

Machine Learning – Products

Most Famous Applications

recommendations



chatbots



autonomous driving

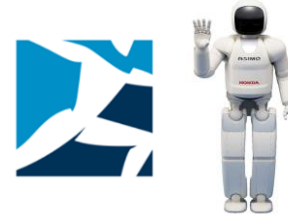


MOTOR Ai

translation



robotics



assistants (speech recognition)



OCR



but many more ...

When To Use ML

automation

all applications from
previous slide

complexity



protein structure predictions: AlphaFold (GNN)

Taxonomy of ML Models

Supervised Learning

Target Quantity

- **known in training:** labeled samples or observations from past
- to be **predicted** for unknown cases (e.g., future values)

Features

- input information that is
- correlated to target quantity
 - known at prediction time



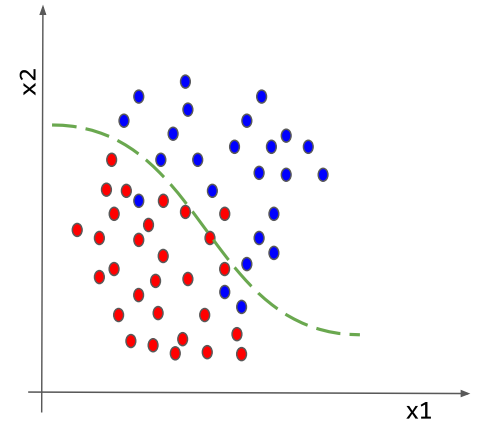
Example: Spam Filtering

Classify emails as spam or no spam

use accordingly **labeled**
emails as training set

use information like
occurrence of specific
words or email length
as **features**

features x_1 and x_2
spam, no spam

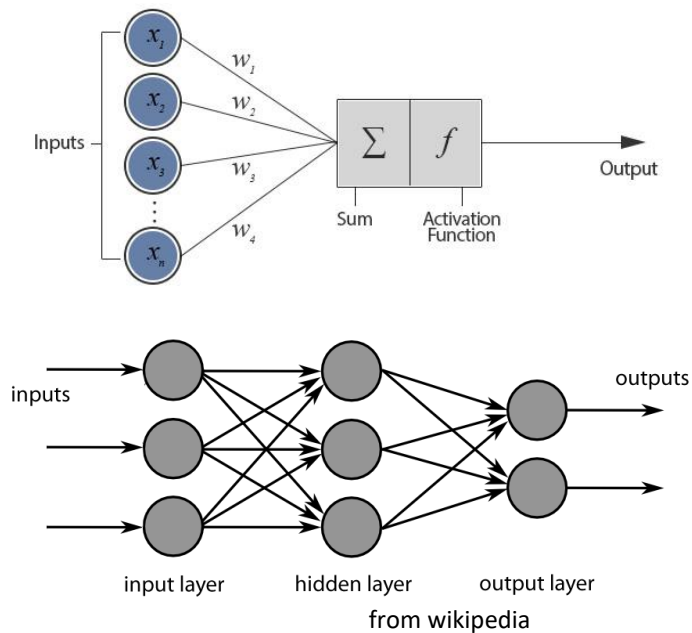


usually rather narrow tasks

Algorithmic Families and Linear Building Blocks

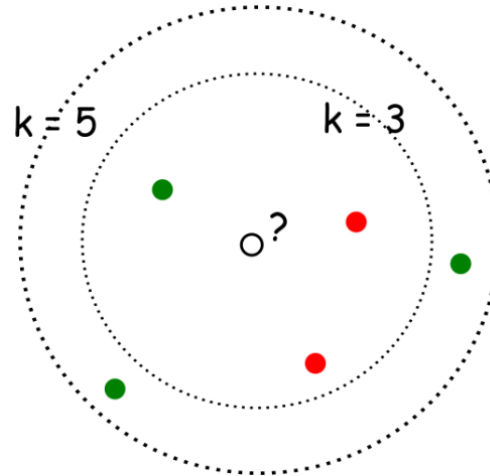
linear (parametric) models

neural networks: non-linear just by means of activation functions



deep learning: many hidden layers
computer vision: CNN
NLP: transformer

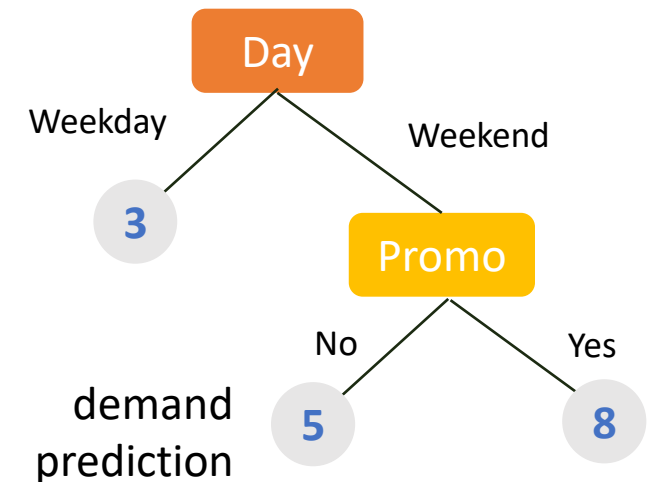
nearest neighbors (local methods, instance-based learning) – non-parametric models



with $k = 3$, ●
with $k = 5$, ●

kernel/support-vector machines: linear model (maximum-margin hyperplane) with kernel trick

decision trees: rule learning



often used in ensemble methods

- bagging: random forests
- boosting: gradient boosting

mainly used for structured data

MACHINE LEARNING

training target available
(labeled or past data)

