Outcome-based Pricing
Silver bullet, or operational headache?

Masterclass by The Cube: May 29th, 2025

monevate
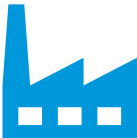
Agenda

- **What is Outcome-based pricing**

- **Why Outcome-based Pricing (OBP) is back in vogue**

- **Why we haven't seen *more* OBP - The 5 Pitfalls**

- **How to know if OBP is right for you**

- **Alternative (smarter?) models**

Outcome-based is one of the 5 types of pricing metric

Price Metric Categories

Category		Example metrics	Example companies
	User-based	• Seats • Active users • Endpoints	zoom DocuSign PLEO okta
	Usage-based	• # of Tests • Transactions • API calls	twilio zoominfo Informatica affirm
	Capacity-based	• GBs • Cores	mongoDB fastly aws
	Business-based	• Company revenue • Employees • Customers	BIGCOMMERCE paycom RIPPLING
	Outcome-based	• Revenue-generated • Spend reduction • Resolutions	LIVEPERSON earnix POINT74

Pay for the value you *actually get*

Outcome-based pricing is, in many ways, pricing utopia

Implications

✓ **Frictionless sales & upsells**

✓ **Higher willingness-to-pay**

We've seen a rise in outcome-based pricing in AI pricing models

Why?

✓ **AI creating value in new ways** – more directly tied to outcomes

✓ **Traditional models not value-aligned** (e.g. per user, workload-based pricing, etc.)

✓ **Price levels are potentially higher and less resistant to disruption** (AI vendors are concerned about future price pressure)

✓ **Value attribution is easier with AI** (in some cases - more later….)

Kyle Poyar's OBP flywheel demonstrates the Outcome-based pricing is hard to beat when 3 things are in place

Criteria:

- ✓ **Product advantage**
- ✓ **ROI-focused buyer**
- ✓ **Cost advantage**

Some notable recent outcome-based AI pricing models

zendesk — Automated customer support — Per resolution

INTERCOM — Automated customer support — Per resolution

SIERRA — Customer experience agents — Various:
- Per resolution
- Per purchase
- Per membership saved

thoughtful.ai — Automated customer support — Various:
- Cashflow improvement
- Reduction in AR days

chargeflow — Chargeback dispute automation — Per $ recovered

But…. outcome-based pricing is not a new concept. A few notable historical examples exist
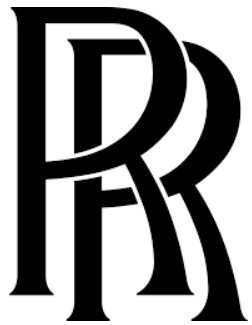
"Power by the Hour"

"Shared Savings"

Procurement cost savings

Contingency Legal fees / Consulting fees

So… why haven't we seen more of them?

Outcome-based Pricing
is practically
very difficult
to do

The 5 key challenges of Outcome-Based Pricing

1   **Defining the right outcome-based price metric is harder than it looks**

2   **Baselining gets messy**

3   **Attribution is a nightmare**

4   **Vendors assume payment risks**

5   **Customers don't always want to pay for outcomes(!)**

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Defining the right outcome-based price metric is harder than it looks

Very strongly
aligned to the **value**
customers receive

**Practical
Measurable
Safe**
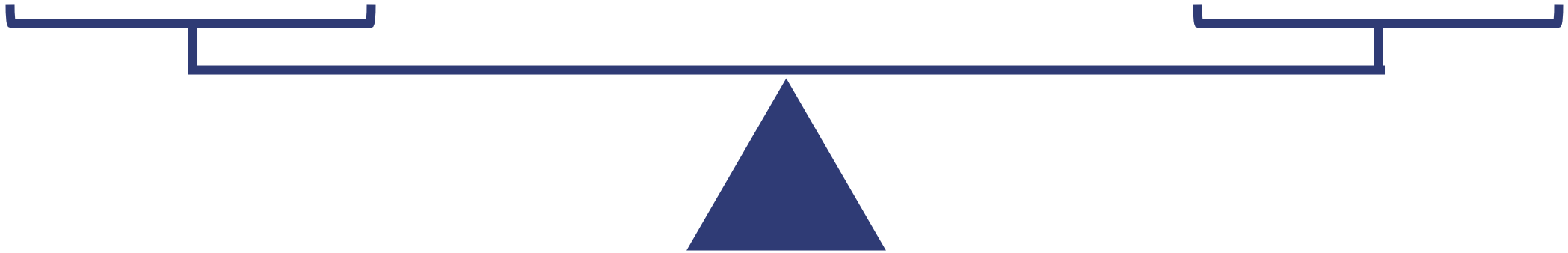
Zendesk's definition of a "resolution" is weaker than some customers are comfortable with

