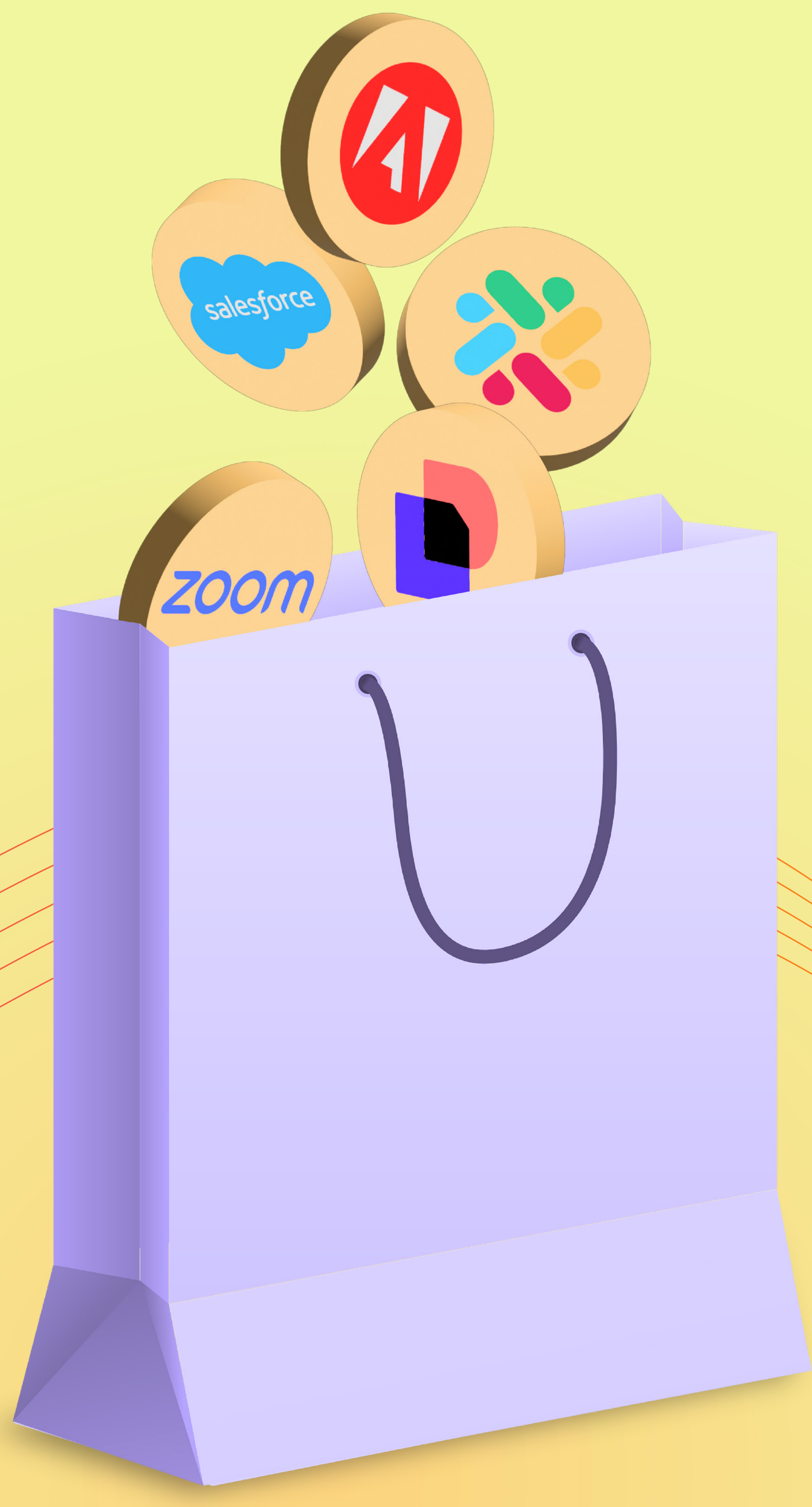
tropic

SOFTWARE MARKET ANALYSIS

H1 2025 Software Buying Trends



Introduction

We've analyzed market trends and procurement patterns from over $14B in spend under management to uncover where software investment is headed to help you drive smarter, more strategic decisions for the rest of 2025 and into 2026. From vendor consolidation to AI-fueled growth, we look at which tools are falling behind, which are gaining momentum, and how teams are reshaping their stacks to maximize ROI.

