Profit Isle
See Profit Clearly. Act Decisively.

EBOOK

# Where Finance AI Gets Real

A CFO's Guide to Moving Beyond Productivity and Into Measurable Profit Improvement

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# Table of Contents


01 PAGE 03

## The Profit Opportunity

Productivity gains are useful, but the bigger CFO prize is measurable profit improvement across the business.

02 PAGE 08

## The Fog of Averages

Reported profit looks precise, yet averages hide where profit is truly created and destroyed by customer, product, and channel.

03 PAGE 12

## AI-Ready Profit Data

AI can only act on what it can see. Comprehensive, transaction-level, connected, explainable, GL-reconcilable data is the foundation it needs to deliver accurate and actionable insight.

04 PAGE 17

## From Insight to Action

Visibility becomes value when the business fixes profit drains, triages flats, and invests in its most profitable peaks.

05 PAGE 24

## Making It Real

CFO leadership, and a self-assessment of your readiness turn profit visibility into lasting profitable growth.

PART ONE

# The Profit Opportunity

Productivity gains are useful, but the bigger CFO prize is measurable profit improvement across the business, growing net income by 10-30%.

# A Call to Profit Action

AI can make finance faster. The bigger CFO opportunity is to make the business more profitable.

Most finance AI initiatives start with automation: faster reporting, smarter summaries, better commentary, and workflow acceleration. Useful, yes. But not enough.

The bigger opportunity is to help finance move from reporting on profit to managing measurable profit improvement across the business.

> **Productivity is not transformation.**

# Three Ideas Drive Impact

## This guide is built on three ideas:

Finance AI gets real when it connects profit visibility to business action.

### 1 Bigger job than productivity

Productivity is useful. Profit improvement is the bigger prize.

### 2 AI-ready profit data

AI needs transaction-level data, not just summaries and allocated averages, in order to unlock new levels of profitable growth.

### 3 Insight to action

Profit insight only matters when it changes what happens next.

# $2.6T–$4.4T

McKinsey estimates generative AI could add this much annually across analyzed use cases — but value depends on where AI is applied.

*SOURCE:McKinsey Global Institute generative AI economic impact analysis, McKinsey & Company, June 2023.*

# Why Productivity Isn't Enough

## Productivity returns are useful, but they usually keep the business on the current curve.

Faster reports, smarter dashboards, automated commentary, and workflow acceleration improve current finance work. The off-the-curve opportunity is different. It is finding profit improvement opportunities the business could not previously see, explain, or act on with confidence.

**59%** of finance leaders report using AI, yet **91%** say the impact so far is only low or moderate.

*Source: Gartner, 2025.*

### Same 10%, Very Different Outcomes

**AI Finance Productivity Project**

10% productivity gain

↓

On a $20M finance cost base

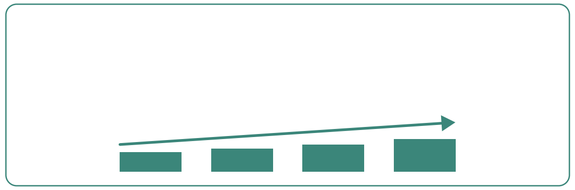
↓

**$2M soft savings**

↓

**~$10M possible valuation impact**

*Illustrative example for a $2B company*



Helpful, but mostly incremental.

**AI Profit Visibility to Action**

10% profit action

↓

0n $200M net income base

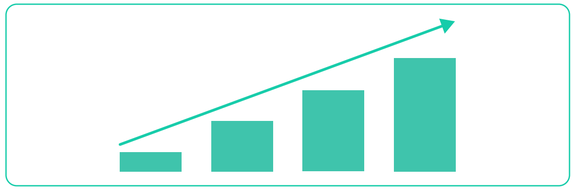
↓

**$20M improvement**

↓

**$300M valuation impact**

*Illustrative example for a $2B company*



Directly improves earnings and growth value.

The difference is not AI. The difference is where the economics hit.

