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MB Martin
Brower.



Reyes
Holdings

Economics of AI

REACH Action Learning
Project – Team 1



REACH Action Learning Project Team



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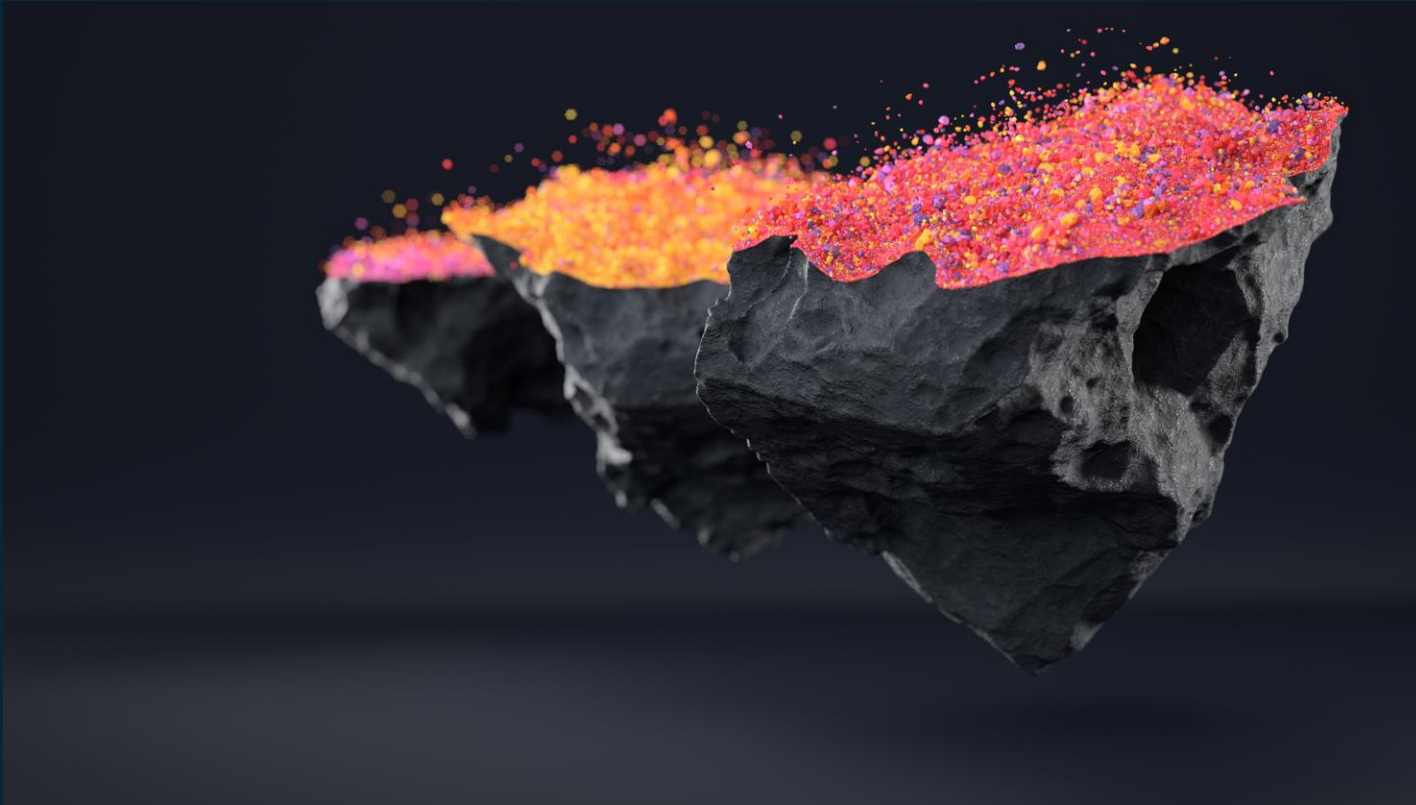


Coby Friedman
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RCCB-Information
Technology

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Project Guidance: Focus on the big rocks that will move the needle



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Project Goal: Create a **framework that can be used to **measure the viability of any AI Solution** that is brought to RFB and is used consistently across all BU's to **produce ROI over 5-year period.****



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AI Implementation Challenges



Growing costs with unclear ROI

In 2024, businesses are expected to spend \$175 billion on AI solutions, with costs climbing by 4-5% annually in the next 4-5 years (Gartner).

