



**PACT Association**

# **The true cost of SaaS: how to combat inflation and take control in 2025**





# **SaaS – the backbone of modern business**

SaaS (Software-as-a-Service) has become the backbone of digital business operations. Almost every medium to large company now uses dozens, if not hundreds, of SaaS solutions for various business processes such as communication, project management, HR, IT management, security, finance, marketing and more.

## **SaaS costs in 2025 – a new challenge**

Where software use was previously seen as a cost that grew with the company, in recent years SaaS costs have risen significantly - with or without an increase in usage or numbers of users. This phenomenon is referred to as SaaS inflation, and it has evolved into a structural challenge for IT, Finance and procurement teams worldwide.

# PART 1: EXPLOSIVE GROWTH IN SAAS SPENDING

## Total increase in SaaS costs:

In 2025 global software spending per employee is projected to rise with approximately 10% compared to 2024.

The total SaaS market value alone is nearing \$300 billion with annual growth rates between 18% and 20%.

## Why are costs rising so sharply?

The rising costs are the result of a combination of factors:

1. More tools per employee are used.
2. Price increases by suppliers: in some cases, up to 25% increase per year.
3. Smaller teams and sales, but rigid contracts: fewer employees does not automatically mean lower costs, due to contracts that don't flexibly scale.
4. SaaS providers that do not charge per user: many tools charge based on usage, volume, or functionality. Having fewer staff does not affect that.

## PART 2: SAAS INFLATION VERSUS CONSUMER INFLATION

### What is SaaS inflation?

SaaS inflation measures how much more expensive the same software stack has become compared to a year ago. A company that spent **\$1.000.000** on SaaS in 2024 will pay **\$1.113.000** for exactly the same stack in 2025 – without any upgrades.

### Comparison with regular inflation:

- SaaS inflation in 2025 averages around 11%, significantly higher (4-6 times) than consumer inflation.
- Average CPI (consumer inflation) in G7 countries is approximately 2.8%.
- That is a difference of more than 5 times as much.
- While consumer inflation is now decreasing, SaaS inflation remains relatively stable, widening the gap.

### Well-known SaaS providers with significant price increases in 2025:



28%



10-15%



10%

## PART 3: SHRINKFLATION – HIDDEN PRICE INCREASES

### What is shrinkflation?

Shrinkflation in SaaS means that suppliers increase their prices **without making this immediately visible**. This happens, for example, by:

- Changing bundles or splitting functions.
- Phasing out discounts.
- Introducing terms of use whereby unused credits expire.
- Modifying license models or contract terms.

### Examples of shrinkflation techniques:

- Bundling (e.g. Atlassian, Aircall): multiple solutions combined so that customers pay for features they don't need.
- Unbundling: separate billing of individual modules increases the total amount.
- Use-it-or-lose-it usage model (e.g. Snowflake, Zapier): unused credits expire.
- Less discount on renewals: discounts are more strictly regulated and limited in time.

### Consequences:

- > 25% of companies will probably be affected by this in 2025.
- Over 60% of SaaS vendors obscure pricing, with fewer than 40% providing transparent pricing.
- Suppliers with low price transparency are more likely to increase prices.

## PART 4: IMPACT ON BUSINESS OPERATIONS

### **SaaS and cloud now one of the biggest cost items:**

- SaaS and cloud services now represent approximately 25% of total operational IT expenditures.
- Cloud costs (AWS, Azure, Google Cloud) increased by about > 50% on average in 2024 compared to 2023.


### **IT tools are the most expensive:**

- Largest price increases in:
  - IT management tools: 17.7%
  - IT infrastructure tools: 16%
- The negotiating space for IT tools is small; price differences between the cheapest and most expensive provider are often minimal (a factor of around 1.3x).

## PART 5: WHAT CAN COMPANIES DO?


The structural increase in software costs means that companies **must approach their SaaS procurement and contract management professionally**. Without action, you risk uncontrolled cost increases, negatively impacting profitability and liquidity.

### Key Recommendations:




**Gather insight into your current SaaS stack:**  
what are you using, how much are you paying, where is there overcapacity?

**01**



**Negotiate smarter during renewals:**  
price increases are often negotiable, especially with benchmark data.

**02**



**Avoid long-term contracts without flexibility:**  
especially with suppliers that adjust pricing models.

**03**



**Make use of tools and experts.**

**04**

# WHAT ARE STRATEGIES TO CONTROL AND OPTIMISE SAAS COSTS?

## **1. Consolidate and standardise SaaS solutions (Supplier Consolidation)**

Identify overlapping functionalities within different SaaS applications. Consolidate these solutions to fewer suppliers to increase bargaining power and obtain volume discounts.

## **2. Compare and benchmark prices (Benchmarking)**

Use benchmark data to substantiate price increases during negotiations. Show suppliers alternative prices from the market, enabling you to negotiate better terms.

## **3. Negotiate flexible contracts (Contract Flexibility)**

Sign short contracts or include flexible scalability in your contracts so you can quickly adapt to changing circumstances and staffing levels.

## **4. Renegotiate proactively and early (Proactive Renegotiation)**

Don't wait until the renewal date to negotiate. Start renegotiating at least six months before the contract expires to get maximum flexibility and better terms.

## **5. Implement usage monitoring (Demand Management)**

Use software to gain insight into the actual use of SaaS applications. Reduce waste by identifying and discontinuing unused licences and modules in a timely manner.



# WHAT ARE STRATEGIES TO CONTROL AND OPTIMISE SAAS COSTS?

## **6. Avoid hidden price increases (Shrinkflation) (Unbundling)**

Regularly check whether you are still using all the functionalities offered in bundles. Negotiate the removal of unnecessary features or switch to modular pricing if this proves to be more cost-effective (unbundling).

## **7. Centralise and professionalise (Procurement Centralisation)**

Create a central procurement team for SaaS solutions with specialised knowledge. This team will ensure better negotiations, more efficient processes and continuous monitoring.

## **8. Apply strategic collaboration (Strategic Partnerships)**

Consider strategic collaborations or partnerships with key suppliers to obtain better terms and conditions. Long-term relationships strengthen your negotiating position in the event of price increases and contract renewals.

## **9. Avoid vendor lock-in (Standardisation and Modularity)**

Select SaaS suppliers with open standards and integration options, so that switching to alternatives is easier in the event of price increases or service deterioration.

## **10. Optimise internal demand (Internal Demand Optimisation)**

Educate employees on the cost-conscious use of SaaS solutions. Encourage critical thinking about the necessity of functionalities and modules to avoid unnecessary expenditure.

# CONCLUSION

The SaaS market continues to grow, but this growth is accompanied by increasingly higher and less transparent costs.

SaaS cost inflation has become structural, further exacerbated by shrinkflation and changing pricing models. Companies that lack visibility and control over their software costs risk unnecessary expenditure and losses in efficiency.

Therefore, it is essential not to accept software expenditures as a given, but to actively implement a software asset management strategy using transparency, benchmark data, and negotiation power.

# Connect With Us



At PACT Association we can support you in managing your SaaS subscriptions and your software contract portfolio.

We help organizations reduce hidden software costs, benchmark contracts, and negotiate better deals. Our Software Asset Management service combines procurement expertise with the right tools to give you full control.

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