

# SaaS METRICS PALOOZA

## GenAI Monetization Strategies:

Balancing Early Revenue and Adoption

October 2024



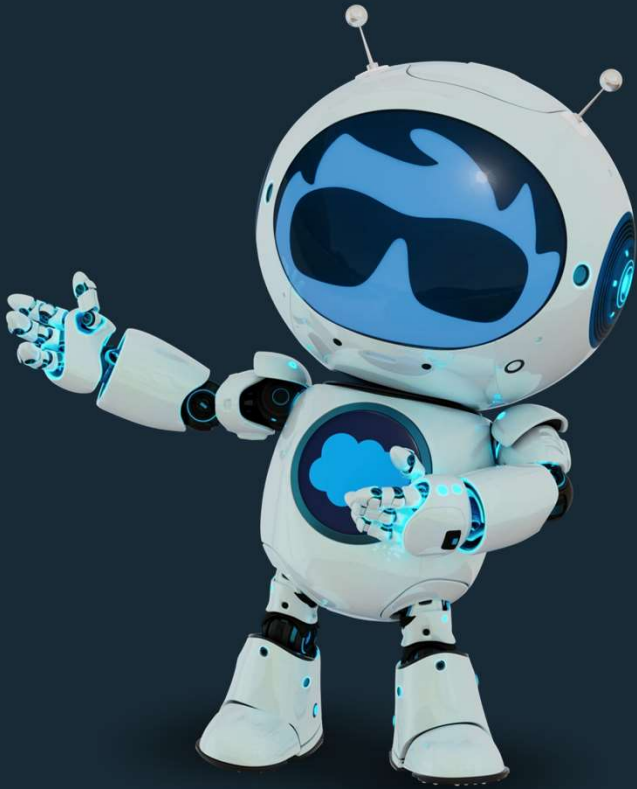
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Speakers

# Usage-based pricing is **not a silver bullet** for long-term GenAI monetization



When we look at pricing, it will be on a **consumption basis**. And when we think about that, we think about saying to our customers, and we have, it's about \$2 per conversation.

- Marc Benioff, Salesforce CEO

# Executive Summary



## PROBLEM STATEMENT

SaaS businesses are struggling to drive revenue growth with their GenAI functionality.

