

The Hidden Cost of Pay-Per-Use AI Pricing

Why usage-metered software creates unpredictable bills, and lands on your P&L.

AI vendors love to charge by the click. It looks fair until the bill arrives. Here is what usage-based pricing does to a software vendor's economics, why it comes back to you, and the pricing model to demand instead.

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Executive summary

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Most AI software is now sold by the click: you pay for each credit, token, or run, and the more your team uses it, the bigger the bill. That looks fair on the page. It is the one software model where the vendor's margin falls as you get more value from the product, so the price you sign is rarely the price you keep. Any enterprise about to sign should know why before it does.

Underneath, each unit of AI work costs the vendor real money to deliver, often several dollars, while the price on the page reads like cents. The more a customer uses, the more the vendor loses. On a typical model, a healthy 85 percent software margin collapses toward 34 percent once usage is metered. No software business runs there for long, so the cost comes back to you: unpredictable bills, budget caps, teams told to use the tool less, higher prices at renewal, and in the worst case a vendor that cannot fund its own roadmap.

This brief shows the math, what it means for a buyer, and the one thing to insist on: pricing tied to the results you buy, with a cap you can forecast.

01**By-the-click pricing punishes success**

The more value your team gets from the tool, the bigger the bill, and the more your vendor bleeds.

02**The bill is unpredictable**

Usage spikes around seasonal launches, so a budget line becomes a quarterly guess.

03**Demand pay-for-results**

Pay per finished tech pack or approved sample, with a hard cap. Predictable for you, sustainable for the vendor.

AI is worth buying. The billing model is where the risk hides, and you can screen it out before you sign. This brief shows you how.

How AI got priced this way

02

For twenty years, software was sold by the seat. You paid per user per month, the cost to serve each user was tiny, and margins sat around 85 percent. That is the business investors learned to love. AI broke it, because now every action a user takes can trigger real compute cost on the vendor's side.

The quick fix most vendors reached for was to bolt a meter onto the old product: a pool of included credits, then a charge for every credit over the line. It looks tidy on a pricing page. It fails in two ways.

First, **buyers do not think in credits**. A head of product thinks in outcomes, styles finished, tech packs shipped, approvals cleared, not in units of compute. A price no one can translate into business value is a price no one can defend in a budget meeting.

Second, **a credit's cost is impossible to predict**. It swings with how long a request runs, how many revisions a season needs, and how heavy the launch calendar is. It is the same idea as a phone plan with overage fees, applied to creative work that is bursty by nature. The bill arrives after the work is done, and it is never the number you planned for.

20 yrs

Software sold by the seat, at a cost to serve so small it barely moved margin

85%

The gross margin that per-seat model earned, and that investors learned to love

2

Ways bolting a credit meter onto that product fails a buyer

The tell

If a vendor's pricing page is denominated in credits, tokens, or runs, ask one question: what does one of those cost me per finished tech pack, at my volume, in my peak season?

If they cannot answer, neither can you, and that is the whole problem.

The margin math

03

Here is what metering does to the economics, on a representative model. The numbers are illustrative; the shape is not. Take a vendor with 1,000 accounts at \$1,000 a month, so \$12M a year. On the old per-seat model it costs about 15 percent to serve, leaving an 85 percent margin. Now meter the AI. Average usage runs about 114 credits per account per month, and each credit costs the vendor roughly \$4.50 to deliver once you count the compute and the overhead around it. That is about \$6.2M a year in new cost, and margin falls from 85 percent to about 34 percent.

FIG 1

WHERE THE \$12M GOES, BEFORE AND AFTER THE METER

Sold by the seat

85% margin



Metered by usage

34% margin



■ Cost to serve (base) ■ New AI usage cost ■ Gross margin

Illustrative. \$12M revenue · ~\$1.8M to serve · ~\$6.2M AI usage cost · gross margin 85% to 34%.

