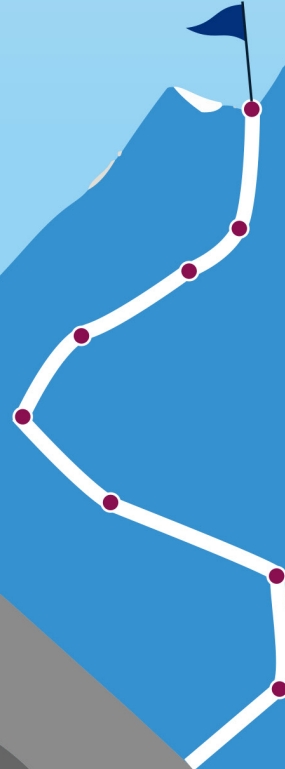




Grow
Intelligently



**Growth Velocity Built SaaS.
Growth Durability Will Save It.**

Executive Summary:

The Growth Equation That Built SaaS Is Breaking

The seat-based model that powered two decades of SaaS growth is structurally misaligned with how customers now consume value. AI is severing the link between headcount and software spend. The better the product works, the worse the commercial outcome for the vendor.

The Financial Shape of the Transition: Swallowing the Fish 2.0

Every SaaS company that links value to headcount will face a business model transition. The only question is whether the move is deliberate or forced. Multiple negative forces compress the P&L simultaneously during the shift, and the compression is temporary only for companies that move deliberately. The companies that defer the structural decision will find their options narrow before they act.

Most SaaS CEOs Are Optimizing the Wrong Model

In our Q4 2025 CEO Survey, 87% of software CEOs classified themselves as optimizing or maximizing their existing growth model. Only 5% were primarily focused on evolving their revenue model to drive long-term enterprise value. The Great Unbundling is forcing the entire SaaS vertical toward that shift, but the specific changes each company must make depend on its archetype.

Six Archetypes Determine What Breaks and What to Do About It

THREAT PAIR	ARCHETYPE	PRIMARY THREAT	PRICING PIVOT
THE EXPOSED	Output Generators	Human replacement. AI produces the work product directly.	Price on the artifact (code merged, campaigns launched, designs shipped)
	Workflow Coordinators	Interface erasure. Agents handle workflows via API	Price on automated resolution (workflow completed, ticket resolved)
THE ERODING	Systems of Record	Data layer bypass. External copilots query around the UI.	Price on intelligence (data access fees for external agents)
	Vertical Specialists	Feature substitution. Generic AI handles niche workflows.	Price on data integrity (proprietary benchmarks, ground truth data)
THE SQUEEZED	Security & Compliance	Vendor consolidation. CFOs reducing vendor counts.	Price on AI footprint protected (risk surface, not headcount)
	Data Infrastructure	Margin compression. Compute costs rise with AI usage.	Tiered pricing by workload type (playbook still being written)

Growth Durability Is the New Growth Velocity

Growth durability means the commercial model survives when customers become more productive. The companies in the strongest position are having that conversation now, at the board level, with enough runway to navigate the transition on their own terms.

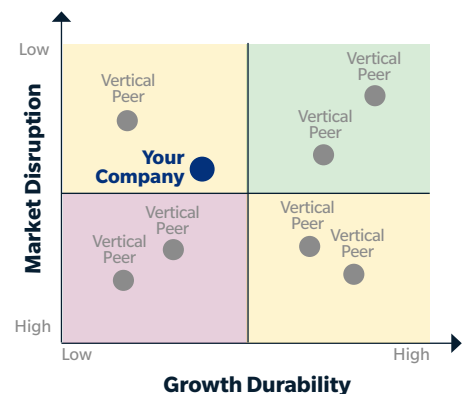
Assess Your Growth Durability | Two-Week Rapid Diagnostic

The Growth Durability Diagnostic benchmarks your commercial engine against peers and identifies where revenue is most at risk.

