

AI Development and SaaS Strategies

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April 13, 2025

Propositions

Proposition 1 (Contrasting Strategies of AI Development). *Two major approaches exist in AI development:*

1. **Strategy A** *assumes the model is effectively static (e.g., GPT-4's capabilities are near-final), prompting developers to build complex layers or specialized features that rely on the current version.*
2. **Strategy B** *presumes that ongoing progress is the norm, prompting developers to plan for continuous model evolution and to integrate improvements as they appear.*

Proposition 2 (Prevalence of Steady Progress). *Empirical evidence shows LLMs (Large Language Models) consistently improve with each iteration. Consequently, a substantial majority of businesses would benefit from aligning with Strategy B, acknowledging that GPT-4, GPT-5, and subsequent releases are likely to become progressively more capable.*

Proposition 3 (SaaS on Top of GPT-4). *Many Software-as-a-Service (SaaS) providers build niche functionalities on top of GPT-4, believing that:*

1. *The next model release won't significantly surpass GPT-4.*
2. *They can maintain a competitive edge by simply layering specialized workflows or domain-specific prompts.*

However, when a new LLM release (e.g., GPT-5) offers these same niche capabilities natively, such SaaS solutions can lose market relevance.

Proposition 4 (OpenAI and Other LLM Providers). *OpenAI, alongside other AI/LLM providers, aims to perpetually enhance base models:*

1. *Each new iteration may integrate functionalities that were previously seen as domain-specific or too specialized.*
2. *Companies that bet on stagnation (Strategy A) discover their once-unique features are now subsumed within the upgraded base model (“AI killed my startup”).*

Proposition 5 (Risk of Supersession). *Any SaaS enterprise heavily reliant on GPT-4 alone, yet unprepared for GPT-5, faces a tangible risk of obsolescence:*

1. *This risk is not maliciously targeted; it emerges from the natural trajectory of AI innovation.*
2. *As the model becomes more versatile, small vertical solutions or micro-features get absorbed into the LLM’s core competence.*

Proposition 6 (Welcoming Progress as a Strength). *Enterprises that actively embrace ongoing improvement (**Strategy B**) generally thrive by:*

1. *Rapidly integrating newly released features or capabilities from each model update.*
2. *Anticipating potential expansions in LLM competence and adjusting internal workflows and product offerings accordingly.*

Proposition 7 (Designing Products for AI Evolution). *When developing products or SaaS solutions on top of LLMs, organizations should:*

1. *Use modular architectures that swap or upgrade underlying language models without necessitating a total rebuild.*
2. *Focus on domain expertise, data privacy, user experience, or workflow integrations that extend beyond the LLM’s generic improvements.*
3. *Provide value-added layers—such as specialized knowledge bases, compliance checks, or user-specific personalization—so that even if the base model evolves, your unique layers remain relevant.*

Proposition 8 (Leveraging Data and Differentiation). *Companies can safeguard themselves against being overtaken by raw LLM improvements by:*

1. *Developing proprietary or niche datasets, ensuring the service offers exclusive insight the base LLM lacks.*
2. *Engaging in fine-tuning or retrieval-augmented generation (RAG) with private data to provide a specialized knowledge domain the generic LLM cannot fully replicate.*
3. *Building robust user communities and brand loyalty, giving them a distinct ecosystem that is not trivial to clone.*

Proposition 9 (Iteration and Agile Mindset). *The best strategic posture for SaaS providers using LLMs involves:*

1. ***Continuous iteration:*** *Expect each model update to force some re-thinking of product functionality.*
2. ***Agile pivoting:*** *If a new LLM release nullifies a core feature, quickly pivot to new differentiators that leverage or complement the model's novel strengths.*
3. ***Long-term synergy:*** *Recognize that each iteration can expand your potential feature set rather than seeing it solely as a threat.*

Proposition 10 (Opportunity Cost of Strategy A for SaaS). *Choosing Strategy A can be especially damaging for SaaS companies:*

1. ***Duplicative R&D:*** *Resources may be poured into patching or approximating features that the next LLM release will inherently perform better.*
2. ***Lost Time and Capital:*** *Upon each model improvement, extensive re-engineering is required to avoid abrupt obsolescence of the layered architecture.*

Proposition 11 (Long-Term Sustainability). *SaaS products that anticipate ongoing LLM progress show greater sustainability:*

1. *They design for adaptability, ensuring minimal friction when upgrading the underlying model.*

2. *They see each LLM release as an opportunity to expand or refine user-facing features, rather than clinging to a static codebase.*

Proposition 12 (Case Study of AI-Induced Obsolescence). *History has shown repeated instances of smaller AI-based solutions getting overshadowed:*

1. *Tools that provided grammar correction or summarization on GPT-3.5 found themselves obsolete once GPT-4 natively performed those tasks with higher quality.*
2. *Voice-based assistants integrated into earlier LLM versions lost their distinct advantage when the next wave of models offered robust multi-turn conversation and voice features out of the box.*

This pattern underscores the importance of Strategy B.

Proposition 13 (Conclusion and Forward Outlook). *In conclusion, SaaS ventures building on GPT-4 or any advanced LLM must:*

1. ***Accept continuous model enhancement*** as an inevitability rather than a remote possibility.
2. ***Invest in unique data, specialized domains, and brand loyalty*** to differentiate themselves from the LLM’s generic leaps.
3. ***Adopt an agile approach to product design***, ensuring that if a future GPT-5 or beyond subsumes certain functionalities, they can pivot swiftly to provide novel value.

By doing so, companies align with Strategy B: constantly evolving to harness AI’s rapid progress, rather than being blindsided by it.

References

- AI for Success. “If your SaaS is a thin wrapper around GPT-4, GPT-5 will kill your startup.” April 12, 2024. https://x.com/ai_for_success/status/1779930498623