PART TWO

# The Fog of Averages

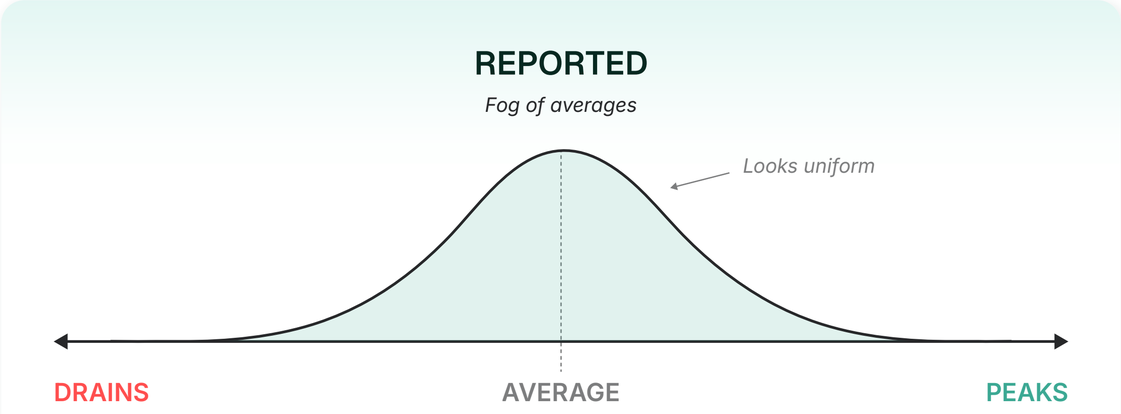
Reported profit looks precise, yet averages hide where profit is truly created and destroyed by customer, product, and order.

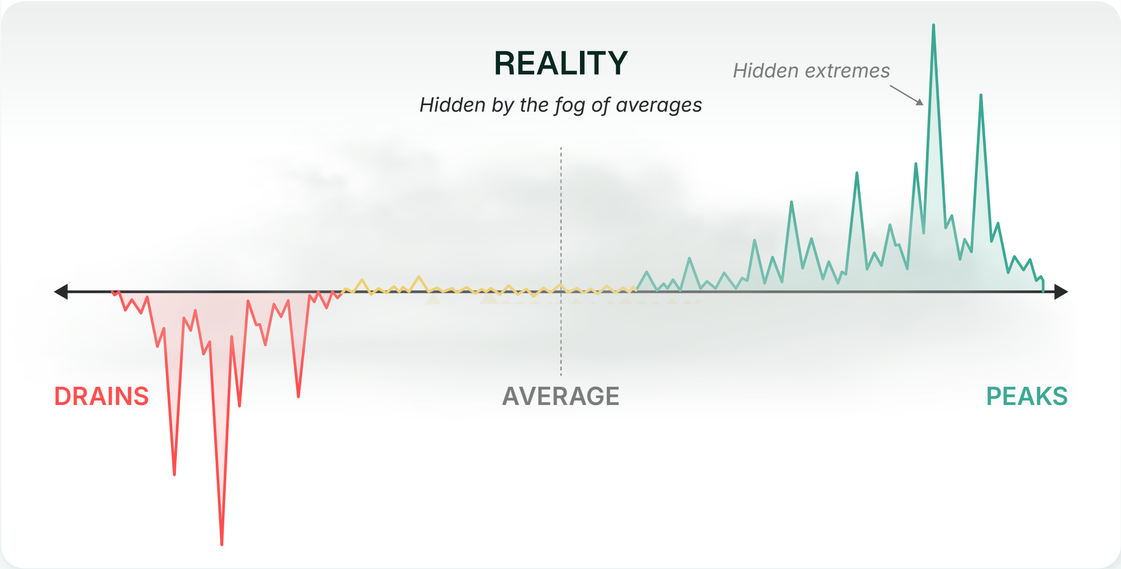
# Profitability is Hidden by the Fog of Averages

Finance reports profit with precision at the top, but profit is created and destroyed in the details.

The P&L is right. Management reporting is accurate. Dashboards show revenue, gross margin, EBITDA, and plan performance.