You receive:

- Your position on the Growth Durability Matrix relative to vertical peers
- Churn exposure and NRR risk assessment
- Pricing leverage analysis against the six archetypes
- AI cost leverage and commercial productivity scoring
- Prioritized action plan with immediate no-regrets moves

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The growth equation that built SaaS is breaking, and the usual operational responses are not fixing it.

AI Is Breaking the Growth Model That Built SaaS

NRR is declining across the industry. CAC is rising. Growth rates that once compounded reliably are flattening. The February SaaSocalypse exposed market doubt about the industry's long-term growth prospects. All of this confirms what SBI has been hearing in CEO and PE conversations for the past year: the growth equation that built SaaS is breaking, and the usual operational responses are not fixing it.

SaaS was built on a simple chain: Customer growth meant headcount growth. Headcount growth meant seat growth. Seat growth meant vendor revenue. In SBI's Great Unbundling report, we showed how AI is severing that chain at its most critical link. Customers no longer need more people to get more output from their software. Value delivery has decoupled from headcount, and the entire pricing model is now systematically misaligned with how customers consume value.

After publishing [The Great Unbundling](#), we've spoken and worked with dozens of PE firms and their portfolio companies, as well as dozens of public enterprises, and two things have become clear:

1. The unbundling is accelerating faster than most anticipated and at different speeds for different companies, and
2. Most leaders are still responding to a structural problem with operational tactics.

This piece is about why operational tactics fail against a structural problem, and what it takes for companies to emerge stronger with more durable revenue growth on the other side.

Business Model Priced for a World That No Longer Exists

SBI's 2026 State of SaaS Pricing Report reveals 78% of SaaS companies still rely on seat-based pricing to some extent, with seats being the only or primary value metric for nearly half (47%) of companies.¹ Customer buying behavior is already reflecting what that exposure means: a legal team that needed 20 people to process contract volume now processes the same volume with 12 people and AI. A developer organization that needed 60 engineers to ship at a certain velocity ships the same output with 40. A customer service operation running 200 agents handles the same ticket volume with 120. In each case the customer extracts equal or greater value from the software with fewer humans in the loop.

Under seat-based pricing, vendor revenue declines as customer productivity and customer value from the SaaS solution improve. ServiceNow's CFO quantified this directly, noting that "\$100 million of savings fell to the bottom line in 2025 alone" from reduced headcount growth driven by AI efficiencies.² The result is the ultimate irony for a tech business: the better the product works, the worse the commercial outcome for the vendor.

What receives less attention is the simultaneous pressure building inside their own products. When vendors embed AI (e.g., chatbots, workflow builders, low-code agents, etc.) to stay competitive, they spike their own cost of goods. The gross margin structure that underwrote SaaS valuations for a decade, typically 80 to 90 percent, does not hold when compute sits inside the product. AI-native companies run lower gross margins net of compute costs.

The customer's AI compresses seat counts from outside. The vendor's AI compresses margins from inside. Both hit the same P&L simultaneously.

The question every SaaS board is now facing is straightforward: what does the financial shape of this transition actually look like, and how do you navigate it without destroying the business in the process?

