

SOFTWARE MARKET ANALYSIS

2024 Software Buying Trends to Leverage in 2025 for Effective Spend Management

We've analyzed market trends and procurement patterns from our nearly \$11B spend under management, to show you exactly how data, when leveraged correctly, becomes your strategic advantage in spend management. **These insights will help you build smarter processes and make more informed decisions in 2025.**

Economies of Scale Stays True As Spending Increases

Overall spending in 2024 increased by 10% YoY, when looking at total contract ACV for the year. In general, enterprises continue to have more buying power, with smaller companies paying a premium. However, we do see some variety based on how technically advanced an organization is. Moving into 2025, we believe spending will keep increasing, but we're also seeing the trend of software consolidation pick up.

As we dive into trends by company size, we've defined each segment as the following SMB (1-100 employees), growth (101-250 employees), mid-market (251-999 employees), and enterprise (1000 - 10,000 employees) segments.

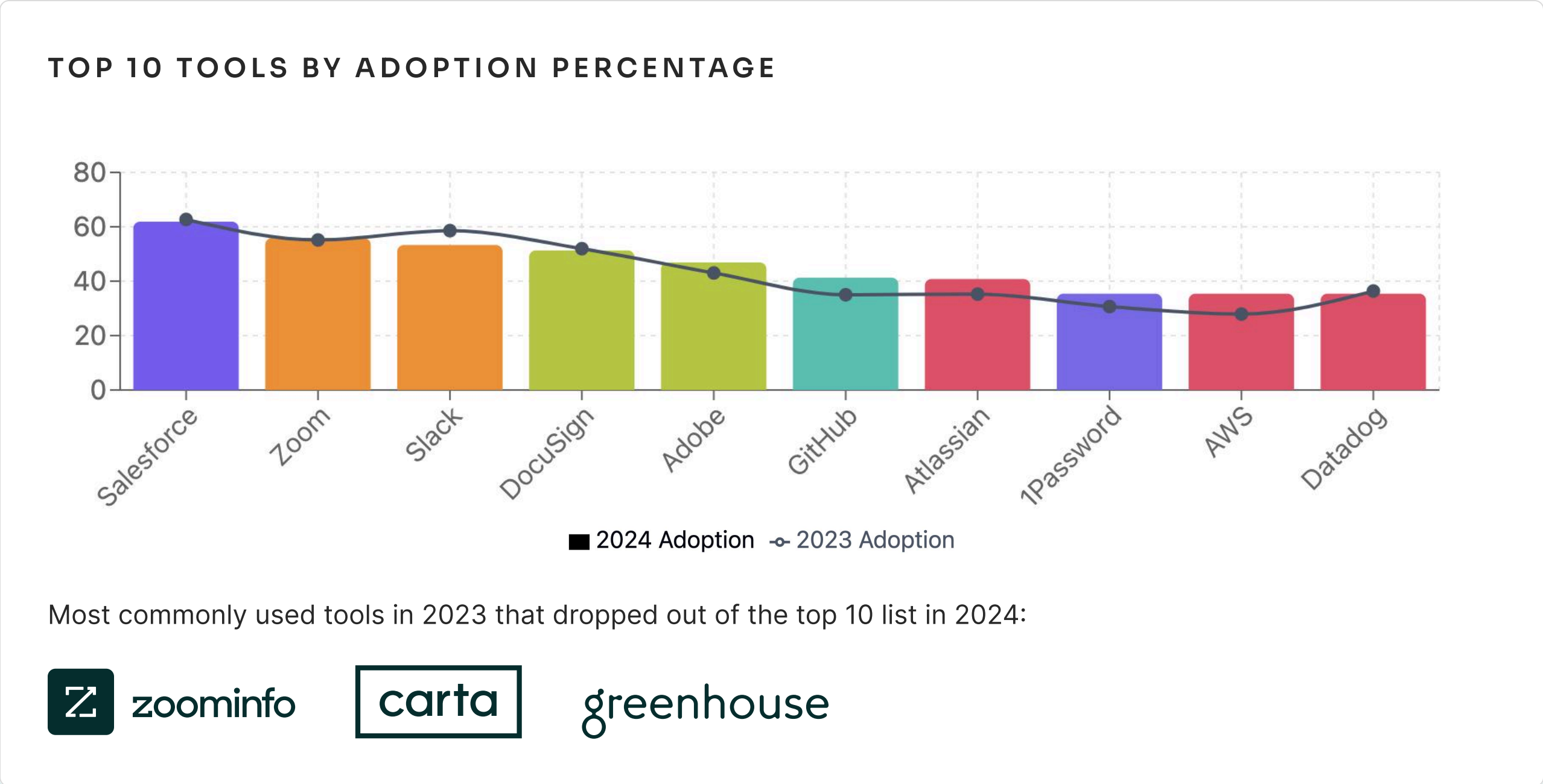
Average software spend by company size	Average software spend per FTE by company size
 Enterprise \$21M	\$9k
 Mid-Market \$7.5M	\$14k
 Growth Companies \$3.5M	\$17k
 SMB \$1.9M	\$16k

 NEGOTIATION INSIGHTS

Calculate what you’re spending on software and compare it to similar stage companies. If you’re spending more than average, understand why that does or doesn’t make sense for your business. If you're spending less, make sure it’s not holding you back from growth or innovation.