SUPERVISED

CLASSIFICATION



REGRESSION

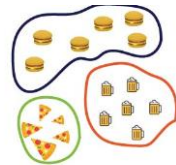


learning by teacher
(high-dimensional curve fitting)

data not labeled
in any way

UNSUPERVISED

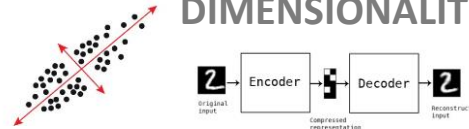
CLUSTERING



ASSOCIATION



DIMENSIONALITY REDUCTION



learning by observation
(pattern recognition)

no supervision, but goal-based
interaction with environment

REINFORCEMENT LEARNING

LEARN STATE OR ACTION VALUES

LEARN POLICY DIRECTLY



learning by trial-and-error
(sequential decision making)

unsupervised and reinforcement learning can
both be cast as supervised-learning setup

Discriminative (Predictive) Models

discriminative models:

prediction/estimation of labels (classification)
or numerical values (regression)

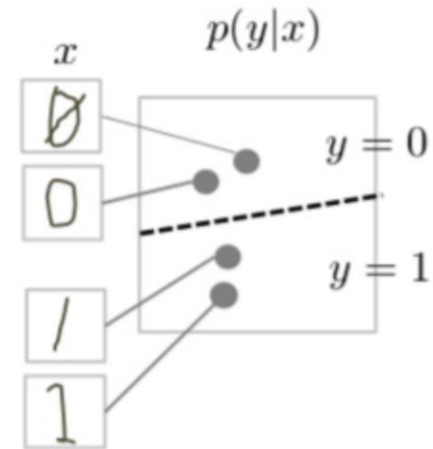
examples for discriminative tasks:

- object recognition
- demand forecasting

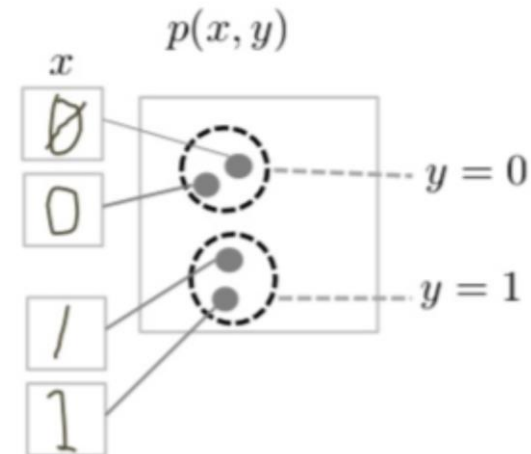
generative models:

generation of new data according to data
distribution seen in training

discriminative model



generative model



[source](#)

Generative Models

new paradigm for ML workflow:

prompt engineering (low/no code)

instead of classic training (fit) and inference (predict) steps

→ multi-task (and multi-modal) models

instead of narrow use cases of discriminative models

Under The Hood: Foundation Models

LLMs: transformer models with hundreds of billions of parameters

self-supervised (pre-)training on vast data sets

→ huge foundation models (impossible to train yourself)

usage options:

- typical: **in-context** learning via prompt (potentially giving few examples for task at hand and add retrieval augmentation or tool usage)
- for special case and high-quality requirements: **fine-tuning** on specific tasks and data sets (example: chatbot like ChatGPT via reinforcement learning from human feedback)

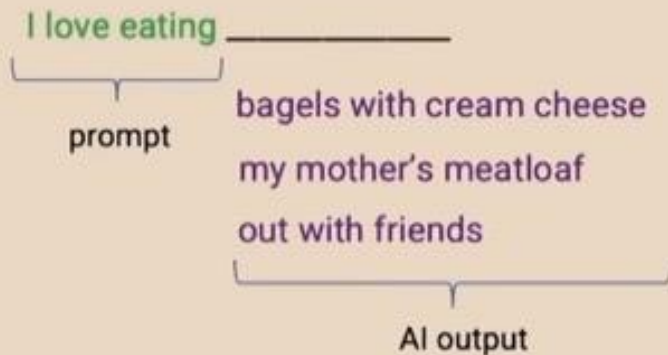
Depending on the application, there are currently two dominant approaches for generative AI:

- text generation: large language models (LLM)
- image synthesis: diffusion models

Text Generation

This decade: Generative AI

Text generation process



How it works

Generative AI is built by using supervised learning ($A \rightarrow B$) to repeatedly predict the next word.

My favorite food is a bagel with cream cheese and lox.

Input (A)	Output (B)
My favorite food is a	bagel
My favorite food is a bagel	with
My favorite food is a bagel with	cream

When we train a very large AI system on a lot of data (hundreds of billions of words) we get a Large Language Model like ChatGPT.