1. SBI's 2026 State of SaaS Pricing Report. N = 356

2. CRN, "ServiceNow CFO: AI Deployments 'Driving Real, Measurable Value'". January 28, 2026.

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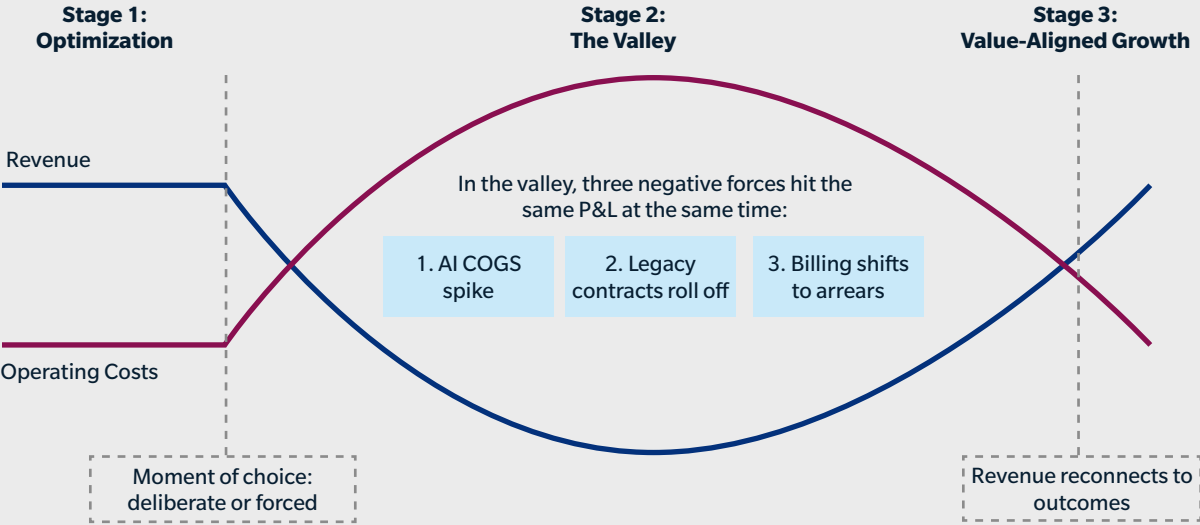
Why The Current Dynamics Feel So Hard: Swallowing the Fish

Most SaaS CEOs have experienced or accepted this thesis: the seat model is breaking. Value needs to be re-routed to customer outcomes. The strategic case is not what is keeping them up at night. The financial and commercial shape of the transition is the real challenge.

This is not uncharted territory for the software industry. When vendors shifted from on-prem to cloud between 2010 and 2015, they faced the same structural problem: the old revenue model had to be dismantled before the new one could fully replace it. Industry observers called the financial shape of that transition “Swallowing the Fish.”³

Updated here for the AI transition, the framework maps the financial shape of a business model shift across three stages:

Swallowing The Fish 2.0



Source: The Fish Model was originally created by J.B. Wood, Todd Hewlin, and Thomas Lah, who named the pattern in their book B4B and later in the TSIA Technology-as-a-Service Playbook. This “2.0” iteration has been updated by SBI to reflect the structural impacts of the AI transition (e.g., AI-driven COGS spikes, legacy contract roll-offs, and the transition toward outcome-based revenue).

In Stage 1, the business optimizes the existing model. Better utilization, tighter retention, and smarter expansion. These moves extend the runway but do not change the destination.

In Stage 2, three negative forces hit the same P&L at the same time. Revenue dips as legacy contracts roll off before new value-based revenue ramps to replacement levels. Costs spike as vendors embed AI to stay competitive, immediately compressing the gross margins that underwrote SaaS valuations for a decade. Cash flow tightens as annual upfront billing gives way to consumption-based billing collected in arrears. For a board or PE sponsor looking at the numbers in real time, this can read as a permanent downgrade of the software business model.

That reading is a mistake. The margin compression in Stage 2 is not a permanent new normal. It is a temporary condition

3. The Fish Model was originally created by J.B. Wood, Todd Hewlin, and Thomas Lah, who named the pattern in their book B4B and later in the TSIA Technology-as-a-Service Playbook.



with two exits. The first is commercial: a hybrid pricing model that separates a predictable platform fee from a variable value fee tied to AI-driven outcomes, protecting the ARR floor while capturing consumption-driven upside. The second is architectural. The cost of AI inference is falling rapidly. The companies that successfully cross the valley engineer their cost structure as aggressively as they redesign their commercial model, routing queries to the cheapest sufficient model and reserving heavy compute for high-value tasks. Cost structure and commercial model have to modernize in tandem.

