



EXECUTIVE INSIGHTS

How Consumption-Based Pricing Reshapes Growth, Profitability and Value

Artificial intelligence (AI) is pushing software-as-a-service (SaaS) companies to align pricing with product value. Usage-based and hybrid models are now used by over half of SaaS providers and are emerging as the most effective path to scalable growth, profitability and stronger valuations.

This *Executive Insights*, the final in our series on AI-driven pricing models, focuses on the rise of consumption-based pricing and its growing role in monetizing AI-powered products.

Earlier parts explored the key shifts shaping how SaaS companies price and monetize generative AI (GenAI) features:

- **Part 1:** How GenAI is transforming SaaS pricing fundamentals¹
- **Part 2:** How companies are structuring and packaging AI features to balance adoption, value and margin²
- **Part 3:** How usage-based pricing is reshaping SaaS metrics and driving cross-functional change³

Now we turn to what comes after the price tag: focusing on how to operationalize and forecast AI monetization at scale, especially when pricing is tied to consumption.

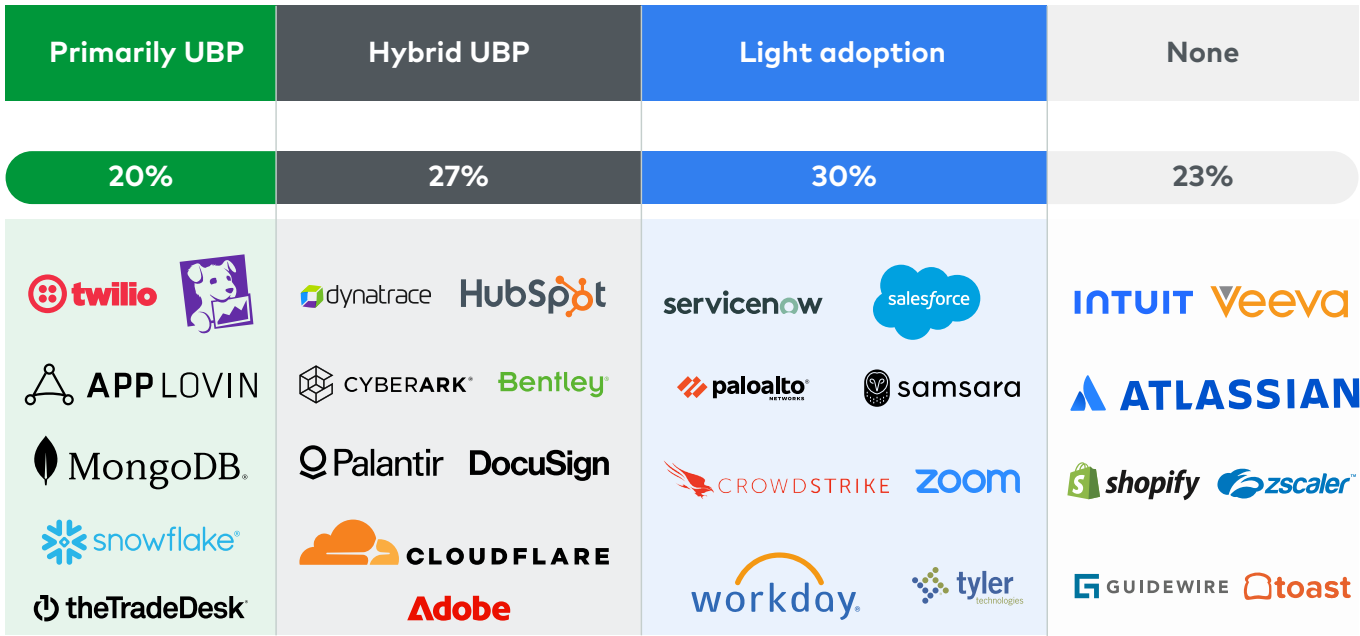
How AI is reshaping revenue models

GenAI has widened the gap between how value is delivered and how revenue is captured. As we covered in Part 3, when pricing is tied to seats but value comes from usage, traditional SaaS metrics like annual recurring revenue (ARR) and net recurring revenue (NRR) become less reliable indicators of growth and retention.

In response, many software companies are adopting usage-based pricing models⁴ that better align revenue with actual product engagement. Some have moved to fully usage-led approaches, while others are layering usage into more traditional pricing structures. These models are gaining traction across all types of products and company sizes, from backend infrastructure to customer-facing tools.

