

AI Capability Is Becoming Commodity

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Thesis

The strategic value of AI is moving away from raw model capability alone.

Models remain important, but many capability layers are becoming more substitutable:

- foundation-model access;
- open-weight models;
- inference;
- routing;
- generic orchestration;
- standard tool calling;
- commodity compute.

Commodity does not mean worthless. It means less differentiating.

From model moat to outcome moat

A model moat asks:

| Is our model better?

An outcome moat asks:

| Can we repeatedly produce the correct result in the real environment, under the required constraints, with evidence?

The second can survive model substitution.

Why frontier progress can accelerate commoditization

Rapid frontier improvement has two opposing effects.

It creates temporary differentiation at the leading edge, but it also:

1. pushes older frontier capability down-market;
2. reduces the cost of adequate performance;
3. expands open and hosted alternatives;
4. increases buyer ability to switch.

The faster the frontier moves, the faster yesterday's scarce capability can become standard supply.

Where durable value can migrate

Potentially less-substitutable layers include:

- proprietary data;
- trusted distribution;
- authoritative current state;
- embedded workflows;
- verified outcome history;
- customer relationships;
- physical infrastructure;
- domain-specific execution;
- high-quality evidence;
- switching cost created by real process integration.

Strategic implication

Organizations should avoid tying durable system identity to one model vendor.

A stronger architecture treats models as replaceable cognitive suppliers while preserving:

- current authoritative state;
- workflow contracts;
- outcome evidence;
- customer context;
- rights and constraints;
- durable learning.

What remains scarce

The likely scarce resources are not all digital.

They include:

- power-ready infrastructure;
- trusted data;
- domain access;
- physical execution;
- authority;
- reputation;
- distribution;
- verified high-quality outcomes.

Falsification

The thesis weakens if:

- frontier model providers sustain durable pricing power independent of switching costs;
- model differentiation remains the dominant source of enterprise value over long periods;
- buyers remain unable to substitute between models for most production workloads;
- outcome, data and distribution advantages prove less durable than model access.

Conclusion

The expected transition is:

scarce intelligence
→ abundant intelligence
→ scarce legitimate completion

The economic prize moves from possessing intelligence to converting interchangeable intelligence into trusted, correct outcomes.