The Costs Associated with Implementing These Technologies

Initial Implementation Cost

The initial implementation cost of AI and Generative AI can be high, requiring significant investment in hardware, software, and skilled personnel.

Ongoing Maintenance Cost

The ongoing maintenance cost of AI and Generative AI requires continuous investment in software upgrades and maintenance to ensure optimal performance.

Energy Costs

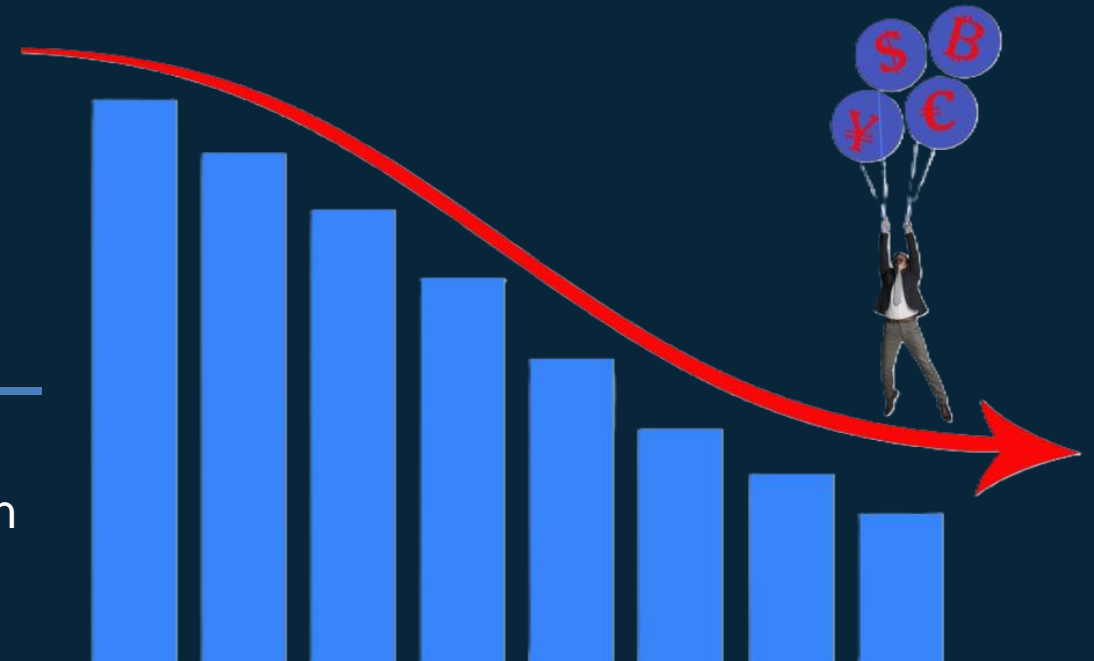
Data centers use of energy grow exponentially as BOTs run continuously to check data

Personnel

Upscaling employees to fully understand and leverage new solutions.

Visible Cost

Hidden Cost

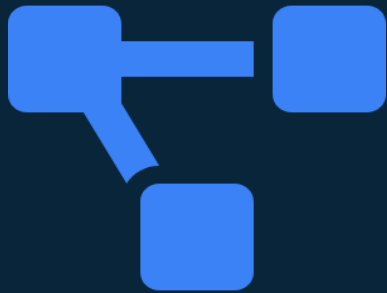


Current State of AI in the Organization



Inconsistent ROI Calculations

Different business units use varying methods for calculating AI ROI, leading to conflicting outputs



Siloed Project Management

AI projects are managed in isolation by different business units (BUs), with little alignment or standardization across teams.



Example from Ongoing Project

Stakeholder interviews reveal that one project has several conflicting ROI calculation methods across involved parties.

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AI Project Stakeholders



AI Developers

Design and build AI algorithms and models.



Executive Leaders

Define strategic vision and allocate resources.



Finance Team

Evaluate financial viability and manage budgets.