The companies that fail in Stage 2 are not always the ones that moved too fast. More often they are the ones that recognized the problem and responded with Stage 1 tactics: holding seat-based pricing while quietly building a new model alongside it, protecting near-term ARR while deferring the structural decision. That approach delays the pain long enough to make it worse. The winners of the last transition moved before the valley narrowed their options. The casualties tried to optimize through a transition that required reinvention.

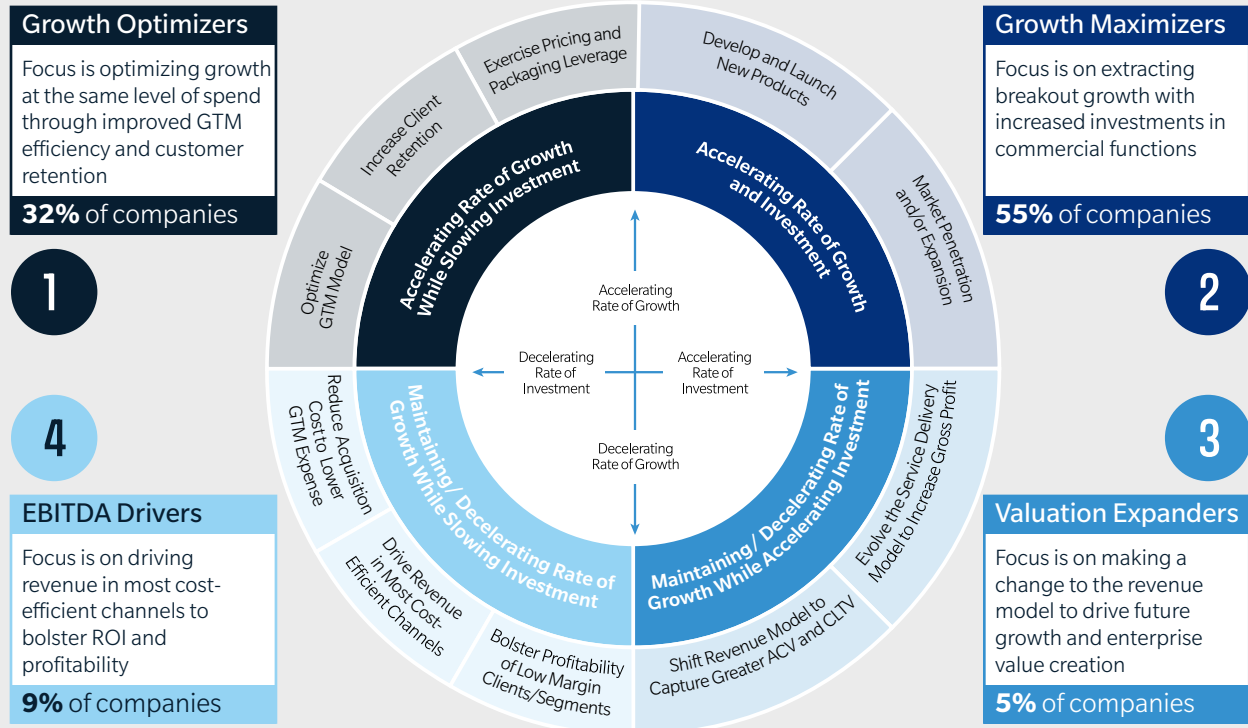
In Stage 3, revenue reconnects to value extracted. In this case, rather than headcount deployed, customer outcomes. The business model survives and compounds because it is no longer dependent on seat counts in the first place.

The pressures SaaS companies face entering the valley are arriving faster and with less warning than anticipated. Most of the companies in our conversations are already in Stage 2, whether or not they've explicitly made that connection. Revenue is softening. Costs are rising. The disconnect between old commercial models and new customer behavior is no longer theoretical. It is showing up in financial data.

