

RESEARCH BRIEF

The Seat Is Dead:

How Agentic AI Is Forcing a Complete Rewrite of Enterprise Software Pricing

“

It would be foolish to still charge subscription base, because AI is so powerful that it will automate a lot of tasks.

— Christian Klein, CEO of SAP, Bloomberg, March 2026

Data current as of April 22, 2026

All financial figures sourced from primary SEC filings and earnings transcripts unless otherwise noted

Executive Summary

The enterprise software industry is living through the most consequential pricing shift in its history. For two decades, the per-seat license was the universal unit of B2B software commerce: predictable, scalable, and indexed to headcount. Agentic AI has broken that equation. When a single AI agent can perform the work of five, ten, or twenty human employees, the per-seat license loses its correlation with the value being delivered. The market repriced this reality in February 2026, when a sector-wide sell-off now referred to as the SaaSocalypse erased more than \$2 trillion in enterprise software market capitalization. The companies hit hardest were those most dependent on headcount-linked revenue.

This brief documents the transition using primary earnings transcripts, SEC filings, and strategic announcements from the eight largest enterprise software vendors. It is written for two audiences: SaaS company leaders who need to understand the urgency and mechanics of the transition, and founders building new software companies who need to understand the strategic landscape they are entering.

Key findings:

- **The seat-based pricing model is in structural decline.** Adoption has fallen from 21% to 15% of SaaS companies in twelve months. Companies clinging to pure per-seat models experienced churn rates 2.3x higher than those with hybrid or outcome-based billing.
- **ServiceNow disclosed on April 22, 2026 that 50% of its net new business now comes from non-seat-based pricing.** This is not a pilot. It is half of the company's new revenue running on a post-seat architecture, from a company with \$13+ billion in annual subscription revenue.
- **Workday's own 10-K states explicitly that headcount reductions at its customers directly reduce its subscription revenue.** No other major vendor has been this direct in disclosing the structural risk in a primary filing.
- **HubSpot launched pure outcome-based pricing on April 14, 2026, charging only when its AI agents resolve a customer ticket or qualify a sales lead.** The model resolves 65% of conversations across 8,000+ customer activations. It is the clearest live proof that outcome-based pricing works at scale.
- **The SaaSocalypse sell-off is sorted by business model vulnerability, not financial performance.** ServiceNow beat estimates, raised guidance, and posted 22% growth in Q1 2026. Its stock still fell 17-18% on April 23, its largest single-day decline on record. The market is pricing survival probability, not current results.
- **Google occupies two simultaneous positions:** a forced-bundling defense of the seat in Workspace and a consumption-based winner in Cloud. These two positions make Google simultaneously a defender of per-seat logic and a structural beneficiary of the agentic transition.
- **The transition is executable without destroying the existing revenue base.** ServiceNow's Q1 2026 result proves it: 97% renewal rates, raised guidance, and 50% non-seat new business in the same quarter.

Implications for Existing SaaS Vendors

ServiceNow's April 22, 2026 earnings call is the most important single data point for any SaaS CEO navigating this transition. Bill McDermott disclosed that 50% of net new business now comes from non-seat-based pricing. Renewal rates held at 97%. Guidance was raised. The transition is not theoretical and it is not fatal to the existing revenue base. It is executable. The question is not whether to make this transition but whether to make it on your own terms or wait until the renewal cycle forces it.

Move 1: Map Your Risk Before the Market Maps It for You

The first step is not a pricing decision. It is a diagnostic. Most SaaS companies have never performed a granular analysis of their ARR by seat exposure. They know total ARR and NRR. They do not know which customer segments will churn first when AI makes the headcount those seats coordinate unnecessary.

The exercise is straightforward in concept: segment your entire customer base by two dimensions. First, seat dependency, specifically how much of each customer's contract is predicated on human headcount. Second, AI exposure, meaning how far along the AI capability curve those customers' use cases actually are. The intersection of high seat dependency and high AI exposure is your immediate action list. These are the renewal conversations that will become difficult within 12–18 months whether you initiate them or not.

A related signal worth running in parallel: identify ghost seats. A ghost seat is a license being paid for that is no longer actively used, typically because AI has absorbed the workflow but the contract has not been renegotiated. Ghost seats are churn events in waiting. Every ghost seat that survives to renewal will be cut. Identifying them before the customer's procurement team does gives you the negotiating position; discovering them at renewal does not.

The goal of this diagnostic is not to alarm the board. It is to replace vague anxiety about AI disruption with a specific, actionable picture of where the risk lives and how large it is. That picture is the foundation for every commercial decision that follows.

The consequences of not running this diagnostic are no longer theoretical. On April 22, 2026, the same day ServiceNow reported its strongest quarterly results in years, Thoma Bravo transferred ownership of Medallia to its creditors, wiping out approximately \$5.1 billion in equity.¹ Thoma Bravo had acquired Medallia for \$6.4 billion in 2021, financed with significant leverage. The restructuring, a debt-for-equity swap with a creditor group that includes Blackstone, KKR, and Apollo Global, was the direct result of a company caught between deteriorating growth assumptions and a debt load structured for the growth environment that no longer exists. Seat compression was not the only cause. Rising rates, peak-cycle acquisition pricing, and internal operational challenges all contributed. But the loss of growth momentum, in a business whose revenue was indexed to customer headcount, removed the buffer that was servicing the debt. For any SaaS company carrying significant leverage, understanding exactly which parts of the ARR base are at risk from seat compression is not a strategic exercise. It is a covenant management exercise.

¹Reuters. "Thoma Bravo nears agreement to turn software firm Medallia over to creditors." April 22, 2026. reuters.com. Corroborated by Bloomberg, GuruFocus, and HedgeCo.Net reporting on the same date.

Move 2: Define What Your Platform Actually Resolves

Outcome-based pricing only works if you can define, attribute, and measure the outcome. This sounds obvious. In practice, most SaaS companies cannot do it when they first attempt it, not because their platforms do not deliver value, but because they have never had to prove it with the precision that billing requires.