Governance Board

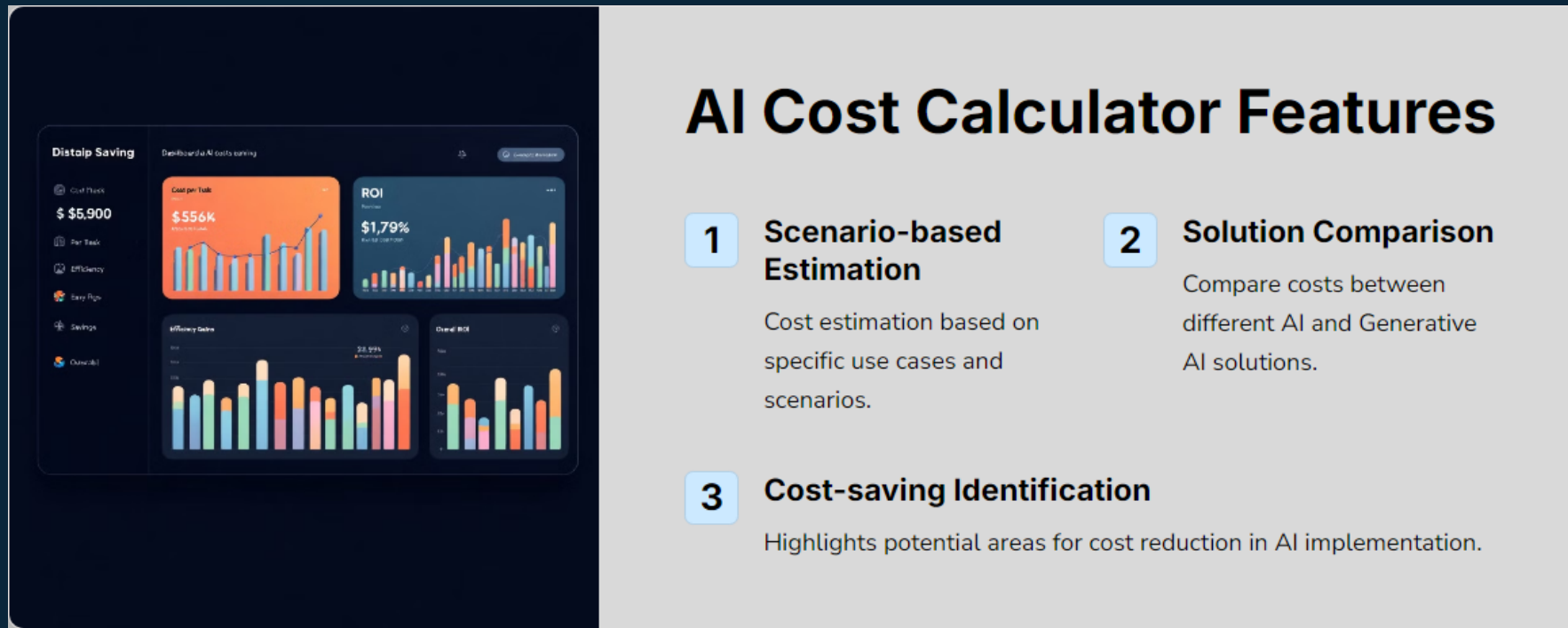
Establish ethical guidelines and ensure compliance.

Big Idea: Use Generative AI to calculate the ROI of AI



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AI ROI Calculator: A tool to standardize the calculation of AI costs and returns, including both qualitative and quantitative aspects.



The MATH

How the solution calculates ROI, Break-even and Net Present Value

		Upfront Cost	Ongoing Costs	Revenue	Cost Savings	Time to Implement	Discount Rate	Time Horizon for ROI	
		UC	OC	RS	CS	TI	r	n	
		\$ 240,000	\$ 85,000	\$ 200,000	???	0.75	8%	5 yrs	
Net Benefit	NB=RS-OC	\$ 115,000							
ROI	ROI=NB/(UC+OC)	35.38%							
Break-even Point	(UC + OC)/(RS/TI)	1.22							
Net Present Value	Year 1	\$106,481							
Net Present Value	Year 2	\$98,594							
Net Present Value	Year 3	\$91,291							
Net Present Value	Year 4	\$84,528							
Net Present Value	Year 5	\$78,267							
		Total	\$219,162						





Multi-Agent Methodology

1

Data Collection

Agents gather relevant project information from various sources.