Most Commonly Used Tools

Adoption of some of the previous market leaders dropped in 2024, largely due to increased competition from other players and the continued trend towards consolidation or replacement. For example, Slack saw adoption decline as organizations turned to the built-in systems with Google and Microsoft to reduce cost, similarly Greenhouse missed the top as it sees increased competition.



SUPPLIER + MARKET INSIGHTS

- Salesforce and Slack, in particular, have been raising prices frequently.
- DocuSign’s pricing model has been shifting, making accurate forecasting essential.
- Zoom is becoming harder to negotiate with, because of the changing landscape of remote work and consolidation efforts.
- For AWS, always work with your engineering team toward optimization efforts ahead of renewal, to avoid overcommitment.

NEGOTIATION INSIGHTS

- Start renewal negotiations early - as much as 180 days - to explore alternatives and arm yourself with competitive pressure, the only way to push back on market leaders.
- Use supplier price benchmarks to know what your peers are paying to increase your negotiation leverage.

Most Commonly Used Tools by Company Size

We see some evidence that software adoption patterns are size-dependent. SMBs focus more heavily on collaboration tools, mid-market adds security/engineering solutions, and enterprise implements comprehensive systems like ERPs. Other software remains remarkably consistent, like Salesforce.

 Enterprise	 Mid-Market	 Growth	 SMBs
Salesforce	Salesforce	Salesforce	Slack
Okta	Zoom	Adobe	Salesforce
Workday	DocuSign	Slack	Zoom
Zoom	Slack	DocuSign	HubSpot
Slack	Adobe	Zoom	1Password
Adobe	Datadog	Atlassian	Adobe
LinkedIn	Github	GitHub	Atlassian
Oracle	Okta	HubSpot	GitHub
Atlassian	Figma	1Password	Google Workspace
DocuSign	1Password	Microsoft	DocuSign

SUPPLIER + MARKET INSIGHTS

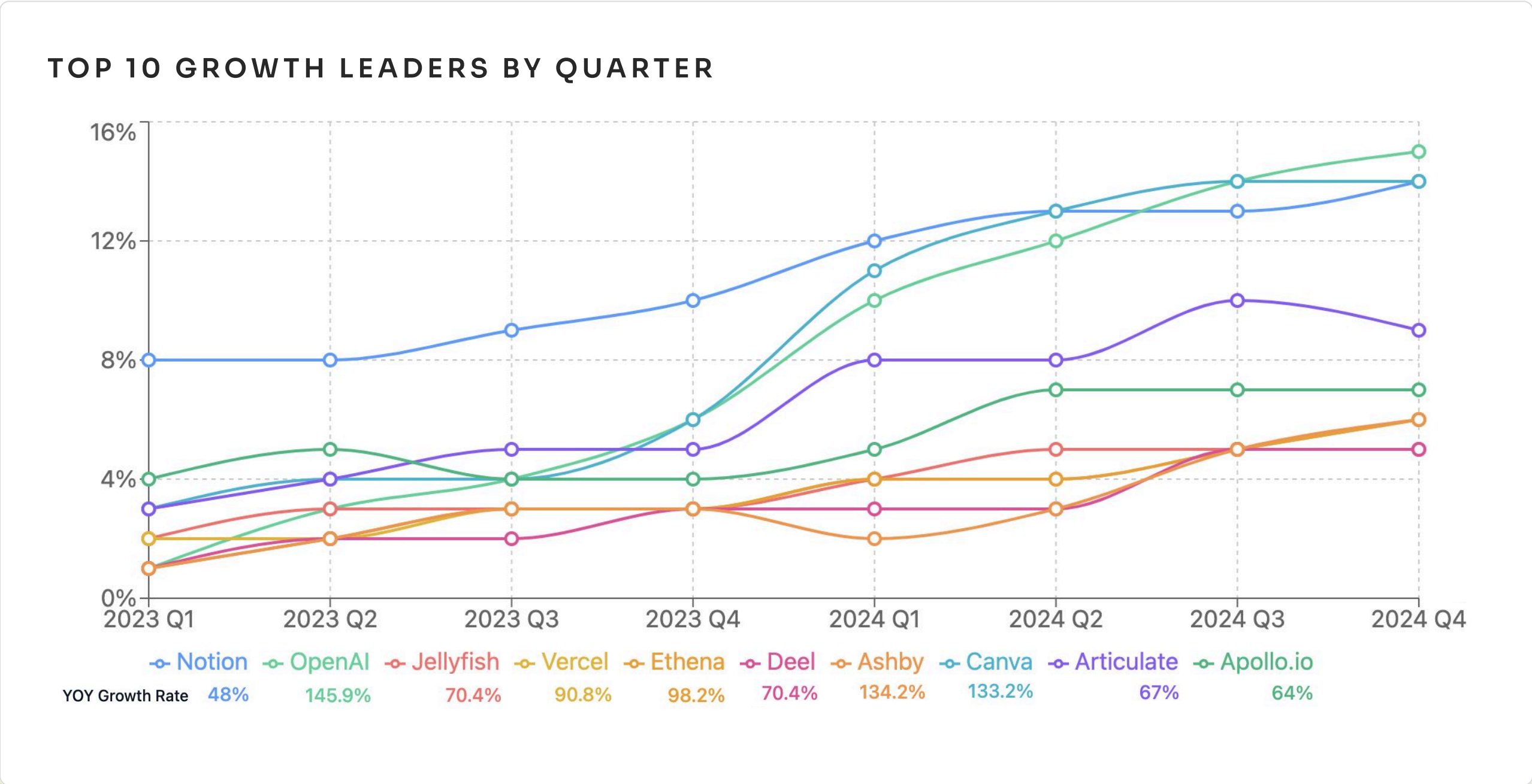
- Workday and Oracle will really only work for enterprise customers, while Salesforce, Zoom, and Slack succeed across segments through dual SMB/enterprise strategies creating an opportunity to scale with them, versus needing to “graduate”.
- Initial vendor purchases, especially when graduating to enterprise tools like ERPs, present the highest risk of cost escalation at time of renewal without proper controls set up from the start.

