LUMO INSIGHTS

Monday, 27 July 2026

The AI ROI reckoning: high spending, hard truths

Executive Summary

New research and corporate disclosures in the past 48 hours underscore a stark reality: enterprise AI spending has reached record levels, but meaningful returns remain scarce. This briefing highlights why AI initiatives often fail to deliver on their promise - from soaring costs and elusive ROI to rising boardroom pressure - and how a few leaders are finally cracking the code to turn AI investments into real business impact.

Soaring investment, elusive returns

By all accounts, enterprise AI investment has never been higher. Gartner projects global AI spending will reach $2.6 trillion in 2026 - a 47% jump over last year - making it the fastest-growing technology expenditure in history. Yet these huge outlays haven't translated into equally impressive returns, forcing executives to ask: Is AI living up to its business case?

For many organisations, the answer remains no. Domino Data Lab's newly released Fifth Annual Enterprise AI survey found that 57% of enterprises still aren't seeing their AI initiatives deliver ROI above the total cost of investment (domino.ai [1]) - a figure that has stubbornly stayed at that level for two years. Meanwhile, an MIT Media Lab study of 300 companies concluded that 95% of corporate AI projects show no measurable impact on the bottom line (domino.ai [2]). Only a tiny 5% of pilots in that review generated meaningful financial value (domino.ai [3]). In short, despite billions spent on AI, real business returns remain largely elusive for the majority.

Notably, adoption has raced ahead of impact. In a Q2 2026 global poll, 22% of organisations said AI is now part of everyday work - up from just 13% at the start of this year (www.uctoday.com [4]) - and nearly four in five senior leaders worldwide rank AI as a top investment priority (www.uctoday.com [5]). But momentum isn't the same as ROI: only 7% of those leaders say they have established any clear return from their AI spending to date (www.uctoday.com [6]). It's a telling disconnect - companies are enthusiastically scaling AI projects, but tangible business value is lagging far behind.

References:

[1] domino.ai — https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=AI%20Report%2C%20a%20new%20global,of%20integrated
[2] domino.ai — https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=conclusion%20just%20months%20later%2C%20finding,mile%20gap
[3] domino.ai — https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=conclusion%20just%20months%20later%2C%20finding,mile%20gap
[4] www.uctoday.com — https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=the%20most%20telling%20headline%20in,pressure%20from%20investors%20to%20demonstrate
[5] www.uctoday.com — https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=the%20most%20telling%20headline%20in,pressure%20from%20investors%20to%20demonstrate
[6] www.uctoday.com — https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=retained%20its%20status%20as%20a,AI%20deployment%2C%20the%20majority%20of

AI’s costly paradox

Another emerging reality is that AI, often touted as a way to cut labour costs, can become surprisingly expensive. In a twist, the very technology meant to reduce headcount can cost more than the people it replaces (www.forbes.com [1]). Companies have even laid off staff to fund AI tools that wound up costing more than the salaries they saved - a 'darkly comic' financial irony noted by industry observers.

One culprit is a phenomenon insiders call 'tokenmaxxing' - a push to maximise AI usage without measuring meaningful output. This culture of rewarding AI consumption over real productivity has driven immense waste, a problem exacerbated by vendors initially subsidising AI compute to encourage adoption (www.forbes.com [2]). Because most generative AI services charge per use (by the 'token' of data processed), enthusiastic use of these tools can lead to ballooning bills when left unchecked.

Real-world examples of AI cost overruns are now emerging. Uber gave 5,000 developers access to a generative coding assistant in late 2025, and by March 2026 over 80% of them were using it; roughly 70% of the code they submitted was AI-generated (www.forbes.com [3]). The result: Uber’s entire annual budget for AI-powered coding was exhausted in just four months, far earlier than planned. Executives noted that the spending surge didn’t clearly translate into more features or business value delivered to customers (www.forbes.com [4]), forcing the company to impose new usage caps.

Even AI’s biggest champions have had to rein in costs. Microsoft - after investing $13 billion in OpenAI and integrating AI into its own products - reportedly had to cancel some AI tool licenses in one division when usage bills became unsustainable (www.forbes.com [5]). And in an extreme case, an unnamed enterprise discovered it had unwittingly racked up a $500 million cloud AI bill in a single month by not setting any usage limits (www.forbes.com [6]). These incidents are fuelling a wave of C-suite caution, as leaders realise how quickly well-intentioned AI deployments can overshoot budgets.