The question to answer before any pricing conversation is: what discrete, verifiable outcome does this platform actually deliver? Not what does it enable, not what does it help users accomplish, but what specific, finite, attributable result can you prove happened because your platform acted on it?

HubSpot's answer is precise: a conversation that closed without escalation to a human agent within the defined SLA. That definition is verifiable, attributable to HubSpot's AI, and finite. It survives a billing dispute. Most platforms, when they first run this exercise, discover that their natural language answers to the question describe activity rather than outcomes. "The AI drafted a response" is activity. "The ticket was resolved without human intervention" is an outcome. The gap between those two descriptions is the gap between a platform that can adopt outcome-based pricing and one that cannot yet.

Running this exercise rigorously also reveals something more uncomfortable: some workflows, when examined honestly, can be fully replicated by a general-purpose AI agent without touching your platform at all. Those workflows are not outcome-based pricing candidates. They are product strategy questions. Identifying them early, before investment in outcome-based pricing infrastructure is committed, is among the most valuable things this exercise produces.

Move 3: Introduce Hybrid Pricing Before the Renewal Cycle Forces It

The companies experiencing the least churn in 2026 are those that proactively introduced hybrid pricing models before customers began demanding concessions. The companies experiencing the most churn are those defending pure per-seat pricing at renewal against customers who have already reduced headcount and know exactly what they want to cut.

Hybrid pricing in this context means a fixed platform fee that covers a defined baseline of value, combined with a variable layer that scales with the outcomes actually delivered. The fixed component satisfies enterprise CFO demand for budget predictability. The variable component aligns vendor revenue with customer value. Both parties win when the platform performs well. Neither party is arguing about whether unused seats should be refunded.

The critical principle: do not attempt to move customers directly from seat-based contracts to pure outcome-based pricing in a single contract cycle. The measurement infrastructure, the billing trust, and the customer familiarity with the model are not there yet. The hybrid model is the bridge that makes the eventual full transition credible rather than disruptive.

ServiceNow's approach, a base seat license combined with usage-based charges for tokens and connector activity, is the current enterprise-scale proof of this model. The 50% non-seat figure from Q1 2026 was not achieved by replacing seats. It was achieved by layering outcome-adjacent revenue on top of them while the measurement infrastructure matured.

Move 4: Treat Proprietary Data as the Real Asset, Not the Interface

The deepest structural insight from the transition underway is this: the workflow interface is not the moat. A general-purpose AI agent can approximate most workflow surfaces given sufficient context. What it cannot replicate is the proprietary, longitudinal data that your platform has accumulated about your customers' operations over months and years of active use.

The SaaS companies that will hold pricing power through this transition are those that have architected their platforms to compound institutional knowledge over time. Every resolved case, every completed workflow, every customer interaction that is captured, structured, and made available to the AI layer makes the next resolution cheaper and better. The platform becomes more valuable the longer a customer uses it, not because of feature additions but because of knowledge accumulation. That accumulated knowledge is what creates genuine switching cost in an agentic environment, because a competitor who has not been given 24 months of a customer's operational data cannot replicate the resolution quality regardless of the underlying model quality.

Practically: this means auditing your current data architecture and asking honestly whether it is designed to accumulate institutional knowledge or simply to facilitate transactions. The two architectures look similar from the outside. They produce radically different competitive positions over a three to five year horizon.

Move 5: Redefine the Seat as an Agentic Capability, Not a Login

The seat is not dead for every vendor. Microsoft had 15 million paid Copilot seats as of Q2 FY2026, growing 160% year over year. Google bundled Gemini AI into every Workspace plan and raised prices 17-22%. Both companies are defending seat-based revenue, and both are doing it by changing what the seat represents.

The vendors that will hold seat-based pricing power are those that can justify the seat not as a billing mechanism tied to headcount but as a standing agentic capability that an individual or a team draws on continuously. The seat becomes the interface to a network of AI capabilities, a persistent intelligence layer rather than a login credential. That reframing survives headcount reduction because the value is no longer indexed to how many people show up at work. It is indexed to how much work gets done.

For most SaaS vendors, this reframing requires product decisions more than pricing decisions. It requires AI capabilities deep enough that removing the seat would genuinely impair outcomes, not just reduce access to a dashboard. The pricing model change follows from the product architecture. Vendors who try to reframe the seat in commercial terms without the underlying product capability will not hold the pricing position through the next renewal cycle.

CPAG Framework: The three-phase transition roadmap, diagnostic tools, and outcome pricing architecture for executing this transition are detailed in the RaaS Vendor Transition Playbook. [Access the RaaS Manifesto and Playbook at crownpointadvisorygroup.com](https://crownpointadvisorygroup.com)

Implications for Seed and Series A Founders

The SaaSocalypse is not uniformly bad news for founders building new software companies. It is the market moment that makes defensible new entry possible. The incumbents most damaged by the February 2026 repricing are those whose revenue models were most dependent on the headcount-linked seat. Those companies are now, simultaneously, distracted by an existential transition and carrying pricing architectures that cannot be rebuilt overnight. The window to enter markets they have dominated is open in a way it has not been in a decade.

No Legacy Architecture to Unwind

The single largest structural advantage a new entrant holds in this market is not technology. It is the absence of a legacy pricing architecture to migrate. The incumbents documented in this brief, Salesforce, Workday, SAP, ServiceNow, are all executing transitions of varying quality while simultaneously protecting existing ARR, managing investor expectations, and navigating customer relationships built on the model they are abandoning. That is a complex, slow, politically charged process. You are building directly onto the outcome-based layer from day one, with the credibility advantage of never having charged for anything else.

That advantage is real but time-limited. In three to five years, the incumbents who survive this transition will have completed it and will compete on outcome-based terms with the operational depth of 20-year enterprise relationships behind them. The window is not permanent.

