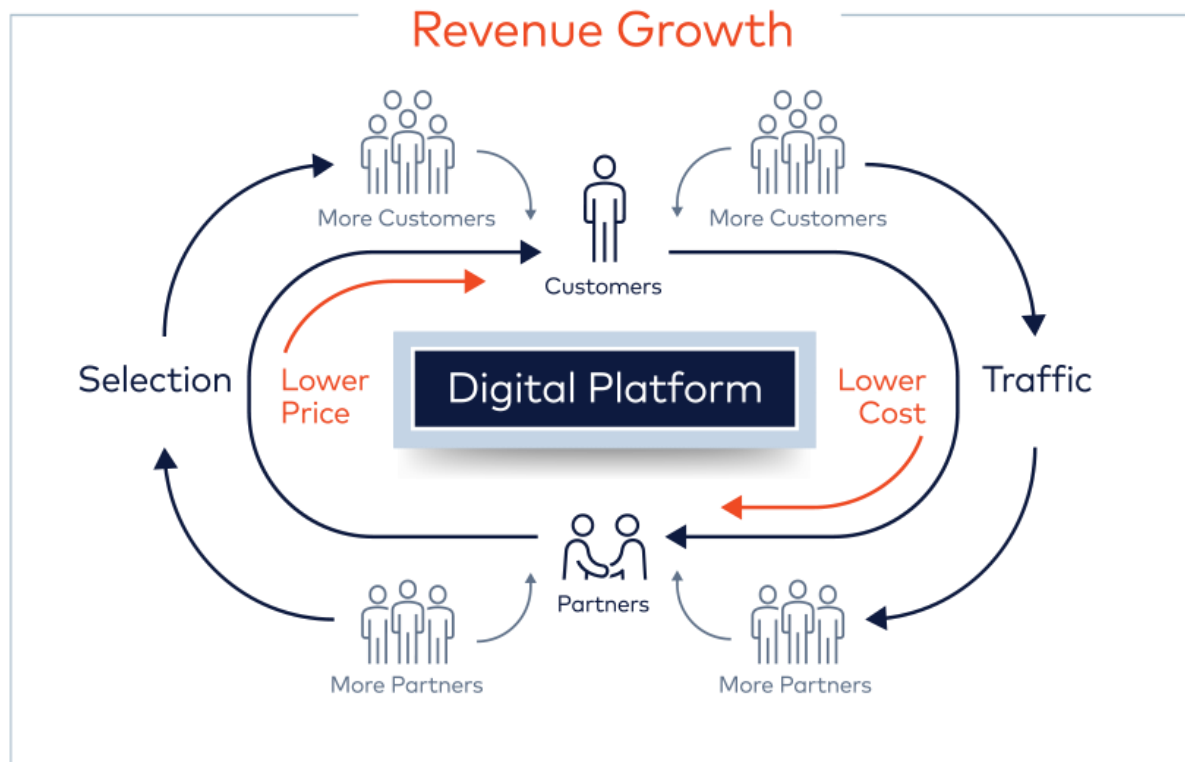
Figure 2: Amazon's flywheel (Source: Beyond Now)

This shows how Amazon's flywheel demonstrates network effects in practice.

3. Data Value: Learning as a Moat

Data is not exhaust, it is a **compounding asset**. Each transaction, interaction, or sensor reading makes the system smarter.

- **Examples in practice:**

    - **Google Search:** Billions of queries create a feedback loop that improves accuracy and relevance.

    - **LinkedIn:** Every profile update, connection, and post trains models that improve job matching.

    - **Manufacturing:** Predictive maintenance systems improve as more machine data is captured.

- **AI-first advantage:** The more data a firm has, the faster it learns, creating a moat competitors cannot easily cross.

- **Incumbent miss:** Traditional banks often treat data as a compliance burden, while fintechs such as Ant treat it as the foundation for new services.