The Value Creation Compass Says Most SaaS Companies Are Headed Somewhere They Haven't Planned For

SBI's Value Creation Compass (VCC) maps organizations into four quadrants based on their rate of growth and rate of investment. When we asked software CEOs where they sit today, the data revealed a clear gap between where SaaS companies are and where the Great Unbundling is forcing them to go.

SaaS Companies by Quadrant in the Value Creation Compass.



N = 22 Software CEOs
Source: SBI Q4 2025 CEO Survey
Note: Does not equal 100% due to rounding

In SBI's Q4 2025 CEO Survey, 55% of software CEOs classified themselves as Growth Maximizers (increasing growth rate + increasing rate of investment) and 32% as Growth Optimizers (increasing growth rate + decreasing rate of investment). Only 5% placed themselves in the Valuation Expanders quadrant (decreasing growth rate + increasing rate of investment) -- yet that is exactly where the Great Unbundling is forcing the majority of the SaaS vertical.

Valuation Expanders focus on evolving their revenue and service delivery model to increase gross profit and long-term predictability, even when that means accepting near-term revenue compression. EBITDA compresses. Free cash flow dips. The P&L looks worse before it looks better. That is the financial signature of Stage 2 of the fish.

The last time the software industry faced a comparable model transition was the shift from on-prem perpetual licenses to cloud subscriptions between 2010 and 2015. The companies that moved proactively into the Valuation Expander quadrant, accepting the revenue dip and margin compression on their own terms, emerged with structurally stronger businesses. The companies that stayed in the Growth Optimizer or Growth Maximizer quadrants, optimizing the old model while deferring the structural shift, were eventually forced into the Valuation Expander quadrant under worse conditions with less runway. The pattern is repeating. The difference is speed: AI is compressing what took five years into two.

Each of the six archetypes described below faces a different path into the Valuation Expander quadrant, but the destination is the same.

Six Archetypes. Three Threats. Your Model Determines What You Do.

Understanding your archetype is what separates the companies that fail, survive, and thrive from this point. All SaaS companies that link value to headcount will enter the valley. The specific moves to navigate it depend on where they sit. The six archetypes cluster into three threat pairs.

THREAT PAIR	ARCHETYPE	PRIMARY THREAT	KEY SIGNAL	PRICING PIVOT
THE EXPOSED	Output Generators (e.g., Adobe, GitHub, Jasper, Canva)	Human replacement. AI produces the work product directly.	Rising artifact-to-seat ratio	Price on the artifact (code merged, campaigns launched, designs shipped)
	Workflow Coordinators (e.g., ServiceNow, Asana, Monday.com, ClickUp)	Interface erasure. Agents handle workflows via API	API-to-UI traffic divergence	Price on automated resolution (workflow completed, ticket resolved)
THE ERODING	Systems of Record (e.g., Salesforce, Oracle NetSuite, SAP, Workday)	Data layer bypass. External copilots query around the UI.	External query share growing vs. seat-originated	Price on intelligence (data access fees for external agents)
	Vertical Specialists (e.g., Veeva, Procore, Luminance)	Feature substitution. Generic AI handles niche workflows.	Feature substitution rate by generic AI tools	Price on data integrity (proprietary benchmarks, ground truth data)
THE SQUEEZED	Security & Compliance (e.g., Palo Alto, Rubrik, Vanta)	Vendor consolidation. CFOs reducing vendor counts.	Non-human identity ratio vs. billed seats	Price on AI footprint protected (risk surface, not headcount)
	Data Infrastructure (e.g., AWS, Snowflake, Azure, Databricks)	Margin compression. Compute costs rise with AI usage.	Gross margin per workload type (agentic vs. traditional)	Tiered pricing by workload type (playbook still being written)

The Exposed: Output Generators and Workflow Coordinators

Threat: Human replacement. The product must shift from enabling humans to replacing them, and pricing must follow.

The seat count was always a proxy for human activity. When AI reduces that activity without reducing the value extracted, the pricing model breaks immediately and visibly.