A ticket could be marked as resolved so long as:

✓ The AI understands the user's final request

✓ The final step in the flow was reached

✓ AI considered the answer as "relevant"

✓ The customer does not ask another question within 72 hours
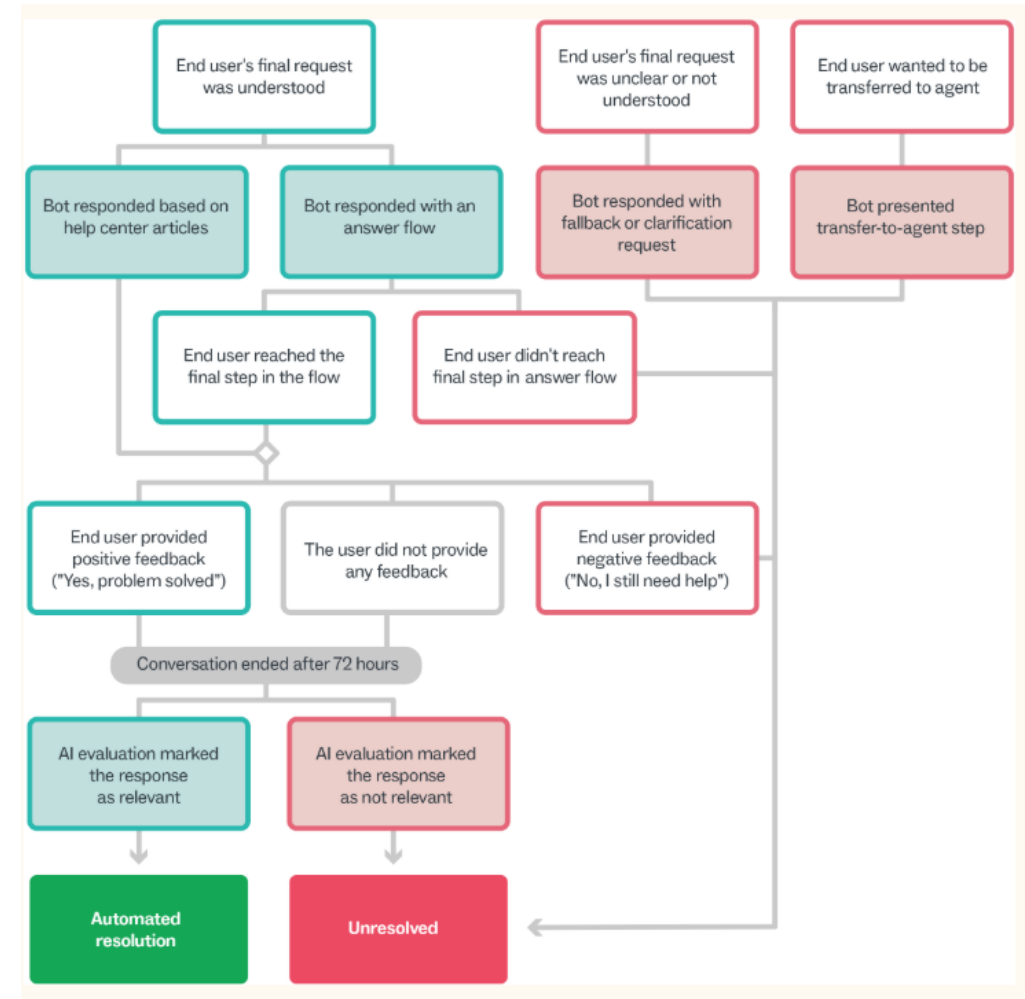
Remember - not all outcome-based metrics will be super valuable

I Saved Time!