The Moat Question Is the Product Question

In an environment where a general-purpose AI agent can approximate most workflow surfaces given sufficient context, the durable competitive question for any new software company is not what your product does. It is what proprietary data or context your product accumulates that a competitor cannot replicate.

This question needs to be answered at the architecture level before the first line of production code is written. The platforms that will compound in value over time are those designed from the ground up to accumulate institutional knowledge: the specific patterns, exceptions, relationships, and domain logic that make a customer's operations unique. A platform that handles transactions but does not capture the knowledge those transactions represent is building on a foundation that a well-prompted general model will eventually bypass. A platform that captures that knowledge and structures it for AI reasoning builds a moat that deepens with every customer interaction.

Concretely: when you define your product's data architecture, ask what knowledge is generated by every workflow your platform handles, whether that knowledge is being captured in a form that makes subsequent workflows faster and better, and whether the accumulated knowledge after 24 months of customer use would be genuinely difficult for a competitor to replicate. If the answer to the third question is no, the architecture needs to change before the product ships.

Outcome-Based Pricing Is a Customer Acquisition Argument

For early-stage companies without the brand trust that incumbents carry, outcome-based pricing removes the primary barrier to enterprise adoption: the requirement to commit budget before value is demonstrated. HubSpot's model includes a free 28-day trial with zero financial commitment until the first resolution. That structure converts the product's own performance into the sales motion.

For a founder entering a market dominated by vendors who charge per seat regardless of outcomes, the pitch "you only pay when it works" is not just a pricing strategy. It is a differentiation argument and a risk-reversal mechanism. It signals confidence in the product's performance and forces the enterprise buyer to evaluate on results rather than on the comfort of a known vendor. That is a favorable evaluation for a well-built product.

The prerequisite, and this connects to the architecture point above, is that the outcome must be defined precisely enough to be verifiable without dispute. Vague outcome definitions create billing disputes that destroy customer relationships faster than any pricing model advantage can repair them.

Build the Fundraising Argument on Physics, Not Narrative

Capital concentration at the megadeal level in 2026 is real. The largest rounds are going to companies with direct ties to frontier AI labs, and the premium commanded by that pedigree is significant and largely non-negotiable. For founders without that pedigree, competing in the same narrative register, "we are building the AI-native future of X," is not a winning strategy when you are pitching alongside companies that can back that narrative with a lab relationship.

The more durable argument is grounded in evidence: specific customers using the product, measurable outcomes those customers have achieved, a demonstrated understanding of why the proprietary data your platform accumulates creates a position that a well-capitalized competitor cannot simply overwrite with a better model. The investor who hears that argument from a company with early customer traction is evaluating a business, not a vision. In a market where vision pitches are abundant and early traction is scarce, that distinction matters.

CPAG Framework: The market sizing and economic model for the transition from seat-based to outcome-based pricing is detailed in the Biological Middleware Tax Market Analysis. [Access the Biological Middleware Tax Market Analysis at crownpointadvisorygroup.com](https://crownpointadvisorygroup.com/biological-middleware-tax-market-analysis)

Market Transformation: Three Phases

The industry has moved through three distinct phases of AI monetization since 2024.

- **Phase 1, 2024:** AI as premium feature. Vendors applied a simple per-seat uplift or "copilot" fee to existing plans.
- **Phase 2, Mid-2025:** Copilot logic collapses. Enterprises realized that AI productivity gains were leading to seat compression: the actual reduction of human licenses needed to perform a given

workload. The AI Efficiency Trap became visible: a vendor whose tool succeeds at making customers efficient is punished in revenue terms as customer headcount shrinks.

- **Phase 3, H1 2026:** Radical pricing refactoring. Hybrid, usage-based, and pure outcome-based models dominate vendor roadmaps. Seat-based pricing has declined from 21% to 15% of SaaS companies in twelve months, while hybrid models jumped from 27% to 41%.

The Pricing Hierarchy

Rung	Model	Mechanism	Market Status (2026)
1	Traditional SaaS	Per-seat monthly access	In rapid decline; viewed as legacy constraint
2	Micro Usage-Based	Per API call, token, or CPU cycle	Common for infrastructure; causes bill shock at app layer
3	Value Usage-Based	Credits for meaningful units	The "great re-bundling" mechanism; used by HubSpot and Adobe
4	Hybrid	Fixed platform fee + variable usage/outcome layer	Dominant transition state for approximately 60% of vendors
5	Outcome-Based	Charge only for verified business results	Gold standard for agents; HubSpot, Zendesk, HighRadius

Institutional Analysis: Major B2B Vendors

Salesforce: The Agentic Enterprise at Full Scale

Salesforce has occupied a central role in the pricing debate since its May 2024 earnings miss. CEO Marc Benioff aggressively repositioned the company around Agentforce, an autonomous agent platform that shifts the focus from human-operated CRM to digital-labor-led workflows. Salesforce reported Q4 and full-year FY2026 results on February 25, 2026.

We have rebuilt Salesforce to become the operating system for the Agentic Enterprise, bringing humans and agents together on one trusted platform. Agentforce ARR reached \$800 million, up 169% year-over-year, and we have closed 29,000 deals, up 50% quarter-over-quarter. We have consumed nearly 20 trillion tokens, and converted them into more than 2.4 billion agentic work units to date.

Marc Benioff, Chair and CEO, Salesforce. Q4 FY2026 Earnings Release, February 25, 2026.²

²Salesforce. "Salesforce Delivers Record Fourth Quarter Fiscal 2026 Results." February 25, 2026. investor.salesforce.com.