But the business cannot see or act on actual profitability by customer, product, order, channel, invoice, shipment, or service model.  It is all hidden by the "fog of averages", as costs are spread like peanut butter across segments



“

**“The average can hide both the drains that destroy profit and the peaks that create it.”**

-John Wass, CEO and Co-Founder, Profit Isle

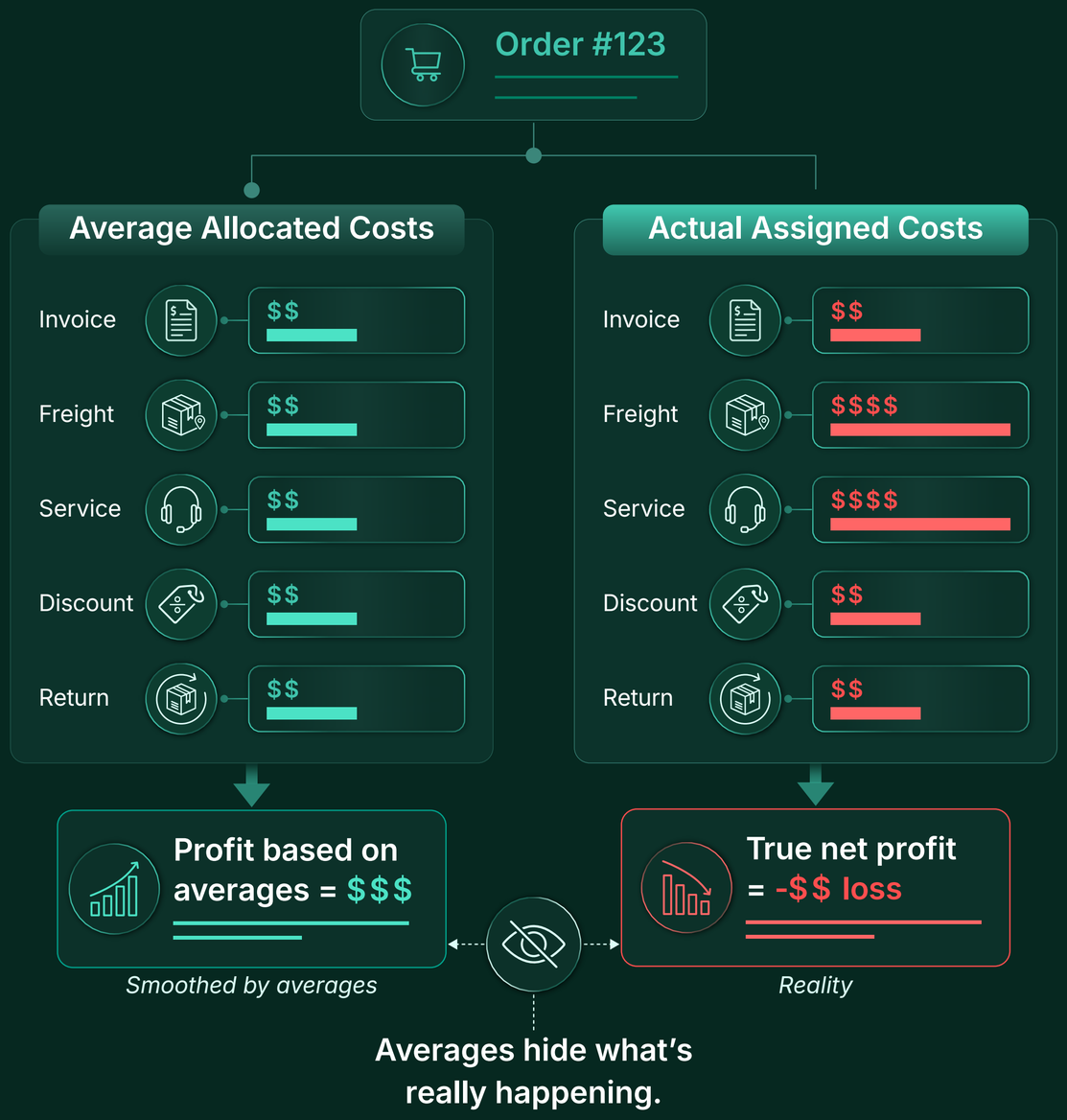
# Profit Is Created in the Details

Profit is created and consumed in everyday commercial and operational choices.

Profit lives in orders, shipments, discounts, returns, service requests, product mix, channel decisions, and cost-to-serve complexity.

If finance only sees profit in summaries, the business misses where profit is really created, consumed, and improved.

In the example to the right, profit is drained by high actual freight and cost of services differences.



PART THREE

# AI-Ready Profit Data

AI can only act on what it can see. Transaction-level, connected, explainable, GL-reconcilable data is the foundation it needs.

