EXECUTIVE INSIGHTS

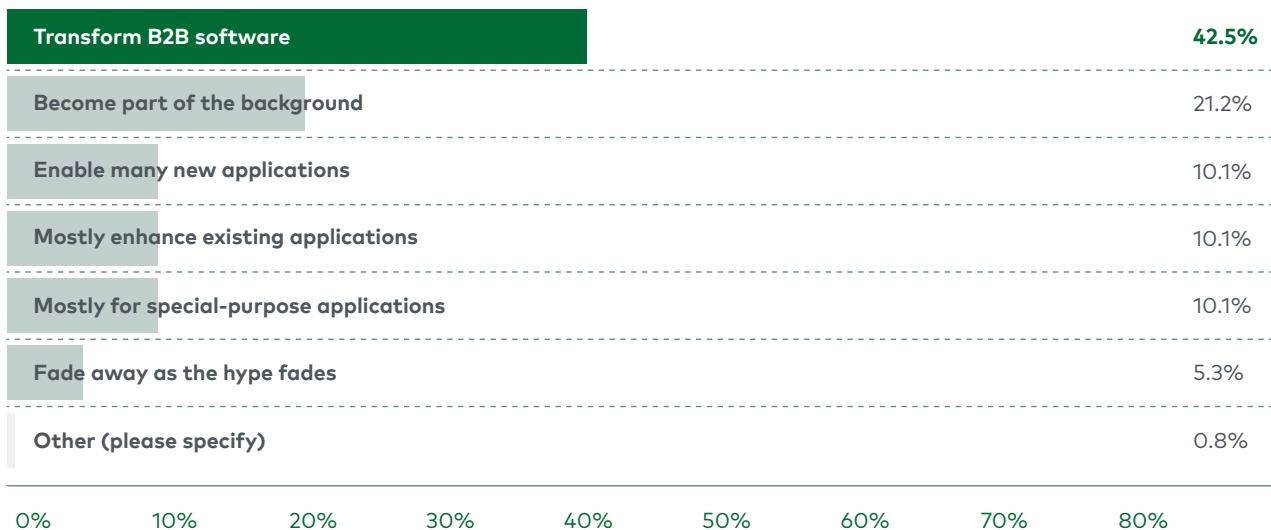# The Future Role of Generative AI in SaaS Pricing

The business-to-business (B2B) software industry is undergoing a pivotal transformation driven by generative artificial intelligence (GenAI). Once primarily focused on enhancing human productivity, this technology is now reshaping how businesses develop, deliver and price their offerings. A recent survey revealed that 42.5% of industry leaders view GenAI as transformative, with the potential to disrupt domains such as development, sales and pricing (see Figure 1).

Figure 1

GenAI's impact on B2B software

What impact will generative AI applications have on B2B software over the next five years?
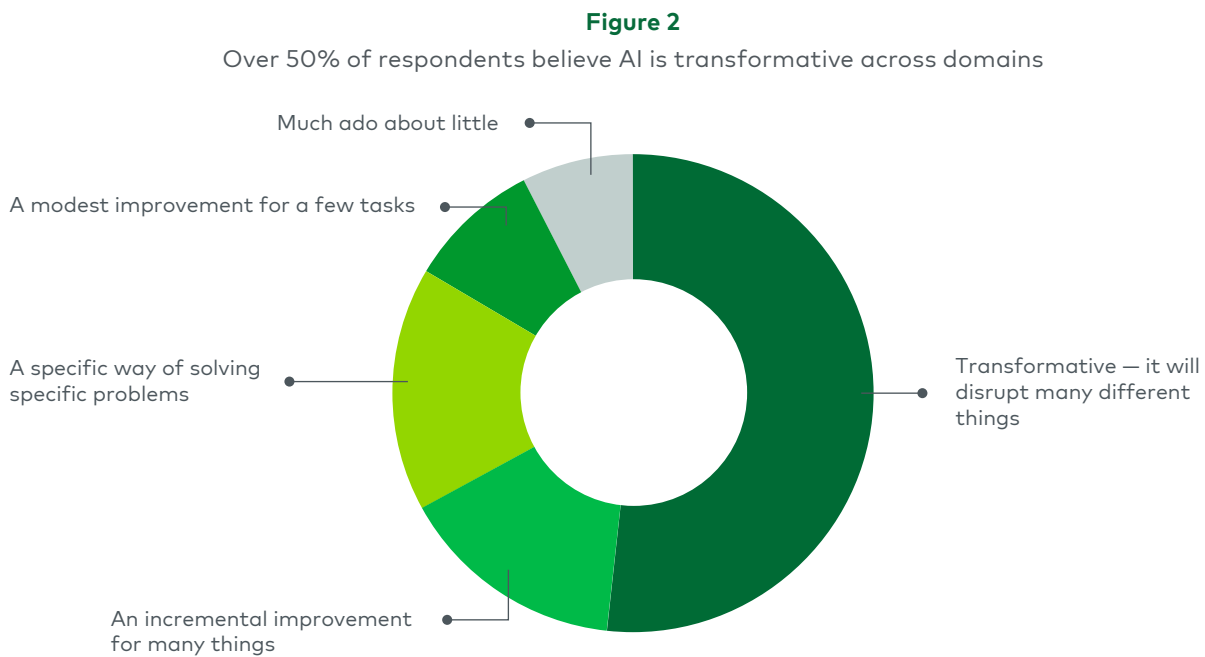
Answered: 252   Skipped: 4