NEGOTIATION INSIGHTS

- The first purchase or tool graduation represents your strongest negotiating position - what appears to be a good discount (50%) may be well below market rate (70%), reinforcing the importance of using price benchmarks.
- Secure price protection mechanisms upfront (uplift protection, price locks, user addition rates) as vendors typically make terms less favorable over time.
- Use competitive pressure between vendors to secure better terms, especially during tool graduation or platform changes, as that lever becomes harder at renewal.

Fastest Growing Suppliers

AI is at the center of the companies experiencing unprecedented growth rates. While these companies still have moderate overall market share compared to legacy leaders, they'll begin to take over some of those legacy companies if they continue to grow as quickly as they are.



SUPPLIER + MARKET INSIGHTS

- The fastest growing suppliers by change in adoption rate are tied closely to the AI wave - either as infrastructure providers like OpenAI or through effective AI integration like Notion, Canva, and Apollo.
- A clear replacement cycle is underway, with modern AI-driven solutions (Deel, Ashby, Articulate) displacing legacy platforms that haven't adapted quickly enough.
- Market growth can indicate either product superiority or aggressive discounting strategies - understanding which is crucial for procurement strategy.

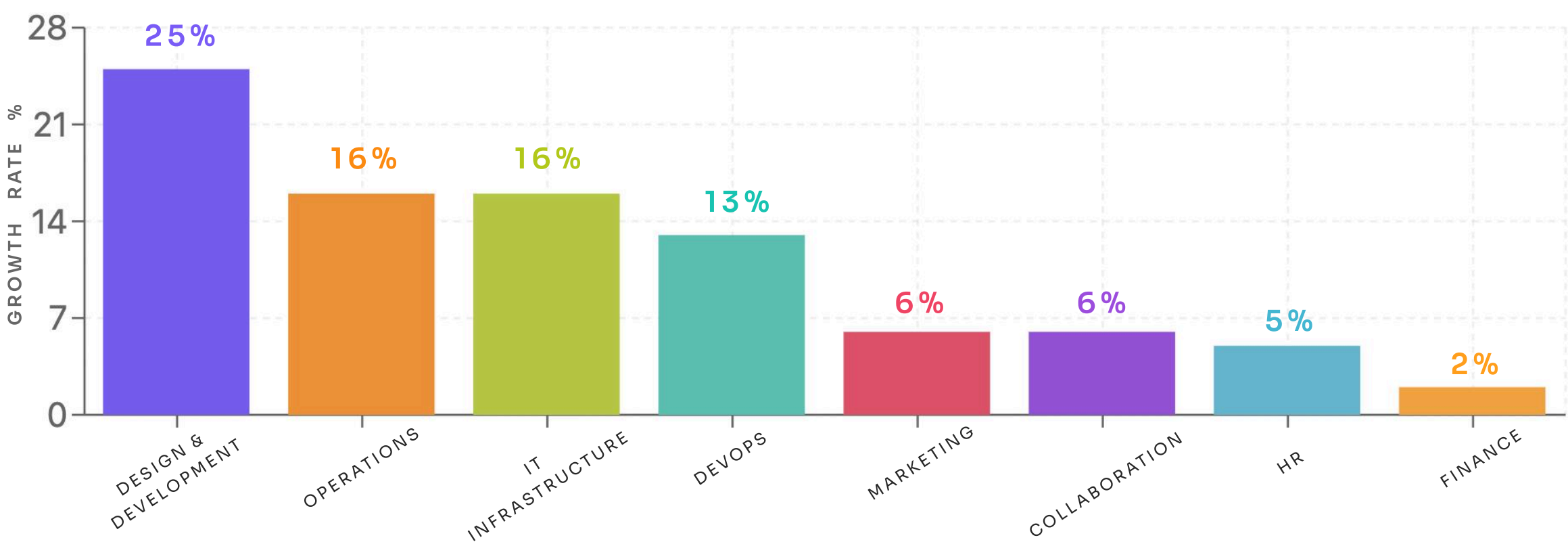
NEGOTIATION INSIGHTS

- Fast-growing vendors with superior products (like OpenAI and Ashby) typically offer limited discounting, making competition-based negotiation less effective.
- When vendors are growing through discounting, leverage their market acquisition strategy to push for deeper savings and better terms.
- For vendors who don't discount heavily, focus on securing favorable terms in other areas (overages, payment terms, price uplift protection) rather than pursuing price reductions.