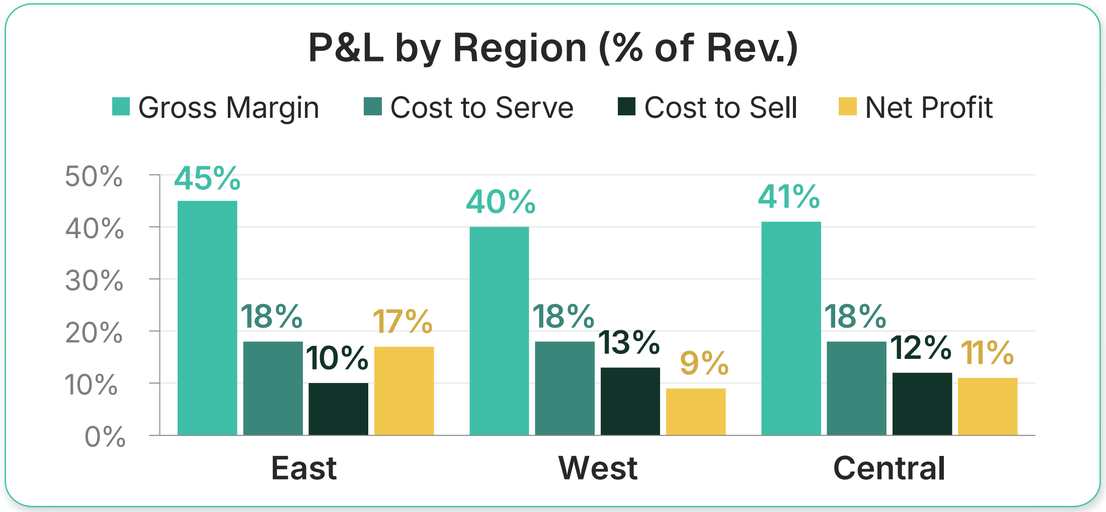
# AI Alone Can't Fix Profit Visibility

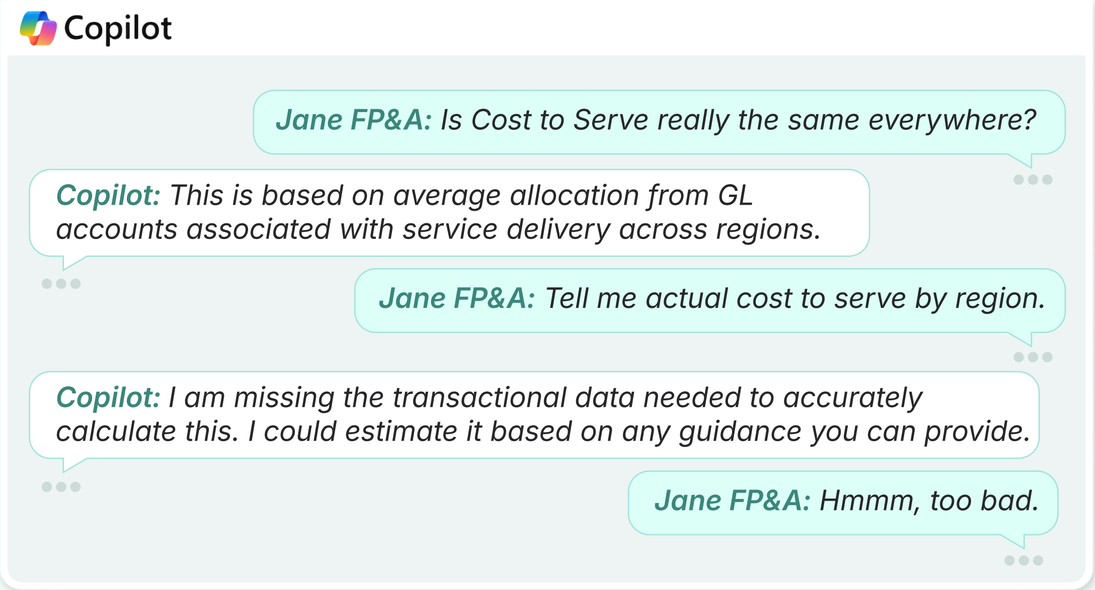
## AI can only work with what it can see.

If AI is sitting on summarized reports, averages, incomplete allocations, or disconnected operational data, it may produce faster answers — but not better profit decisions.

Without AI-ready profit data, AI can better describe summaries and averages, but it cannot see where profit is created and lost.