"Does the time saved...
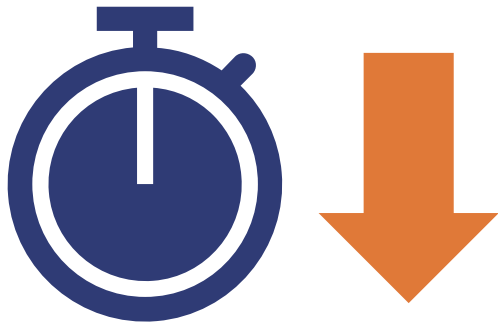
... get reinvested into higher value activities?"

... get translated into headcount reductions and cost savings?"

... mean everyone gets to go home earlier?

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Where do we measure improvement in an outcome-based metric from?

Scenario A

Scenario B

Scenario C

Metric value

Time

Time

Forecast

Time

Today

Case Study: An AI-powered anti-fraud tool reduced payments to fraudulent providers for P&C insurers

Monthly payments to fraudulent providers

Impact!

Impact?

Tool adoption

12 months

24 months

Vendor Argument

*"Without me, you wouldn't have gotten here. I should be paid based on the **starting point.**"*

Customer Argument

*"If I cancelled, my payments to fraudulent providers wouldn't rise. I should only pay for **further improvements.**"*

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Can you prove it was you that drove the impact?

Category	Examples (illustrative)	Ideal OBP Metric	Challenges "Was the impact driven by **you,** or by…"
Sales & Marketing Enablement & Automation	Outreach HubSpot	*Revenue increase*	• Improved processes? • Rep skill increases? • Reduced discounting? • …
Spend Optimization Platforms	coupa vendr	*Spend Reduction*	• Improved processes? • Internal policy changes? • Vendor negotiation? • …
Employee productivity	asana zapier	*Time savings*	• Improved processes? • Team behavior changes? • Clearer communications? • …

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Outcome-based pricing shifts a lot of risk to the vendor

Paying based on **outcomes**

Time lag to outcomes → Time lag to **payments**

Outcomes may not materialize (customer error?) → Payments may **never come**

This only makes sense for the vendor (a) there is an upside, and (b) they can tolerate the delay in cash flow