Transform B2B software	**42.5%**
Become part of the background	21.2%
Enable many new applications	10.1%
Mostly enhance existing applications	10.1%
Mostly for special-purpose applications	10.1%
Fade away as the hype fades	5.3%
Other (please specify)	0.8%

0%   10%   20%   30%   40%   50%   60%   70%   80%

Note: GenAI=generative artificial intelligence; B2B=business-to-business
Source: Ibbaka survey, November 2024

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This narrative of revolutionary change underscores a critical shift. Companies are no longer just building AI into their products; they are actively rethinking pricing strategies to reflect its transformative potential. How can businesses align their pricing with the value that AI delivers, and what challenges must they navigate along the way?

Industry perspectives on AI

Industry attitudes toward AI reveal widespread enthusiasm, particularly among early adopters. Over half of respondents in a recent survey conducted by Ibbaka, a pricing and value management platform, believe GenAI will disrupt multiple domains, from product development to customer support and pricing (see Figure 2).

Figure 2

Over 50% of respondents believe AI is transformative across domains

Much ado about little

A modest improvement for a few tasks

A specific way of solving specific problems

A incremental improvement for many things

Transformative — it will disrupt many different things

Note: AI=artificial intelligence
Source: Ibbaka survey, November 2024

This growing excitement has a direct impact on pricing strategies. GenAI isn't just another feature — it represents a paradigm shift that demands innovative pricing models capable of capturing its unique value. Traditional subscription-based approaches are being challenged as software-as-a-service (SaaS) companies grapple with new ways to align costs with outcomes and usage.

How GenAI is redefining SaaS pricing

GenAI is fundamentally reshaping the traditional relationship between pricing and usage. By enabling businesses to "do more with less," AI challenges the relevance of seat-based pricing models while driving innovation in outcome-based, consumption-based and hybrid strategies.

Companies such as Zendesk are leading the way with hybrid approaches, charging per seat for human users and per resolved ticket for AI agents. This shift reflects a broader trend: SaaS companies are aligning their pricing strategies with the dynamic value AI delivers.

Key pricing models in the age of AI

1. Outcome-based pricing: Paying for results
Outcome-based pricing ties costs directly to measurable results, offering a transparent and ROI-aligned approach. Examples include:

- **Zendesk's AI agents:** Zendesk charges customers per ticket resolved by AI, ensuring businesses pay only for successful outcomes.

- **Intercom's Fin:** Intercom uses a $0.99-per-resolution model, eliminating the risks of charging for unused or underperforming features and building customer trust.

Advantages: Outcome-based pricing offers transparency by tying costs to success metrics such as resolved tickets and tasks completed. This alignment allows customers to perceive direct value from their spending.