Some organisations are responding by seeking more cost-effective AI alternatives. U.S. companies are increasingly experimenting with advanced AI models from China and the open-source community that offer comparable capabilities at a steep discount - often 60% to 90% cheaper per unit of work than the priciest U.S. models (www.cnbc.com [7]). One startup CEO described how switching from a top-tier proprietary model to a newer open competitor caused their AI costs to 'crash to the ground', saving millions of dollars within months (www.cnbc.com [8]). This drive towards efficiency signals an end to the era of unchecked AI spending: going forward, organisations must weigh not just what AI *can* do, but what it *should* do - at what cost - to deliver real business value.

References:

[1] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=Artifical%20intelligence%20replacing%20jobs%20concept,had%20adopted%20Claude%20Code%2C%20and

[2] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=Microsoft%20have%20quickly%20depleted%20AI,The

[3] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=caught%20in%20the%20middle,of%20its%20own%20code%20with

[4] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=caught%20in%20the%20middle,of%20its%20own%20code%20with

[5] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=shipped%20to%20users,PROMOTED%20Bryan

[6] www.forbes.com — https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=shipped%20to%20users,PROMOTED%20Bryan

[7] www.cnbc.com — https://www.cnbc.com/2026/07/07/chinese-ai-models-costs-us-openai-anthropic.html#:~:text=%2260,AI%20agent%20platform%20for%20regulated

[8] www.cnbc.com — https://www.cnbc.com/2026/07/07/chinese-ai-models-costs-us-openai-anthropic.html#:~:text=inspect%2C%20use%20and%20sometimes%20modify,saw%20its%20share%20of%20gateway

Boardrooms demand ROI accountability

Faced with these ROI shortfalls and cost surprises, boards and investors are losing patience. In a recent survey of Fortune 500 leaders, 63% reported explicit board pressure to turn AI investments into tangible results (not just more pilots) (ceoworld.biz [1]). More than half of those executives also believe competitors have deployed AI more effectively than their own firms (ceoworld.biz [2]) - intensifying the urgency to show measurable outcomes.

Finance chiefs are likewise no longer granting blank cheques for AI. After two years of 'move fast' spending on AI, CFOs are imposing greater discipline in 2026. Forrester reports that enterprises have postponed roughly 25% of their planned 2026 AI expenditure to 2027 as part of budget tightening and demand for ROI evidence. At the same time, Gartner found fewer than one-third of corporate decision-makers could identify specific financial benefits from their AI projects. Initiatives that once sailed through under the banner of innovation now face tough scrutiny for provable returns before receiving additional funding.

Investors are also upping the pressure from the outside. KPMG’s latest Global AI Pulse survey found 24% of senior executives feel shareholders are pressing them to demonstrate value from AI, yet only 7% can report a clear ROI to date (www.uctoday.com [3]). Perhaps most striking, 80% of global CEOs now believe their own jobs are at risk if their AI investments don’t deliver measurable results by year-end (ceoworld.biz [4]). In boardrooms and on earnings calls, the message to management is unmistakable: deliver real AI-driven business impact, or expect a strategic course correction.

References:

[1] ceoworld.biz — https://ceoworld.biz/2026/07/02/fortune-500-leaders-on-proving-ai-roi-less-generic-ai-more-industry-grade-systems/#:~:text=gains.globenewswire%2B2%2063,innovation%20initiative%3B%20it%20is%20a
[2] ceoworld.biz — https://ceoworld.biz/2026/07/02/fortune-500-leaders-on-proving-ai-roi-less-generic-ai-more-industry-grade-systems/#:~:text=gains.globenewswire%2B2%2063,innovation%20initiative%3B%20it%20is%20a
[3] www.uctoday.com — https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=retained%20its%20status%20as%20a,AI%20deployment%2C%20the%20majority%20of
[4] ceoworld.biz — https://ceoworld.biz/2026/07/02/fortune-500-leaders-on-proving-ai-roi-less-generic-ai-more-industry-grade-systems/#:~:text=It%E2%80%99s%20the%20Right%20AI%20A,the%20competitive%20realities%20of%20their

Why AI initiatives fall short

Why are so many AI initiatives failing to pay off? One major factor is **trend-chasing** at the expense of strategy. Corporate history is littered with hyped tech fads - from the metaverse to blockchain - that never lived up to their promises (www.forbes.com [1]). AI appears to be following a similar pattern. Many companies leapt into projects with no clear business problem to solve, simply because they felt pressured to 'do something' with AI (www.forbes.com [2]). This lack of upfront purpose virtually guarantees mediocre results.