Metric (FY2026, year ended Jan 31, 2026)	Value	YoY Growth
Total Annual Revenue	\$41.5 billion	10%
Q4 Revenue	\$11.2 billion	12%
Agentforce ARR (organic)	\$800 million	169%
Agentforce + Data 360 ARR (incl. \$1.1B Informatica Cloud ARR)	\$2.9 billion	200%+
Agentforce Deals Closed	29,000	50% QoQ
Tokens Processed (cumulative)	~20 trillion	5x YoY
Total RPO	\$72 billion	14%

Source: Salesforce Form 8-K, Q4 FY2026 Exhibit 99.1.³

Disclosure: the \$2.9 billion Agentforce and Data 360 ARR figure includes approximately \$1.1 billion of Informatica Cloud ARR acquired through Salesforce's Informatica acquisition. The organic Agentforce-only ARR of \$800 million is the clean like-for-like growth metric.

Salesforce's pricing architecture has evolved through several iterations: a flat \$2-per-conversation model, then \$0.10-per-action credits, then reintroduced per-user AI licenses at \$125 or more per month to satisfy enterprise CFO predictability requirements. Even the most AI-forward incumbent has not yet solved the consumption-versus-predictability tension.⁴

SAP: Declaring the End of the Subscription Era

SAP has historically been a stronghold of per-user licensing in the ERP market. In March 2026, CEO Christian Klein signaled a radical pivot, moving toward an AI Units pricing framework that aligns costs with usage rather than system access. SAP is also restructuring internally, creating forward-deployed engineering teams to build AI applications directly with clients.⁵

Market reception has been mixed. Customers report difficulty forecasting spending under the AI Units model, which lacks the stability of traditional annual subscriptions. SAP's share price fell approximately 26% in early 2026.

ServiceNow: The Hybrid Model Validated at Scale

ServiceNow entered 2026 as a Rule of 55+ company: the rare combination of 20%+ growth and 30%+ operating margins. Q1 2026 results, reported April 22, 2026, confirmed that the pricing transition is working.

³Salesforce. Form 8-K, Q4 FY2026 Exhibit 99.1. U.S. Securities and Exchange Commission. sec.gov.

⁴Salesforce. "Salesforce Delivers Record Third Quarter Fiscal 2026 Results." December 3, 2025. investor.salesforce.com.

⁵SAP CEO Christian Klein, interview with Bloomberg, March 2026. Sourced via erp.today/sap-shifts-to-ai-consumption-pricing.

Metric	Q1 2026 Value	YoY Growth
Total Revenue	\$3.77 billion	22%
Subscription Revenue	\$3.67 billion	22% (19% constant currency)
Current RPO (cRPO)	\$12.64 billion	22.5%
Total RPO	\$27.7 billion	25%
Non-GAAP Operating Margin	32%	50 bps above guidance
Free Cash Flow Margin	44%	
Large Deals (>\$5M NNACV)	16 deals	~80% YoY growth
Now Assist \$1M+ ACV customers	130%+ YoY growth	
Full-Year Subscription Revenue Guidance (raised)	\$15.74–\$15.78 billion	22%–22.5%

Source: ServiceNow Q1 2026 Earnings Release and Earnings Call Transcript, April 22, 2026.⁶⁷

The defining data point from the Q1 2026 call: CEO Bill McDermott disclosed that 50% of net new business now comes from a non-seat-based pricing model, combining foundational seat licenses with usage-based scalability through tokens and connector fees. That is not a pilot. That is half of the company's new revenue running on a post-seat architecture.⁸

ServiceNow raised its full-year guidance, citing \$1.5 billion in AI-specific commitments for 2026 and the contribution from its completed \$7.75 billion Armis acquisition. The company's 22-year proprietary data asset, managing 95 billion workflows and 7 trillion transactions, is what McDermott described as the differentiation that makes ServiceNow's AI orchestration uniquely defensible.⁹

Despite beating consensus on every metric and raising guidance, shares dropped approximately 9–13% in after-hours trading on April 22, then fell approximately 17–18% in the April 23 trading session, the company's largest single-day decline on record.¹⁰ A 75 basis point headwind from delayed closings of several large on-premise deals in the Middle East due to the ongoing regional conflict fed investor anxiety, compounding the broader SaaSocalypse pattern of selling software names regardless of reported results. The stock is down approximately 30–35% year to date heading into Q2 2026.

Atlassian: The Market's Most Watched Seat Compression Test

Atlassian's story is consistently cited as the first confirmed evidence of seat contraction. The Q2 FY2026 earnings record does not yet support that narrative.

- Cloud revenue reached \$1.1 billion for the first time, up 26% year over year.¹¹
- Annual run-rate revenue surpassed \$6 billion. RPO grew 44% year over year, accelerating for the third consecutive quarter.

⁶ServiceNow. "ServiceNow Reports First Quarter 2026 Financial Results." April 22, 2026. newsroom.servicenow.com.

⁷ServiceNow Q1 2026 Earnings Call Transcript. The Motley Fool / AOL Finance, April 22, 2026.

⁹ServiceNow Q1 2026 Earnings Call Highlights. Yahoo Finance, April 22, 2026.

¹⁰CNBC. "ServiceNow stock sinks after Q1 2026 earnings." April 22, 2026. cnbc.com.

¹¹Atlassian. Form 8-K, Q2 FY2026 Shareholder Letter. January 2026. sec.gov.

- Net revenue retention exceeded 120%, with sequential improvement for three straight quarters.
- Teamwork Collection surpassed 1 million seats and 1,000 customers in under nine months from launch, with double-digit seat expansion versus standalone app customers.¹²
- Companies using Atlassian AI code tools create 5% more Jira tasks, show 5% higher monthly active users, and expand Jira seats 5% faster than non-AI users.

The accurate framing: Atlassian represents the market's leading indicator for whether seat compression will materialize at scale. The structural fear is well-founded. The evidence in reported numbers has not yet confirmed it. The stock fell approximately 74% over the trailing year as investors priced in the risk rather than the current results.¹³

Workday: The Starkest Structural Exposure

Workday is the most direct expression of the headcount-pricing problem. Its core revenue meter is the human employee. Workday's own FY2026 10-K makes the exposure explicit:

Our subscription-based model is largely based on the size of our customers' employee headcount. Therefore, the addition or loss of employees by our customers, including any significant reductions in force by our customers, can and has had an impact on our subscription services revenues.