Stanford

Andrew Ng



Image Synthesis

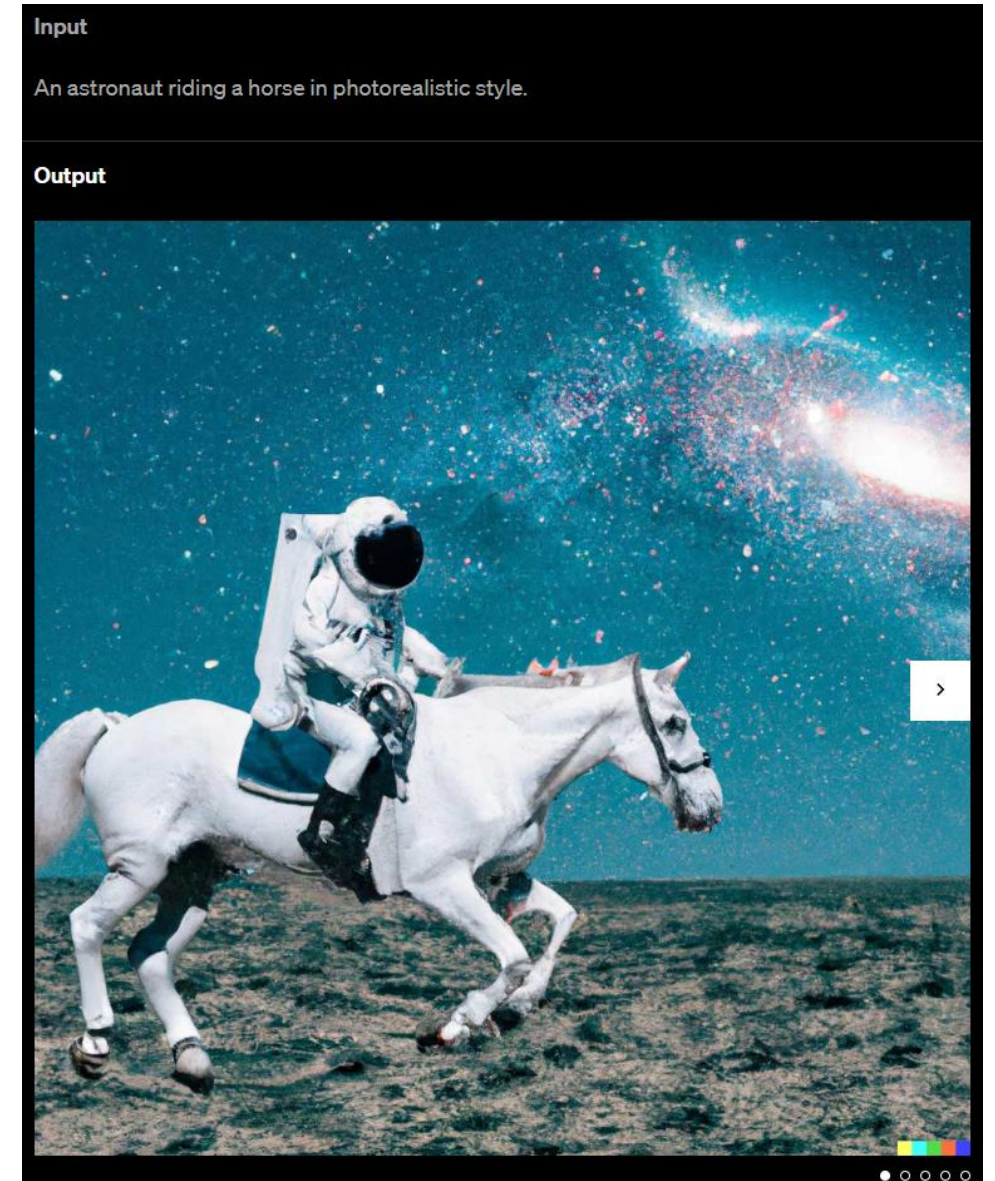
idea: generate new images as variations of training data

condition generation on text prompts:
text-to-image

trade-off between diversity and fidelity

SOTA: (guided) diffusion models

example: DALL-E 2



discriminative models

- effective for performing numerical and optimization tasks (predictions)
- continue to account for majority of AI value in wide range of industries (e.g., supply chain)
→ LLM agents might use prediction or optimization models as tools

generative models

- not suitable for classical use cases like numerical and optimization tasks
- but complimentary: drive value across entire organizations by revolutionizing internal knowledge management systems

Application Areas

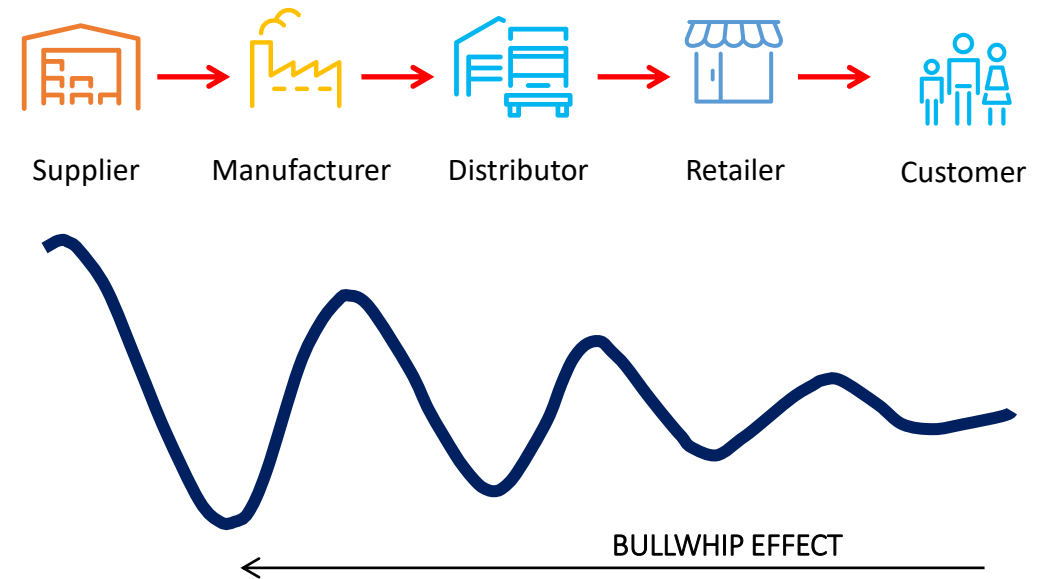
Example for Predictive Models: Supply Chain