2

Analysis

Specialized bots process data in their respective domains.

3

Integration

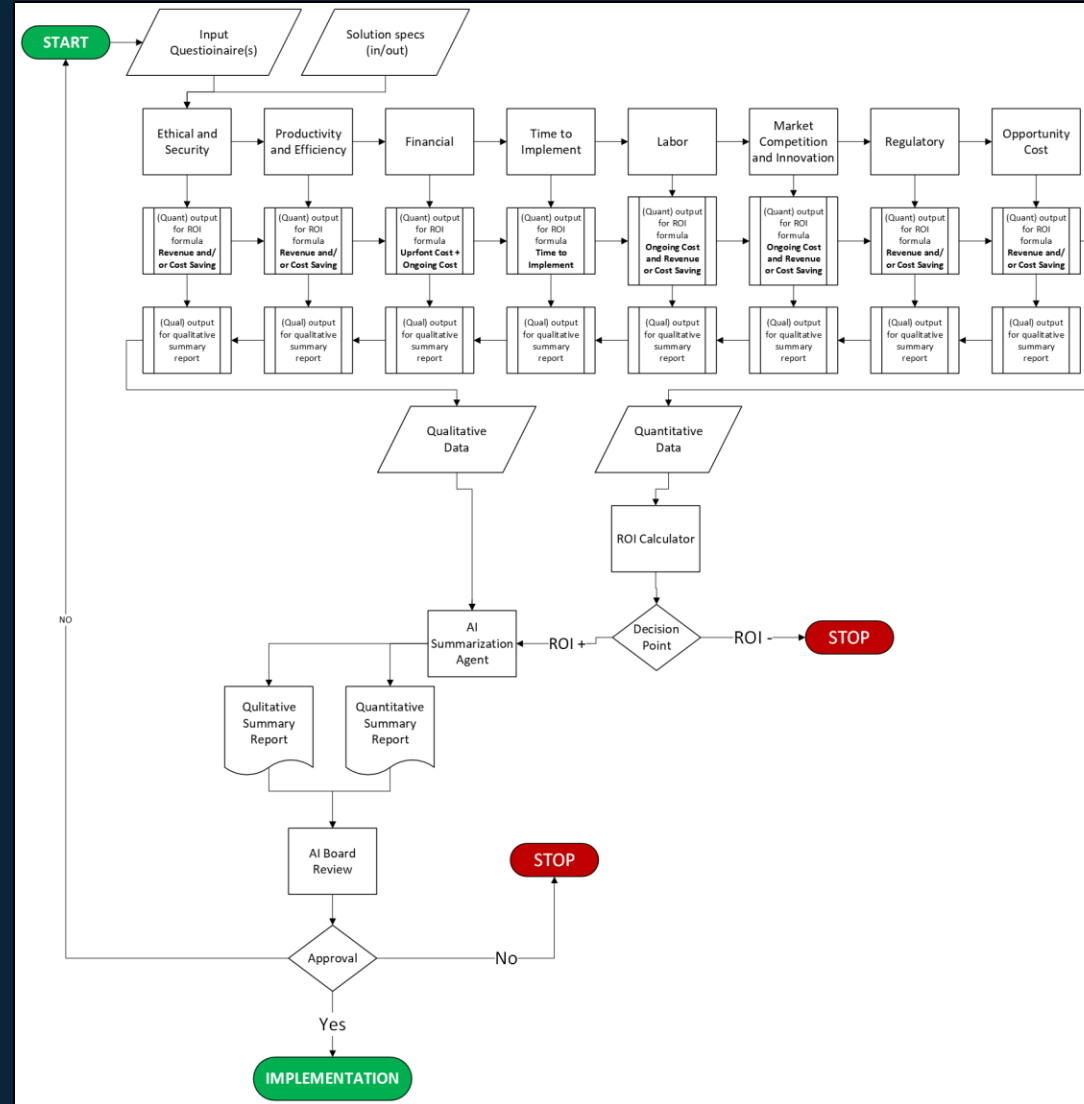
Results are combined for a comprehensive project evaluation.