Output Generators are platforms where the primary value is a tangible work product: code, copy, design, campaigns. Adobe, GitHub, Jasper, and Canva sit in this category. One developer armed with AI tooling produces what previously required a team. Developer tooling has already seen early reports of 15 to 30 percent seat contraction at the enterprise level. Customers are extracting more value from these platforms than ever before while aggressively cutting the seat counts that fund them.

The pivot is to price on the artifact rather than the access. Revenue reconnects to what the platform produces (code merged, campaigns launched, designs shipped) rather than who logs in to produce it.



Red Flag Telemetry

Rising artifact-to-seat ratio. If your platform is producing more assets while seat counts stagnate or decline, your pricing model is failing to capture the value you are delivering.

Workflow Coordinators manage sequences of human tasks across organizations. ServiceNow, Asana, Monday.com, and ClickUp sit here. Their threat is interface erasure. As autonomous agents handle workflows via API calls, the dashboard that once justified per-seat pricing becomes optional. When agents coordinate across systems without a human navigating the UI, the interface layer loses its commercial rationale before the renewal conversation surfaces the problem.

Survival requires shifting from charging for interface access to charging for automated resolution. Revenue reconnects to the workflow completed, the ticket resolved, the contract executed, rather than the human who logged in to move it forward.



Red Flag Telemetry

API-to-UI traffic divergence. A spike in background API calls alongside declining human login frequency indicates agents are routing around your primary monetization engine.

The Eroding: Systems of Record and Vertical Specialists

Threat: Interface erosion. The moat is no longer the UI or the features. It is the data and intelligence layer that agents need to access.

These two archetypes are not facing direct replacement. They are facing a quieter threat: their interface layer is becoming optional while their data layer becomes more valuable.

Systems of Record own the data gravity of the enterprise: the tendency of large datasets to attract other services, applications, and additional data. Salesforce, Oracle NetSuite, SAP, and Workday fall here. Users are increasingly querying these systems through external copilots rather than the native dashboard. The interface becomes a passthrough. When revenue stays tied to human seats, these platforms end up hosting increasingly valuable data while the mechanism that taxes access to it quietly erodes.

The pivot is to charge for intelligence rather than interface. An access fee for external agents querying proprietary data shifts the revenue anchor from the human using the dashboard to the value extracted from the data layer, regardless of who or what is doing the extracting.

This pivot carries a significant legal prerequisite. Enterprise MSAs drafted over the last decade were explicitly designed to prevent vendors from pooling and monetizing customer data. For Systems of Record and Vertical Specialists, the transition out of the seat-based model requires renegotiating data rights, privacy boundaries, and customer opt-in frameworks before the commercial model can change. Without that groundwork, the data moat is an illusion.

Vertical Specialists have historically commanded a premium for deep industry-specific logic: Veeva in life sciences, Procore in construction, Toast in restaurants, PathAI in healthcare. The threat is feature substitution. Generic foundational models are becoming capable enough to handle niche workflows with a well-constructed prompt. The moat built on specialized features is narrowing faster than most vertical SaaS leaders expect.

The defensible asset is the proprietary data underneath the workflow. Anonymized, aggregated industry benchmarks and ground truth data that no horizontal model can replicate or hallucinate. The pivot moves from selling specialized features to selling data integrity.



Red Flag Telemetry

External query volume vs. seat-originated queries. Track what percentage of data access comes through external copilots and agents vs. the native UI. When that ratio inverts, your monetization model is anchored to the wrong access point.



Red Flag Telemetry

Feature substitution rate. When customers begin using generic AI tools for tasks previously handled by your custom industry-specific modules, the feature moat is already eroding.

The Squeezed: Security, Compliance, and Data Infrastructure

Threat: Consolidation and margin compression. Demand is growing for both archetypes. The threat is structural: the market is reorganizing around them in ways that compress margins or eliminate their standalone position, regardless of product quality.