One thing is clear when it comes to your tech stack: timing matters. More than 30% of renewals happen in Q4, but far too many companies wait until the last minute to act, leaving savings on the table.

The difference is measurable:

6 MONTHS OUT:	60 DAYS OUT:	30 DAYS OUT:
up to 39%	22%	14%
more savings	savings improvement	savings improvement

This is your wake-up call to get ahead of your Q4 negotiations. But, don't stop there. You need to continuously monitor your tech stack, renewals, and sourcing needs. Use these insights into supplier performance, adoption trends, and buyer behavior that can help you benchmark more effectively, negotiate with confidence, and allocate spend where it delivers the most value. The most forward-thinking teams are already consolidating low-ROI tools, reinvesting in infrastructure and security, and pushing back on unjustified price hikes.

At Tropic, we focus on supporting SMB, Growth, and Mid-Market companies — because we believe software buying shouldn't just favor the enterprise. Our goal is to level the playing field and help our customers turn software procurement into a strategic advantage. For this issue of our Software Buying Trends Report, we've honed in on companies in those categories, which we define as:

- **SMB:** 1–100 employees
- **Growth:** 101–250 employees
- **Mid-Market:** 251–999 employees

Total spending in the first half of 2025 increased around 15% YoY, when looking at actual spend. But, it's important to note, there was a decrease of around 9% between Q1 and Q2 in 2025, which is something we'll continue to watch.

Average SaaS Spend

by Company Size + Average SaaS Spend per FTE

	Average software spend per business	YoY change from H1 2024	Average software spend per employee	YOY change from H1 2024
SMB	$1.05M	↑ 11% $943k	$14k	↑ 7% $15k
Growth	$1.4M	↓ 12% $1.6M	$8k	↓ 1% $8.1k
Mid-Market	$4.4M	↑ 4% $4.2M	$7.3k	↓ 6% $6.8k

MARKET INSIGHTS

While we did see an increase in total spending in the first half of 2025 compared to last year, average spend per company is inconsistent across sizes. Mid-Market companies saw an increase in average spend per employee, while SMB and Growth Stage saw small decreases. Companies are still spending on the tools they need, but we are seeing the removal of unnecessary software take place.