Leader question: *Are we using data just for reporting, or are we turning it into a compounding learning advantage?*
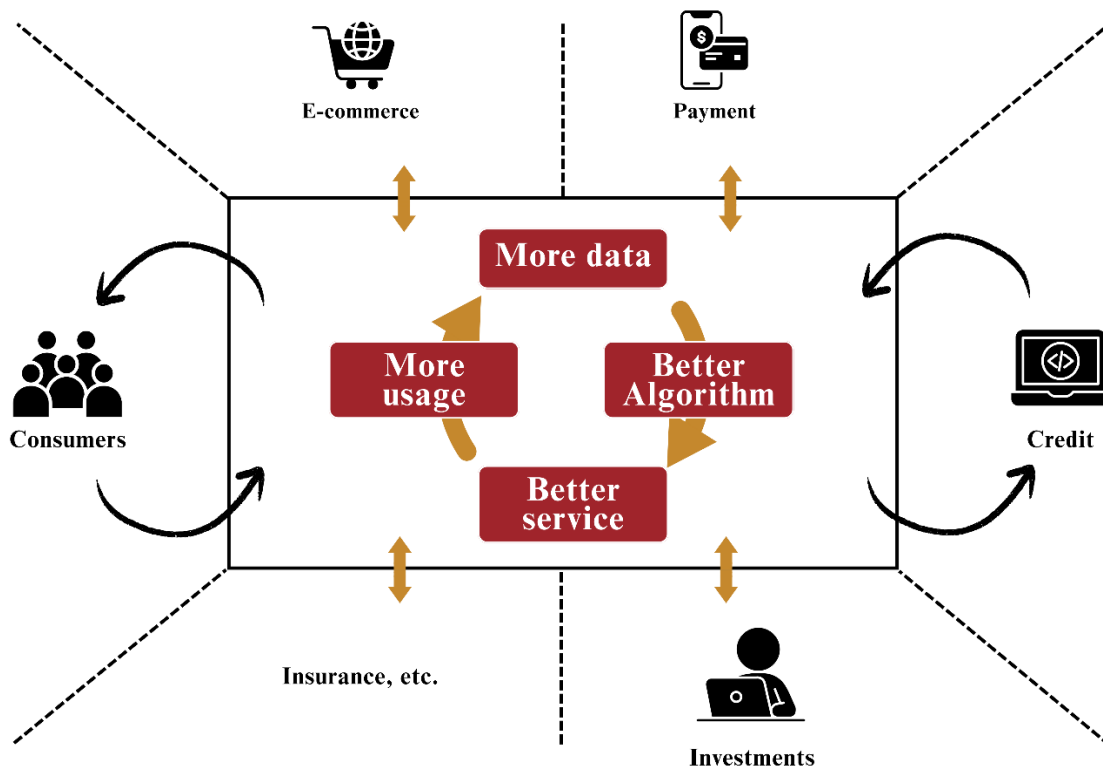

Figure 3: Ant Group Data Value (Source: Adapted from HBS)

This highlights how data compounds over time, creating a competitive moat.

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4. Integrating the Three Drivers

The real power of AI-first strategy comes when product, network, and data value reinforce each other.

- A product that improves with data attracts more users.

- More users strengthen the network.

- A stronger network generates more data.

- More data makes the product even better.

This creates a flywheel of advantage that is difficult for competitors to replicate.

Case examples:

- **Amazon:** Products improve through personalised recommendations, network effects are created by buyers and sellers reinforcing each other, and data fuels the entire system, compounding advantage.

- **Google:** Search improves with more queries (product), which attracts more users (network). Every interaction generates data that strengthens both results and advertising (data).

- **Apple:** The iPhone ecosystem integrates hardware, software, and the App Store. More users attract more developers (network), usage across devices generates valuable data, and services such as Siri, Apple Pay, and Health reinforce the overall product experience.

Leader question: *Are we designing our business model so that product, network, and data continuously reinforce one another?*
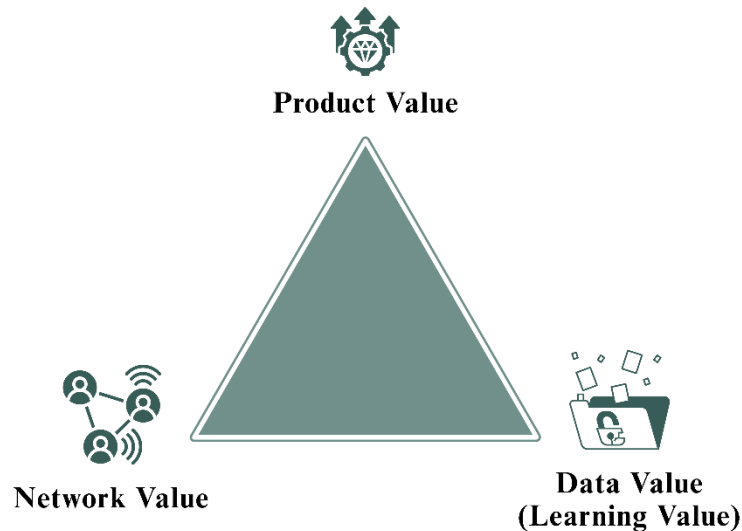
Strategy in the Age of AI

Figure 4: The 3 Value Drivers Flywheel

This diagram shows how product, network, and data value combine into a single reinforcing system that drives AI-first advantage.

The Takeaway for Leaders

Strategy in the AI era is not about chasing one-off advantages but about building a system where every interaction strengthens the next.

Leaders should ask themselves four questions:

- How does our product learn and improve with use?

- How can we unlock and scale network effects?

- How are we compounding data into a moat?

- Are we integrating these drivers into a single reinforcing system?

Firms that align strategy with product, network, and data value do not just compete, they **reshape industries**.

Up next:

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