In a recent survey,⁵ 85% of SaaS companies said they already use usage-based pricing or are actively implementing it. Among enterprise software providers, 77% have incorporated consumption-based models into their revenue strategies. This marks a clear shift from emerging idea to enterprise standard (see Figure 1).

Figure 1
State of usage-based pricing



Note: UBP=usage-based pricing
Source: Metronome

Only 23% of enterprise companies in the sample have yet to adopt usage-based pricing, but the landscape is far from binary: Many SaaS businesses are testing models between subscriptions and usage-based approaches to better reflect customer value.

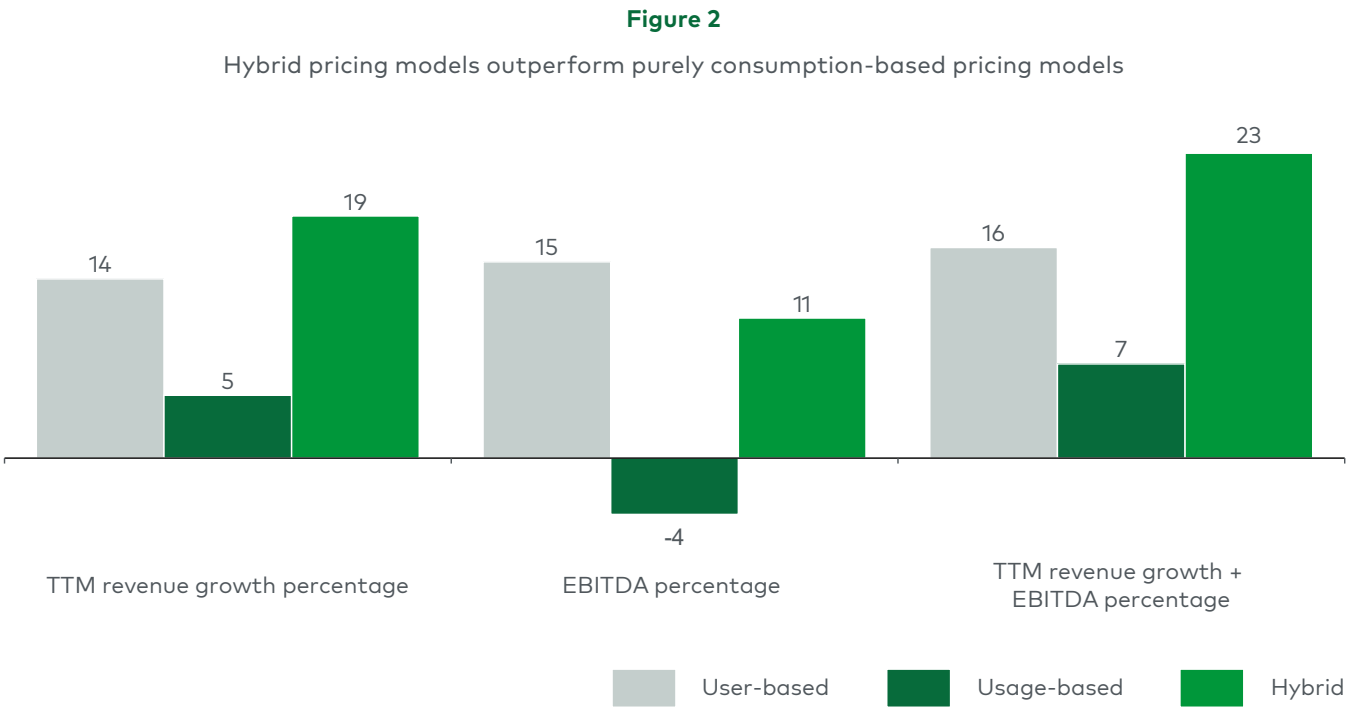
Flat fees remain common in some segments, while others are piloting outcome-based pricing tied to results.⁶ As highlighted in Kyle Poyar’s report, “The state of B2B monetization in 2025”,⁷ these shifts reflect a broader move toward flexible, performance-driven strategies.

While this *Executive Insights* focuses on usage-based pricing, that shift is central as SaaS companies adapt to the demands of AI-powered products.

From pricing shift to payoff

As more companies seek to capture the full value their products deliver, pricing models are evolving to reflect that payoff. Recent data shows that companies using hybrid pricing models achieve average revenue growth of 19% and EBITDA margins of 16%.⁸ These results outpace subscription-only peers, which often face tighter growth ceilings and margin pressure.