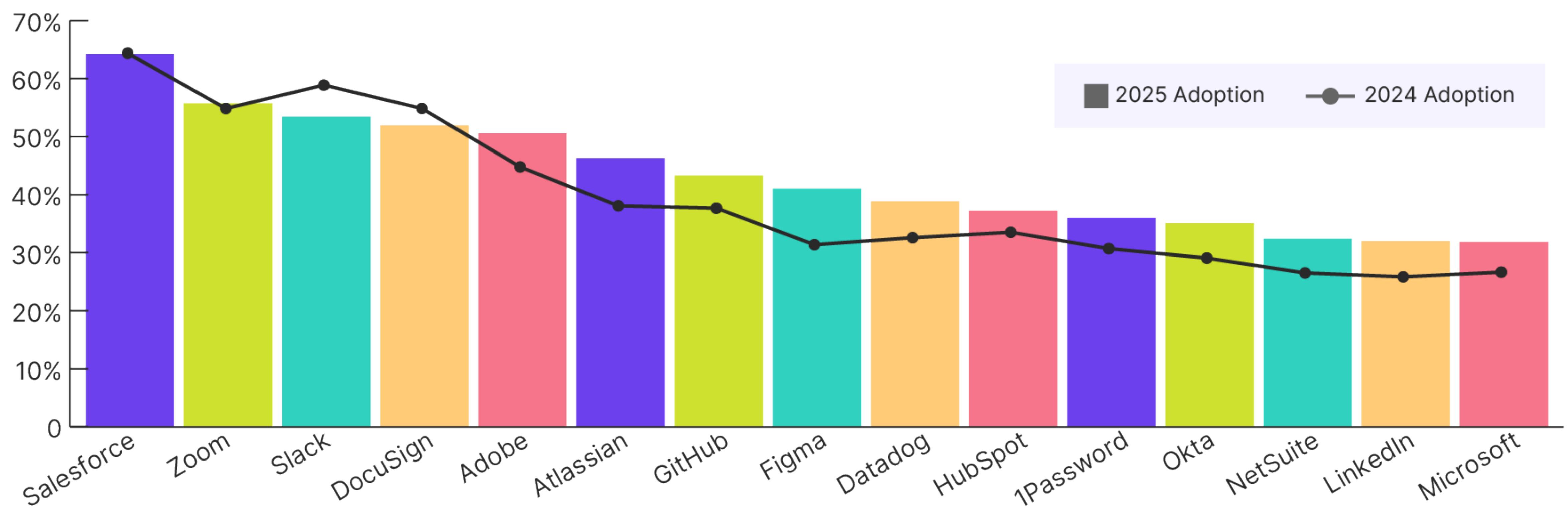
NEGOTIATION INSIGHTS

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

The first half of 2025 reflects an inflection point in software adoption for SMB, Mid-Market and Growth companies. While familiar platforms like Salesforce and Zoom still top the adoption charts, many legacy leaders have begun to show signs of fatigue. The slight declines, especially on collaboration platforms, are a clear sign that consolidation efforts are maturing. Tools that enable engineering velocity, design innovation, or infrastructure scale continue to thrive.

TOP 15 SUPPLIERS BY ADOPTION RATE



Ranked by average adoption rate across in H1 2025.
Companies that dropped off the most used list YoY: Carta, Zendesk, Google Workspace, Greenhouse

SUPPLIER & MARKET INSIGHTS

- Consolidation is continuing, especially among collaboration tools. We're seeing some decreases in Slack and Zoom in favor of bundled alternatives like Google Workspace and Microsoft Teams. But, don't count these point-solutions out completely. Our CE teams are also starting to see some companies request a return to Slack after lackluster adoption of other tools.
- Tools that support engineering, product, and infrastructure (e.g., Atlassian and Figma are seeing rapid adoption as organizations prioritize scalability, intuitive UX, and integration.
- Buyers are becoming more selective and ROI-driven — security and operations platforms like Okta, 1Password, and NetSuite are gaining traction due to increased scrutiny on governance and visibility.
- Organizations are less tolerant of price hikes from legacy tools unless clearly tied to new value or innovation.
- Switching vendors is no longer taboo, teams are increasingly confident in evaluating alternatives and sunsetting low-value tools.