As demonstrated to the left, averages can hide insight and limit ability to implement profit improvement actions.



# At the Foundation: AI-Ready Profit Data

## AI-ready profit data is the foundation finance AI needs.

AI-ready profit data is transaction-level profit data that is connected across commercial and operational systems, dynamically assigned to where costs actually occur, explainable to finance and business leaders, usable for action, and reconcilable back to the GL.

It is not just clean data. It is profit data built for decision-making.

The NIST AI Risk Management Framework emphasizes validity, reliability, transparency, accountability, and explainability — all critical when finance uses AI to guide action.

## The Need for Trustworthy AI Data

# Why GL Reconciliation Matters

Finance will not act on a profit model that cannot tie back to the financial truth of the company.

The data has to reconcile back to the GL, but it also has to extend beyond the GL. The general ledger tells the company what happened financially.

AI-ready profit data helps explain where and why it happened at the level of customers, products, channels, orders, and transactions.

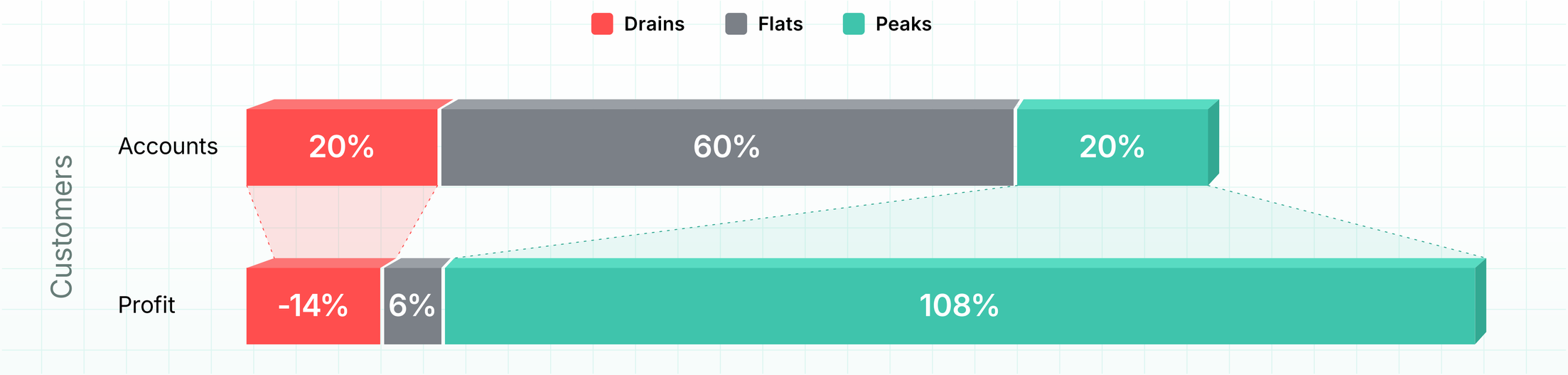
PART FOUR

# From Insight to Action

Visibility becomes value when the business fixes profit drains, triages flats, and invests in its most profitable peaks.

# Profit Is Not Average

We assume profit is tightly clustered around the average, but whether segmented by customer, product, or channel, it follows more of an 80/20 rule like this: the 20% generate nearly all of profit, while the bottom 20% drain profit from the bottom line.




In this customer segmentation example, we see the 20% peaks delivering 108% of profit. The 60% of accounts in the flats deliver only 6% of profit, and the 20% of drain accounts actually destroy 14% of profit.

# From Data to Insight to Action

## Visibility is the starting point. Action is the value.

The purpose of AI-ready profit data is not simply better analysis. It is helping the business move from data, to insight and action.