Hybrid models also help mitigate the revenue volatility that can accompany pure usage-based strategies, offering a more stable foundation for scaling AI-powered products (see Figure 2).

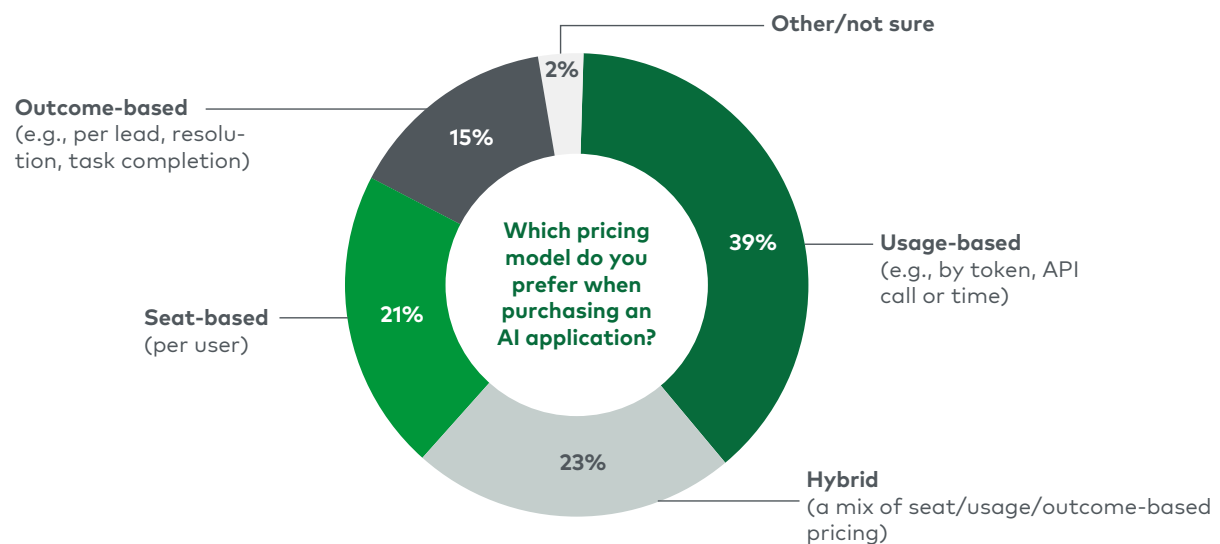


Note: TTM=trailing twelve months; EBITDA=earnings before interest, taxes, depreciation and amortization; pure usage-based models show lower EBITDA, but hybrid approaches help close the gap
Source: SEG Annual SaaS Report 2025; L.E.K. research and analysis

Buyer preferences tell an even clearer story. In a recent Andreessen Horowitz (a16z) survey of 100 chief information officers (CIOs) across 15 industries, usage-based pricing emerged as the most preferred model, with 39% of CIOs saying they favor pricing tied to tokens, API calls or time.⁹ Hybrid models, which combine seat, usage and even outcome-based components, came in second at 23%, while traditional seat-based pricing lagged at just 21% (see Figure 3).

Figure 3

How 100 enterprise CIOs are building and buying GenAI in 2025



Note: CIO=chief information officer; AI=artificial intelligence; CIO preferences show clear momentum toward usage-based and hybrid pricing models

Source: a16z survey of 100 CIOs across 15 industries

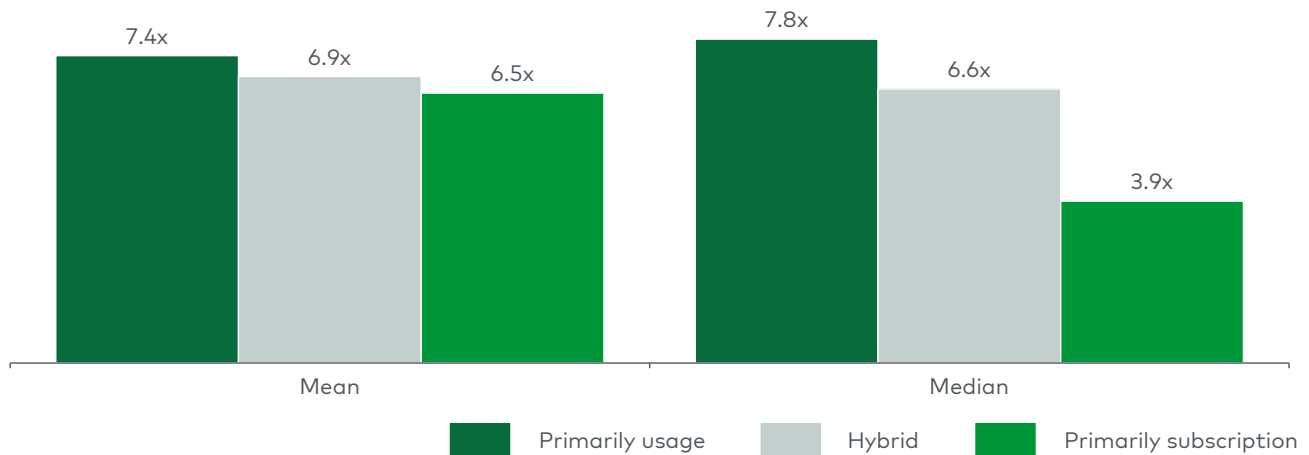
This reflects a shift in enterprise buying behavior. Predictable billing is no longer the top priority. Instead, flexibility and alignment with actual usage are what drive purchasing decisions. CIOs are increasingly comfortable with the variability of usage-based pricing, especially as AI workloads such as large language models become more granular and performance-driven.