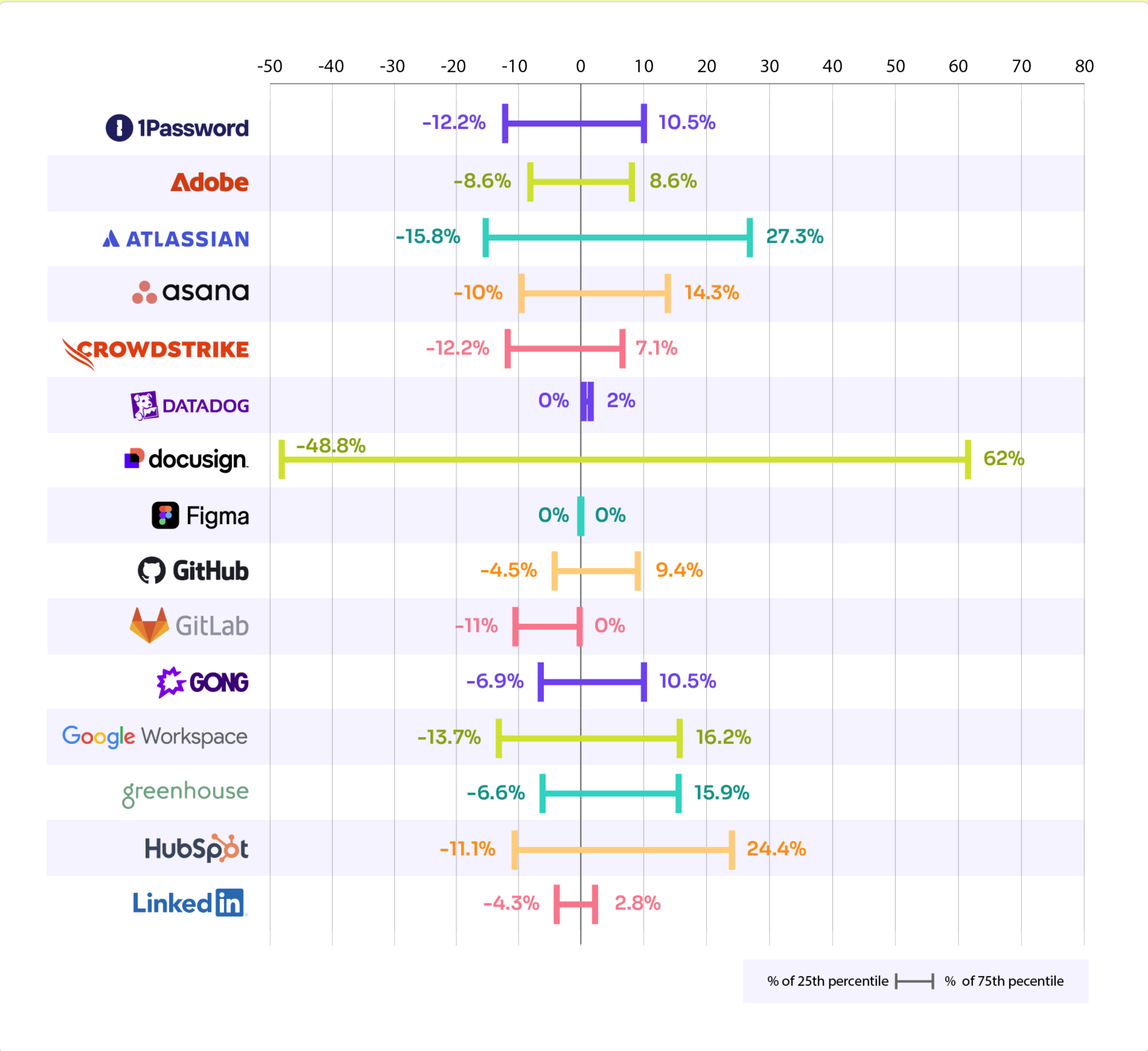
NEGOTIATION INSIGHTS

- Use declining adoption among legacy vendors as leverage to counter annual uplifts or negotiate more favorable terms.
- For tools under competitive pressure, consider requesting flexibility on term length, price caps, or bundling opportunities.
- Support business cases for new tools with usage and growth trend data
- Anchor renewal conversations around ROI, not just pricing — demonstrate how strategic tools drive engineering velocity, security, or operational resilience.
- When exploring consolidation, tie conversations to real business outcomes like reduced overlap, license optimization, or increased adoption.

Pricing Variability for Top Suppliers

Understanding how unit costs vary is critical for identifying opportunities for cost savings and negotiating better supplier terms. This section explores how much variability suppliers are willing to offer across their product offerings. By analyzing these patterns, we aim to highlight areas where standardization, volume leverage, or supplier consolidation could help drive cost efficiency.

For the purpose of this exercise, we controlled similar volume ranges to see what pricing variability exists on like for like contracts. As you can see, for many top suppliers, there is a big range in what organizations are paying. Those will be the suppliers you might want to spend more time on when negotiating. However, companies like LinkedIn — which have little variability — might be one you don't focus on. Some suppliers, like Figma for example, had 0% variability. That simply means, what you see with Figma is what you get.



Most Commonly Used Tools by Company Size

While there is some evidence that software patterns are size-dependent, much remains remarkably similar when you look across non-enterprise organizations, you see that most software can scale with you as your company grows. There is emphasis on go-to-market, engineering, and design.

SMB	Growth	Mid-Market
Salesforce	Salesforce	Salesforce
Slack	Slack	Zoom
Zoom	Zoom	DocuSign
HubSpot	DocuSign	Adobe
DocuSign	Adobe	Slack
Adobe	Atlassian	Atlassian
GitHub	GitHub	GitHub
Figma	HubSpot	Figma
Datadog	1Password	Datadog
Atlassian	Figma	Okta
Google Workspace	Google Workspace	NetSuite
Microsoft	Microsoft	Greenhouse
Zendesk	Carta	LinkedIn
1Password	NetSuite	ZoomInfo
Carta	Datadog	1Password