Fastest Growing Categories

The democratization of enterprise software, which has translated into the consumerization of B2B software where design and UX are king, has elevated design-focused tools to market dominance, while simultaneously driving adoption of operational automation solutions. IT infrastructure is also benefiting from the shift toward all companies being software companies, particularly as AI adoption accelerates demand for supporting services.

TOP 10 GROWTH LEADERS BY QUARTER



SUPPLIER + MARKET INSIGHTS

- Traditional enterprise vendors are beginning to lose ground to “smaller”, more user-friendly competitors as the line between consumer and enterprise software blurs.
- Tool “stickiness” along with cost of switching will impact these trends moving forward. Tools that aren’t embedded into the fabric of an organization, will face increasing competitive pressure.
- Design tools like Figma and Canva are dominating their sector as user experience becomes increasingly critical, with few new entrants able to challenge their market position. Their dominance is helping the entire category grow.
- Operations, which can often mean G&A software, adoption is rising as companies prioritize automation over headcount to drive efficiency.

NEGOTIATION INSIGHTS

- When evaluating new tools, prioritize those with proven user adoption and intuitive interfaces to avoid costly training and implementation.
- Consider the complete ecosystem of supporting services when negotiating IT infrastructure deals, especially for AI-related implementations.

Fastest Growing Suppliers by Company Size

It's not surprising that the fastest-growing companies across all sizes are the ones betting on, or innovating with, AI, just as we saw above.

 Enterprise	 Mid-Market	 Growth	 SMBs
Bugcrowd	Glean	Ashby	Open AI
Mimecast	Ethena	Sigma Comp.	Mixpanel
Gainsight	Canva	Open AI	Canva
Canva	OpenAI	Deel	Ethena
Tenable	PandaDoc	Grammarly	Ashby
OpenAI	Keeper Security	Canva	Loom
Notion	Iterable	15 Five	Smartsheet
Marketo	Vercel	Mosaic	Grammarly
Wistia	Alollo.io	Clearbit	1Password
Google Cloud	Ashby	Navan	JetBrains

SUPPLIER + MARKET INSIGHTS

- Tools that increase operational efficiency makeup much of our list of fastest growing companies, regardless of size as businesses across all growth stages look for ways to keep productivity high with less employees.
- These emerging, and growing, suppliers are gaining genuine market traction versus just generating marketing buzz.

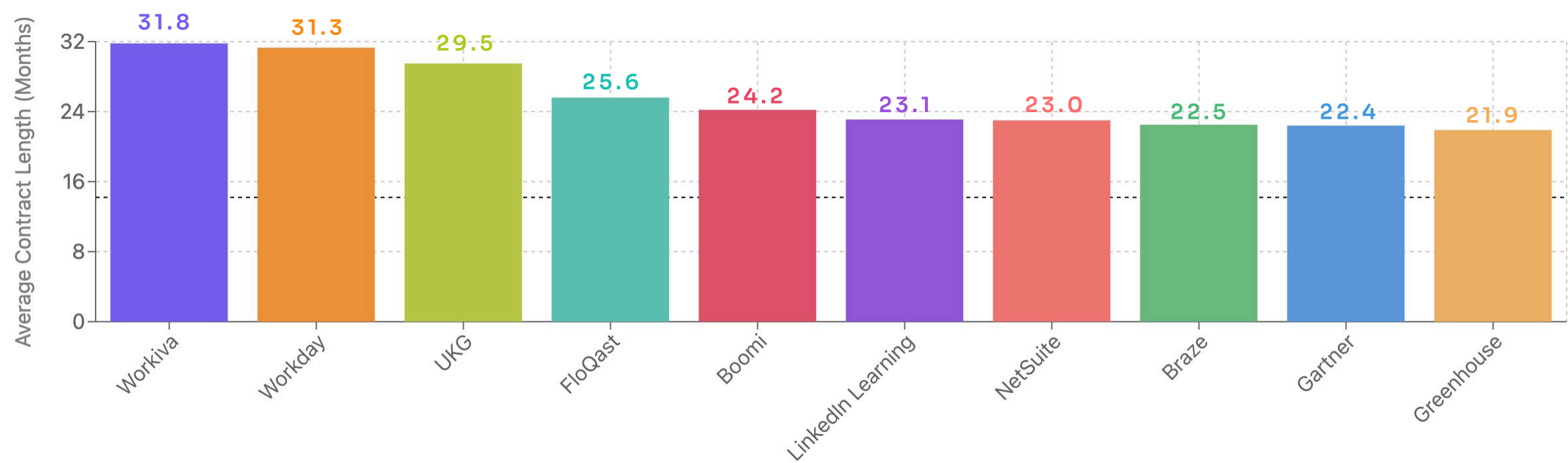
NEGOTIATION INSIGHTS

- Build RFP lists based on objective market data like this, rather than peer recommendations alone.
- Study how the tech stacks of companies one size larger than you are growing, to inform strategic planning and future vendor selection.
- Use the market data on which company is increase adoption quickly, to validate vendor claims during negotiations and ensure competitive terms.