support of operations research

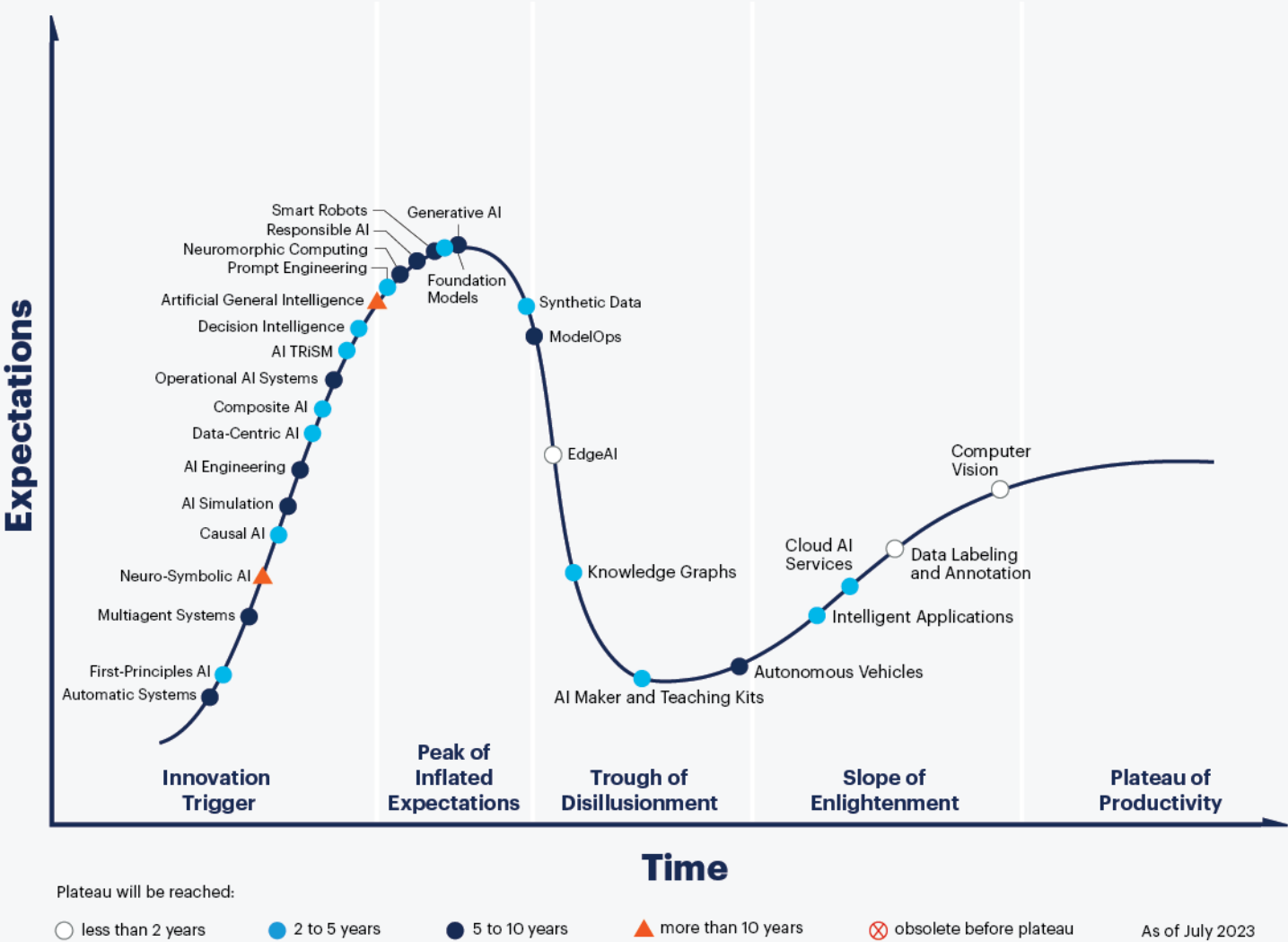
some examples:

- warehouse operations and yard management: slotting (e.g., via item affinity), labor management, tracking (computer vision)
- transportation (logistics and mobility): routing, ETA (e.g., in Google Maps via GNN), disruption predictions (e.g., stock-outs)
- retail: demand forecasting, replenishment, pricing, targeting