Workday Form 10-K, Fiscal Year 2026.¹⁴

Metric (FY2026)	Value	YoY Growth
Q4 Total Revenue	\$2.53 billion	14.5%
Q4 Subscription Revenue	\$2.36 billion	15.7%
Full-Year Subscription Revenue	\$8.83 billion	14%
AI Actions Delivered (FY2026)	1.7 billion	
FY2027 Subscription Revenue Guidance	\$9.9-\$10.0 billion	12-13%

Source: Workday Q4 FY2026 Earnings Transcript and Futurum Group post-earnings analysis.^{15,16}

- In February 2026, Workday announced a workforce reduction of approximately 2% of its staff, a separate restructuring from the 8.5% cut announced in February 2025. Both rounds reflect the company's ongoing effort to realign resources toward AI investment.¹⁷
- Full-year restructuring charges reached \$303 million in FY2026 versus \$84 million the prior year, sourced from the primary Workday 10-K. This reflects the full-year impact of both workforce reductions and facility closures.¹⁸

¹²Atlassian. Q2 FY2026 Earnings Call Transcript. The Motley Fool / Yahoo Finance, February 2026.

¹³TIKR.com. "Atlassian Stock: Down 74% Last Year, Can it Recover in 2026?" February 21, 2026.

¹⁴Workday. Form 10-K, Fiscal Year 2026. U.S. Securities and Exchange Commission. sec.gov.

¹⁵Workday. Q4 FY2026 Earnings Call Transcript. Yahoo Finance, February 24, 2026.

¹⁶Futurum Group. "Workday Q4 FY2026 Earnings Mark AI Agent Push Amid Slight Outlook Miss." February 27, 2026.

¹⁷Humai.blog. "SaaS Apocalypse: Why Enterprise Software Has Lost More Than \$2 Trillion in 2026." April 16, 2026.

¹⁸24/7 Wall St. "AI Agents Don't Buy Seats, and That's Workday's \$133 Stock Problem." March 16, 2026.

- Jefferies downgraded the stock on February 23, 2026, citing seat compression as the primary thesis.¹⁹
- Workday's Illuminate AI platform has been adopted by more than 75% of core customers. Expansion deals including AI are nearly 50% larger on average.

HubSpot: The Clearest Outcome-Based Benchmark

HubSpot is the most advanced live implementation of pure outcome-based pricing among large B2B SaaS vendors. In February 2026, the company reported 20% revenue growth, contrasting sharply with peers punished by seat compression fears. Effective April 14, 2026, HubSpot moved two of its Breeze AI agents to outcome-based pricing.²⁰

- **Breeze Customer Agent:** Shifted from \$1.00 per conversation to \$0.50 per resolved conversation. Resolution defined as a conversation closed without escalation to a human agent.
- **Breeze Prospecting Agent:** Shifted from a recurring monthly charge to \$1.00 per lead recommended for outreach.

Businesses are being asked to make big bets on AI right now. Too often, that means paying for potential rather than performance. Outcome-based pricing removes that risk. You pay when it works, full stop.

Jon Dick, Chief Customer Officer, HubSpot.²¹

Breeze Customer Agent resolves 65% of conversations and cuts resolution time by 39% across more than 8,000 customer activations. Prospecting Agent activations grew 57% quarter over quarter. HubSpot's model is the current benchmark because it can instrument resolution consistently, producing a clean auditable billing event.

Microsoft: Redefining the Seat as an Intelligence Layer

Microsoft represents the most commercially significant response to the seat compression thesis. Rather than abandoning seat-based pricing, Microsoft has redefined what a seat represents: from a login credential to an intelligence layer embedded across 450 million commercial subscribers.

Metric (Q2 FY2026, Dec 31, 2025)	Value	Notes
Paid M365 Copilot Seats	15 million	~3.3% of M365 base
Seat Growth	160% YoY	Record quarter
Total M365 Commercial Seats	450 million	Up 6% YoY
GitHub Copilot Subscribers	4.7 million	Up 75% YoY
Q2 Total Revenue	\$81.3 billion	Up 17% YoY

Source: Microsoft Q2 FY2026 Earnings Call, January 28, 2026.^{22,23}

¹⁹Kavout. "Workday Faces AI Headwinds: What Triggered the Recent Downgrade." February 23, 2026.

²⁰MarTech / Third Door Media. "HubSpot moves to outcome-based pricing for some Breeze AI agents." April 2, 2026.

²¹HubSpot. "HubSpot's Customer Agent and Prospecting Agent: Now you pay when the task is complete." April 2, 2026.

²²Microsoft. "Microsoft Fiscal Year 2026 Second Quarter Earnings Conference Call." January 28, 2026.

²³Office 365 for IT Pros. "Microsoft FY26 Q2 Results: 450 Million Microsoft 365 Seats." January 30, 2026.

The critical qualifier: 15 million paid Copilot seats is only 3.3% of 450 million M365 commercial subscribers after two years on market. Recon Analytics finds a workplace conversion rate of just 35.8% versus 83% for ChatGPT, indicating that seat growth is real but adoption depth remains shallow.²⁴

Microsoft launched Copilot Cowork in March 2026, a delegation-focused agentic layer designed to move Copilot from single-turn drafting to multi-step autonomous task completion. Q3 FY2026 earnings are scheduled April 29, 2026.²⁵

Google: Two Simultaneous Positions

Google occupies a structurally distinct position in this transition, and unlike the other vendors in this analysis it is not primarily a risk story. It is a study in how the same company can be simultaneously a defender of seat-based revenue and a consumption-based winner, depending on which business line you are examining.