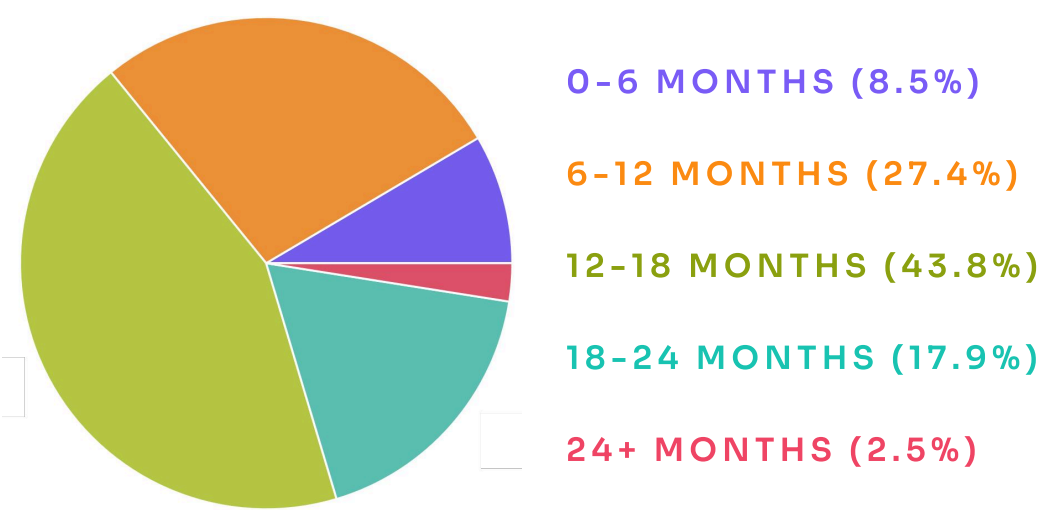
Contract Terms Trends

Companies are increasingly accepting longer contract terms with the average contract length now 14.2 months, a 6% YoY increase. This is true particularly with enterprise-focused vendors, in exchange for pricing predictability and more favorable commercial terms.

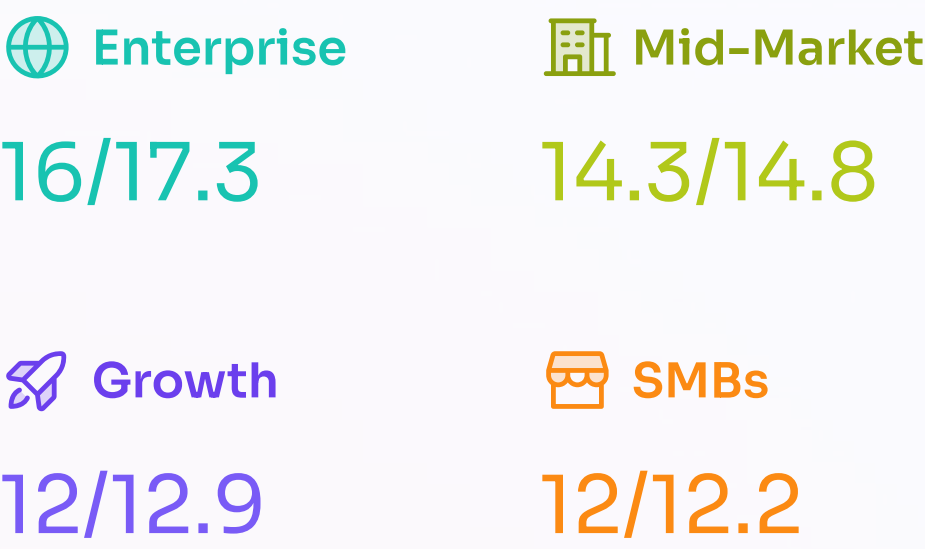
AVERAGE CONTRACT TERMS BY COMPANY



PERCENTAGE OF SUPPLIERS WITH EACH CONTRACT LENGTH



Median/Average Contract Terms in Months



NEGOTIATION INSIGHTS

- Use longer commitment willingness as leverage to secure more favorable terms and predictable pricing structures, otherwise, default to shorter contract terms.
- When opting for long-term agreements, especially because of high-switching costs, negotiate for strong price protection clauses.

SUPPLIER + MARKET INSIGHTS

- Vendors are increasingly pushing for multi-year commitments to secure revenue streams, particularly in the current economic climate.
- Critical infrastructure providers like Workday and NetSuite regularly implement significant price increases, making contract length a key negotiation factor.
- High switching costs for ERPs and CRMs make longer-term commitments more strategically viable.