4

Reporting

Final insights are presented in an easy-to-understand format.

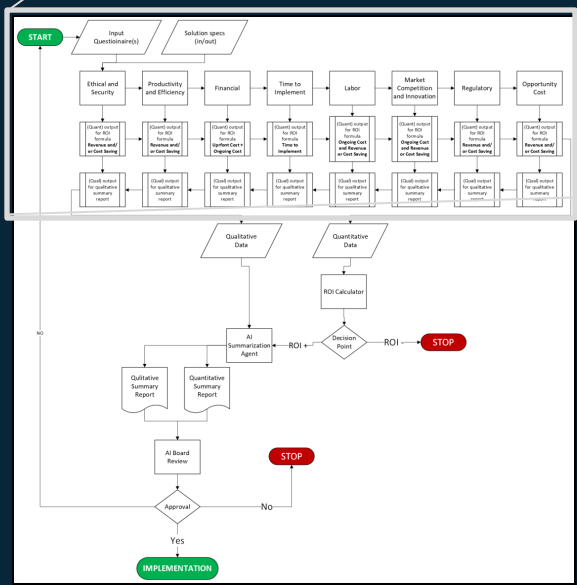
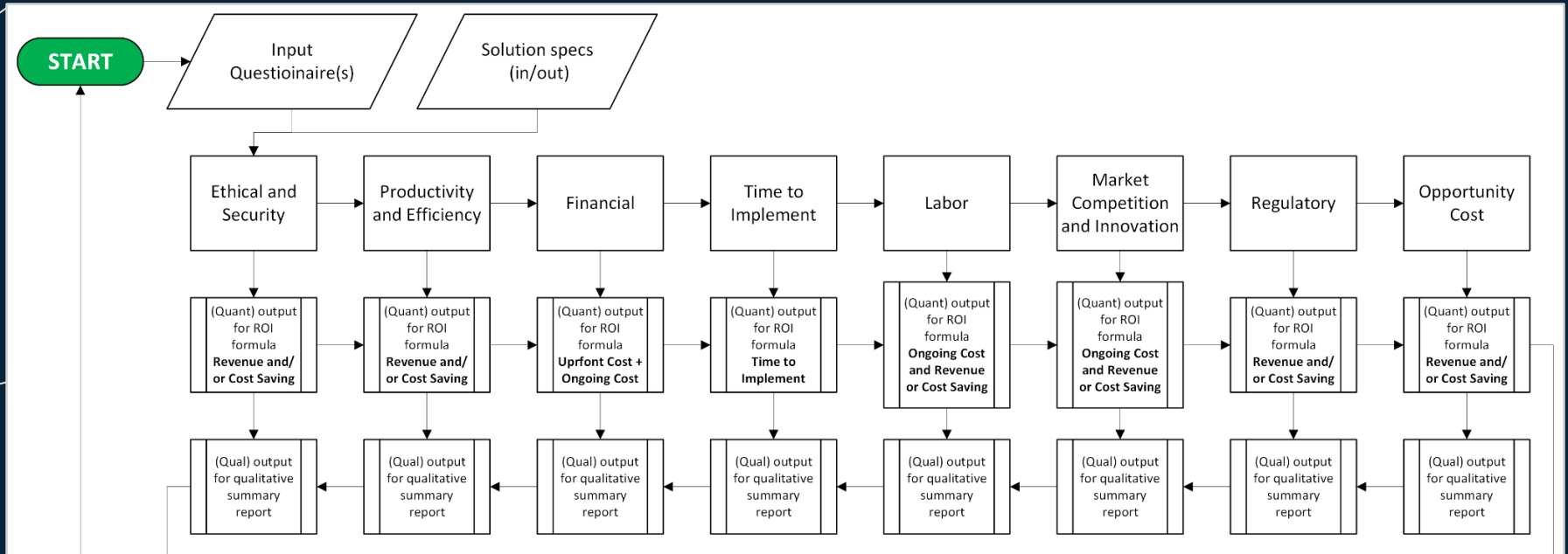
The Framework Overview



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The Framework

Overview Intake
and
Supporting Agents



Intake Model

1 General Questions

Gathers basic project information to set up specialized bots.

