



anm

Freedom to Accelerate



ANM
TECH DAY

The Ruthless Economics of IT Inflation

Subscription

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Hi Erin,

Thanks for letting us entertain you since 2026. Starting May 11, we're updating our prices to bring you even more exciting, new entertainment. **Your monthly total will increase from \$7.99 (pre-tax) to \$8.99 (pre-tax).**

Why are prices changing?

We're updating our prices to keep improving what you already love. Expect fresh, can't-miss shows and movies every week (including 100 new releases next month).

Thank you for streaming with us

You have more choices than ever for entertainment, and we're grateful you've chosen us. As always, you can manage your

Annoyed, may consider terminating, but now just not a good time...

What if they did this every year?

Suppose they proposed to secure your price for 5 years; what would your cost be at the end of that period?

\$14.08



Imagine



Point of view

Manufacture



Customer





Economics 101

A quick comparison

CPI vs SaaS



Source: <https://www.vertice.one/reports/saas-inflation-index-report-thank-you>

Quietly suffocating Enterprise IT Budgets.

SAAS costs have risen 12-13% for the past 3 years.

In the past five years, the share of Corporate IT budgets dedicated to software has risen from 13% to 21%.

Econ 101

- **Elastic Demand** – demand for good or service is directly related to price changes
- **Pricing Power** – the ability for a company to raise their pricing without suffering a corresponding decline in demand.
- **Switching Costs** – expense incurred when moving to a different product or service
- **Average Revenue Per User/Customer(ARPU)** - extracting more revenue from you customer base(aka monetizing your base)





Current State

Price Hikes

Macro economic factors

- **Wage increases**
 - General wage increases.
 - Decrease in supply of knowledge workers during pandemic
 - Government subsidies
- **Infrastructure Costs**
 - Power, cooling, space
 - HW Costs
 - Cloud



Wallstreet

Reward system

- **Traditionally**
 - Risk associated with price increases
 - Loss of customer base
 - Brand loyalty
 - Mass exodus of clients
- **Currently**
 - Equity markets do not punish they reward.
 - Pricing Power
 - High Switching Costs
 - Finding and adding new customers is expensive(may not be an option).
 - A low-risk lever for margin expansion



Microsoft

- **Commercial O365 price increase - March 2022**
 - E3 tier \$32-36(~11%)
 - 1000 employees = ~\$50k
 - 20k employees = ~\$1M
- **Feature justification**
 - Delayed capture value
 - First price increase in over a decade
 - 24 new applications and 1400 new features



Coming soon to a corporate IT budget near you

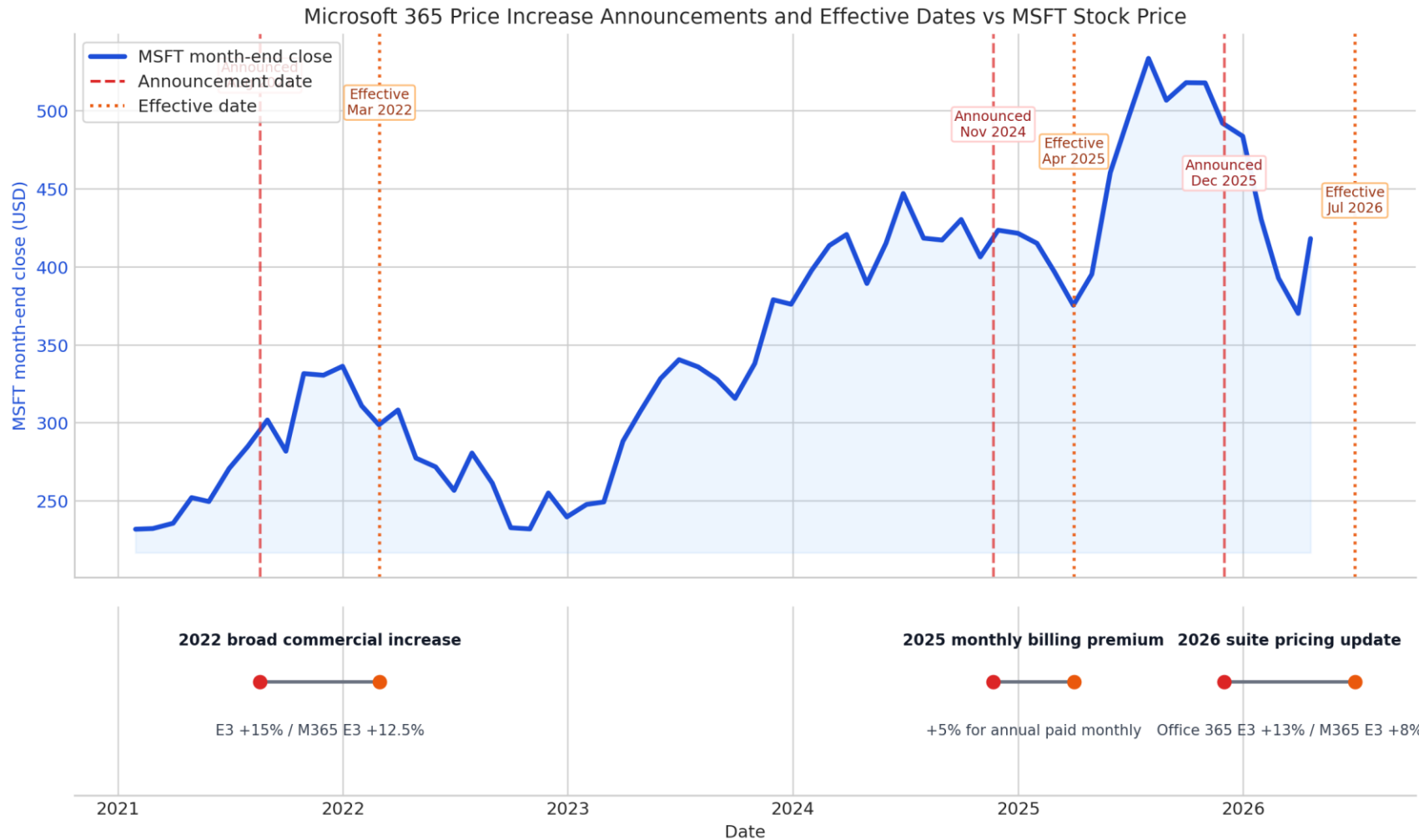
Commercial Pricing Update: Details of the new pricing (as of July 1, 2026, in USD) for commercial customers are provided in the tables below. Please note: This pricelist pricing is subject to change and may vary by country and currency. To learn more about these changes, please refer to the [official announcement](#).