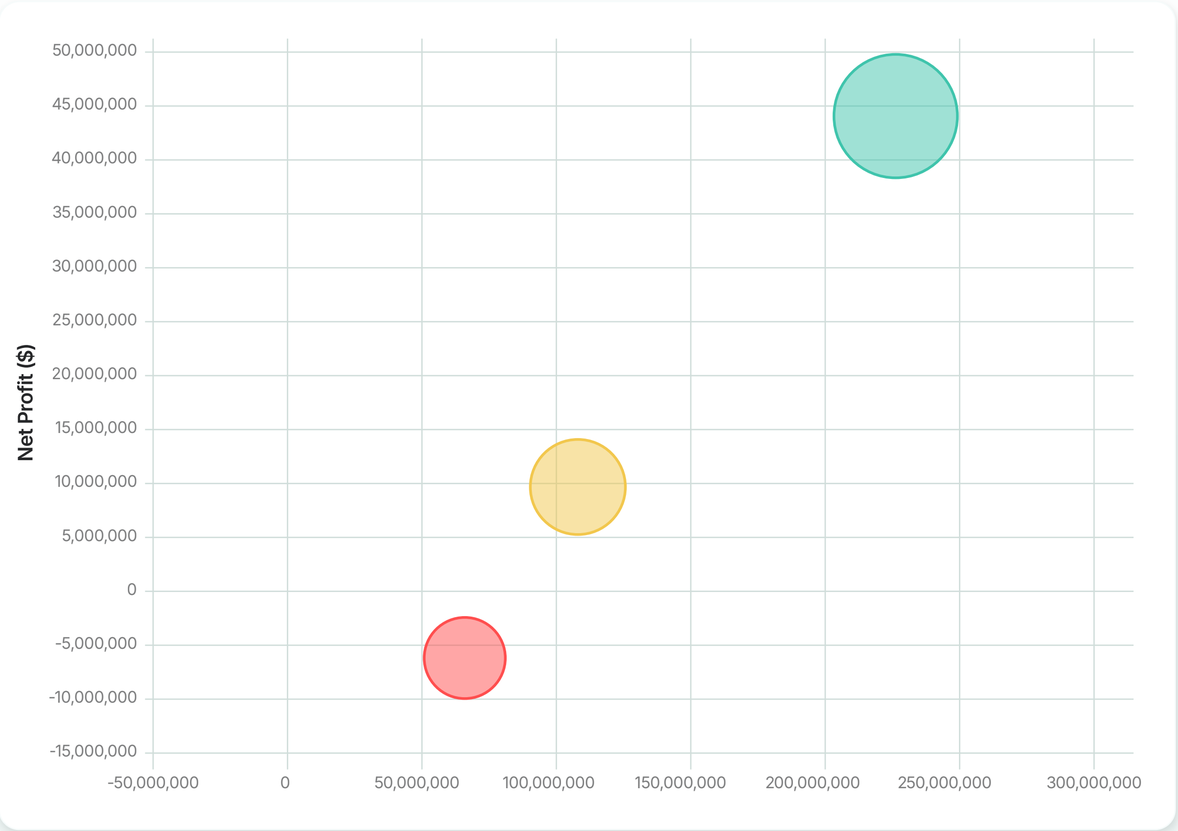
The question is not just “what happened?” It is “where should we act, why does it matter, and what action can improve profit?”

# Identify Peaks, Flats and Drains

## Visibility is the starting point. Action is the value.

Plot every account by revenue and profitability and three clusters appear. Peaks are the profitable few that generate most of the profit. Flats are the broad middle that earns close to breakeven. Drains lose money and pull the total down.

That map sets the agenda: invest in the peaks, fix the drains, triage and act on the flats.