Blue Yonder



Hype Cycle for Artificial Intelligence, 2023



Generative AI at peak of inflated expectations

still: there is now something to play with

Biggest Business Impact of Generative AI

customer operations

interactions with customers

marketing & sales

generation of creative content

Figure 1. Magic Quadrant for Enterprise Conversational AI Platforms



Coding Assistant

LLM: text-to-code

prominent example: GitHub Copilot

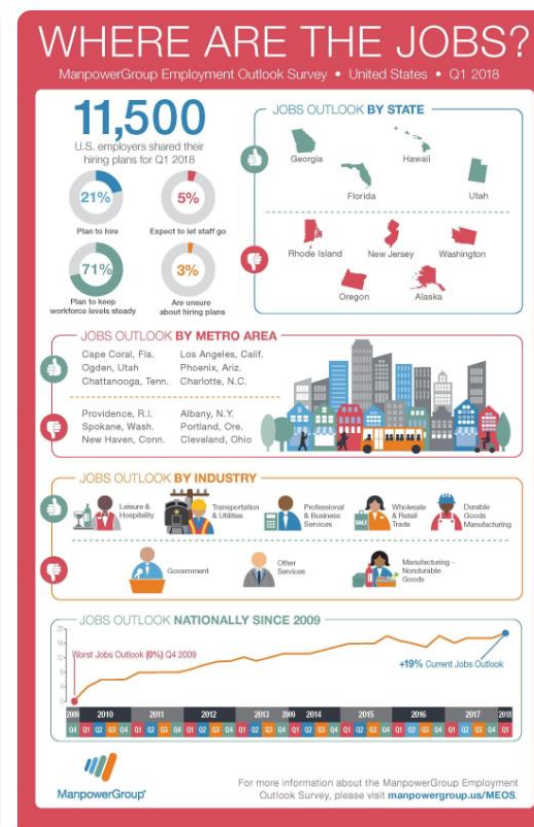
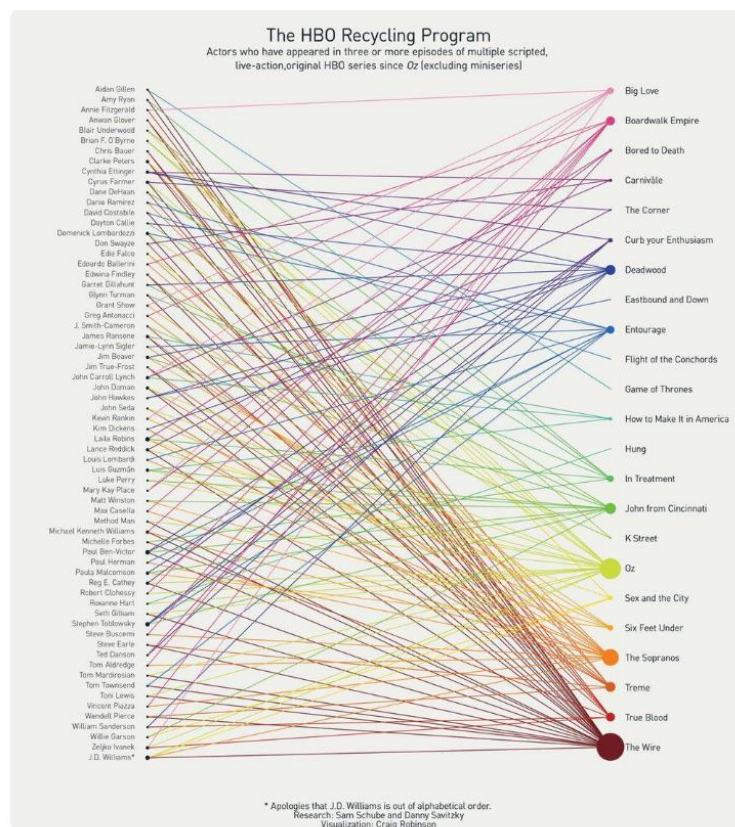
```
1 import tweepy, os # secrets in environment variables
2
3 def fetch_tweets_from_user(user_name):
4     # authentication
5     auth = tweepy.OAuthHandler(os.environ['TWITTER_KEY'], os.environ['TWITTER_SECRET'])
6     auth.set_access_token(os.environ['TWITTER_TOKEN'], os.environ['TWITTER_TOKEN_SECRET'])
7     api = tweepy.API(auth)
8
9     # fetch tweets
10    tweets = api.user_timeline(screen_name=user, count=200, include_rts=False)
11    return tweets
```



Copilot for Knowledge Workers

multi-modal models (text and images)

enable image understanding



Question: "Which is the metro in California that has a good job Outlook?"
Fuyu's answer: "Los Angeles"

and execution of high-level user requests

Question: "Aidan Gillen acted in how many series?"
Fuyu's answer: "2"

[source](#)

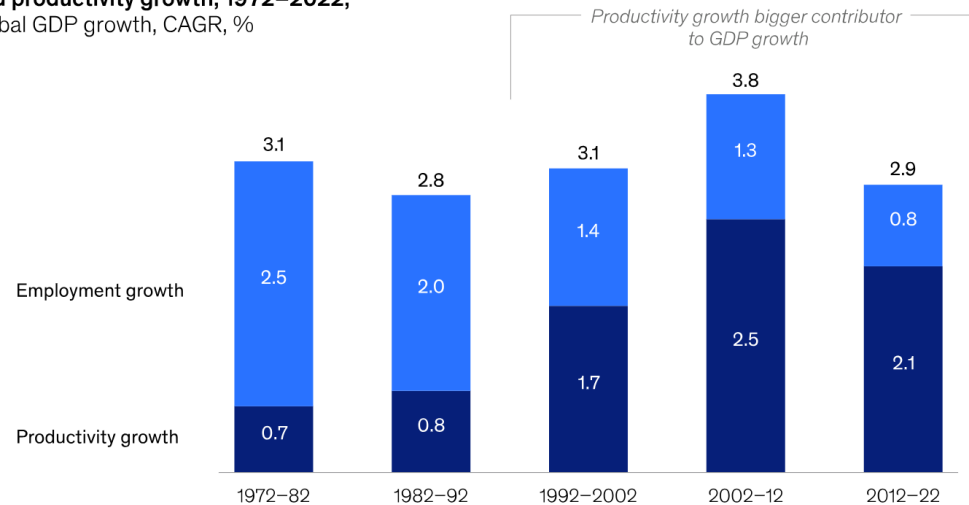
AI Potential

(generative) AI could free up 70% of employees' time

half of today's work activities could be automated between 2030 and 2060

Productivity growth, the main engine of GDP growth over the past 30 years, slowed down in the past decade.