Misguided focus has been another common pitfall. The MIT study found 50 - 70% of early corporate AI budgets were spent on easy-to-envision use cases in customer service, marketing, and sales (www.forbes.com [3]) - for example, auto-generating content or deploying chatbots to handle customer inquiries. While these applications are simple to pilot, they’ve often yielded more public failures than successes - think chatbots that frustrate customers or AI-generated copy that erodes brand voice (www.forbes.com [4]). Meanwhile, the biggest efficiency gains from AI so far have come from less glamorous back-office work like finance, procurement, and operations (www.forbes.com [5]). By chasing flashy use cases, many firms have overlooked these higher-ROI opportunities.

Organisational issues also undercut AI returns. Technology can’t fix a broken process - it often just helps you do the wrong thing faster (www.forbes.com [6]). Without reengineering workflows or training staff to use AI effectively, even a well-built model may not deliver value. Many early AI efforts raced

ahead of companies' ability to integrate them, resulting in pilots that worked in the lab but faltered in real business settings due to misaligned processes or lack of employee buy-in.

Even a strong AI model can fall into an implementation gap. Domino's report highlights a persistent 'last-mile' problem: putting an AI system into production doesn't automatically mean it's used on the front lines (domino.ai [7]). In 40% of enterprises, business users still access AI insights through intermediaries - for example, waiting on data science teams to generate reports - instead of via tools embedded in their workflows (businessinthenews.co.uk [8]). If AI outputs never reach the people making decisions, they can't drive outcomes, no matter how advanced the algorithm.

Finally, poor governance and accountability often sabotage results. KPMG's research indicates 42% of organisations scaling AI cannot fully track where their AI budget is actually going (www.uctoday.com [9]), a clear sign of weak cost controls. This lack of visibility and ownership means projects easily drift without delivering value. When no one is responsible for turning AI insights into business results, ROI becomes an afterthought.

References:

[1] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=thing,to%20write%20for%20you%2C%20generate

[2] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=thing,to%20write%20for%20you%2C%20generate

[3] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=lighting%20projects%20not%20because%20they,common%20misperception%3A%20The%20real%20value

[4] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=Marketing%20AI%3A%20The%20Most%20Visible,office

[5] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=sales%20outreach%20that%20overwhelms%20without,chasing

[6] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=Algorithms%20In%20Preventing%20AI%20Pilot,Add%20AI%2C%20and%20you%20risk

[7] domino.ai — https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=their%20AI%20investments,who%20need%20to%20unlock%20its

[8] businessinthenews.co.uk — https://businessinthenews.co.uk/2026/07/23/ai-roi-fails-to-outpace-spend-for-57-of-enterprises/#:~:text=are%20not%20the%20same%20thing%2C,science%20team%2C%20or%20a%20request

[9] www.uctoday.com — https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=Automation%20KPMG%3A%20Enterprises%20Are%20Scaling,2026%2C%20draw%20on%20responses%20from

Strategies for realising AI value

Despite these challenges, a subset of companies is proving that AI can deliver substantial returns with the right approach. A new global study shows roughly 20% of companies are now capturing about 75% of all AI's financial benefits (www.pwc.com [1]). These organisations - the industry's AI frontrunners - treat AI as a strategic enterprise capability rather than a shiny experiment, and they instill ROI discipline from the outset.

Instead of chasing hype, successful teams zero in on high-impact applications that drive revenue growth or significant efficiency gains. PwC finds that the most "AI-fit" companies achieve over seven times better financial performance from AI than their peers (www.pwc.com [2]). Their playbooks share common themes: they scale up proven use cases across multiple business functions, and increasingly rely on AI-driven automation (including domain-specific 'AI agents') to make faster decisions within governed limits (www.pwc.com [3]). Crucially, they also invest in trust and guardrails - top performers are far more likely to implement Responsible AI frameworks and cross-functional governance boards, building confidence among both regulators and employees (www.pwc.com [4]).

AI leaders make sure the fundamentals are in place. That means high-quality data, streamlined processes, and a workforce ready to leverage AI. Currently, less than half of companies have even appointed a dedicated executive to oversee AI (only 46% have an 'AI leader') or instituted company-wide AI training programmes (news.sap.com [5]) - showing how far many firms still have to go. By

contrast, New York Life Group Benefit Solutions' CIO credits his unit's strong AI returns to years spent modernising data infrastructure and educating staff, which enabled them to identify realistic use cases and measure value from the start (www.cio.com [6]) (www.cio.com [7]).