Google Workspace: The Mandatory Bundling Defense

In January 2025, Google restructured its entire Workspace product portfolio, bundling Gemini AI directly into all plans and raising list prices 17–22% across the board.²⁶ Standalone Gemini add-on subscriptions were eliminated for new purchases. Customers who had not previously purchased Gemini separately were hit with a blanket per-seat uplift with no corresponding new feature access. Enterprise customers absorbed the increase at their next renewal, typically without negotiation.²⁷

This is the inverse of HubSpot's model. Rather than charging for outcomes, Google extracted more value per seat by making AI non-optional and raising the price of access. The addition of no-code agent creation through Workspace Studio in 2026 deepened the AI layer within the seat further.

The durability question is the same one facing every vendor pursuing this approach: the bundling play defends seat revenue in the near term by redefining the value of the seat. But if enterprise headcount contracts materially as AI agents absorb knowledge worker tasks, Google will lose Workspace revenue regardless of how much AI it bundles into each seat. The bundling approach buys time. It does not change the underlying structural equation.

Google Cloud: The Consumption-Based Winner

Google Cloud is a structural beneficiary of the agentic AI transition. GCP is consumption-based by design, and every AI agent task generates compute revenue regardless of which application layer it operates through.

At Cloud Next 2026, Google rebranded Vertex AI to the Gemini Enterprise Agent Platform and announced that 89% of business teams are already using AI agents, with the average organization running 12. Early customer deployments include Danfoss, which automated 80% of transactional decisions in email-based order processing, reducing response times from 42 hours to near real-time.²⁸

Google Cloud surged 47.8% in Q4 2025, reaching a \$70 billion annual run rate. The Cloud backlog has reached \$243 billion.²⁹ GCP is fighting from third position in cloud market share behind AWS and Azure,

²⁴Recon Analytics / AI Business Weekly. "Microsoft Copilot Statistics 2026: Users and Adoption."

²⁵Bank of America / The Street. "Bank of America resets Microsoft stock forecast ahead of earnings." April 20, 2026.

²⁶TechCrunch. "Google raises the price of Workspace plans, includes its AI features for free." January 15, 2025.

²⁷Redress Compliance. "Google Workspace Pricing 2026: The Complete Enterprise Cost Guide." March 2026.

²⁸The Next Web. "Google Cloud Next 2026: AI agents, A2A protocol, Workspace Studio, and the full-stack bet." April 2026.

²⁹Heygotrade / Alphabet investor materials. "5 US Stocks to Watch This Earnings Season: April 2026." Google Cloud backlog figure from Alphabet investor presentations.

but the full-stack strategy, owning the model, the runtime, the silicon, the governance layer, and the productivity suite, is a credible differentiation argument. For Google Cloud, the seat compression crisis in enterprise SaaS is not a problem. It is an accelerant.

The Outcome-Based Pricing Census

Outcome-based pricing has moved from theoretical to operational. Market metrics below are annotated by source quality.

- 47% of SaaS companies actively exploring or piloting outcome-based pricing (NxCode February 2026 pricing guide).³⁰
- 40% of companies with ARR above \$50M now include consumption or outcome-based revenue (High Alpha Benchmark Report, via Zylo 2026).³¹
- 40% of enterprise SaaS contracts projected to include outcome-based components by end of 2026 (widely cited as Gartner forecast; primary report not independently verified by CPAG; treated as directional).³²
- 2.3x lower churn among companies using outcome or usage-based models versus pure per-seat (Growth Unhinged research).³³
- 50% of ServiceNow's net new business now sourced from non-seat-based pricing, including tokens and connectors (Q1 2026 earnings call, April 22, 2026).³⁴

Company	Model	Pricing Metric	Key Signal
HubSpot	Pure OBP	\$0.50/resolved; \$1.00/qualified lead	Live April 14, 2026; 65% resolution rate, 8,000+ customers
Zendesk	Pure OBP	\$1.50-\$2.00/automated resolution	Pioneered per-resolution model at enterprise scale
Intercom	Hybrid OBP	\$0.99/resolution (Fin AI)	Scaled to 8-figure ARR at 393% annualized rate
HighRadius	Pure OBP	Tied to cash acceleration	Eliminated all pre-go-live subscription fees
Salesforce	Evolving OBP	\$0.10/action; migrating to outcome work units	\$800M Agentforce ARR validates monetization at scale
ServiceNow	Hybrid	Base seat + tokens + connectors	50% of net new business now non-seat-based (Q1 2026)

³⁰NxCode. SaaS Pricing Strategy Guide, February 2026. IDC 2028 forecast cited in multiple secondary sources.

³¹High Alpha Benchmark Report, cited in Zylo SaaS Statistics 2026. zylo.com.

³²Gartner. Forecast cited across industry secondary sources including BetterCloud and Monetizely. Primary report not independently verified by CPAG; treated as directional.

³³Growth Unhinged research, cited in globalpublicist24.com/outcome-based-pricing-saas.

The SaaSocalypse of 2026

The market coined the term SaaSocalypse in early 2026 to describe the rolling sell-off in enterprise software stocks. The defining characteristic: stocks fell even when companies beat earnings. On January 28, 2026, ServiceNow reported \$3.47 billion in subscription revenue, beat consensus, raised full-year guidance, and posted its ninth consecutive earnings beat. The stock fell 11% in the session.³⁵

The market was not reacting to financial performance. It was repricing a business model. Hyperscalers are projected to spend more than \$470 billion on AI infrastructure in 2026, capital flowing toward capabilities that directly substitute for the knowledge worker workflows that per-seat SaaS vendors monetize.

