

## AI, ay, ay!

Artificial intelligence is entering a new phase in which broader business adoption, rapidly declining model costs and intensifying competition are reinforcing one another. Large businesses remain the most significant users, but adoption is increasingly spreading to mid-sized and smaller companies as AI becomes more affordable and accessible. At the same time, competition among U.S. and Chinese models is driving down the cost of AI inference, creating a potentially powerful demand catalyst. Lower costs can encourage greater utilization, which in turn supports continued spending on data centers, semiconductors and other AI infrastructure. For investors, this suggests that AI companies may sustain strong revenue and earnings growth even as competition pressures margins.

## Q PERSPECTIVE

Artificial intelligence is increasingly moving from experimentation to an operating technology for businesses of all sizes. Ramp's AI Index, which analyzes actual corporate spending across more than 70,000 U.S. businesses, shows that more than half of businesses have paid for AI services, subscriptions, tokens or APIs. Adoption is broadening beyond large enterprises as well, although larger companies remain the most intensive users. As seen in [Chart I](#) adoption is now widespread among mid-market and enterprise businesses, while smaller businesses are increasingly entering the market as lower-cost tools reduce barriers to adoption.

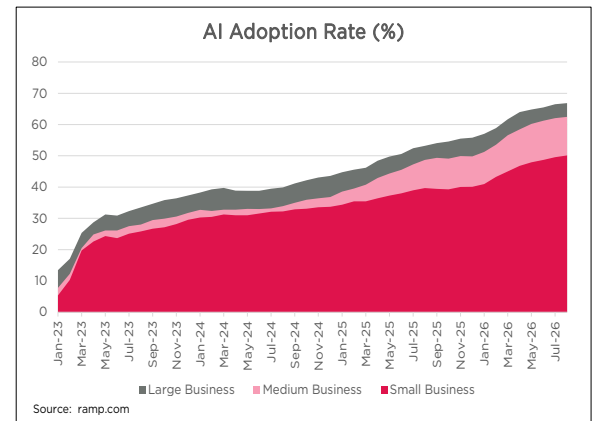
At the same time, the economics of AI are changing rapidly. [Chart II](#) shows a dramatic decline in the cost of AI inference as model efficiency improves and competition intensifies. Facing competition from Chinese open-source alternatives, leading U.S. AI companies have started to unveil new, cheaper models. In particular, Meta's Muse Glimmer and Open AI's GPT-6 Luna have significantly lower costs than the frontier models, even undercutting some of the new open-source Chinese models, such as Xiaomi's MiMo-V2.6-Pro.

This competition creates a powerful deflationary force within the AI ecosystem. Lower prices can stimulate substantially greater utilization as businesses deploy models across more employees, workflows and applications. This creates an important feedback loop: falling unit costs → broader adoption → higher utilization → greater computing demand → continued capital investment.

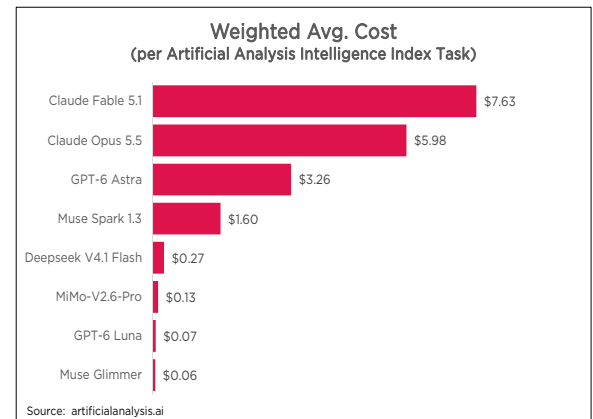
## INVESTMENT IMPLICATIONS

Declining model prices should not necessarily be interpreted as a threat to AI revenues. Margin compression and earnings growth are not mutually exclusive. If declining AI costs accelerate adoption and usage sufficiently, revenue growth can remain strong even as pricing becomes more competitive. This dynamic helps explain why hyperscalers in [Chart III](#) and other technology companies continue committing enormous amounts of capital to data centers, accelerators and AI infrastructure. The next phase of the AI investment cycle may be defined less by higher prices and more by dramatically higher volumes.

**CHART I**



**CHART II**



**CHART III**