2 Scope Definition

Clarifies what's included and excluded from the AI project.

3 Initial Estimates

Collects preliminary data on costs, time savings, and expected returns.



Data Collection Agents

1 Continuous Monitoring

Agents collect real-time data on AI project performance.

2 Automated Analysis

AI-powered analysis of collected data for insights.

3 Feedback Loop

Continuous improvement of AI cost and ROI models.



Expert Bots in Categories



Productivity Bot

Analyzes efficiency gains and time savings from AI implementation.



Security Bot

Evaluates ethical considerations and security implications of AI projects.



Financial Bot

Calculates ROI, NPV, and other financial metrics for AI initiatives.

Human

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Productivity and Efficiency Model

Time Savings

Calculates potential time saved through AI implementation.

Cost Avoidance

Identifies areas where AI can prevent unnecessary expenses.

Efficiency Gains

Quantifies improvements in operational efficiency.

Regulatory Compliance Model

1 Legal Framework

Ensures AI projects comply with relevant laws and regulations.

2 Industry Standards

Aligns AI implementations with established industry best practices.

3 Compliance Monitoring

Continuously tracks adherence to regulatory requirements.



Labor Market Model

Skill Gap Analysis

Identifies necessary skills for AI implementation and current workforce capabilities.

Market Rate Assessment

Evaluates competitive compensation for AI professionals.

Talent Availability

Assesses the local and global pool of AI talent.

Ethical and Security Model

1 RH Ethics Doctrine

Ensures AI projects align with Reyes Holding's ethical standards.

2 IT Risk Evaluation

Assesses potential technological risks associated with AI implementation.

3 Data Security

Evaluates measures to protect sensitive information in AI systems.



Financial Model

Net Present Value

Calculates the NPV of AI projects over a 5-year period.

Break-Even Analysis

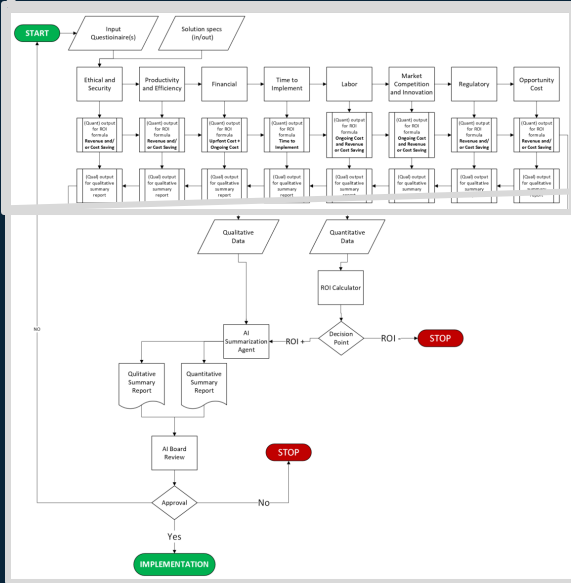
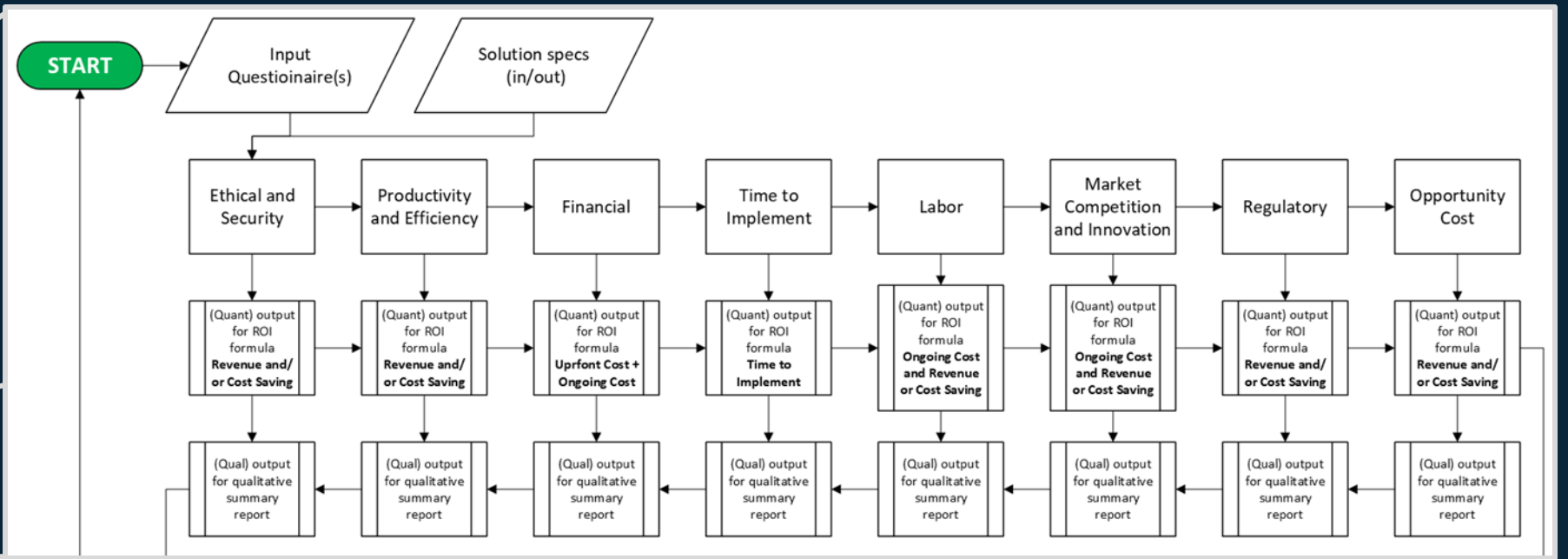
Determines the point at which AI investments become profitable.