Date	Event	Market Impact
Jan 28, 2026	ServiceNow beats; Microsoft beats with \$81.3B revenue	ServiceNow -11%; Microsoft loses ~\$357B market cap
Feb 11, 2026	AppLovin and Cisco earnings; AI capex fatigue narrative accelerates	AppLovin --20%; Cisco --12%
Feb 23-25, 2026	Peak sell-off; Workday guidance disappoints; Jefferies downgrades WDAY	Salesforce --26% YTD; Workday --40% YTD by March
Feb-Mar 2026	Atlassian and Adobe continued reset on structural pricing fears	Atlassian --74% trailing year; Adobe --30% YTD
Apr 22, 2026	ServiceNow beats Q1 2026 on every metric; raises full-year guidance	Stock drops 9-13% after hours Apr 22; falls 17-18% on Apr 23, largest single-day decline on record

Calibration note: the SaaSocalypse has multiple causes. Seat compression is central but not singular. AI capex sustainability concerns, FY2027 guidance shortfalls, geopolitical deal delays, and broader sector rotation all contributed. The April 22 ServiceNow result illustrates this precisely: a company executing at an extremely high level was sold off because one data point, Middle East deal delays, gave investors a reason to reduce exposure to a software name already under structural scrutiny.

The public market sell-off is the visible layer of the SaaSocalypse. The less visible layer is in private credit. From 2015 to 2025, more than 1,900 software companies were acquired by private equity in deals totaling over \$440 billion.³⁶ The underwriting thesis in every case rested on assumptions that AI is now systematically dismantling: sticky recurring revenue, predictable cash flows, high switching costs, and headcount-linked seat expansion. Private credit exposure to software is estimated at \$600 to \$750 billion. As of early February 2026, more than \$17.7 billion in US tech company loans dropped to distressed trading levels in just four weeks, bringing the total tech distressed debt pile to approximately \$46.9 billion, dominated by SaaS companies.³⁷ A record \$25 billion of software-sector loans now trade below

³⁶SaaStr. "SaaS Markets Have Crashed in 2026. But Is Private Credit the Even Bigger Risk?" February 21, 2026. saastr.com. Private credit exposure range (\$600-750B) sourced from 9fin and UBS estimates cited therein.

³⁷Bloomberg Intelligence, cited in Bloomberg News. "Distressed Software Loans Swell by \$18 Billion in Span of Weeks." February 4, 2026. [bloomberg.com](https://www.bloomberg.com).

the distress threshold of 80 cents on the dollar.³⁸ Approximately one-fifth of PE-owned software companies will need to refinance by 2028.³⁹ The Medallia restructuring is not an isolated event. It is the first confirmed instance of a complete equity wipeout in a major PE-backed SaaS company attributed in part to AI disruption of the growth assumptions underlying the original deal. It will not be the last.

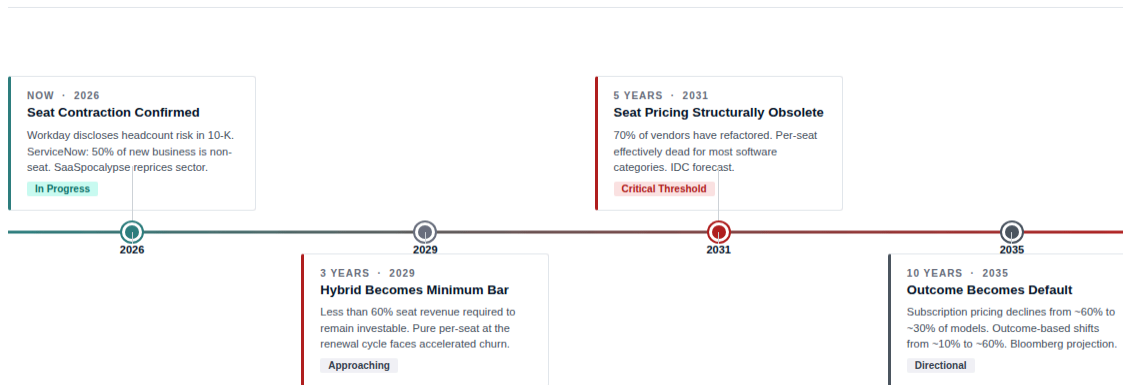
The Impact Timeline

The pricing shift follows a staged evolution that is moving faster than most legacy vendors anticipated.

CROWN POINT ADVISORY GROUP · RESEARCH BRIEF

The Impact Timeline: From Seat Compression to Structural Obsolescence

Projected trajectory of per-seat pricing model decline · 2026 through 2035



Sources: IDC (2028 forecast); Bloomberg pricing model forecast (directional); CPAG primary research · CPAG Research Brief, April 2026

Figure: Enterprise Software Pricing Impact Timeline, 2026–2035. CPAG Research Brief, April 2026.

- **Immediate (0–12 months from early 2026):** Seat contraction is being reported in legal, marketing, and customer support. Workday is disclosing headcount-linked renewal risk in its own 10-K. ServiceNow reports that 50% of net new business is already non-seat-based.
- **Intermediate (3 years):** B2B SaaS companies must ensure less than 60% of revenue derives from pure seats to remain investable. Companies still defending pure per-seat models at the 2029 renewal cycle will face accelerated churn.
- **Structural obsolescence (5 years):** Seat-based pricing expected to be effectively dead for most software categories by 2028–2029. IDC forecasts 70% of software vendors will refactor pricing away from pure per-seat models by 2028.⁴⁰

³⁸Morningstar LSTA data, cited in SaaSr February 21, 2026. Record \$25 billion of software-sector loans trading below 80 cents on the dollar.

³⁹UBS estimate cited in SaaSr, February 21, 2026. Approximately one-fifth of PE-owned software companies will need to refinance by 2028.

- **Long-term market shift (10 years):** Bloomberg has estimated subscription pricing will decline from approximately 60% to 30% of software pricing models, while outcome-based pricing shifts from approximately 10% to 60% of models. This is a directional projection, not confirmed data.⁴¹

Vendor Stock Performance vs. Pricing Model Vulnerability

The chart below plots year-to-date or trailing-year stock decline as of March 2026, color-coded by business model exposure to seat compression. The sell-off is not random. It is sorted by pricing model vulnerability.