Is the usage-based premium starting to fade?

Companies implementing consumption-based pricing continue to trade at a premium, despite lower margins and weaker Rule of 40 performance.¹⁰ That premium is driven by investor expectations: usage-based models are seen as enablers of stronger NRR and more-effective land-and-expand growth (see Figure 4).

Figure 4

Valuation multiple (on revenue) for SaaS Capital Index companies using UBP vs. peers (April 2025)



Note: SaaS=software-as-a-service; UBP=usage-based pricing; companies using consumption-based pricing are attracting higher revenue multiples

Source: SaaS Capital Index April 2025

However, there are signs that premium may not last:

- Many early adopters are in high-growth sectors like cybersecurity
- These markets are insulated from economic swings, keeping usage stable
- Vendors in other sectors may face more volatility as customers scale back usage
- Some investors may be overvaluing NRR inflated by steep initial ramps

The premium may narrow as the model becomes more common and macro conditions evolve. In the end, success depends less on adopting usage-based pricing and more on executing it well.

What this means for SaaS growth

Pricing GenAI features was only the beginning. The bigger opportunity lies in building monetization strategies that scale. These strategies reflect how customers experience value and support long-term growth.

Consumption-based and hybrid models are becoming the norm because they reflect how customers buy and how SaaS companies scale. But pricing alone is not enough. Top performers are also rethinking metrics, forecasting and adoption.

L.E.K. Consulting has deep experience helping SaaS companies rethink pricing in the face of changing customer expectations, evolving value delivery and the rise of GenAI. If your team is working through how to price, package and scale more effectively, we can help. **Contact us** to start the conversation.

Endnotes

¹LEK.com, "The Future Role of Generative AI in SaaS Pricing." <https://www.lek.com/insights/tmt/us/ei/future-role-generative-ai-saas-pricing>

²LEK.com, "AI Product Packaging Strategies: Making Strategic Choices in the AI Era." <https://www.lek.com/insights/tmt/us/ei/ai-product-packaging-strategies-making-strategic-choices-ai-era>

³LEK.com, "How AI Is Redefining SaaS Metrics and Forecasting." <https://www.lek.com/insights/tmt/us/ei/how-ai-redefining-saas-metrics-and-forecasting>

⁴LEK.com, "Usage-Based Pricing." <https://www.lek.com/industries/technology/technology-blog/usage-based-pricing>

⁵Metronome.com, "State of usage-based pricing." <https://metronome.com/state-of-usage-based-pricing-2025>

⁶LEK.com, "The Rise of Outcome-Based Pricing in SaaS: Aligning Value With Cost." <https://www.lek.com/insights/tmt/us/ei/rise-outcome-based-pricing-saas-aligning-value-cost>

⁷GrowthUnhinged.com, "The state of B2B monetization in 2025." <https://www.growthunhinged.com/p/2025-state-of-b2b-monetization>

⁸SoftwareEquity.com, "SEG 2025 Annual SaaS Report." <https://softwareequity.com/research/annual-saas-report>

⁹A16z.com, "How 100 Enterprise CIOs Are Building and Buying Gen AI in 2025." <https://a16z.com/ai-enterprise-2025/>

¹⁰CorporateFinanceInstitute.com, "The SaaS Rule of 40 Explained." <https://corporatefinanceinstitute.com/resources/valuation/rule-of-40/>

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