**Peaks**
20% of Accounts,
108% of Profit

**Flats**
60% of Accounts,
6% of Profit

**Drains**
20% of Accounts,
-14% of Profit

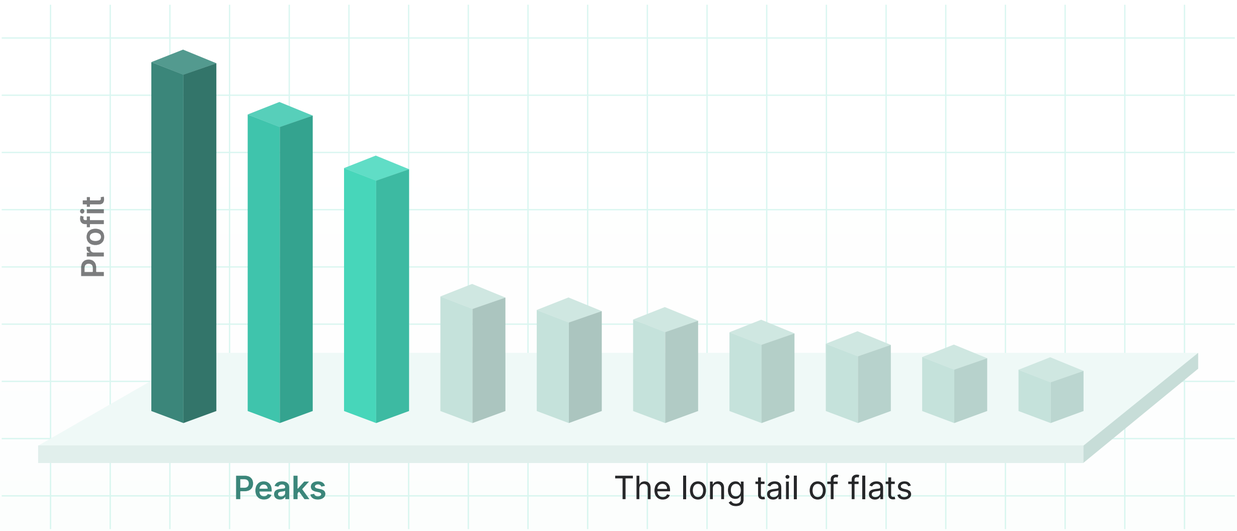
# First, Invest in the Peaks

## Peaks deserve the most attention and investment.

These are the customers, products, channels, and order patterns that create disproportionate profit. Once visible, they can be protected, replicated, and scaled through focused profit actions.

The fastest way to improve (and not lose) profits is to focus on the peaks. Increase  the resources, programs and investment they need to protect and grow them, instead of the usual practice of distributing them across a much broader group.

### A few peaks drive most of the profit




### What to do with a peak

**P**

**Protect**

Defend the accounts that already win.

**R**

**Replicate**

Spread what works across the flats.

**I**

**Invest**

Back proven winners with more.

# Next, Fix the Drains

## Drains destroy profit, but not all drains require the same action.

The same way companies are using insight to personalize offers to individual high value consumers, companies can see profit drains ranked by the size of of potential gain and use insight to personalize the actions for each profit opportunity.

Some drains can be fixed through pricing changes, freight policy adjustments, service-level changes, order minimums, discount discipline, or returns reduction.

Some drains are necessary in the market, losing money on certain products or customers to compete overall

Others are structurally unattractive. The value is knowing which is which. And once you know, you can take the appropriate actions with each.

## From Diagnosis to Action

**1 Diagnose the root cause**
Pinpoint where profit leaks — by customer, product, or other segment.

**2 Apply the correct profit actions**
Match the diagnosis to the right fixes. Typical customer fixes are shown below:

### Margin

| | |
|---|---|
| **Price** | Reprice low-margin accounts to the margin floor |
| **Discounts** | Enforce discount discipline and approval limits |
| **Product Mix** | Encourage better margin mix through programs and incentives |

### Cost to Sell

| | |
|---|---|
| **Returns** | Tighten returns terms; redesign the account if loss persists |
| **Resource Allocation** | Shift sales coverage and support toward higher-value accounts |
| **Channel Mix** | Move low-value accounts to lower-cost sales channels |

