

IT Market Insights: The world of IT is an ever-changing landscape that can be difficult to keep up with. IT providers are always evolving and making changes to their offerings and pricing models. But are their changes always beneficial to the customer or are many changes to make them more profitable? In this newsletter we explore some of these changes and implications.

April 2025

Pricing Model Changes

IT Vendors are masterful at changing pricing models for their solutions. Make no mistake, this complexity is by design to make them more profitable. As you can see in the table below, many are going to be working to implement “Value-based” or “Outcome-based” pricing.

Value-Based Pricing - Prices are set based on the perceived value a product or service provides to the customer. Vendors will sell on the potential ROI of the solution and price everything based on that.

Outcome-Based Pricing - Prices are tied to the actual results or outcomes achieved from using the product or service.

Both methods of pricing have big implications and can make things difficult for customers. With Value-based, customers need to weed through the sales tactics of inflating the ROI numbers in negotiations to get the best deal. With Outcome-based, costs are not predictable and difficult to budget for.

Below are 3 vendors looking to change to these pricing methods:

1. **ServiceNow:** Transitioning to a value-based pricing model for their IT service management solutions.
2. **Salesforce:** Moving towards outcome-based pricing for their AI-driven solutions. This means customers will pay based on the value and outcomes they achieve using Salesforce's AI tools.
3. **SAP:** Introducing a value-based pricing strategy for their enterprise software solutions. This approach focuses on the value delivered to customers, rather than just the cost of the product.

Other IT vendors are moving towards consumption-based models:

1. **Microsoft:** Shifting to a hybrid pricing model that combines subscription-based and usage-based pricing for their Azure services.
2. **Adobe:** Implementing a usage-based pricing model for their Creative Cloud services. Customers will be charged based on the actual usage of the software, rather than a flat subscription fee.
3. **SAP:** Introducing a value-based pricing strategy for their enterprise software solutions. This approach focuses on the value delivered to customers, rather than just the cost of the product.
4. **Oracle:** Adopting a consumption-based pricing model for their cloud infrastructure services. This model will allow customers to pay for the resources they actually use, rather than a fixed monthly fee.
5. **Workday:** Implementing a hybrid pricing model that combines subscription-based and usage-based pricing for their human capital management (HCM) and financial management solutions.
6. **Cisco:** Adopting a consumption-based pricing model for their networking and security solutions. This model allows customers to pay for the resources they actually use.

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Many companies are struggling with the subscription changes and price increases that Broadcom has been imposing on VMWare and their other lines of products. There are alternatives that many are looking into. Below are some options that can be considered:

Virtual Desktop Infrastructure (VDI) Alternatives:

1. Microsoft Azure Virtual Desktop
2. Amazon WorkSpaces
3. Citrix Virtual Apps and Desktops

Hyperconvergence Alternatives

1. Nutanix
2. HPE SimpliVity
3. Cisco HyperFlex
4. Dell EMC VxRail

Virtualization Alternatives:

1. Microsoft Hyper-V
2. Nutanix
3. Citrix Hypervisor

Fiscal Year Ends

Supplier	Fiscal Year End
NetApp	April 25, 2025
Infor	April 30, 2025
Saba Software	April 30, 2025
Oracle	May 31, 2025
Microsoft	June 30, 2025
OpenText	June 30, 2025
Sun Microsystems	June 30, 2025

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