ROI Percentage

Computes the return on investment for AI initiatives.

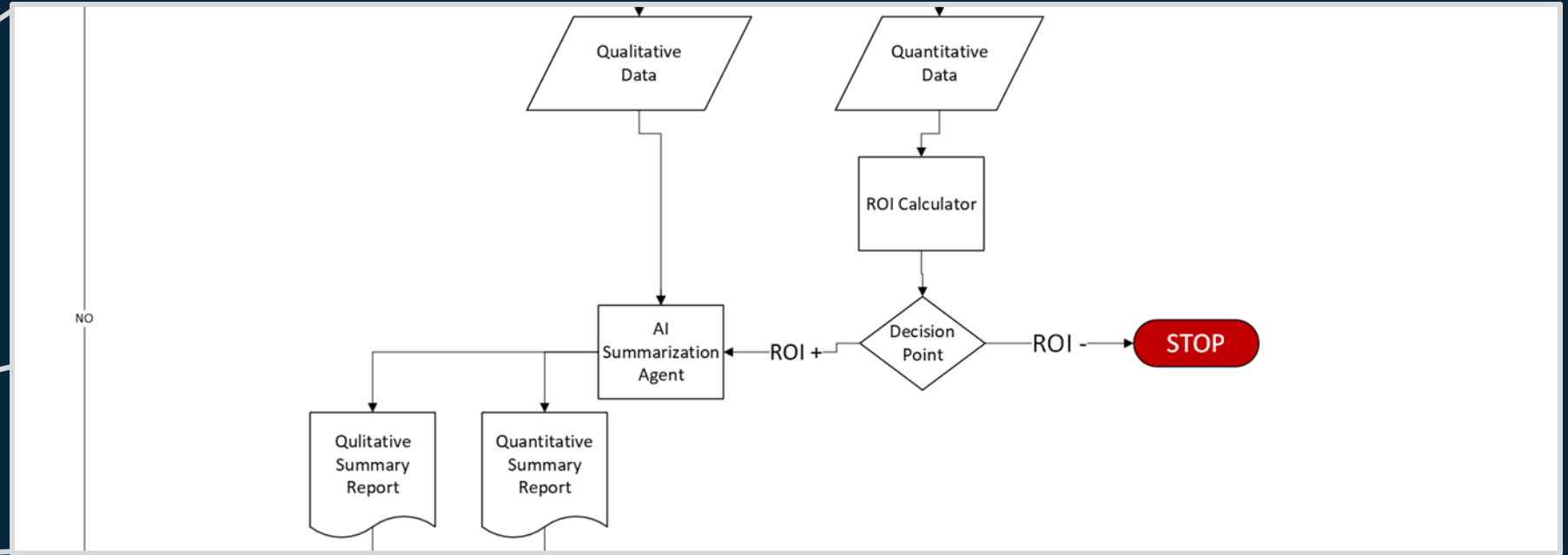
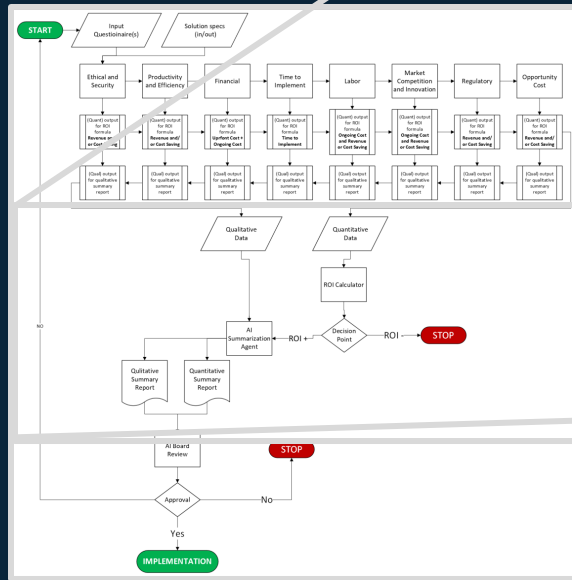
The Framework