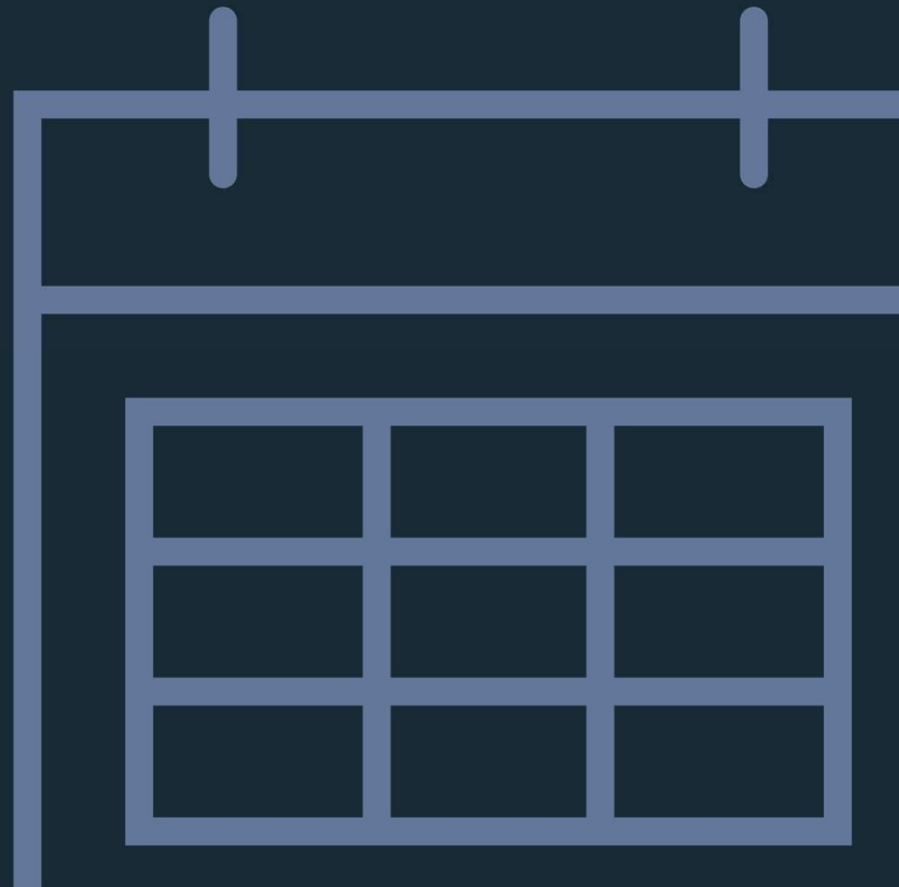


## HYPOTHESES

- 1 The current SaaS environment includes several headwinds to monetizing GenAI functionality.
- 2 The AI Scalability Gap organizations are facing is a key bottleneck to monetization potential.
- 3 SaaS businesses need to develop a phased approach to GenAI monetization that prioritizes adoption.

# Hypothesis #1

Tough time to be monetizing



# SaaS environment unfavorable for GenAI monetization



## Tech spending is restrained, but recovering

Software buyers, still mindful of incremental spend post-ZIRP, are more focused on “trying” rather than “buying” GenAI solutions



## Organizations aren't ready to leverage GenAI

Gaps in end user trust, skills, and organizational scalability lead to customers unprepared to recognize the promised productivity gains



## ROI has been elusive

Scaleability gaps across organization, unclear use-cases, and immature GenAI functionality have all contributed to low immediate ROI