Spend Trends and Cost Per Full-time Employee

We believe that companies should adopt a new north star metric for efficiency: Spend per employee. This measures the impact of every dollar spent relative to the resources it enables — ensuring budgets are lean, investments are strategic, and employees are empowered. With this new lens, leaders should move away from blunt cost-cutting to a more sophisticated mindset: how can we allocate spend to maximize productivity and employee outcomes? In that vein, we’ve taken a look at the cost of software per employee (ACV/FTE).

Top 10 Tools by ACV/FTE

Supplier	Category
1. MongoDB	IT Infrastructure
2. Amazon Web Services Inc.	IT Infrastructure
3. Microsoft	Operations
4. Salesforce	Sales
5. Azure	IT Infrastructure
6. Twilio	Marketing
7. Stripe	Finance
8. NetSuite	Finance
9. Databricks	IT Infrastructure
10. Snowflake	IT Infrastructure

Cost per Full Time Employee

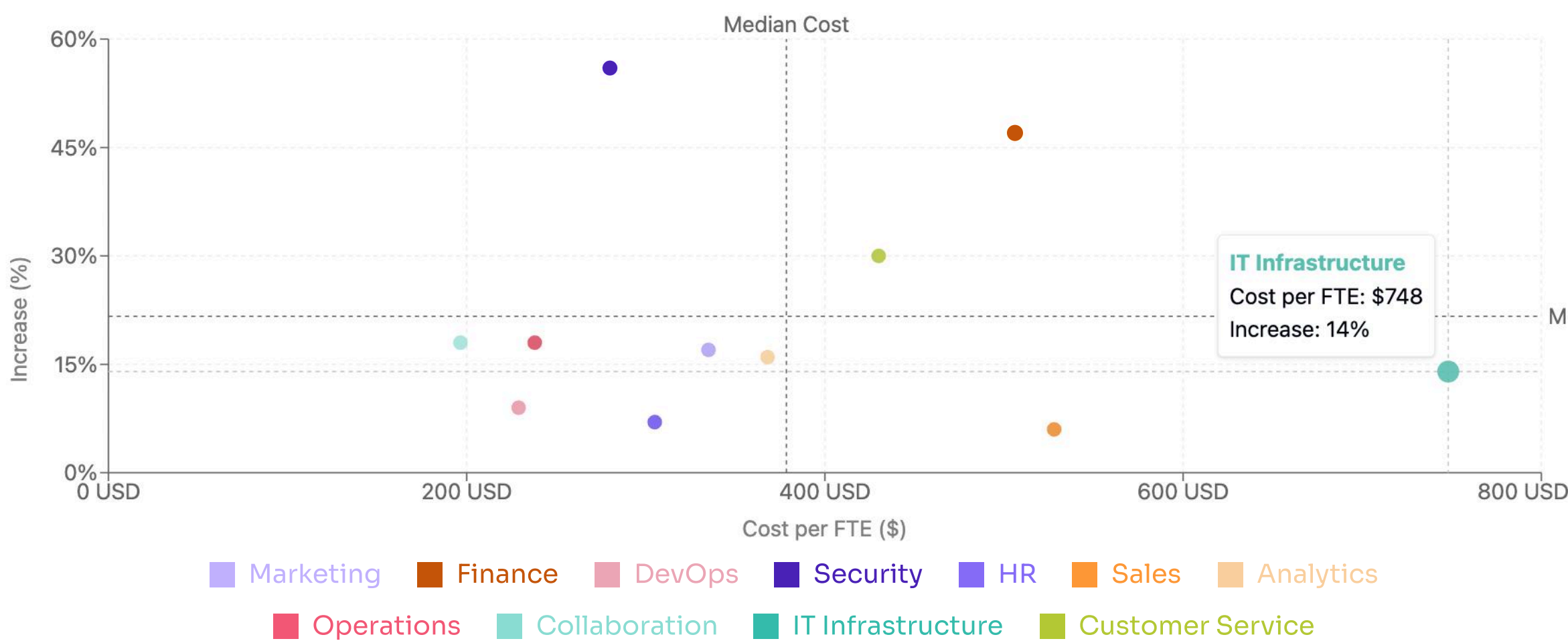
\$200

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\$600

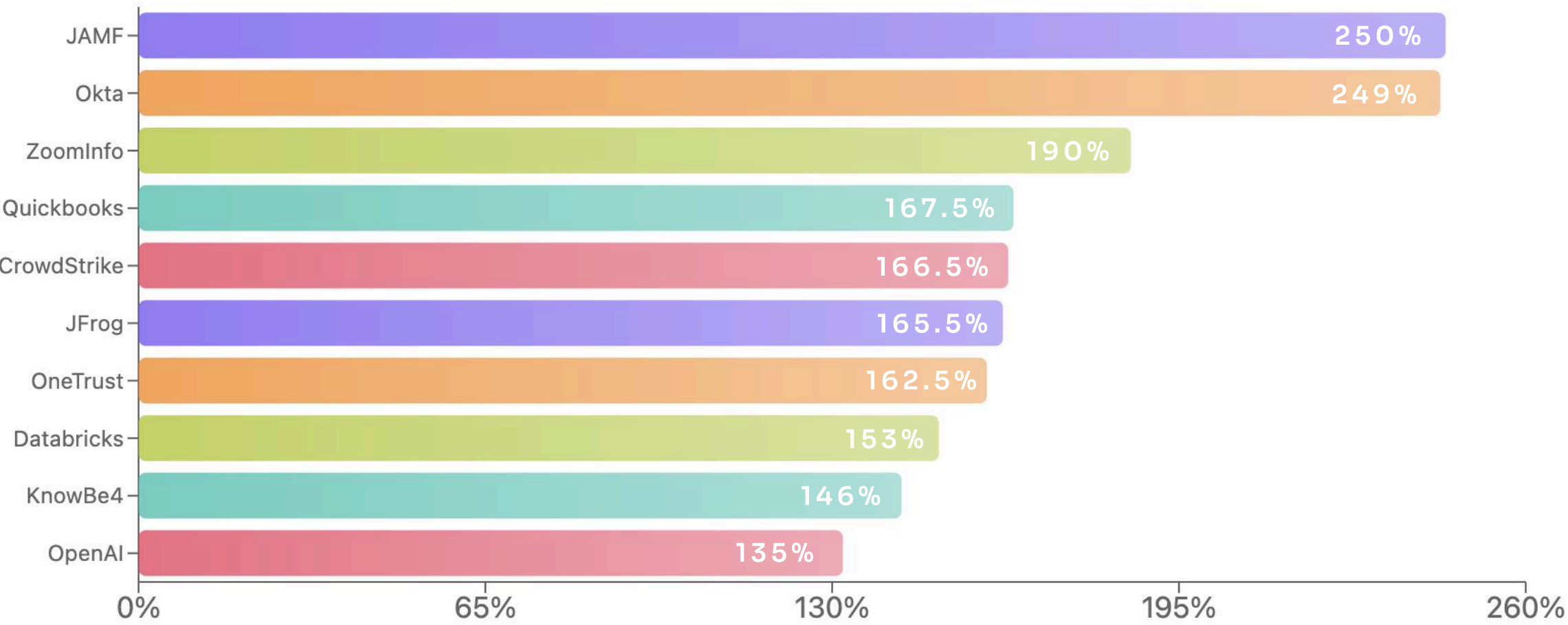
While most enterprise software costs between **\$200-600** per full time employee annually, that can increase significantly for different suppliers and categories.

CATEGORY AVERAGE ACV/FTE WITH YOY CHANGE



Spend Trends and Cost Per Fulltime Employee

TOP 10 PRICE INCREASES



SUPPLIER + MARKET INSIGHTS

- High per-employee cost vendors must demonstrate proportional ROI to justify their pricing position and be truly mission-critical.
- With consolidation comes upsell and cross-sell opportunities. ZoomInfo has been expanding its product suite, and as a result has found ways to increase prices through cross-selling of new modules in its GTM suite.
- Some suppliers are making up for lost revenue through churned customers by increasing prices with highly entrenched existing customers. Not a strategy that creates customer goodwill long-term, but is very effective to boost numbers in the short-term. CrowdStrike seems to be deploying this strategy as they recover from a tough 2024 from the brand reputation standpoint.

NEGOTIATION INSIGHTS

- Review suppliers with high per-employee costs against their business value to identify opportunities for contract restructuring.
- Compare your department's tech spend per employee against the category averages to identify both consolidation opportunities.