The charge was set as if a unit of AI cost cents. It costs the vendor dollars. Push the same model harder and it breaks past the average: at \$4.50 a credit, an account running double the average, about 228 credits a month, burns \$1,026 in compute alone, more than the \$1,000 it pays, before a cent of overhead (illustrative, from the same model). Your most engaged customer becomes the vendor's worst account. No software business survives long at 34 percent, let alone underwater, so something has to give, and it gives on the customer's side.

85% → 34%

Gross margin, before and after the meter is switched on

ILLUSTRATIVE MODEL

\$6.2M

New AI usage cost a year, on \$12M of revenue

ILLUSTRATIVE MODEL

\$1,026

Compute on a \$1,000 account at double the average use

ILLUSTRATIVE MODEL

What it means for you

04

When a vendor loses money on usage, it has only three ways out: raise the price, cap what you can run, or quietly ship a cheaper, weaker model. Every one of them lands on the buyer, later and in worse ways than a line on the invoice. Five to watch for:

- ◆ **Unpredictable bills.** Your cost moves with usage you cannot forecast, so a budget line becomes a quarterly surprise.
- ◆ **Adoption gets rationed.** The fastest way a vendor protects margin is to make you use the product less, the opposite of why you bought it.
- ◆ **Renewals get more expensive.** The meter losing them money today becomes the price increase on your desk next year.
- ◆ **The roadmap stalls.** A vendor bleeding margin cannot fund the improvements you were promised.
- ◆ **Vendor risk rises.** In the worst case the economics do not hold, and you are re-platforming mid-season.

Fashion makes all of this sharper. Usage is bursty by nature. It spikes hard around seasonal launches and market drops, so a metered bill is lumpy and impossible to plan against a flat annual budget. And the market has already noticed the fragility: when investors re-rated software companies exposed to this problem, roughly \$285 billion in value moved on the read that metered AI margins may not hold.

\$285B

Software value re-rated once the market judged metered AI margins may not hold

3

Ways a squeezed vendor claws the margin back, each one landing on your side

34%

The thin margin a metered vendor is left trying to defend against you

“

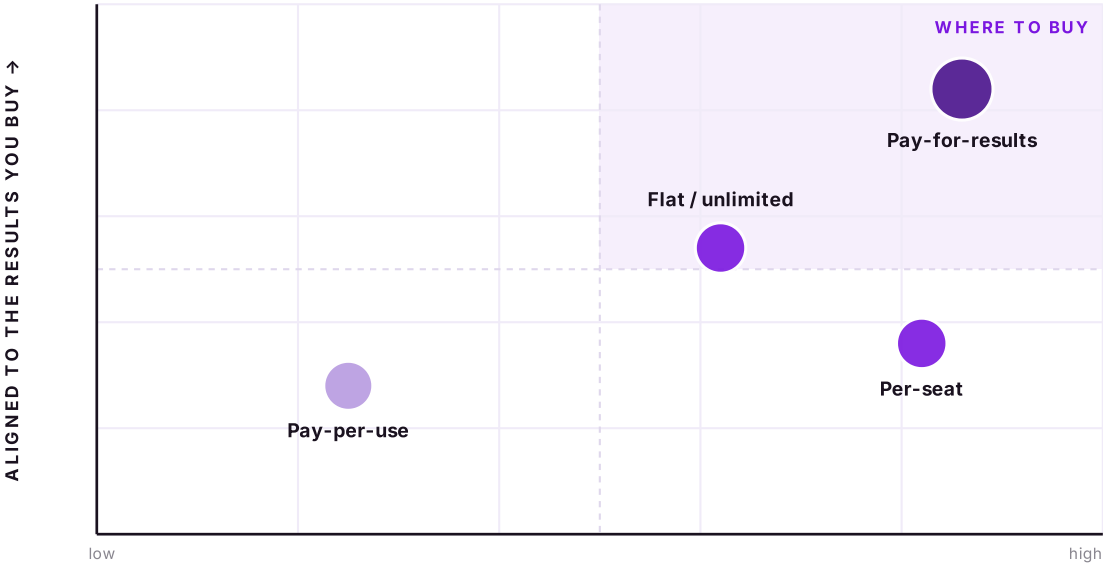
The meter that loses your vendor money this quarter is the price increase on your desk next year.