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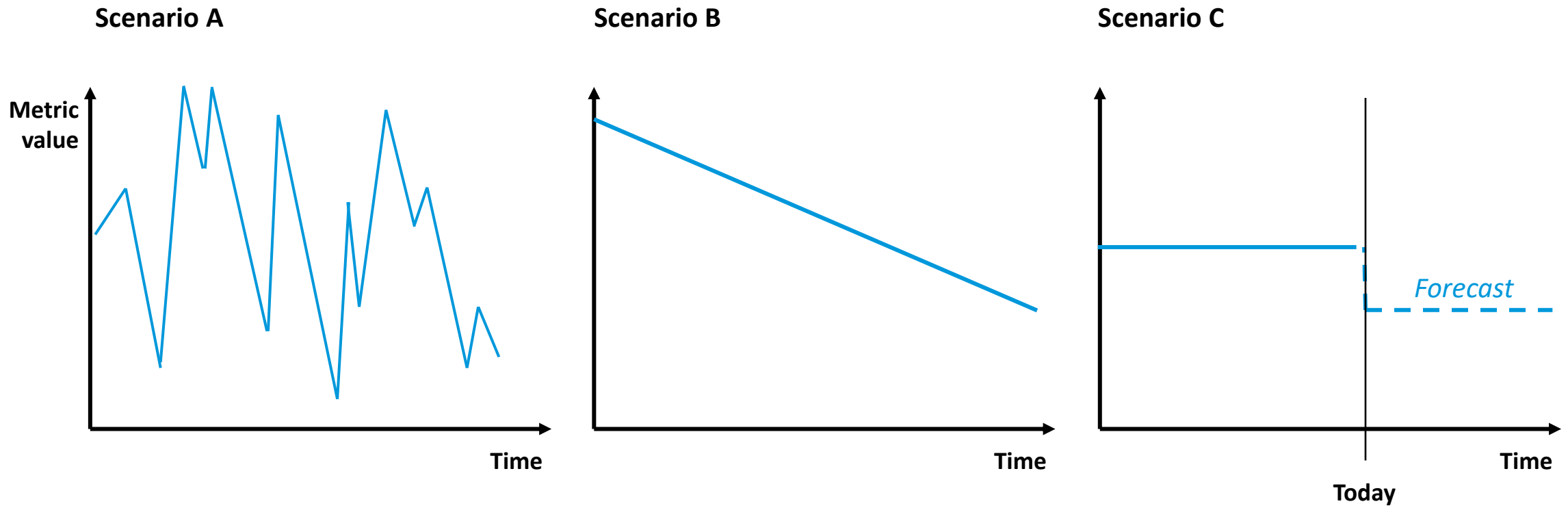
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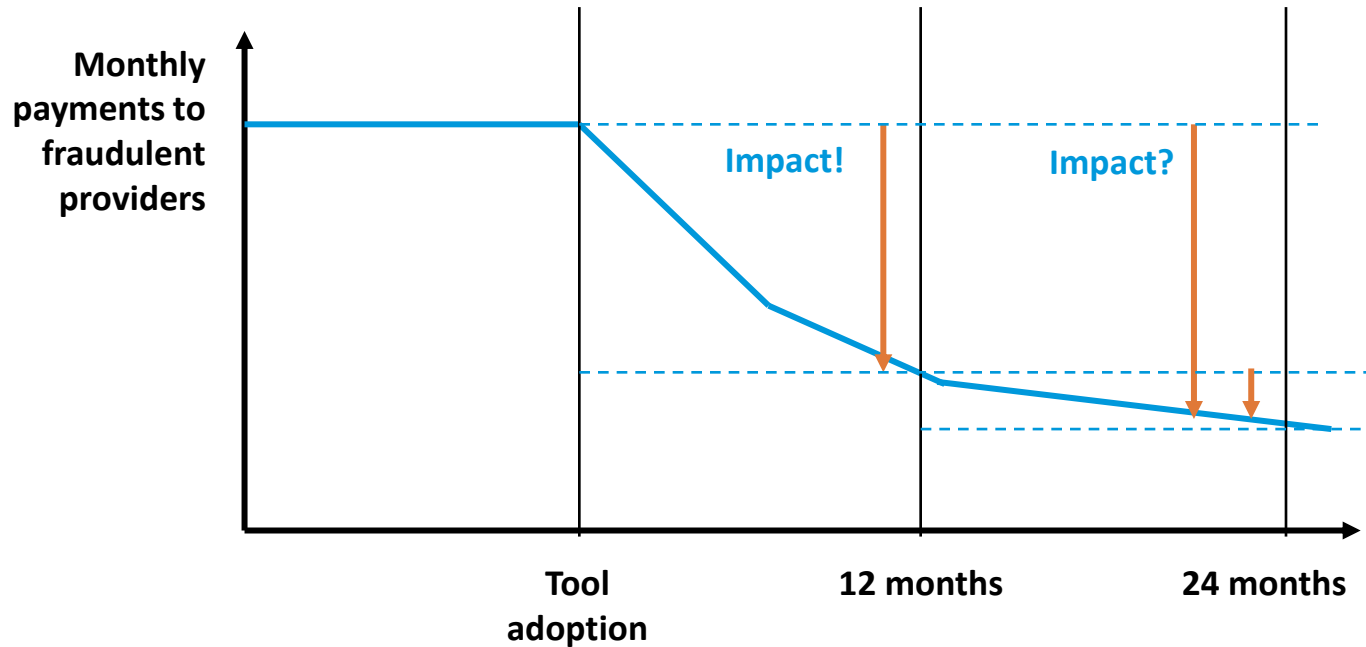
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Customers are not always willing to pay for outcomes

Customer priority	Suitability of **outcome-based pricing**
ROI	✓ ✓ ✓
Low price	✗
Simplicity	✗
Predictability	✗ ✗ ✗

Case in point: Why so few companies embrace Active User pricing?

User license pricing – buy licenses for all the users you think might need access (whether or not they use it)

Active User pricing – only pay for users who use the product more than a threshold amount

In theory, **Active User pricing *should* be better for everyone** than charging for standard user licenses
- **For customers:** More value-aligned and outcome-based (even if it not a true outcome-based metric)
- **For vendors:** More growth-oriented

However, **we rarely see active users. Why?**

- **ROI less important than predictability to customers.** Customers *hate* not knowing how many users they will have to pay for