Overview Intake and Supporting Agents



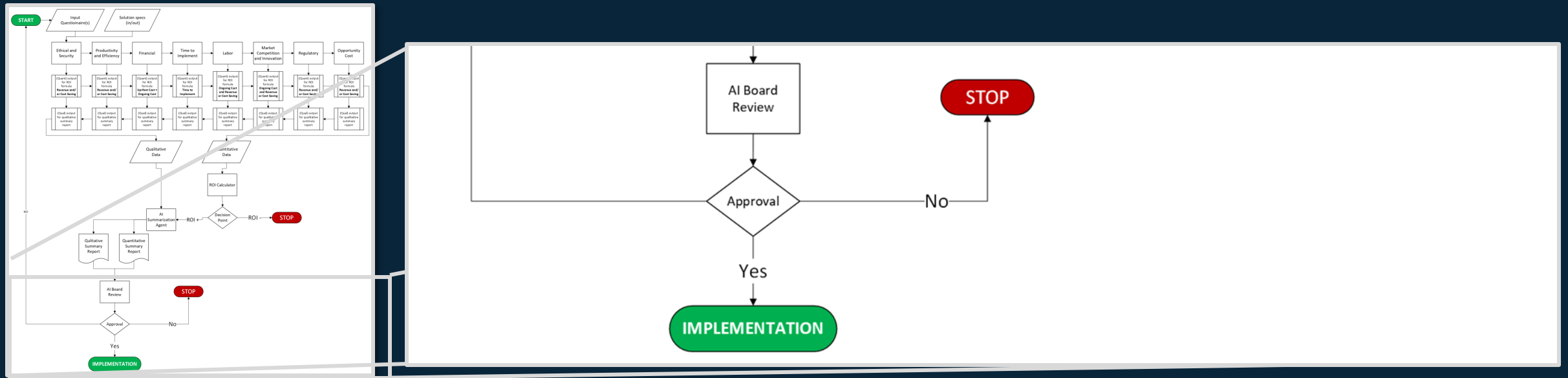
The Framework

AI ROI Calculator



The Framework

Human Interaction
&
Final Approval



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Solution(s)



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Solution





Conclusion

Standardized Approach

AI ROI Calculator provides a consistent method for evaluating AI projects.

Informed Decision-Making

Enables leadership to make data-driven decisions on AI investments.

Continuous Improvement

Framework for ongoing refinement of AI cost management processes.

Next Steps

1

Pilot Implementation

Test AI ROI Calculator on select projects across different business units.

2

Feedback Gathering

Collect user feedback and refine the tool based on real-world usage.

3

Full Rollout

Implement the AI ROI Calculator company-wide after successful pilot.

4

Ongoing Optimization

Continuously update and improve the tool based on emerging AI trends.



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HAHALOO
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SEMEL
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