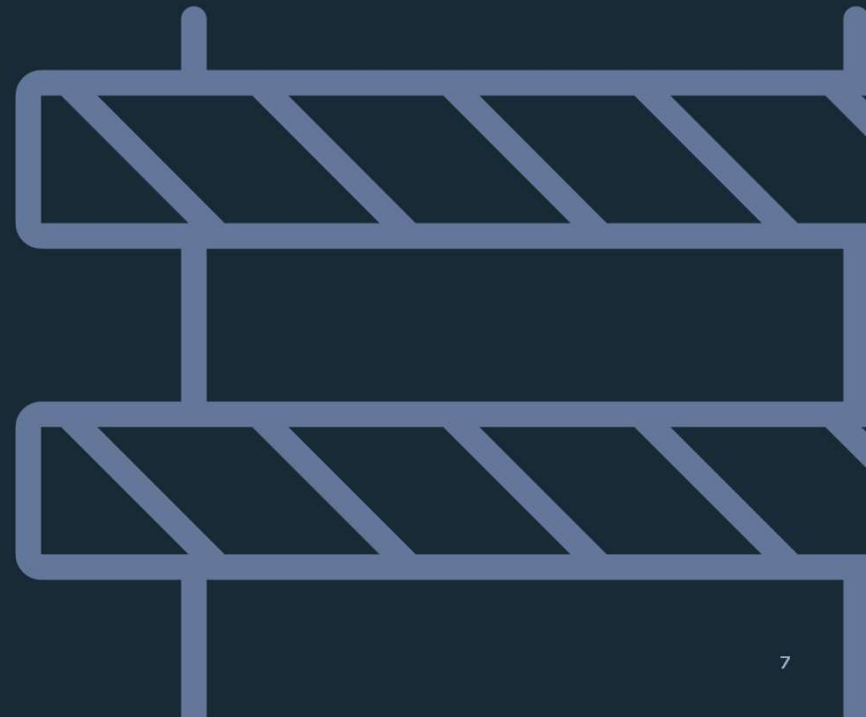


## Uncertainty around regulation

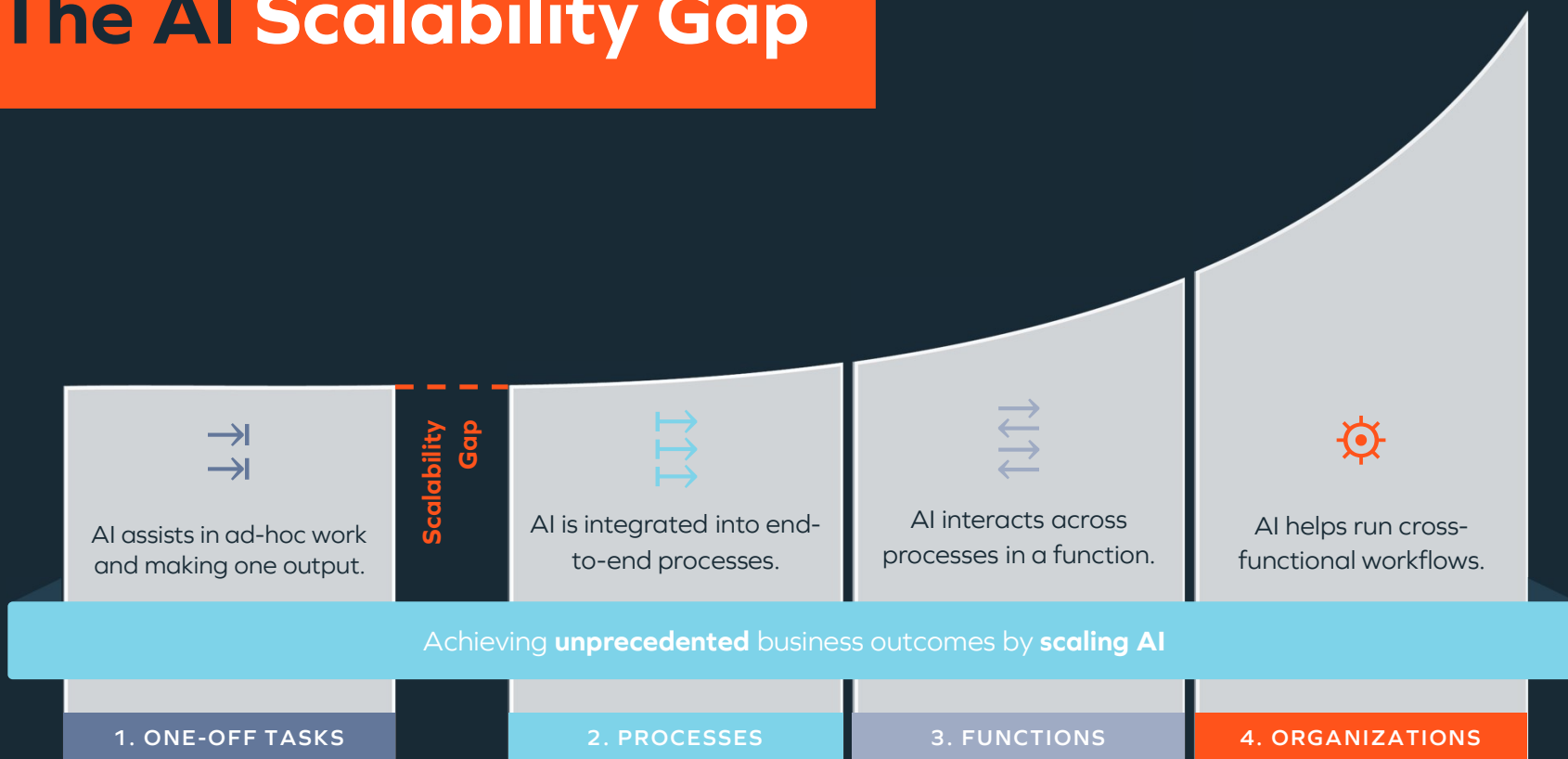
Unclear regulations create a challenging landscape for SaaS businesses looking to monetize generative AI, hindering confident pricing and feature development