- **Active users are not *fully* value aligned.** Vendors struggle with the idea of charging more prep active user than per user. So the economics can never be in the vendor's favor
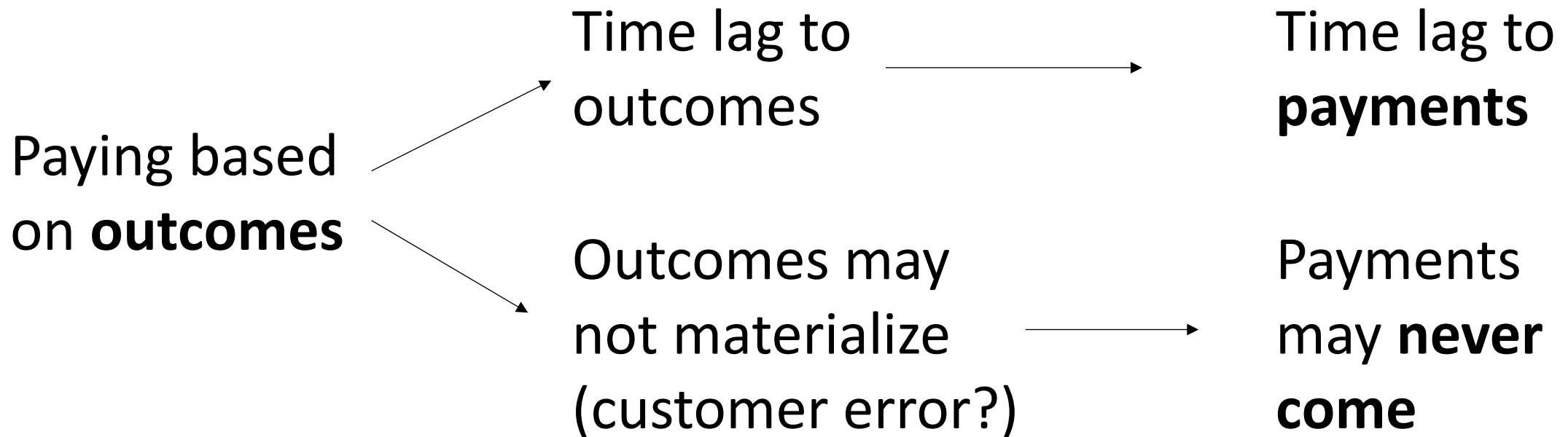
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Is Outcome-based Pricing right for
your business?

Outcome-based pricing checklist

❑ We have a clear **outcome-based metric** that is highly value aligned

❑ Customers will **pay significantly more** for outcomes than the alternatives

❑ We can **clearly and confidently attribute improvements** in this metric to our product, with minimal overlap

❑ We **do not see significant baselining challenges**, either initially, or over time

❑ We have confidence that our product will **deliver the expected outcomes**

❑ We can **trade revenue now for revenue later** without operational discomfort

❑ Our core customers **care more about ROI** than price predictability or simplicity

Is Outcome-based Pricing the
only option?