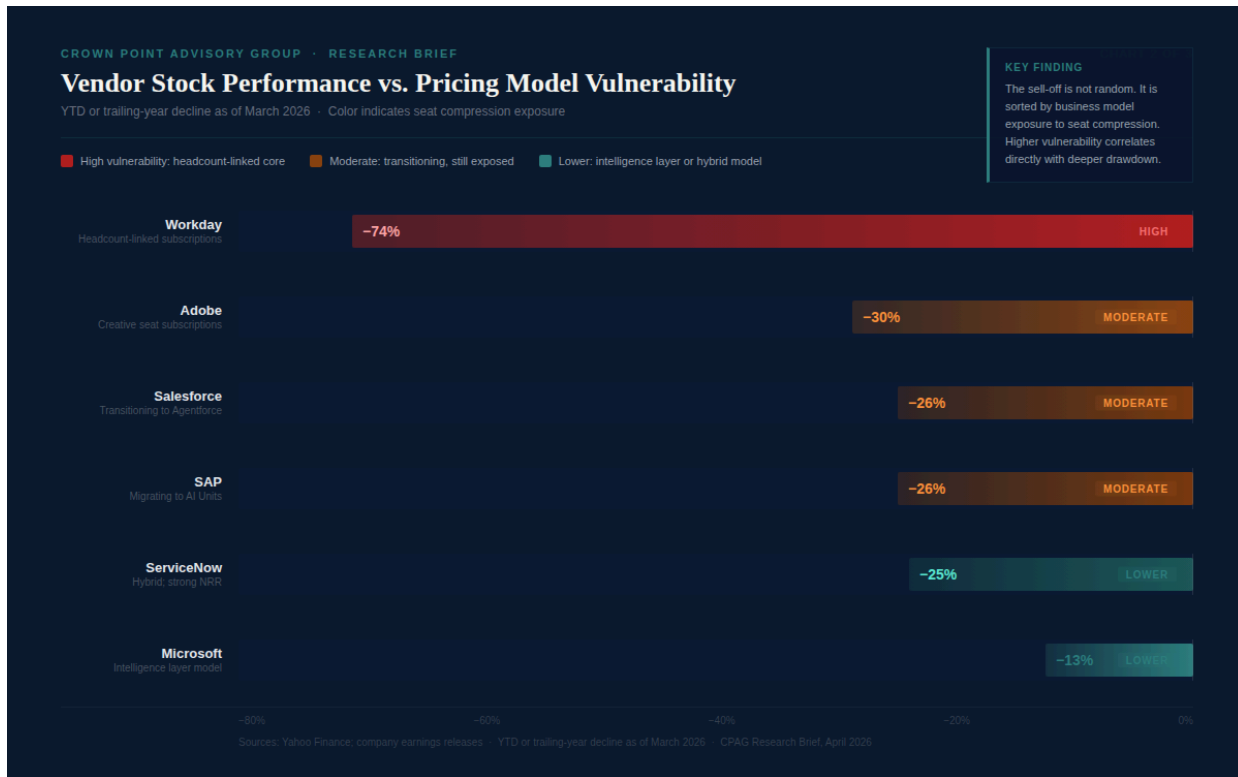


Figure: Vendor Stock Performance vs. Pricing Model Vulnerability, March 2026. Sources: Yahoo Finance, company earnings releases. CPAG Research Brief, April 2026.

⁴¹Bloomberg pricing model forecast, cited in multiple secondary sources. Primary report not independently verified; treated as directional.

Operational Realities

Variable Cost and Margin Pressure

Traditional SaaS carries very low variable cost of service. Agentic AI does not. Every task an AI agent performs requires tokens, API calls, and compute. Vendors charging a flat per-seat fee while users run large AI workloads face rapid margin erosion. This is why approximately 65% of vendors have layered an AI consumption meter on top of seat pricing.

The Billing and RevOps Gap

Legacy billing systems were built for simple subscriptions. Specialized billing providers including Alguna, Orb, and Metronome have emerged to track tasks, outcomes, and token consumption in real time at enterprise scale.

The Predictability Crisis for Buyers

Outcome-based pricing is viewed as fair by approximately 80% of enterprise buyers. It also introduces bill shock. IT leaders report that scaling AI applications from pilot to production routinely reveals cost underestimations of 500–1,000%. The market response is converging on hybrid pricing with fixed base fees and hard consumption ceilings.

The AI Paradox

The structural tension at the center of this market: vendors building AI capable enough to make their customers dramatically more efficient are the same vendors whose seat revenue will compress as those customers reduce human headcount. ServiceNow's Q1 2026 result is the most current evidence that this paradox is navigable. The path is to layer outcome-adjacent revenue on top of the existing seat base while the measurement infrastructure matures, not to replace seats overnight.

Conclusion

The evidence in this brief points to a single conclusion: the per-seat license is no longer the right unit of commerce for enterprise software in an agentic world. The reckoning arrived in early 2026 and is visible in the earnings records, SEC filings, and market valuations of every major vendor covered here.

The vendors navigating this transition successfully share one characteristic: they moved before they had to. ServiceNow did not wait for customer churn to force a hybrid model. HubSpot did not wait for competitors to offer outcome-based pricing first. Microsoft did not wait for seat compression to hollow out the M365 base before reframing the seat as an intelligence layer. In each case, the proactive move preserved optionality. The reactive move, which is what Workday is now executing under market pressure, is the more expensive version of the same transition.

For SaaS leaders: the five moves in the Implications section of this brief are not a framework imposed from outside. They are the operational pattern that the evidence in the vendor analysis confirms. The transition is executable. ServiceNow proved it on April 22, 2026. The window to execute it on your own terms is open. It will not stay open indefinitely.

Crown Point Advisory Group | crownpointadvisorygroup.com | @CrownPointAG

This brief is produced by Crown Point Advisory Group for informational and thought leadership purposes only. It does not constitute investment advice, legal advice, or a solicitation to buy or sell any security. All financial data and market figures are current as of April 22, 2026 and may have changed subsequent to publication. Crown Point Advisory Group is not a registered investment advisor. Readers should conduct their own due diligence and consult qualified advisors before making any business or investment decisions based on the content of this brief.