# Hypothesis #2

The AI Scalability Gap is the biggest barrier to monetization

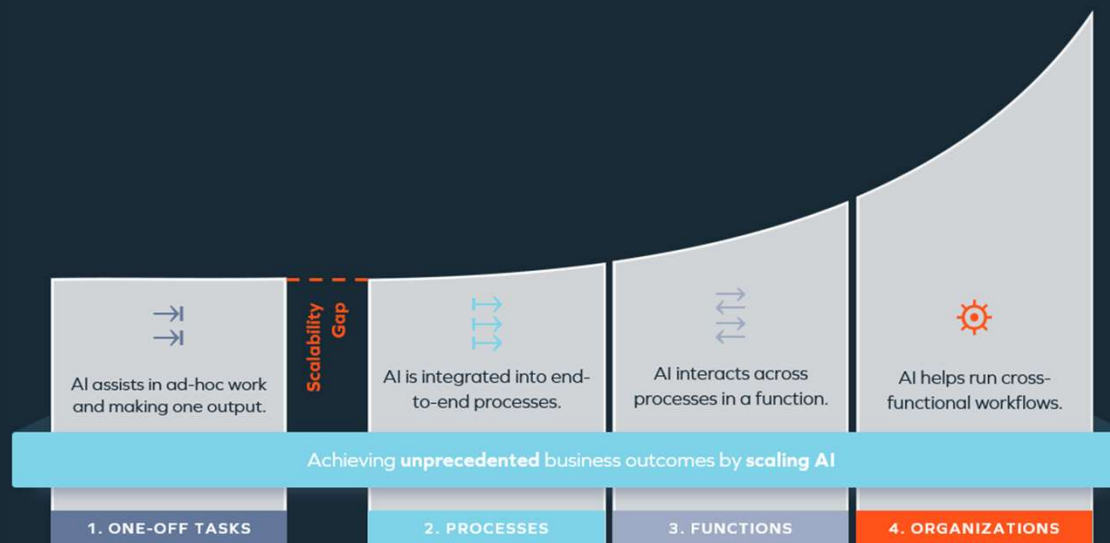


# The AI Scalability Gap





**CUSTOMERS**

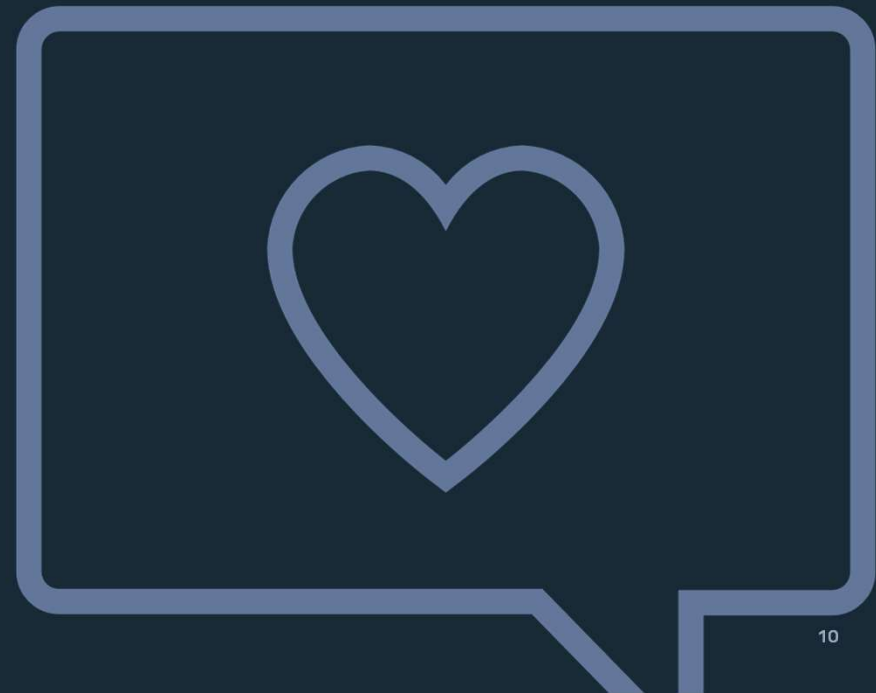


**TIME**

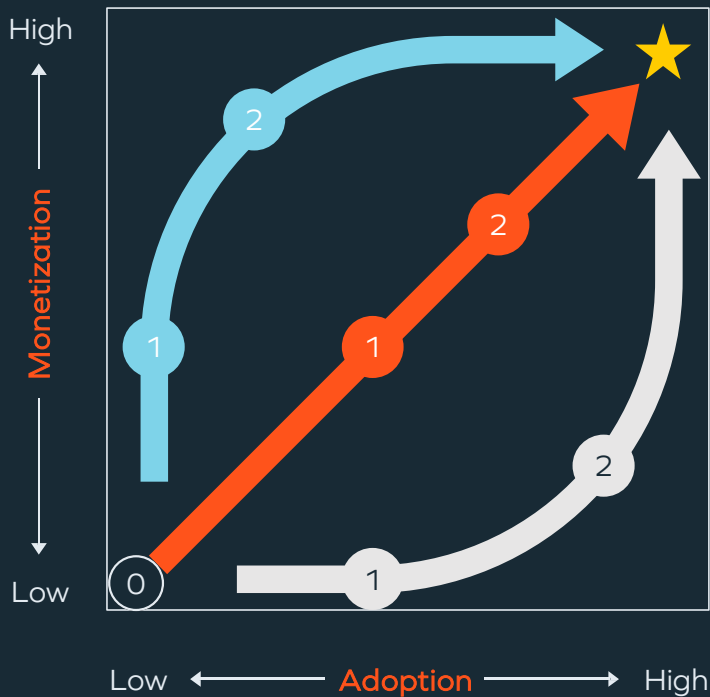
**MONETIZATION  
POTENTIAL**

# Hypothesis #3

Adoption before monetization



# GenAI Monetization Framework



① Pre-launch   ② Short-term   ③ Long-term

## MONETIZATION-FOCUSED

- Charging for access to a new feature to monetize early-adopters and driving adoption over time through bundling.
- **Example:** Microsoft Copilot sold separately as an add-on.



## BALANCED ADOPTION AND MONETIZATION FOCUS

- Bundling access into existing packages and/ or using it as an upgrade trigger to balance adoption and monetization.
- **Example:** ServiceNow bundling in GenAI into advanced tiers to drive upsell and offering additional advanced add-ons.