Our metric categories span the way we engage with a product

Business

Product

$

User-based

Usage-based

Business-based

Outcome-Oriented Usage-based

Capacity-based
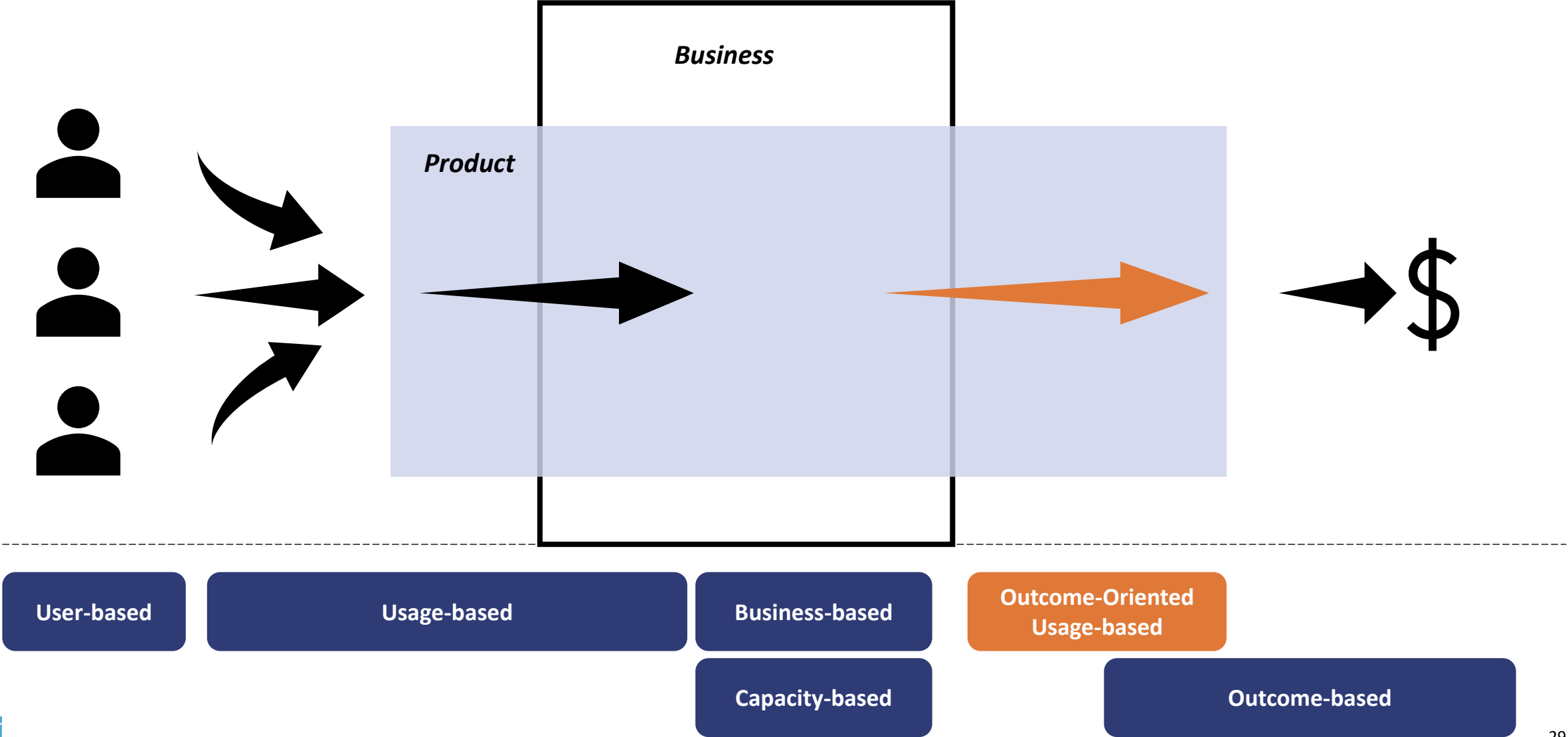
Outcome-based

What is an outcome-oriented usage-based metric?

A **usage-based metric**

that aligns more closely to the
desired outputs of the product

than it does to the inputs or workload

Case Study: A search provider created an output-oriented usage metric

SaaS company that provides search functionality for e-commerce, websites etc.

Wanted to move to a usage-based approach, but was uncertain on the right model

- Obvious usage-based metric - **# of end-user searches**

- **However,** # of end-user searches has predictability, value-alignment, and growth orientation issues:
  - Every keystroke is technically a "search" (i.e. if I'm search for "Duck", there are four searches – "D", "Du", "Duc" and "Duck"
  - when search algorithm improves, # of searches **decreases**

Solution:

✓ Use *Unique Searches* (i.e. multiple searches within a certain time frame = 1 search) as the value-aligned, **output-oriented usage metric**

Outcome-Based Pricing vs. Outcome-Oriented Usage-Based Pricing

	Outcome-Based Pricing	Outcome-Oriented *Usage*-Based Pricing
What you price on	Customer's **actual achieved results**	Customer's **progress** toward a result
Value Alignment	✔✔ **Complete**	✔ **Strong** (potentially)
Measurement	✖ **Lagging**	✔ **Leading**
Attribution Needed	✖ **High**	✔ **Low** to **moderate**
Scalability	✖ **Low**	✔ **High**
Customer Friction	✖ **High**	✔ **Low** to **moderate**
Ideal When…	…**attribution is clear** …**stakes are high**	…**outcomes are complex** … but **usage signals progress**