SUPPLIER & NEGOTIATION INSIGHTS

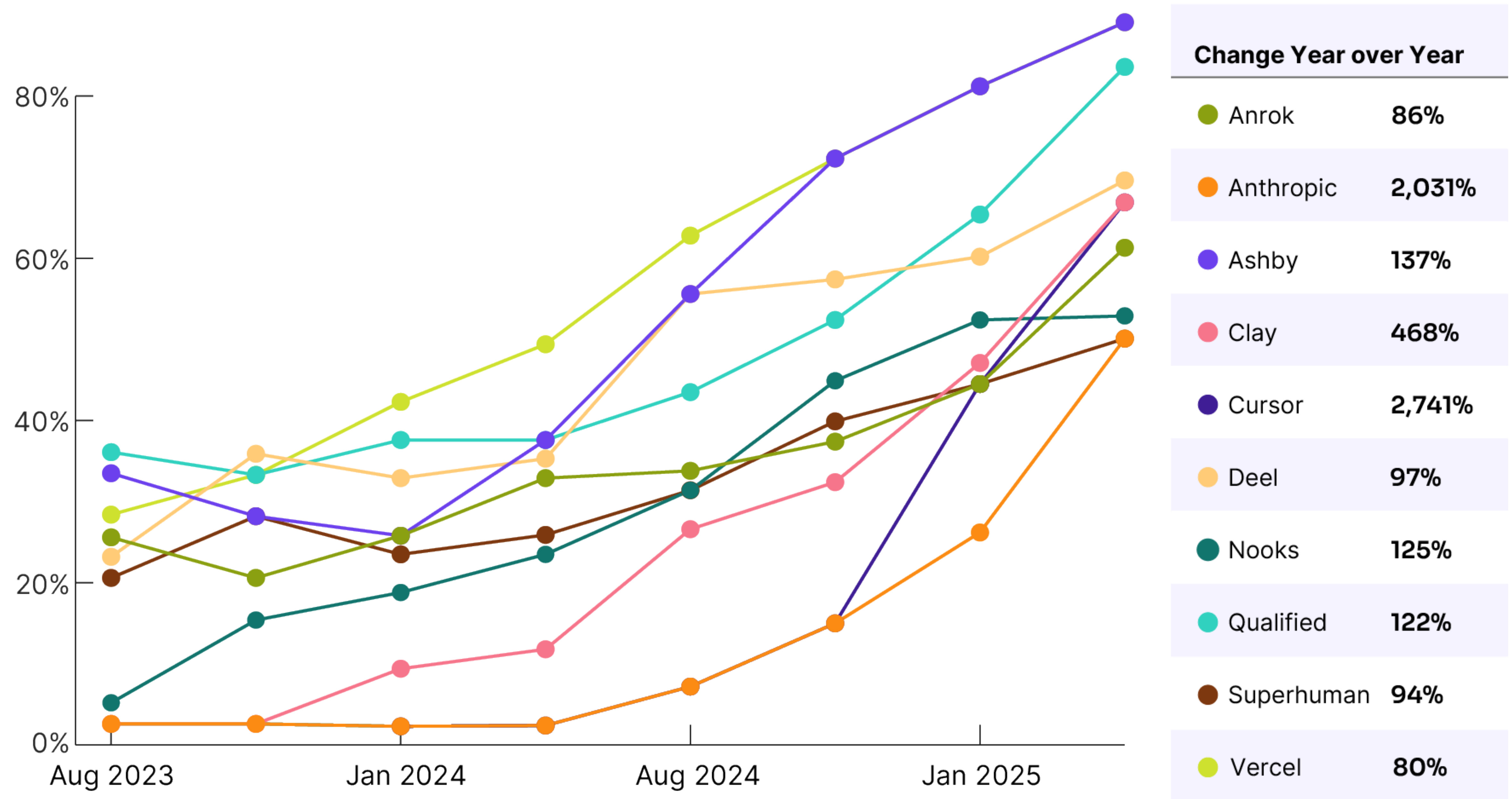
- The first purchase or tool graduation represents your strongest negotiating position — what appears to be a good discount (50%) may be well below market rate (70%), reinforcing the importance of price benchmarks.
- Since most tools can scale with you from 0-1000 employees, it's important to start good procurement practices as early as possible, the next true negotiation leverage may not come for quite some time
- This is why it's also important to 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

In a recent survey, we found **that 86% of organizations** plan to implement or scale AI by 2026. So, it's not surprising that AI remains at the forefront of companies experiencing incredible growth. However, survey respondents also noted that understanding and proving ROI remains somewhat difficult to prove, and needs to be better understood for additional purchasing.