Drawbacks: Attribution disputes can arise when outcomes involve multiple tools or manual inputs. Additionally, scalability can become challenging if success metrics are unclear or poorly calibrated.

2. Consumption-based pricing: Charging for usage
Consumption-based models align pricing with resource usage, providing flexibility for businesses of varying sizes. Examples include:

- **OpenAI:** OpenAI charges based on tokens processed, reflecting the granular usage of its language models. This approach scales easily, from startups to large enterprises.

- **Synthesia:** Synthesia implements a per-minute video-generation model with tiered access, allowing smaller creators and enterprise users to choose plans tailored to their needs.

Advantages: Consumption-based pricing is highly scalable and flexible, adapting seamlessly to customer usage patterns. It allows businesses to pay only for what they consume, reducing waste and maximizing efficiency.

Drawbacks: This model introduces revenue volatility, as usage can fluctuate unpredictably across customers and time. Customers also face the risk of unexpected cost spikes, requiring careful monitoring to avoid surprises.

3. Hybrid subscription models: Balancing predictability and flexibility

Hybrid subscription models combine the stability of subscription fees with the adaptability of consumption- or outcome-based pricing. These models are particularly effective for AI-driven tools, capturing value from both predictable base fees and variable AI-powered usage. Examples include:

- **Microsoft's Copilot:** Priced at 60%-70% of the base product fee, Copilot reflects AI's productivity enhancements while combining predictable subscription revenue with a variable usage fee that scales with the value delivered.

- **Salesforce's Einstein 1:** Einstein 1 combines base subscription fees with usage-based components, balancing stable revenue streams with flexibility for customers scaling their AI adoption.

Advantages: Hybrid subscription models provide predictability through stable base fees while offering flexibility with variable charges for AI-powered features. This approach meets the needs of diverse customer segments, encouraging broader AI adoption.

Drawbacks: These models require sophisticated systems to track and manage both fixed and variable charges effectively. Customers may need education to understand the value proposition and navigate the model's complexity.

Trends and innovations in AI pricing

The growing trend of premium pricing for Copilot-style AI add-ons (AI features assist with tasks within existing user-centric software), ranging from 30%-110% above the base per-seat cost, underscores the growing value attributed to AI-driven productivity tools. This range reflects a strategic balance: Some companies prioritize usage with lower add-on prices, while others focus on monetization with higher premiums.
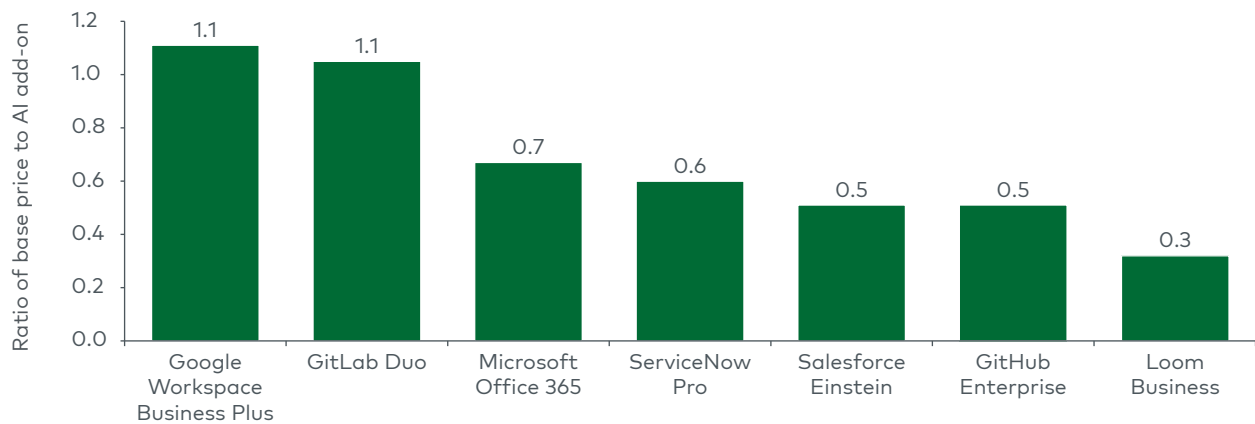
Examples such as Microsoft's Copilot and Salesforce's Einstein 1 highlight how hybrid pricing models blend predictable subscription revenue with flexible, usage-based components (see Figure 3).