Categorization of GenAI price metrics

Company Name**	Value Provided	Price Metric	Metric Category
Intercom - FinAI Copilot	Support for support agents	Per agent, includes free ticket quota	**User-based**
OpenAI - ChatGPT Pro	Chatbot access	Per user (higher pricing for pro)	
DeepL	Translation	Per user; Per editable file translation	**Hybrid**
Cursor	Coding assistant	Usage paywalls	
Replit	Collaborative coding	Per seat; Per usage credit	
Codeium	Coding assistant	Per seat; Per usage credit	
Warmly	Sales intelligence	Per feature; Per warm lead	
Asana - AI Studio	Work management	Per platform credit	**Usage-based**
Adobe - GenAI	Creative tools	Per GenAI credit	
Cognition - Devin	Software engineering	Per agent compute unit	
Microsoft - AI Copilot for Security	Security analysis	Per hour of usage	
Microsoft - Copilot Chat	Productivity assistant	Pay-as-you-go	
OpenAI - GPT-4o	Model for text generation	Per input/output token	
Clay	Sales prospecting	Per credit (data point or action)	
Copy.ai	Content generation	Per workflow credit	
Relay.app	Workflow automation	Per workflow step	
Bardeen	Workflow automation	Per automation credit	
Captions	Video creation	Per video generation credit	
Kittl	Design	Per day (high watermark of credits)	
Synthesia	Video creation	Per minute of video	
Relevance	Data enrichment	Per credit	
Kustomer	Customer support automation	Per conversation	**Outcome-Oriented Usage-Based**
Salesforce - Agentforce	Customer conversations	Per conversation	
Zapier	Workflow automation	Per task automated	
CaseMark	Legal documents	Per work product delivered	
Imagen	Image editing	Per photo edited	
Evoto	Photo retouching	Per photo retouched	
Sierra	Business workflow automation	Per completed task	**Outcome-Based**
Chargeflow	Chargeback management	Percentage of successful chargeback	
Intercom - FinAI Agent	Customer support agent query resolution	Per AI resolution	
Zendesk - Zendesk AI	Automated customer support resolution	Per successful resolution	
11x	Sales development tasks	Per task completed	
EvenUp	Legal demand letters	Per demand package generated	

Examples of output-oriented usage-based metrics

Product	Input usage	Output usage	Outcome
ChatGPT	Queries	Chat Sessions?	Time saved?
imagen	Photo edits	Photos edited	Photography revenue?
zendesk	Replies? Comments?	Conversations / customers handled	Queries resolved? Customer support cost reduction?

In summary…

Outcome-based pricing (OBP) is **pricing utopia in theory**, but operationally **challenging in practice**

AI-native technologies are reviving interest in OBP to help capture the value from AI and drive higher, more robust price points

Outcome-based pricing works best when:

1. **Customers care about ROI** more than predictability
2. You can define a clear, compelling, **outcome-based pricing metric**
3. **Value attribution is clear and credible**
4. **Baselining is not a challenge,** immediately or over time
5. You (the vendor) are **prepared to risk delayed or variable revenue**

Most companies have not - and likely *should not -* go full OBP. **A more practical alternative is** output-oriented usage-based pricing
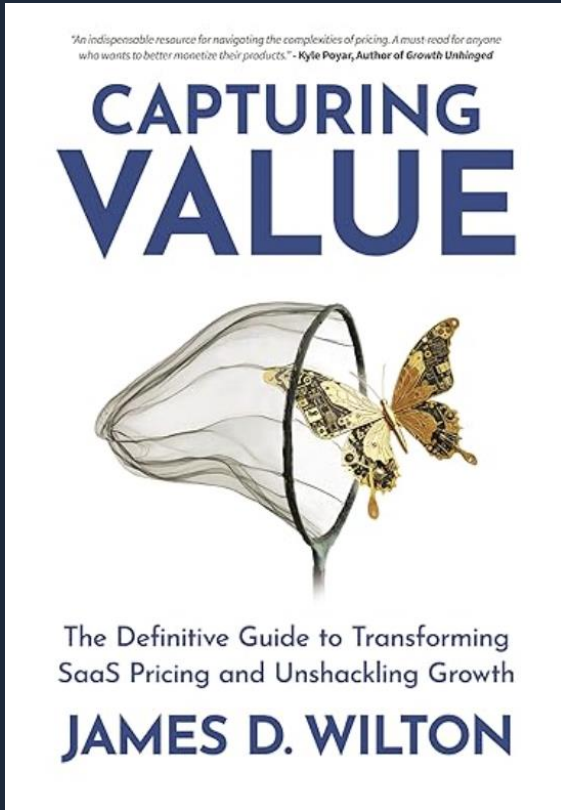
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