Real GDP growth contribution of employment and productivity growth, 1972–2022, global GDP growth, CAGR, %



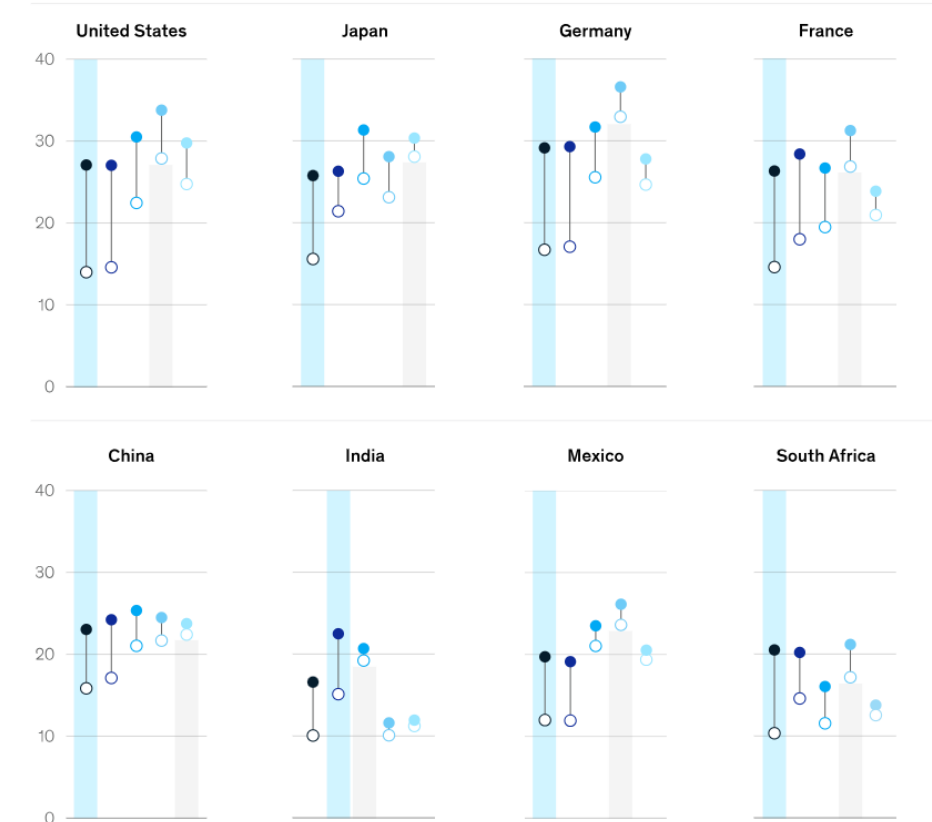
Source: Conference Board Total Economy database; McKinsey Global Institute analysis

automate white-collar more than blue-collar jobs

Generative AI could have the biggest impact on activities in high-wage jobs; previously, automation's impact was highest in lower-middle-income quintiles.

Automation adoption per wage quintile, % in 2030, midpoint scenario

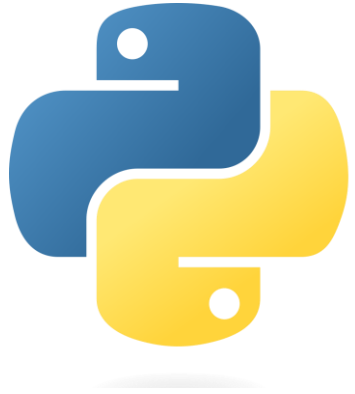
Wage quintiles: Higher earners (81–100), 61–80, 41–60, 21–40, 0–20, Lower earners. Legend: Without generative AI (white circle), With generative AI (grey circle), Largest increase in automation adoption from generative AI (light blue bar), Largest automation adoption without generative AI (grey bar).



¹Previous assessment of work automation before the rise of generative AI. Source: McKinsey Global Institute analysis

Engineering & Tech Stack

Scientific Python Stack



Deep Learning Frameworks



need for lots of memory and compute ...

