princelet

The "Price of AI":

Is AI becoming more expensive for businesses to use?

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Overview

A structural change in pricing

Workato, a software group that helps enterprises with automation and agentic AI, recently saw its AI-related costs increase seven-fold overnight. This occurred due to its AI provider shifting from a flat-fee, per-seat pricing model to a pricing model based on how many tokens employees consume[1]. Workato is not alone - **enterprises that moved quickly to roll out AI access are now imposing usage caps and steering staff towards cheaper models.** So, is AI becoming more expensive for businesses to use?

[1]Financial Times, "'We created a monster': companies rein in AI usage as costs strain budgets", June 2026

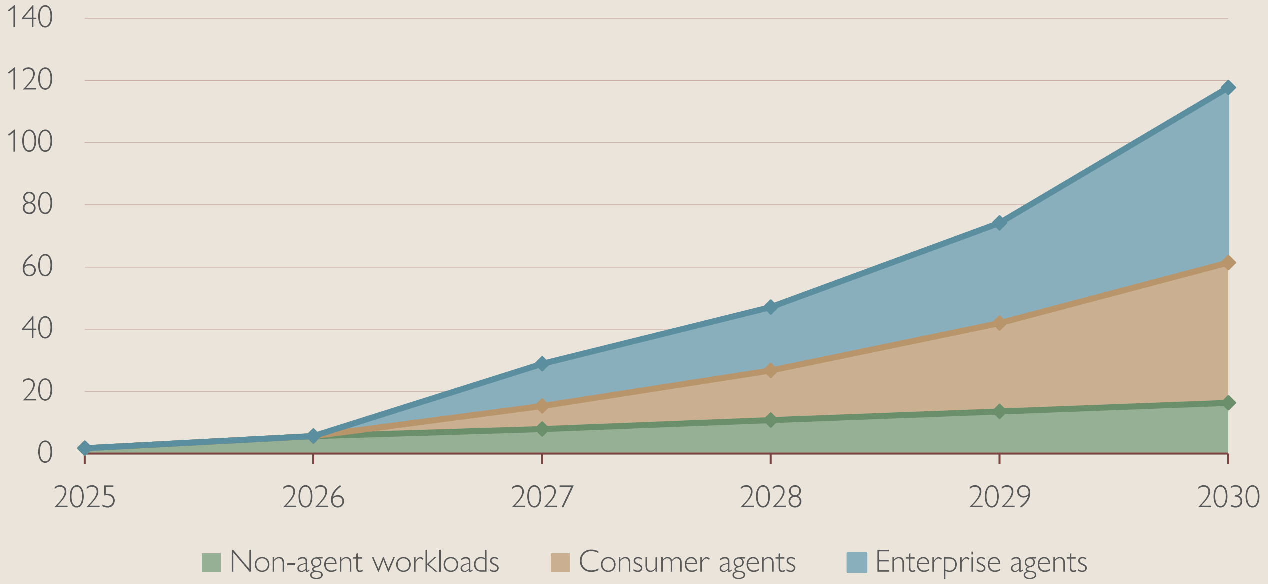
Why the change matters

AI providers are moving to consumption-based pricing and two forces are pushing consumption up

For most of the generative AI era, providers relied on flat-fee, per-user pricing, and by some accounts, actively subsidised the true cost of usage to win market share in a highly substitutable market. Microsoft, for example, was reportedly losing $20 to $80 per user per month[2]. With models previously largely interchangeable, competition was fought on price. Now, AI providers are moving to consumption-based pricing, where **costs are driven by how many tokens a business consumes.**

This matters because two forces are pushing token consumption up. First, each new flagship model from the likes of Anthropic, Google, and OpenAI tends to consume far more tokens than its predecessor[3]. Second, businesses are shifting from simple chatbot interactions towards agentic AI workflows, where a single user prompt can trigger a chain of AI-powered tasks (searching the internet, processing results, querying further sources) requiring significantly more compute time, and therefore more tokens.

Estimated Monthly Token Count[4]



[2]TechRadar, "Microsoft is reportedly losing huge amounts of money on GitHub Copilot", October 2023

[3]Epoch AI, "LLM responses to benchmark questions are getting longer over time", April 2025

[4]Goldman Sachs, "AI Agents Forecast to Boost Tech Cash Flow as Usage Soars", May 2026

What prompted the change?

The industry's move towards a consumption-based model can be explained by the following:

The large volume of tokens involved in agentic workflows makes token subsidies infeasible.

