# AI investments surge but returns remain scarce amid strategic gaps



As companies continue to pour significant funds into artificial intelligence, the anticipated returns are increasingly elusive. Analysts are raising red flags, noting that while 67% of organisations plan to escalate their AI investments, only 21% report achieving measurable outcomes. This disparity reveals troubling gaps in strategy and execution, driven by a lack of clear roadmaps and inadequate data systems.

Recent insights from Gary Marcus, a prominent AI analyst, underscore this trend, emphasising surprising failings within some of the industry's biggest players. For instance, NVidia has seen its stock tumble by over 23% this year, a stark contrast to the 11.5% decline of the S&P 500 index. This drop may reflect growing awareness that generative AI, the crown jewel of current AI investments, is not producing the spectacular return on investment that many had banked on. "Poor ROI for GenAI," Marcus stated, indicating a broad discontent in the market.

Further complicating the investment landscape, a Boston Consulting Group study revealed that while three-quarters of executives consider AI a top priority, only 25% are currently witnessing any return. This rate aligns with other analyses suggesting that organisations are grappling with significant challenges related to workflow changes and data management—essential elements needed to unlock AI's potential value. In light of these findings, Coastal CEO Eric Berridge noted that essential infrastructure and workflow redesigns are non-negotiable if businesses wish to avoid squandering AI investments.

Interestingly, this trend isn’t just affecting new entrants into the AI space. Established firms like Klarna are reassessing their reliance on AI post-deployment. After initially embracing AI with enthusiasm—promising to replace a substantial portion of their workforce with automated solutions—the company recently reversed course. Klarna's CEO, Sebastian Siemiatkowski, announced a renewed commitment to human customer service, following evident declines in customer satisfaction despite AI chatbots handling two-thirds of service interactions initially touted as a success. Reports have since indicated that these bots performed poorly, often likened to “700 really bad agents,” leading to dissatisfaction. This abrupt turnaround illustrates a broader point: customer preferences are not aligned with increasing automation, with a Gartner survey revealing that 64% of consumers would prefer companies not to utilise AI for customer service.

Additionally, the retail sector mirrors this hesitancy towards technology-driven practices. Target and Walmart are reducing their self-checkout options, reversing plans to expand these kiosks due to rising incidences of theft and shifting consumer preferences. The rapid implementation of self-checkout had been seen as a way to enhance efficiency, yet retailers are now discovering the complexity surrounding human interactions, especially in preventing theft. A recent incident involving a major theft at a Target store, where the self-checkout system was exploited, illustrates that while automated systems might seem lower-cost in theory, the reality can prove more disruptive.

Amidst these setbacks, experts from various sectors—including those attending recent summits in Davos—have presented a united call for companies to connect AI investments directly to business goals. Stanford professor Erik Brynjolfsson stressed that the low impact of AI on productivity thus far stems from many firms remaining in an experimental phase rather than implementing a focused strategy.

Looking at the global landscape, a myriad of external factors further complicates AI investment returns. European investors are urging firms to demonstrate profitability from their AI initiatives within the next year to maintain confidence. Factors such as trade tensions and tariffs have disrupted supply chains central to AI infrastructure, prompting tech companies to reassess their strategies and sometimes put data centre projects on hold.

In summary, while AI remains a high-priority investment for many organisations, the initial enthusiasm often obscures the necessity for substantial foundational changes and customer-oriented strategies. The experiences of firms like Klarna, along with broader trends in retail and warnings from industry experts, highlight a pressing need for clarity in AI initiatives to ensure that investments translate into tangible results rather than disillusionment.

### Reference Map

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Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://mindmatters.ai/2025/05/companies-spending-a-lot-on-ai-are-not-seeing-a-big-return/> - Please view link - unable to able to access data
2. <https://www.forbes.com/sites/cio/2025/01/30/why-75-of-businesses-arent-seeing-roi-from-ai-yet/> - A Boston Consulting Group study found that while 75% of executives rank AI as a top-three priority and one-third plan to invest over $25 million in the technology, only about 25% are currently seeing a return on investment. The study highlights challenges such as the need for significant changes in workflows and data management to unlock AI's value.
3. <https://www.cio.com/article/3778320/enterprises-willing-to-spend-up-to-250-million-on-gen-ai-but-roi-remains-elusive.html> - Despite substantial investments in generative AI, only 31% of organizations expect to measure ROI within the next six months. Challenges include data quality issues, privacy concerns, and employee adoption hurdles. The report emphasizes the need for new metrics aligned with business strategies to effectively measure AI's value.
4. <https://www.axios.com/2025/01/28/davos-ai-companies-investment-returns> - At the Davos summit, experts highlighted that many companies are investing heavily in AI without seeing significant returns. Stanford professor Erik Brynjolfsson noted that the current impact of AI on productivity has been minimal due to companies remaining in the experimental phase. Experts stress the importance of linking AI investments to specific business goals to fully harness its potential.
5. <https://www.reuters.com/markets/europe/european-investors-say-clock-is-ticking-ai-adopters-deliver-2025-03-26/> - European investors are urging companies investing heavily in generative AI to start showing financial returns by next year to maintain confidence. Stocks in the AI sector have faced pressure due to broader market downturns and competition from cost-effective Chinese AI models. Investors are becoming more selective, favoring companies that adopt AI technology over those supplying hardware.
6. <https://www.reuters.com/technology/artificial-intelligence/ai-boom-under-threat-tariffs-global-economic-turmoil-2025-04-23/> - The booming investment in AI by major U.S. tech firms is under threat due to global economic uncertainty and escalating U.S.-China trade tensions. Tariffs on Chinese goods have disrupted supply chains vital to AI infrastructure, affecting the availability and cost of essential data center equipment. Some tech companies are pausing or abandoning data center projects due to oversupply and rising costs.
7. <https://www.reuters.com/breakingviews/capital-intensity-will-reprogram-big-tech-values-2025-05-07/> - Big Tech companies like Microsoft, Alphabet (Google), Amazon, and Meta are shifting from asset-light to capital-intensive operations to support AI development. Capital expenditures have surged to around $320 billion in 2025, a 13-fold increase over the past decade. While these investments may yield future growth, they are impacting profitability and decreasing previously high returns on invested capital.