- Consider both over and under-investment signals - being significantly below category averages might indicate missed competitive advantages.

The AI Factor

Our research found that 19 of the 20 fastest growing software companies by increase in adoption rate, prominently feature AI in their branding. Even companies where AI is not the core offering lean heavily on AI messaging, underscoring its importance in the competitive landscape. **AI has become the most critical selling point for nearly all software vendors.**

New AI features are also increasingly being used to justify price increases. Suppliers often cite the addition of AI capabilities as the reason for higher costs, positioning these updates as enhancements. While some of these features deliver meaningful improvements, many find they have no intention of using them.

AI Pricing Models

As noted in the [High Alpha's 2024 SaaS Benchmarks Report](#), AI pricing models are entering a phase of experimentation, shifting companies away from traditional seat-based pricing toward more usage-based models and new success-based ones like completed tasks, resolutions, and credit-based systems. This evolution is similar to what we saw with the rise of cloud computing resources.

Notable Examples Include:

- **Salesforce Agentforce: \$2 per conversation.**
- **OpenAI: Pricing based on input/output tokens (GPT-4).**
- **Zendesk AI: Charges per successful autonomous resolution.**
- **Microsoft Copilot for Security: \$4 per hour of usage.**
- **Intercom FinAI: \$0.99 per AI-driven resolution or 10 free tickets per agent per month.**
- **Synthesia: Pricing per minute of AI-generated video.**
- **Zapier: Charges per task automated.**
- **Copy.ai: Uses credits for workflow completions.**

Usage-based models are already really challenging for finance teams to appropriately keep tabs on. AI's experimentation is only adding to that complexity. Finance and procurement teams must adopt much more proactive and precise approaches to create predictability in their planning, forecasting, and monitoring. The full picture needs to be taken into consideration as businesses are thinking about investing in tools and the infrastructure needed to manage costs. This will impact both their annual planning and month-end close processes.