IaaS, PaaS, SaaS



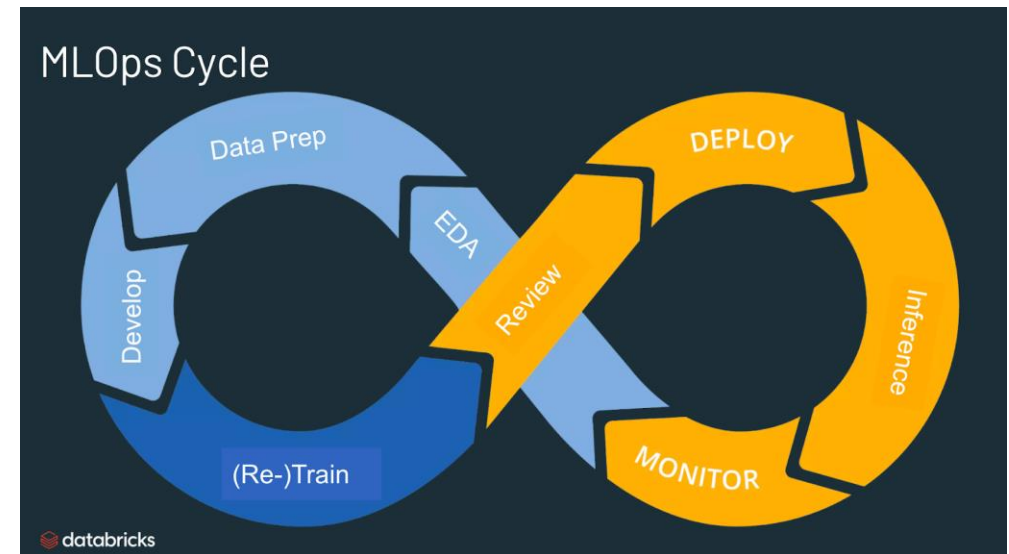
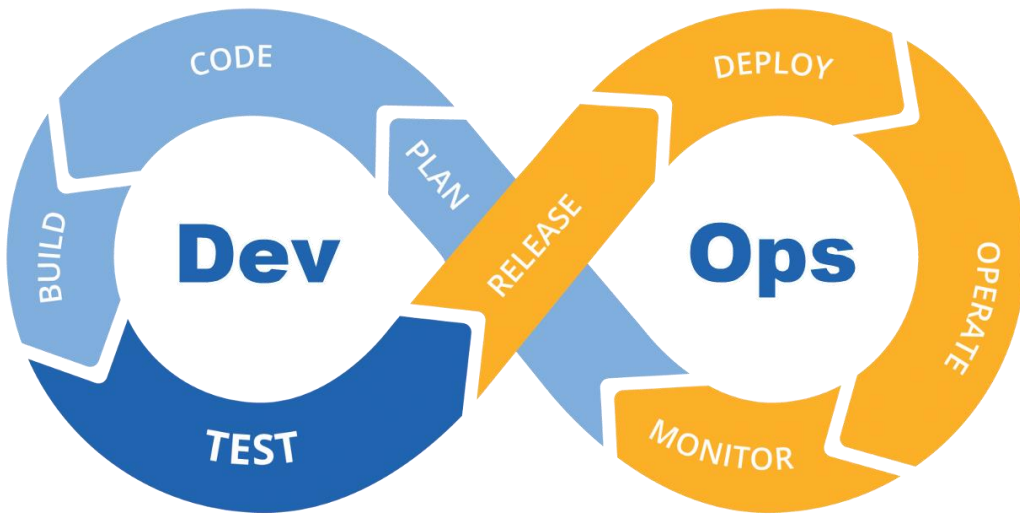
Google Cloud



kubernetes

example for managed service:
Azure Kubernetes Service (AKS)
for container orchestration