Further, we are seeing some "first-to-market," AI companies like OpenAI are no longer on our fastest growing list, as they have reached a level where their growth, while still strong, has leveled off slightly. Instead, we're seeing a lot of purpose-built AI companies take the top growth spots, especially in nimble companies with 0-1000 in headcount.

ADOPTION PERCENTAGE OVER TIME BY SUPPLIER



SUPPLIER & NEGOTIATION INSIGHTS

- The fastest growing suppliers by change in adoption rate are tied closely to the AI wave — with a strong focus on go-to-market tools
- While market growth can indicate either product superiority or aggressive discounting strategies, in these cases, it looks like a quest for efficiency. That said, understanding which is happening is crucial for procurement strategy.
- Fast-growing vendors with superior products typically don't offer discounting, making competition-based negotiation less effective. But, since we're seeing a lot of AI companies pop-up overnight, this market might be more apt to offer discounts even for high-growth companies.
- 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.

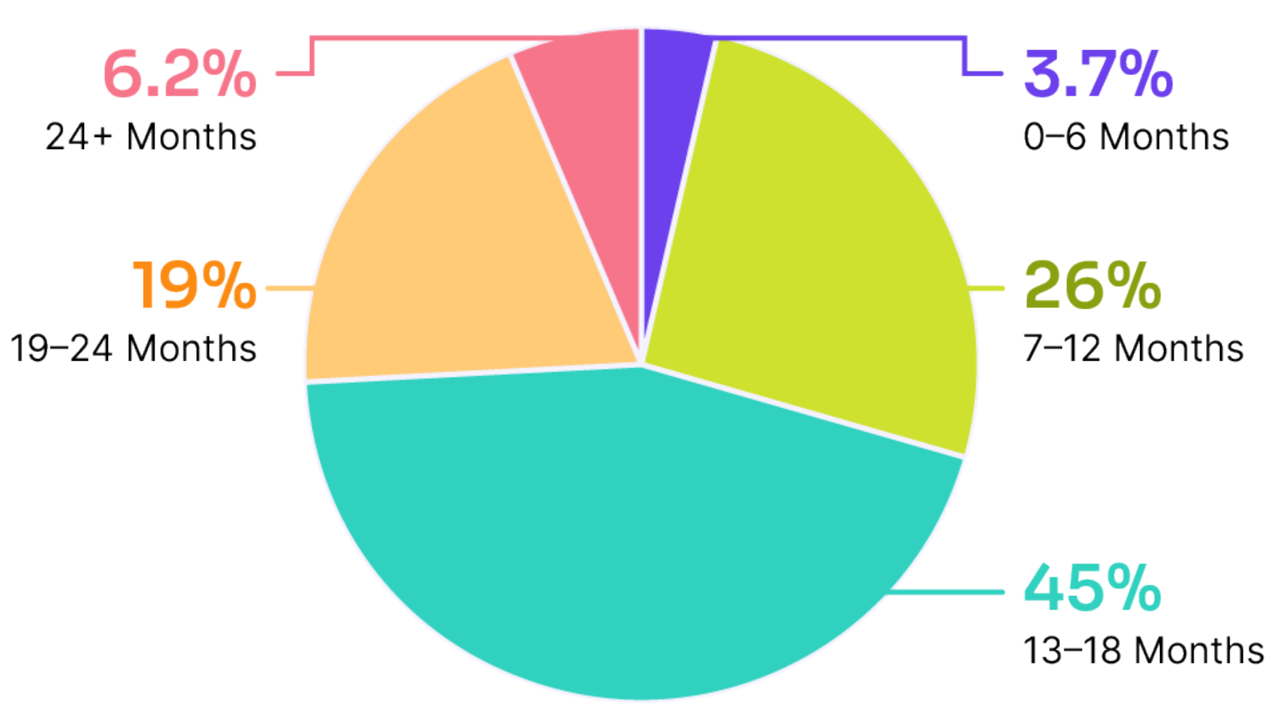
Fastest Growing Suppliers by Company Size

SMB	Growth Stage	Mid-Market
Cursor	Clay	Cursor
Clay	SentinelOne	Qualified
Vercel	Jellyfish	Cogent
CoderPad	Ashby	Sprout Social
Chromatic	Wiz.io	Notion
Fireflies.ai	Qualified	Ashby
Anthropic	Hex	Anthropic
Loom	Validity	Nooks
Superhuman	Goldcast	Clay
Coefficient	Redis	Vanta

Contract Terms Trends

Despite speculation that contract terms would decrease with economic uncertainties, and the rapidly changing pace of AI, companies are continuing to accept slightly longer terms. The average new contract in H1 2025 is 15.1 months, a 4.6% increase over H1 2024.