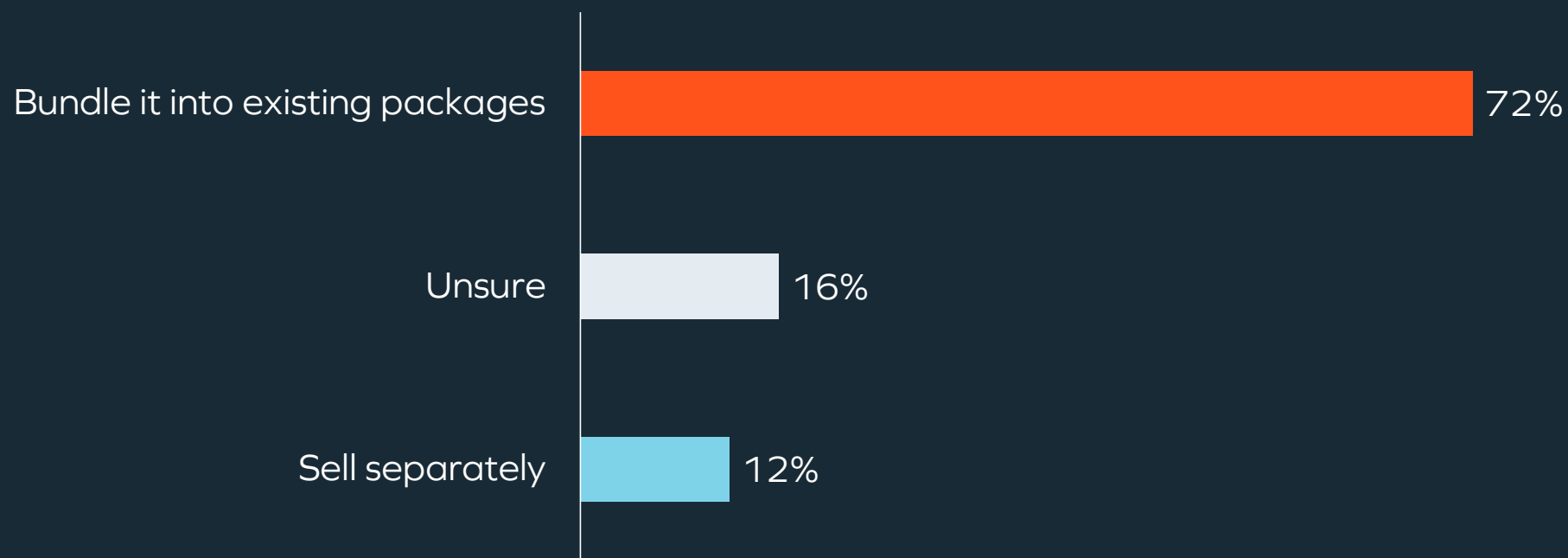
## ADOPTION-FOCUSED

- Providing near unlimited usage to all customers and monetizing through price increases or excess usage over time.
- **Example:** Zoom offering GenAI for free to all paid plans.