Urgency here is lower than the Exposed, but the consequences of inaction are equally permanent.

Security and compliance platforms face a structural paradox. AI proliferation is expanding the attack surface, growing the market for what they do. Palo Alto Networks, Rubrik, and Vanta are seeing more demand. The threat comes from the other direction: CFOs are consolidating vendor counts, and larger platform players are absorbing point solutions into broader stacks. The standalone vendor is competing for budget in a market that is simultaneously growing and consolidating around it.

The pivot is to price on total AI footprint protected and quantifiable risk reduction rather than human employee headcount. As the ratio of AI agents to human identities inside enterprises accelerates, vendors priced against HR records are systematically undercharging for the risk surface they cover.

Red Flag Telemetry

Non-human identity ratio. If the number of AI agents and service accounts you are securing is growing while billed seats remain tied to human headcount, your risk-to-revenue ratio is structurally misaligned.

Data and infrastructure platforms (AWS, Snowflake, Azure, Databricks) are consumption-native, which means AI adoption spikes their usage. The problem is that it spikes their compute costs at the same rate. Without commercial model realignment, these companies risk becoming low-margin utilities as gross margins compress from the 80 percent range toward 40 percent.

The playbook here is still being written. These vendors have already made the pricing model transition the rest of the industry is grappling with. Their challenge is cost structure and margin management, not commercial model design. The most actionable moves are operational: tiered pricing by workload type, intelligent query routing that reserves heavy compute for high-value tasks, and margin management segmented by agentic vs. traditional workloads. The companies that maintain gross margins above 60 percent through the transition will be the ones that engineer their cost structure as aggressively as they price their products.

Red Flag Telemetry

Gross margin per workload type. Segment compute costs by agentic vs. traditional workloads. If agentic workload margins are below 40% and growing as a share of total volume, the unit economics of your fastest-growing segment are underwater.

Regardless of archetype, the Value Creation Compass data tells the same story. 87% of SaaS CEOs currently classify themselves in the Growth Optimizer or Growth Maximizer quadrant, optimizing or maximizing the existing growth model. Only 5% have begun the transition to the Valuation Expander quadrant and a more valuable revenue stream. The six paths into the valley are different. The way through it converges on the same quadrant.

The Predictability Penalty: Why Pure Consumption Terrifies the Boardroom

The strategic case for moving off seat-based pricing is clear to most boards by now. What stops them is the financial mechanics of the transition.

The entire SaaS valuation architecture is built on the predictability of subscription revenue. PE hold models of three to five years depend on it. Pure consumption and outcome-based models are inherently variable. If a customer scales back operations in a difficult quarter, consumption revenue drops immediately. Moving from locked-in upfront ARR to revenue that fluctuates month to month introduces what boards treat as a predictability penalty, and public markets have historically punished it.

Leaders cannot solve a structural pricing problem by destroying their valuation multiple in the process.

The companies navigating this transition successfully are not moving to pure consumption. They are implementing a hybrid model that protects the downside while capturing the AI-driven upside. The model separates commercial agreements into two distinct components:

The platform fee (the floor): a predictable, recurring baseline that grants access to the platform, core data infrastructure, and foundational workflows. This secures the ARR floor, covers fixed costs, and gives the board the revenue predictability it requires to underwrite the transition through Stage 2 of the valley.

The value fee (the upside): a variable, metered charge tied directly to AI-generated outputs, automated resolutions, or compute-intensive tasks. As seat counts

shrink and customer productivity rises, the vendor captures a proportional share of the value being created.

The platform fee funds the valley. The value fee funds what comes after it. Attempting the transition without that structural floor is a risk few boards will underwrite, and few should.