### Margin

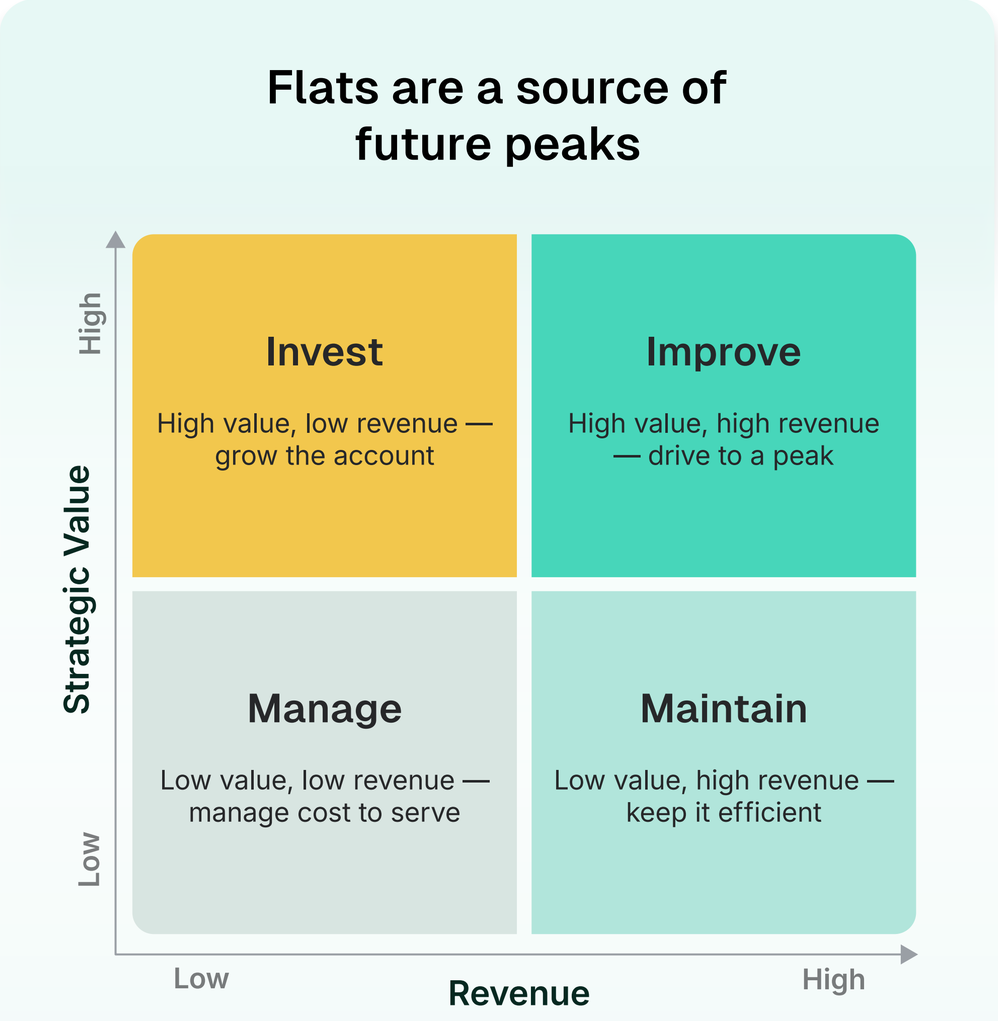
| | |
|---|---|
| **Freight** | Adjust freight terms, minimums and thresholds |
| **Order size** | Set order minimums to cover cost-to-serve |
| **Service** | Align service levels to each account's value |

# Lastly, Understand, Triage, and act on Flats

## Find and nurture the flats that have potential as future peaks

Plot each flat on two axes — revenue today and long-term strategic value. Where an account, product, or channel lands tells where to focus.

Flats can be improved by many of the same investments and actions from peaks and drains, and are a great source of future peaks.



PART FIVE

# Making It Real

The Profit Operating System, CFO leadership, and a practical checklist turn profit visibility into lasting improvement.

# The Office of the CFO – Not Just Reporting, But Strategic Leadership

The CFO is uniquely positioned to connect financial truth to strategic, commercial, and operational action.

Sales owns revenue. Operations owns fulfillment. Product owns the offer. IT owns systems and infrastructure.

Finance owns the profit truth and can create the trusted foundation all areas of the business needs to act with confidence.

# Can Your AI Find the Profit?

Five checks to prove your data, insights, and actions are ready to move the bottom line.

- Is your data AI-Profit Ready - Transaction level and captured where and when it happens?
- Are all functions in the business aligned on a single source of profit data?
- Can you understand actual costs below gross margin on a customer, order, or product ?
- Can you accurately identify drains, peaks and flats by customer, product and channel?
- Can you confidently take action and measure improvements after every period close?

# Build the Foundation Finance AI Needs

**AI initiatives must deliver to the bottom line. Finance AI gets real when it helps the business see where profit is created and destroyed, then act with confidence, growing net income by 10-30%.**

Start by getting to AI-ready profit data. Build the foundation. Move from insight to action. Manage measurable profit improvement across the business.

## The Path to Profit Success

# About Profit Isle

## Operate on True Net Profit — The Profit Operating System

Profit Isle ProfitOS is the Profit Operating System that helps organizations understand and act on true net profit. Born out of MIT, we replace average-based P&L models with a complete, transaction-level view of profit — capturing actual costs for every invoice line to reveal where profit is created and destroyed across every customer, product, and channel.

## Ready to See Your True Profit?

Talk to Profit Isle about your roadmap to profit clarity and action.

**$800B+**
in revenue processed

**10-30%**
of hidden profit uncovered

Request a Demo ↗

profitisle.com

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