Figure 3

Pricing model progression from traditional to AI-driven pricing models

AI add-on price percentage increase over base price (July 2024)

Note: AI=artificial intelligence
Source: Tomasz Tunguz (Theory Ventures); company websites; L.E.K. research and analysis

GenAI is driving SaaS companies to innovate beyond traditional pricing models. By aligning strategies with AI's transformative potential, these companies are better positioned to meet customer expectations and unlock new revenue streams.
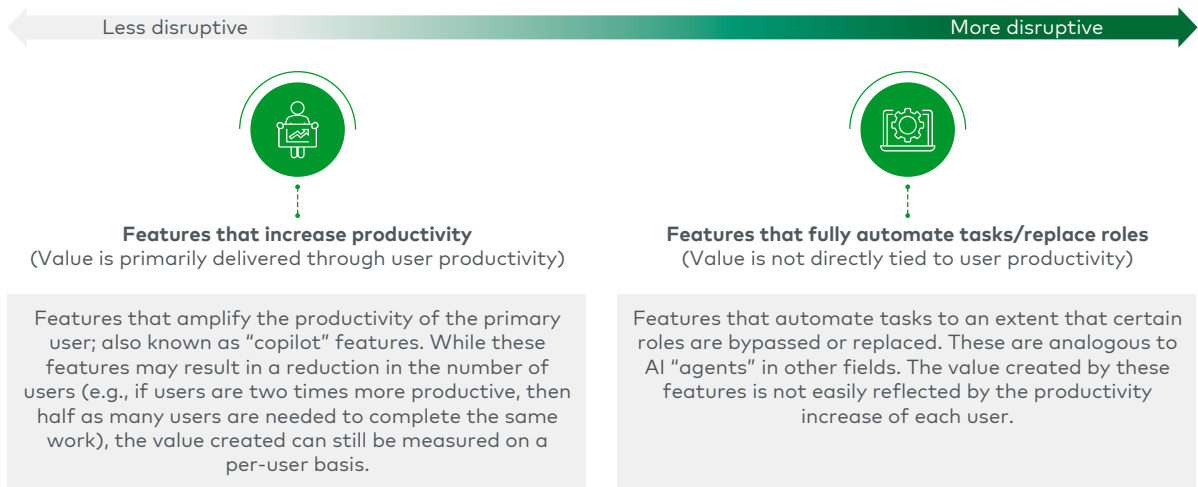
The dual impact of AI on SaaS value creation

GenAI creates value in SaaS through two distinct approaches:

- **Productivity enhancement:** Some AI tools enhance human efficiency, enabling users to accomplish more in less time. For instance, Microsoft and ServiceNow have reported 50% productivity gains from AI features, priced at a 60%-70% premium over base subscriptions, potentially resulting in workforce reductions as productivity rises.

- **Task automation:** AI agents fully replace human roles in specific workflows, creating opportunities for agent-centric pricing tied directly to outcomes. This shift allows businesses to monetize AI capabilities through models such as per-task or per-resolution charges.

These benefits capture not only productivity improvements but also benefits such as reduced errors, faster workflows and better decision-making capabilities. As SaaS companies explore AI pricing models, they must distinguish between tools that enhance human productivity and those that fully automate processes to align costs with value (see Figure 4).

Figure 4

AI capability continuum

Less disruptive ← → More disruptive

Features that increase productivity
(Value is primarily delivered through user productivity)

Features that amplify the productivity of the primary user; also known as "copilot" features. While these features may result in a reduction in the number of users (e.g., if users are two times more productive, then half as many users are needed to complete the same work), the value created can still be measured on a per-user basis.

Features that fully automate tasks/replace roles
(Value is not directly tied to user productivity)

Features that automate tasks to an extent that certain roles are bypassed or replaced. These are analogous to AI "agents" in other fields. The value created by these features is not easily reflected by the productivity increase of each user.