Executing this requires usage instrumentation most SaaS companies have not built yet: outcome attribution, workflow-level metering, and consumption tracking granular enough to bill against. Building that infrastructure is a multi-quarter initiative that should start before the pricing conversation, not after it. At minimum, that means standing up outcome attribution and workflow-level metering in the current quarter, even while the pricing model is still in design. For archetypes whose pivot depends on monetizing data access or customer outcomes, renegotiating enterprise MSA data rights is a prerequisite that should begin in parallel with commercial model design.

Fixing the Pricing Model Without Fixing the Coverage Model Fails

The archetype determines what breaks in the pricing model. It also determines what breaks in the go-to-market model. A company watching seat counts contract needs a coverage model that captures value through consumption velocity. A company watching agents query its data layer through external interfaces needs a coverage model organized around data access and integration depth, not login frequency. Both require a fundamental break from the coverage model SaaS has relied on for two decades: one built around a single unit of value, the contract. The AE closed it, the CSM protected it, the renewal team re-signed it. Every role, quota, and handoff was engineered around that document.

The consumption model exposes a structural gap the contract model hid. The most important moment in the customer relationship is the 30 to 90 days after deployment, when usage patterns emerge and the customer's trajectory toward genuine adoption either establishes itself or fails to. That moment determines



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whether the vendor captures 1x or 5x the initial contract value over the life of the relationship. In most SaaS organizations today, nobody owns it. The AE has moved to the next deal. The CSM's book is too large to go deep. The renewal team shows up 60 days before expiration. The coverage model was designed for a world where value was locked in the contract, not earned through consumption.

The companies handling this well have made the organizational redesign explicit. A dedicated expansion role owns the consumption window from first meaningful usage through the first 18 to 24 months: quota-carrying, commercially accountable, and funded by the variable revenue it generates. This is not a renamed CSM. It is a role built around a different commercial outcome. Coverage tiers rebuild around usage velocity and expansion potential rather than ARR bands, which means smaller books, deeper engagement, and a direct line between the role's cost and the consumption revenue it captures.

The Comp Plan Is a High-Friction Point in the Transition

Seat-based ACV comp rewards the close. When reps are paid on initial contract value and the real commercial upside sits six to twelve months post-deployment, reps default to the deal structure that protects their income. Every time. The transition cannot succeed on the pricing page while failing on the comp plan.

Health scoring has to change alongside it. An account with declining login frequency but a 3x increase in API-triggered workflows is your highest-value expansion target. Under traditional activity-based health scores, that account is flagged at risk. The coverage model, the comp plan, and the scoring framework all have to move together, and moving them together requires CEO-level alignment across revenue, finance, and the board.

The pricing model determines whether the business captures value in the new world. The GTM model determines whether it can operationally deliver on that capture at scale.

Growth Durability Is the New Growth Velocity

The SaaS businesses that thrive through the unbundling will not be the ones that grew fastest before it. They will be the ones that moved deliberately into the financial valley before market pressure forced their hand, and came out the other side with a revenue model that does not break when customers deploy AI.

Durable growth means the commercial model survives when customers become more productive. It means vendor revenue and customer value stay aligned even as headcount declines. And it requires a go-to-market structure organized around what the platform produces rather than who logs into it.

For PE investors, the implication is direct. NRR is not a sufficient health signal when the seat model faces structural pressure from both directions. The question is not whether NRR is positive today. It is whether the business model underlying it holds as customer AI deployment continues to accelerate and as vendor AI investment compounds the cost structure simultaneously.

The companies in the most defensible position share one attribute. They are not waiting for pricing pressure to make the conversation unavoidable. They are having it now, at the board level, with full visibility into the financial shape of the transition and enough runway to navigate it on their own terms.

That is the difference between managing the unbundling and being managed by it.

Why SBI?

Driven by insights and delivered from experience, SBI continues to help clients grow their revenue, margin, and enterprise value in ways never before possible.

Working with us, go-to-market leaders can expect confidence and trust with experienced partners every step of the way. We engage and support our clients as an extension of their team, both guiding and working side-by-side to deliver relatable, practical strategies that work for today and tomorrow.

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