Enterprise suites

Suites with Teams Effective July 1, 2026			Suites without Teams Effective July 1, 2026		
SKU	% change	Old Price New Price	SKU	% change	Old Price New Price
Office 365 E1	--	\$10.00	Office 365 E1 (no Teams)	--	\$6.79
Office 365 E3	13%	\$23.00 \$26.00	Office 365 E3 (no Teams)	14%	\$14.45 \$17.45
Office 365 E5	8%	\$38.00 \$41.00	Office 365 E5 (no Teams)	10%	\$29.45 \$32.45
Microsoft 365 E3	8%	\$36.00 \$39.00	Microsoft 365 E3 (no Teams)	11%	\$27.45 \$30.45
Microsoft 365 E5	5%	\$57.00 \$60.00	Microsoft 365 E5 (no Teams)	6%	\$48.45 \$51.45

Why

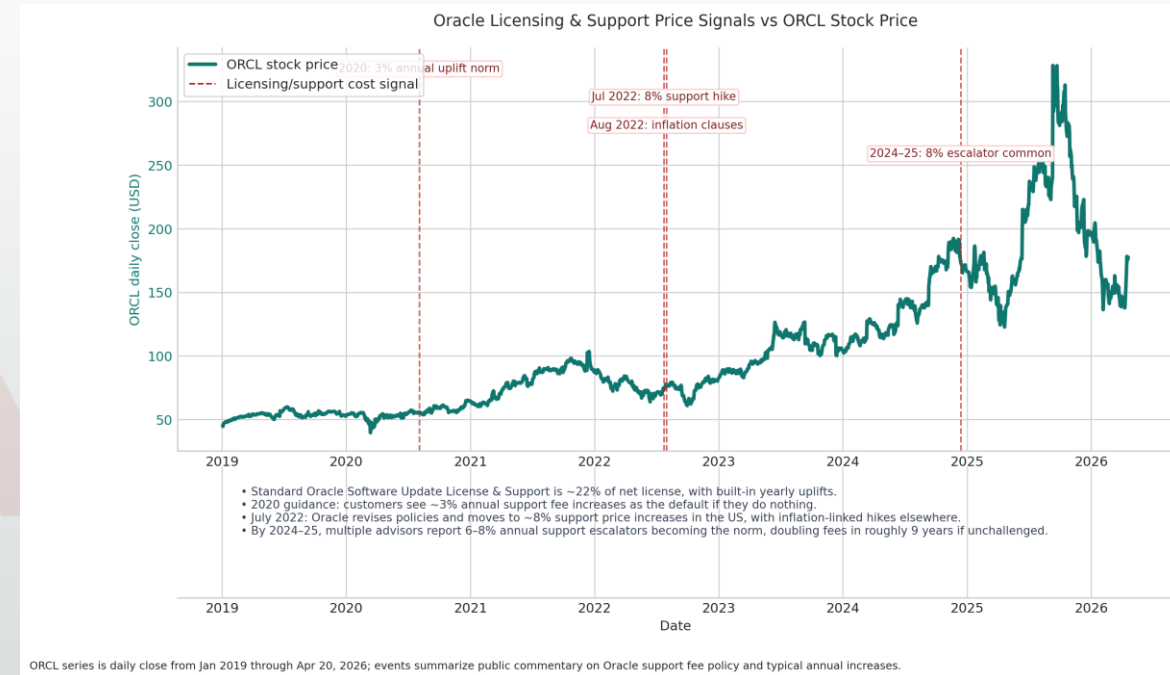
- **Increasing Threat Landscape:** To provide better protection against sophisticated cyberthreats like phishing, malware, and malicious links by integrating Microsoft Defender features into more subscription tiers.
- **Rising IT Demands:** To empower IT teams with streamlined management tools, such as Microsoft Intune Remote Help and advanced analytics, helping them resolve issues faster and maintain device productivity.
- **AI-Powered Transformation:** To accelerate the adoption of generative AI across organizations by expanding the availability of Microsoft 365 Copilot and introducing specialized AI agents for security and productivity.
- **Sustained Innovation Value:** To reflect the value of over 1,100 new features released in the past year—including Microsoft Loop, Microsoft Places, and enhanced security APIs—which have expanded the core utility of the suites.
- **Securing Hybrid Work:** To provide a more secure and resilient infrastructure for modern work environments, including enhancements like quick machine recovery and shadow AI discovery.