Finally, know when to seek help. The MIT review revealed that companies partnering with experienced AI specialists have roughly double the success rate in achieving production deployments and ROI impact compared to those that go it alone (around 67% vs 33%) (www.forbes.com [8]). Tapping external expertise - from consultants and vendors with deep implementation experience - can help organisations avoid common pitfalls and accelerate the path from AI pilot to profitable business outcome.

References:
[1] www.pwc.com — https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html#:~:text=Three,on%20growth%2C%20not%20just%20productivity
[2] www.pwc.com — https://www.pwc.com/gx/en/so-you-can/2026/content/roi-from-ai.pdf#:~:text=foundational%20capabilities%20that%20make%20AI,What%20are%20are%20the%20the
[3] www.pwc.com — https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html#:~:text=with%20the%20best%20AI,as%20likely%20to%20trust%20AI
[4] www.pwc.com — https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html#:~:text=%281,approach%2C%20the%20performance%20gap%20between
[5] news.sap.com — https://news.sap.com/2026/07/business-value-ai-spiking-increased-adoption-agentic-expectations/#:~:text=48,Yet
[6] www.cio.com — https://www.cio.com/article/4114010/2026-the-year-ai-roi-gets-real.html#:~:text=journey%20with%20a%20call%20to,Marze%20highlights
[7] www.cio.com — https://www.cio.com/article/4114010/2026-the-year-ai-roi-gets-real.html#:~:text=the%20day%20it%20boils%20down,the%20organization%20to%20select%20AI
[8] www.forbes.com — https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/#:~:text=every%20division%2C%20department%20and%20individual%2C,mapping%2C%20integrating%2C%20training

Key Statistics

- 57% of enterprises say AI's ROI hasn't exceeded its costs - same as in 2025 ([domino.ai](https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=AI%20Report%2C%20a%20new%20global,of%20integrated))
- 95% of corporate AI projects show no P&L impact; only 5% deliver meaningful financial value ([domino.ai](https://domino.ai/press-releases/fifth-enterprise-ai-report#:~:text=conclusion%20just%20months%20later%2C%20finding,mile%20gap))
- One company's uncapped AI usage led to a $500 /million cloud bill in a single month ([www.forbes.com](https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/#:~:text=shipped%20to%20users,PROMOTED%20Bryan))
- Just 20% of companies capture ~75% of all AI financial gains, by focusing on growth and scale ([www.pwc.com](https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html#:~:text=Three,on%20growth%2C%20not%20just%20productivity))

KEY TAKEAWAY

Make ROI the top criterion for AI budgeting decisions; pause any project without a clear business case. Double down on data quality, employee training, and strong governance to turn AI pilots into real business results.

Sources

AI ROI Fails to Outpace Spend for 57% of Enterprises, Unchanged Since 2025 (Domino Data Lab, Jul 21 2026)
https://www.prnewswire.com/news-releases/ai-roi-fails-to-outpace-spend-for-57-of-enterprises-unchanged-since-2025-even-as-93-now-report-improved-production-302830222.html
AI ROI Fails to Outpace Spend for 57% of Enterprises – Business in the News (Jul 23 2026)
https://businessinthenews.co.uk/2026/07/23/ai-roi-fails-to-outpace-spend-for-57-of-enterprises/

AI Costs More Than The People It Replaced – Forbes (Jemma Green, updated Jul 24 2026)
https://www.forbes.com/sites/jemmagreen/2026/07/02/ai-costs-more-than-the-people-it-replaced/

Why 95% Of AI Pilots Fail, And What Business Leaders Should Do Instead – Forbes (Andrea Hill, Oct 2025)
https://www.forbes.com/sites/andreahill/2025/08/21/why-95-of-ai-pilots-fail-and-what-business-leaders-should-do-instead/

Chinese AI models gain ground with U.S. companies as costs surge – CNBC (Jul 7 2026)
https://www.cnbc.com/2026/07/07/chinese-ai-models-costs-us-openai-anthropic.html

KPMG: 42% of Enterprises Can't See Where AI Money Goes – UC Today (Jul 2 2026)
https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/

Fortune 500 Leaders on Proving AI ROI: Less Generic AI, More Industry-Grade Systems – CEOWORLD (Jul 2 2026)
https://ceoworld.biz/2026/07/02/fortune-500-leaders-on-proving-ai-roi-less-generic-ai-more-industry-grade-systems/

Three-quarters of AI's economic gains are being captured by just 20% of companies (PwC Press Release, Apr 13 2026)
https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html

2026: The year AI ROI gets real – CIO (Jan 15 2026)
https://www.cio.com/article/4114010/2026-the-year-ai-roi-gets-real.html