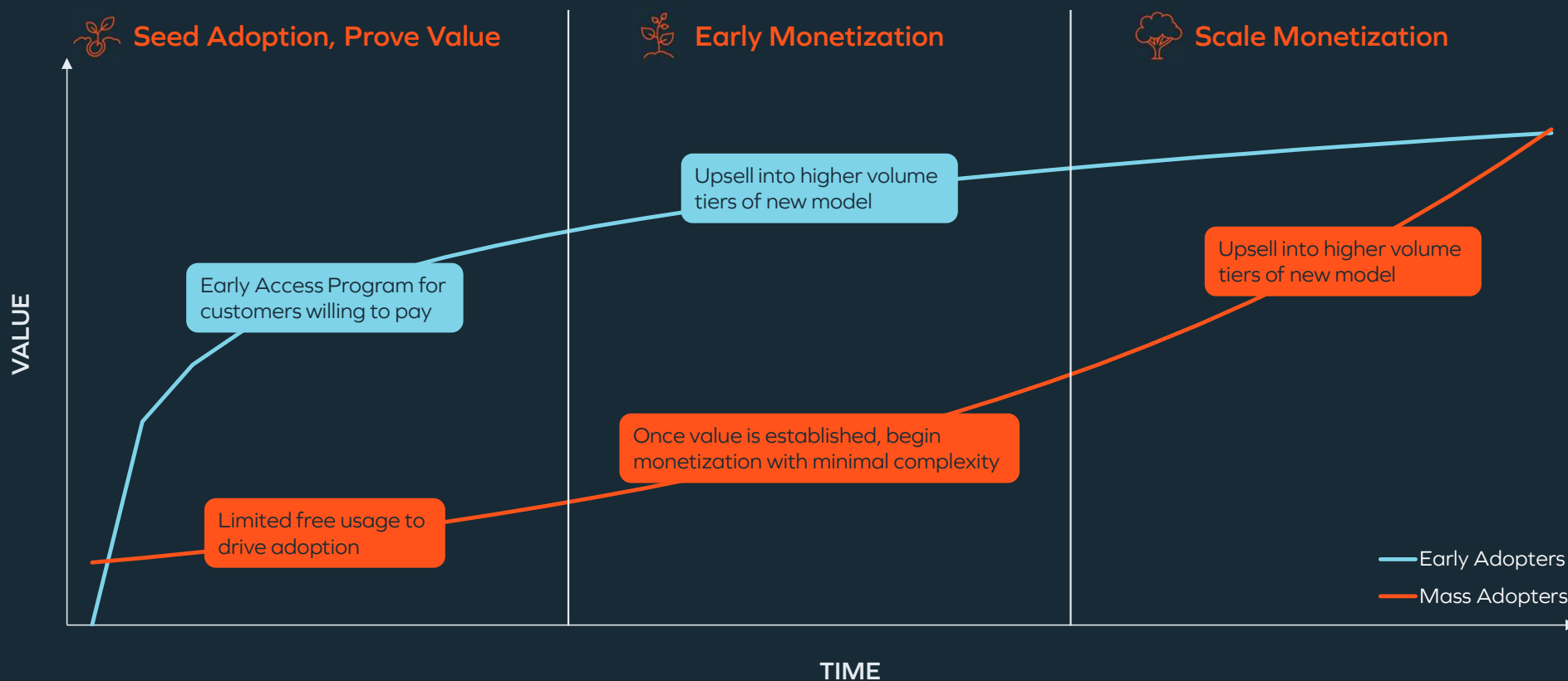


# Most Insight portfolio companies are planning on taking a **balanced monetization and adoption approach**


*How do you plan on offering new AI/ML features to customers?*



# A phased approach ties monetization to the speed of customer adoption and value realization



**Call to action:** Start with the customer first... monetization will follow



	Phase 1 <b>Seed Adoption, Prove Value</b>	Phase 2 <b>Early Monetization</b>	Phase 3 <b>Scale Monetization</b>
Customer Goal			
Business Goal			
Existing Pricing			
Evolved Pricing			

# Key Takeaways



## Mind the Gap

Match your approach to monetizing AI functionality to your customers' capacity to bridge the scalability gap.



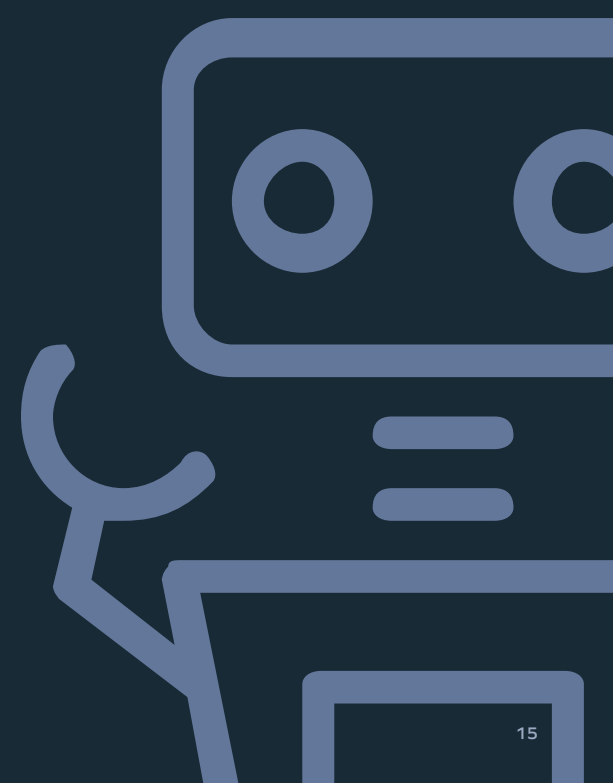
## Pace Yourself

The AI market is immature. Slow and steady will win this race as value evolves with increased AI functionality.



## As Value Evolves, So Will Your Strategy

How your customers ascribe value to AI capabilities, within your solution, will impact the approach and the pace of monetization.





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