PERCENTAGES OF SUPPLIERS WITH EACH CONTRACT LENGTH



NEGOTIATION INSIGHTS

- Vendors are increasingly pushing for multi-year commitments to secure revenue streams, particularly in the current economic climate.
- 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.

Top Suppliers Creating Shadow IT Problems

Shadow spend refers to purchases made outside established procurement processes, without proper visibility, approval, or contractual oversight. While these purchases might seem small in isolation, they can accumulate into significant financial leaks that challenge cost control, compliance, and strategic supplier relationships.

Many of these suppliers offer important services, but also have "freemium," functions that can quickly turn into a tool used by many people across an organization by simply swiping a credit card. Without a formal contract, companies miss out on negotiated pricing, volume discounts, and optimized terms

1. OpenAI
2. LinkedIn
3. Figma
4. GitHub
5. Adobe
6. Calendly
7. Canva
8. twilio
9. ATLASSIAN
10. zapier
11. JETBRAINS

HOW TO MITIGATE SHADOW SPEND

Centralize contract and spend data
Create one system for all contract and spend information. This improves visibility, compliance, forecasting, and negotiation power.

Control spending better
Stop accidental shadow spend with:

- Clear policies for software/ SaaS purchases
- Pre-approved vendor lists for big spends
- Automated approval workflows to catch rogue purchases

Consolidate vendors
Merge separate departmental contracts into single enterprise agreements — especially for software and cloud services where teams pay different rates for the same tools.

Align your teams
Get procurement, finance, and departments working together. Collaborate with IT partners to set up measures around self-adoption, teach everyone compliance matters, and make policies practical enough to actually follow.

Top Suppliers Contributing to Unpredictable Spend Variance

Keeping expenses aligned with contracts is a constant challenge. Even the most well-structured agreements can diverge from actual expenses, leading to budget discrepancies, cash flow issues, and supplier relationship complexities. One of the key drivers of this variance? The nature of the supplier agreement — usage-based vs. fixed-cost contracts.

Our analysis highlights median contract variance by month for usage-based and non-usage-based suppliers. While all suppliers exhibit some variance, the difference in patterns between the two is striking:

- Non-usage-based suppliers (fixed-cost agreements) show relatively stable fluctuations, typically hovering closer to contract terms.
- Usage-based suppliers experience higher volatility, with significantly greater swings in contract variance.

Unsurprisingly, some of the highest-variance suppliers include Datadog and Twilio, all of which operate on highly variable, consumption-based pricing models

1. LinkedIn
2. CLOUDFLARE
3. Avalara
4. Canva
5. twilio
6. Microsoft
7. OpenAI
8. aws
9. SENTRY
10. DATADOG
11. Dropbox
12. zoom
13. PagerDuty
14. Adobe
15. Figma

HOW TO MITIGATE VARIANCE RISKS

Track variance live
Use tools like Tropic's Spend Variance to monitor overspending, underspending, and shadow spend instantly.

Forecast better
Analyze historical trends and use predictive analytics for accurate demand planning.

Build flexibility into contracts
Add price caps, volume thresholds, and renegotiation clauses. Example: Twilio/Zapier users can restructure to tiered pricing.

Automate spend tracking
Set up tools that flag consumption issues immediately.

Connect procurement to operations
Keep teams aligned to avoid commitment mismatches.

Schedule contract reviews
Build in regular checkpoints instead of locking into rigid long-term deals.

Tropic is your intelligent procurement partner, purpose-built to help modern finance and procurement teams save time, cut costs, and drive impact. Whether you're a solo finance leader or part of a larger team, Tropic combines AI agents and expert services to handle the procurement work you don't have time for — from complex negotiations to renewal headaches. Powered by over $13B (and growing) in software spend intelligence, Tropic gives you unmatched visibility, automation, and negotiation leverage across your stack. We don't just flag problems, we solve them, transforming procurement into a strategic advantage that scales with your business. Learn more at **tropicapp.io** and follow us on **LinkedIn**.