Note: AI=artificial intelligence
Source: L.E.K. research and analysis

Strategic approaches to AI feature integration

AI features that increase user productivity can be embedded into core products eventually and be initially packaged as an add-on to reduce complexity in the near term. This strategic choice shapes how companies introduce and monetize their AI capabilities (see Figure 5).

Figure 5

Strategic approaches to AI feature integration

	Packaged as an add-on	**Embedded in core packaging**
Description	AI features are offered as optional paid extras	AI features are incorporated into existing product packages/tiers without separate charges (typically for a baseline usage allowance, with the option to pay more to increase usage limits)
Examples	Copilot GitLab	Creative Cloud Canva
Benefits	• Affords customers flexibility in their organizational needs (particularly important when significant concerns about AI exist, even if only with a small subset of customers) • Clearer value messaging of the function and value of the AI features	• Promotes widespread user adoption • Requires limited commercial investment • Can justify broad price increases
Drawbacks	• Limits rate of adoption and usage • Requires commercial investment • Skeptics are more likely to remain skeptics without hands-on experience	• Likely to under-monetize high-WTP customers (pricing must cater to customers skeptical of the value of AI) • Churn risk for low-WTP customers • Less control over rollout and usage, exacerbating any cost/margin risks

In the future, the goal for software vendors should be to embed AI features into their core products and raise prices accordingly, aiming to maximize impact. However, for initial launch, we recommend initially packaging as an add-on to avoid rapid successive price changes to the base product and provide customers greater choice while the impact (and risks) of AI are less certain.

Note: AI=artificial intelligence; WTP=willingness to pay
Source: L.E.K. research and analysis

Why data architecture matters more than user interface (UI)

GenAI shifts the focus from user-friendly interfaces to robust data architectures. With workflows increasingly handled by AI agents rather than human users, the emphasis is on structured, accessible data to support AI-driven decisions and operations. Companies such as Snowflake and Databricks, which excel in advanced data infrastructure, are well positioned for this shift.

As Jamin Ball, a venture capitalist investing in enterprise software businesses, notes, "The best end-user experience will come from a better underlying data architecture, not an easy-to-use UI. The leading application vendors today have become systems of record that workflows are built around. A system of record is just a database. And the workflows will be carried out by agents and API calls." This shift fundamentally changes how we think about value creation in SaaS.

Upcoming topics on SaaS pricing transformation

The integration of GenAI into SaaS products is driving a profound evolution in how companies approach pricing. Traditional models often fail to capture AI's dynamic value, necessitating innovative strategies. This article is the first in L.E.K. Consulting's four-part series exploring the future of SaaS pricing in the AI era. The remaining three topics are:

AI product packaging strategies: This article will examine approaches for incorporating AI into your product offering, from add-on features to fully integrated solutions. We'll analyze how companies such as Microsoft, OpenAI and Synthesia structure their AI offerings and how different packaging decisions impact market adoption.

Pricing models for AI features: This article will explore pricing strategies for AI-enhanced products, from traditional licensing to usage-based models. We'll examine how companies determine and implement value metrics across both horizontal applications (e.g., content generators) and vertical solutions (e.g., healthcare diagnostics).

The future of annual recurring revenue (ARR) and valuations with GenAI pricing: This article will examine how SaaS companies can rethink ARR in the context of variable revenue. It will discuss managing baseline and variable income, forecasting dynamic usage patterns, and evaluating AI's impact on SaaS valuations.

Redefining value through GenAI

GenAI is reshaping how SaaS companies deliver and monetize value. Innovative pricing models tied to outcomes and usage allow businesses to reflect AI's transformative potential while meeting evolving customer expectations. Success in this shift requires balancing transparency, scalability and alignment with market needs. Companies that adapt to these changes will unlock new growth opportunities and solidify their positions in the competitive AI-driven landscape.

GenAI is compelling SaaS companies to innovate their pricing strategies, pushing beyond traditional models to reflect its transformative impact on value creation and delivery. For more on these topics, visit our in-depth perspectives on consumption-based pricing and outcome-based pricing to explore their advantages and challenges, hybrid approaches to these models, and real-world applications in detail.

For more information, please **contact us**.

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