A better model: pay for results

Keep the AI. Fix the meter. Pay-for-results pricing charges for the thing you wanted: a finished tech pack, an approved sample, a cleared compliance check, at a transparent unit cost, with a hard cap you can put in a budget. What changes is who carries the compute risk. Under a meter, you absorb every retry and every seasonal spike; under a per-result price, the vendor does, because a finished pack costs you the same whether the model needed one pass or five. That lines up what you pay, what you get, and what the vendor can sustain.

	PAY-PER-USE (METERED)	PAY-FOR-RESULTS
You pay for	Raw usage: credits, tokens, runs	Finished results: packs, samples, checks
Predictability	Swings with usage and season	Fixed unit cost, hard cap
Adoption	Penalized: more use, bigger bill	Encouraged: price tracks value
Vendor economics	Margin bleeds as you use it	Sustainable, so the roadmap survives
Your risk	Surprise bills, price hikes, instability	A budget you can forecast

FIG 2
THE PRICING-MODEL MAP



The buyer's pricing checklist

Lift this into any AI software evaluation. If a vendor cannot meet it, the pricing is a risk, no matter how good the demo.

How you're billed	Predictability	Durability
✓ Priced per result (pack, sample, check), not per credit ✓ A published, transparent unit cost ✓ No charge for retries or system overhead	✓ A hard, not-to-exceed cap ✓ A bill you can forecast a quarter out ✓ No penalty for using it more	✓ Pricing the vendor can sustain at your volume ✓ Terms that survive your peak season ✓ Clear exit and full data export

FIG 3 The vendor-pricing checklist. Every box should be answerable in writing before you sign.

Questions to ask any AI vendor about pricing

Put these to every vendor under review, this platform included. What does one finished result cost, a tech pack or an approved sample, at our real volume and through our peak season? Is that unit price published and fixed, or does it move with usage no one can see in advance? Will the vendor write a hard, not-to-exceed cap into the contract, so the number holds as adoption grows? A vendor whose economics depend on the buyer using less will struggle to answer all three.

Further reading

07

Part of a series on AI in fashion from The F* Word.

Outdated Tools, Outspaced Brands

Where the analog back office costs fashion brands speed and margin.

How Agentic AI Is Transforming Fashion Brands

The modern AI fashion stack, idea through execution.

The Enterprise Trust Blueprint

Adopting AI in fashion without losing control of IP, data, or brand.

Getting Real Results from AI in Fashion

Judging AI by the deliverables that move product.

The Agentic AI Rollout Playbook

Sequencing adoption agent by agent, gated on evidence.

How to Think About Fashion Fit in the AI Era

Fit as a decision system, and where 3D earns its place.

THE COMPANY

About The F* Word



The F* Word is an AI-native fashion platform. It creates editable tech pack drafts in eight to ten minutes and connects the four stages of a product's path: creative direction, production readiness, product launch, and supplier handoff. It generates designs, moodboards, technical specifications, and product visuals from a trend signal or a design brief, and keeps every asset in one workspace.

Consistent with the argument in this brief, its commercial model is built around the finished deliverables a buyer can forecast, a tech pack or an approved sample, rather than metered usage that moves with every click.

75%

Fewer physical samples

97%

Lower content cost

60%

Less inventory risk

See what a result-priced bill looks like against your own season volume.

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The \$285 billion figure reflects public market reporting; the margin model in this brief is illustrative.

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IN CLOSING

Good software should get
easier to trust the more
you use it, *not harder
to predict.*

The test for any AI vendor is the same. Pricing a buyer can forecast, tied to the results it came for, holds up as usage grows. Pricing that charges more the more a tool is used works against both sides of the table, and the strain shows up first on the buyer's invoice.

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