ML in Production



examples for managed ML services: Azure ML, SageMaker

Data Management

not only compute but also cloud-based data storage

data lake: raw data

data warehouse: integrated data

unification of data lake and warehouse: ETL → ELT

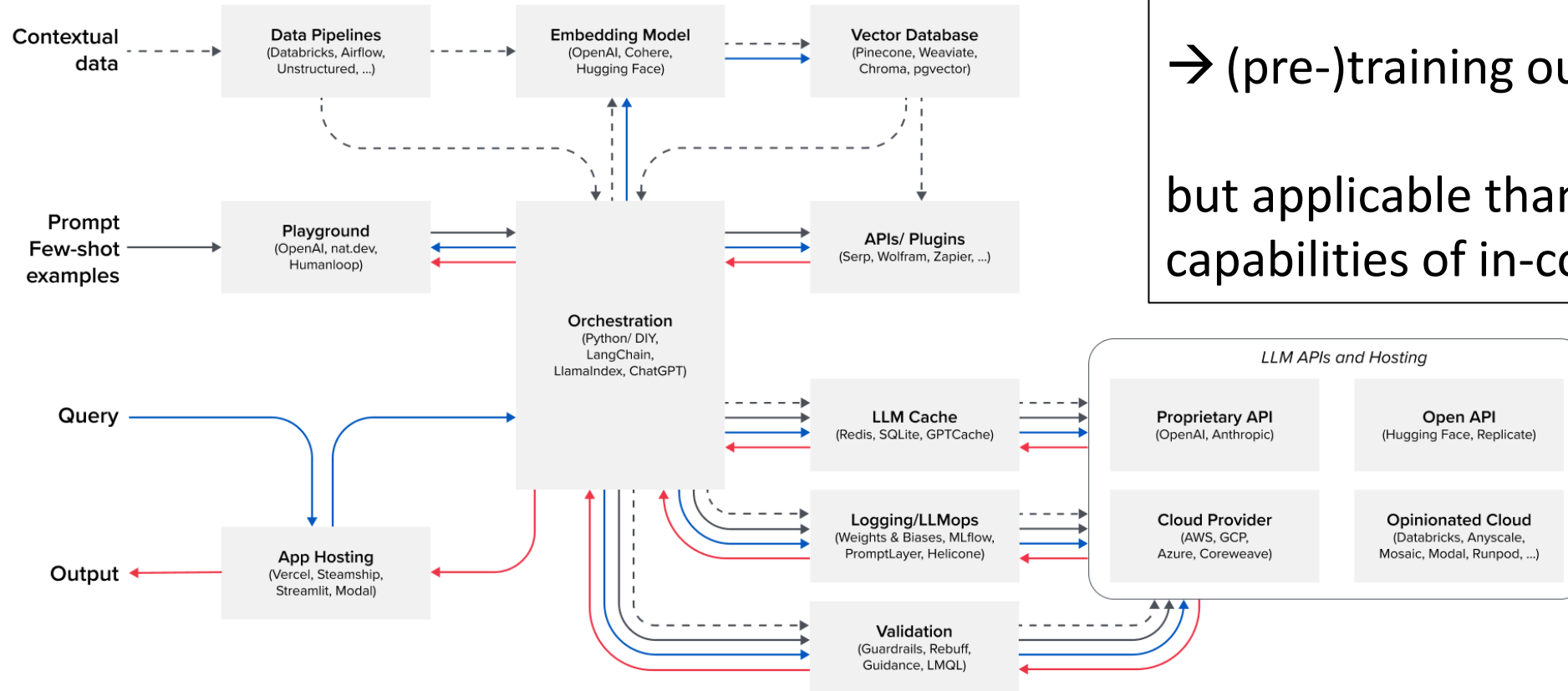
NoSQL example: graph database



Emerging LLM App Stack

era of large-scale models:
AI currently on its engineering peak

→ (pre-)training out of reach for most
but applicable thanks to multi-task
capabilities of in-context learning



LEGEND

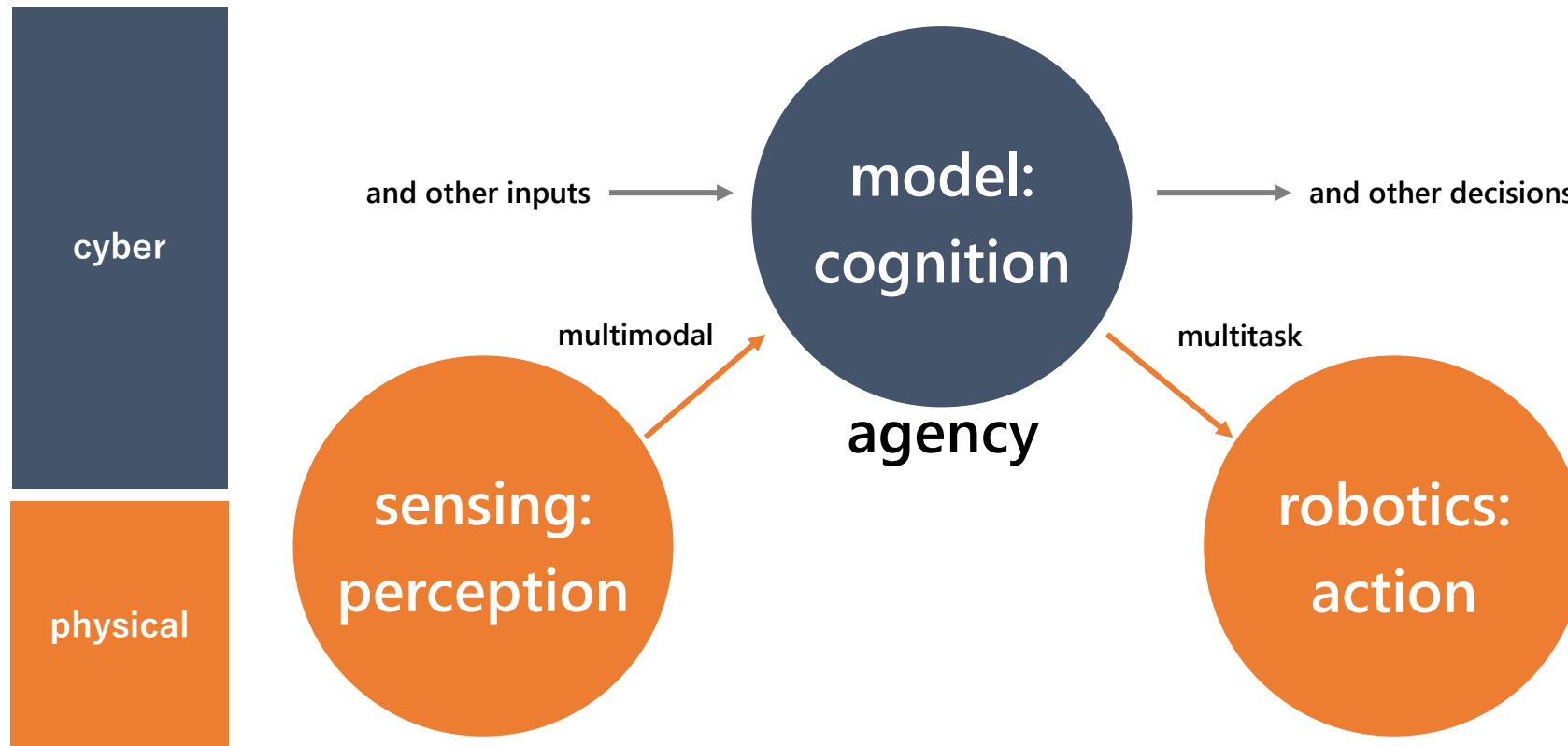
Gray boxes show key components of the stack, with leading tools/systems listed

Arrows show the flow of data through the stack

- - - -> Contextual data provided by app developers to condition LLM outputs
- > Prompts and few-shot examples that are sent to the LLM
- > Queries submitted by users
- > Output returned to users

What The Future Holds: Autonomous Agents

learning from data



Facts and Fiction

no more AI winters

data is everywhere, plenty of useful ML products

“classical” ML still needed

most value from predictive applications

Generative AI important step

“mirror” to see the world in different light

(probably) still Chinese room

no reliable indication for real understanding

AGI is not here (yet)

but performance of multi-task and multi-modal models still improving with scale

AI no (foreseeable) existential risk

more realistic and near-term risk: small number of companies control AI technology