By integrating AI deeply into business processes, agentic workflows make it harder for businesses to switch from one AI provider to another. With higher switching costs, providers can capture more surplus from a stickier customer base and charge steeper prices.

SpaceX's recent IPO shows appetite for public listings, and investors scrutinise unit economics ahead of these events. So, as some AI providers are thinking of an IPO, **a consumption-based pricing model can help increase revenues.**

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How the change affects companies of varying size

If you’re a company, how do you make sense of this change?

For smaller organisations, start by thinking clearly about whether AI is actually the right tool for the problem at hand, rather than, say, traditional development, which might be a one-off cost. AI excels at tasks requiring flexibility and nuance, such as summarising large amounts of varied data to suit different users. Conventional programming, on the other hand, is often better suited to repeatable, predictable tasks like extracting data from structured forms.

For companies looking to explore AI more broadly, giving all employees access and pairing that with some simple guidance, such as which models suit which tasks, can go a long way towards ensuring usage is both efficient and effective. **An internal 'AI working group', made up of employees well-versed in the technology, can further help by sharing practical tips** (including effective prompt engineering) and keeping staff informed about new model developments that could improve ROI and reduce costs.

For larger organisations that have already rolled out AI access, usage data can be a valuable guide. Consider scaling back access for teams with low engagement, while forecasting demand for more token-intensive workloads. As many will know, transitioning AI from a tool used by a handful of employees to an enterprise-wide deployment is challenging. And with AI costs on the rise, it's increasingly important to be deliberate about who has access. In addition, **monitoring and forecasting token usage is especially critical when API calls are running in the background,** where consumption can quickly go unnoticed, making it essential to set limits and guard against excessive usage in these types of projects.

How the change affects sectors

Where a business sits also shapes how this change plays out

Sector	Token intensity	Value per task	Key risk	Opportunity
Software & tech	High - agentic and developer workloads are token-intensive	Medium to High	Margin erosion if AI usage isn't monetised and tokens stay a pure overhead cost	Embed AI as a paid feature so tokens are a passed-through input; potential product moat
Professional & financial services (law, accountancy, advisory)	Low to Medium token volume per task	High	Regulatory and data-privacy exposure, forcing more controlled, costly deployments	AI substituting for billable hours can be strongly value-accretive
Business Process Outsourcing (e.g. contact centres)	High	Low	Most cost-exposed; savings likely to be competed away in pricing rather than retained as margin as capability becomes universal	Tangible cost savings if usage is disciplined; hybrid AI/human tiering protects margin
Retail, marketing & ad-tech	Medium - often project-led and tokens consumed in bursts, making costs manageable	Medium	Reputational and legal tail-risk from consumer-facing deployments	Content generation, trend analysis, and campaign optimisation (e.g. Gap's use of AI to accelerate product-trend analysis); measure against business outcomes, not raw token usage

Our view

> "By integrating AI deeply into business processes, agentic workflows make it harder for businesses to switch from one AI provider to another."

For founders and shareholders, this change makes AI a cost line whose variability bears directly on enterprise value. A business reporting healthy margins under flat-fee, per-user pricing may carry a latent liability if that pricing converts to usage-based. An acquirer will want to know how AI costs have been recorded, whether they support the earnings story, and whether the spend has been value-accretive or simply a one-off expense.

Most private company transactions are priced on a multiple of EBITDA, and **whether AI costs are expensed or capitalised can materially affect EBITDA.** Expensing the costs reduces EBITDA in the current period, potentially lowering the headline valuation. Capitalising those costs, by contrast, increases current EBITDA by spreading the expense over future periods, potentially supporting a higher headline valuation, even though the underlying cash spend is the same. **However, buyers will assess the accounting treatment and may seek to normalise EBITDA when valuing the business.**

For an owner weighing an exit, **AI spend now belongs on the diligence list alongside considerations like revenue quality and customer churn.** Whether you are thinking about an exit, an acquisition, or how AI-related costs will read to a prospective acquirer, contact us to start the conversation.

About Us

We're a boutique corporate finance firm that works side-by-side with tech founders, shareholders and investors to deliver exceptional M&A outcomes.

We don't stop until the right acquirer is found, the best terms negotiated, and the deal signed.

2010
Founded

£10-£50m
Deals specialists

+£3 billion
Aggregated deal value

38 deals
Completed since 2012

Clarity in Complexity
Excellence in Every Deal

Our Team

We're a team of experienced advisors, former investors, and sector specialists.

Each of us brings a different perspective, but we're united by a shared belief in hard work, thoughtful approach, and seeing the deal through.

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