Finance and procurement teams that are learning to harness these capabilities, will gain greater control, improve efficiency, and stay ahead of this new normal.

Using AI to Control and Manage Spend

Spend management is about predictability and control. But, trying to tame the complexity we've just been talking about won't be easy. Not only do pricing models make it hard, AI's widespread availability and easy sign-up make it easy for employees to access tools without clear cost visibility to the company.

This is why AI is transforming finance and procurement as well – automating tasks like extracting data from contracts, processing invoices, and flagging anomalies. These once time-consuming processes are now streamlined, freeing teams to focus on strategic decisions. AI has already been shown to reduce procurement process costs by up to 80% and improve productivity by nearly 50%.

The real power of AI lies in its ability to work within existing systems—surfacing insights and cost-saving opportunities exactly where and when they're needed. Rather than requiring separate tools, AI is embedding itself into ERPs, procurement platforms, and financial systems, offering real-time variance analysis, contract optimization, and vendor management recommendations without extra steps. To control AI spend, AI must be living right inside your daily processes.

AI is moving beyond prediction into prescriptive actions. It will continue to analyze trends, but also recommend next steps and even automate decisions, such as renegotiating contract terms or flagging redundant vendors.



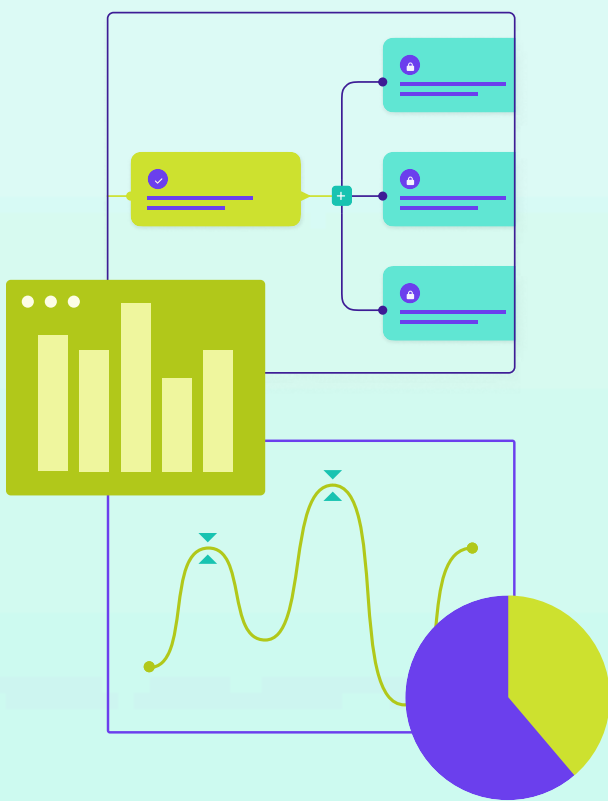
Putting Insights into Practice



Start with Visibility

Understanding your current state is critical as software markets evolve toward more usage-based pricing:

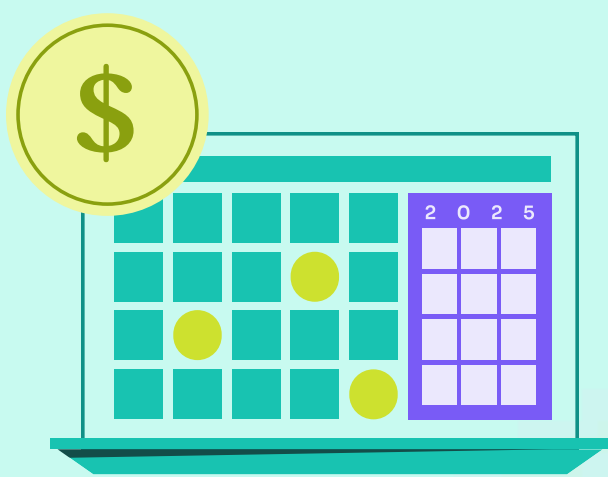
- Compare your spending patterns against industry benchmarks
- Monitor cost-per-employee metrics across your software portfolio
- Maintain real-time visibility into usage patterns and contract terms
- Identify areas of over- and under-investment



Strengthen Your Controls

As AI and new technologies proliferate, strong governance becomes essential:

- Establish clear protocols for testing and adopting new tools
- Set guidelines for AI testing budgets before costs escalate
- Strengthen your renewal process with these three key questions:
 - What business need does this tool address?
 - Is it critical to operations?
 - Could alternative solutions provide better value?
- Start renewal discussions at least 90 days in advance
- Document negotiation outcomes and learnings



Drive Meaningful Impact

Transform insights into outcomes through strategic management:

- Optimize renewal timing to maximize negotiating leverage
- Review and rationalize your tech stack regularly
- Balance cost reduction with strategic investment in growth areas