Dashed red lines mark announcement dates; dotted orange lines mark effective dates. MSFT series uses month-end closing stock price in USD through Apr 20, 2026.

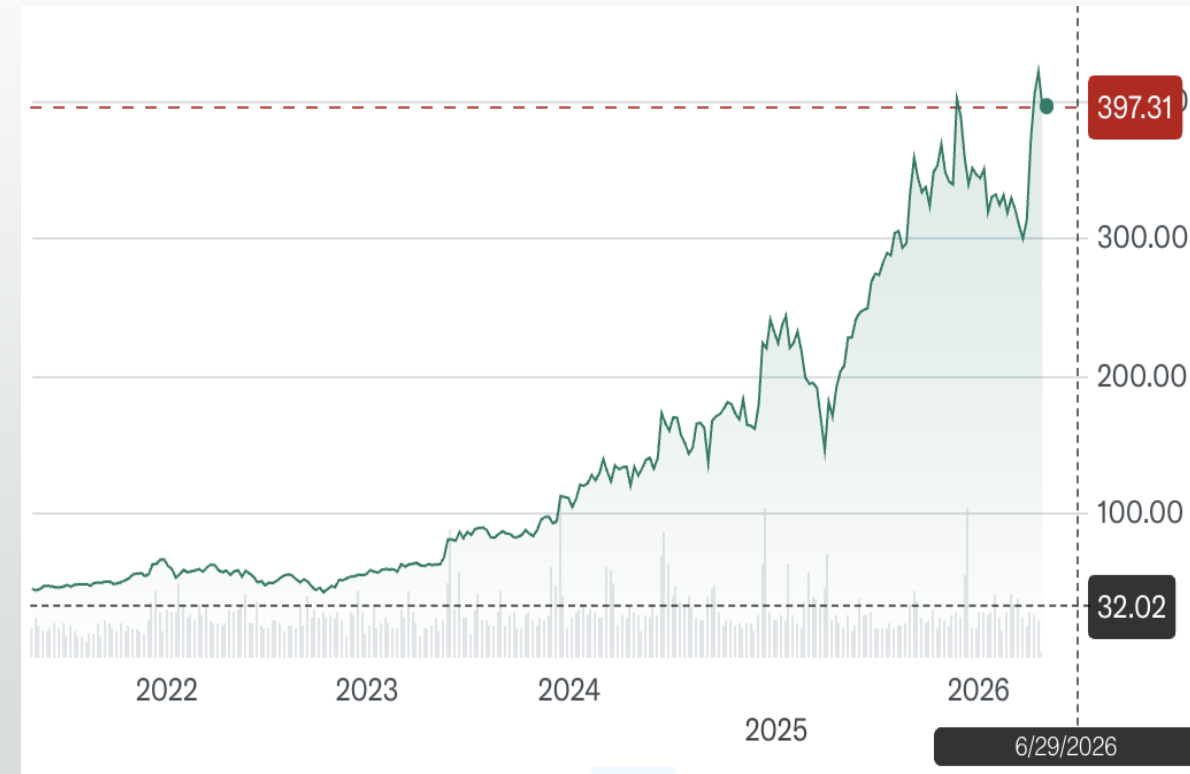
Oracle

- **Switching Costs**
 - Enormous
 - Massive uplift in critical enterprise applications
- **2022**
 - Prior annual support increases normal ~4%
 - 8% increase in single cycle
 - Tied to global Inflation, revised terms and conditions that allowed for country specific inflation
- **After 2022**
 - 8-10% now the norm



Broadcom/VMware

- **Acquisition finalized in late 2023**
- **Estimated that 40% of all workloads run on VMware. With 80% of fortune 500 companies using this as their virtualization platform.**
- **Shifted from perpetual licenses to subscription**
 - Minimum licensing requirements from 16 to 72 cores.
 - Smaller shops experience 350-450% cost increase.
 - Medium shops 250-350% cost increase.
 - 20% late renewal penalty



Broadcom/VMware



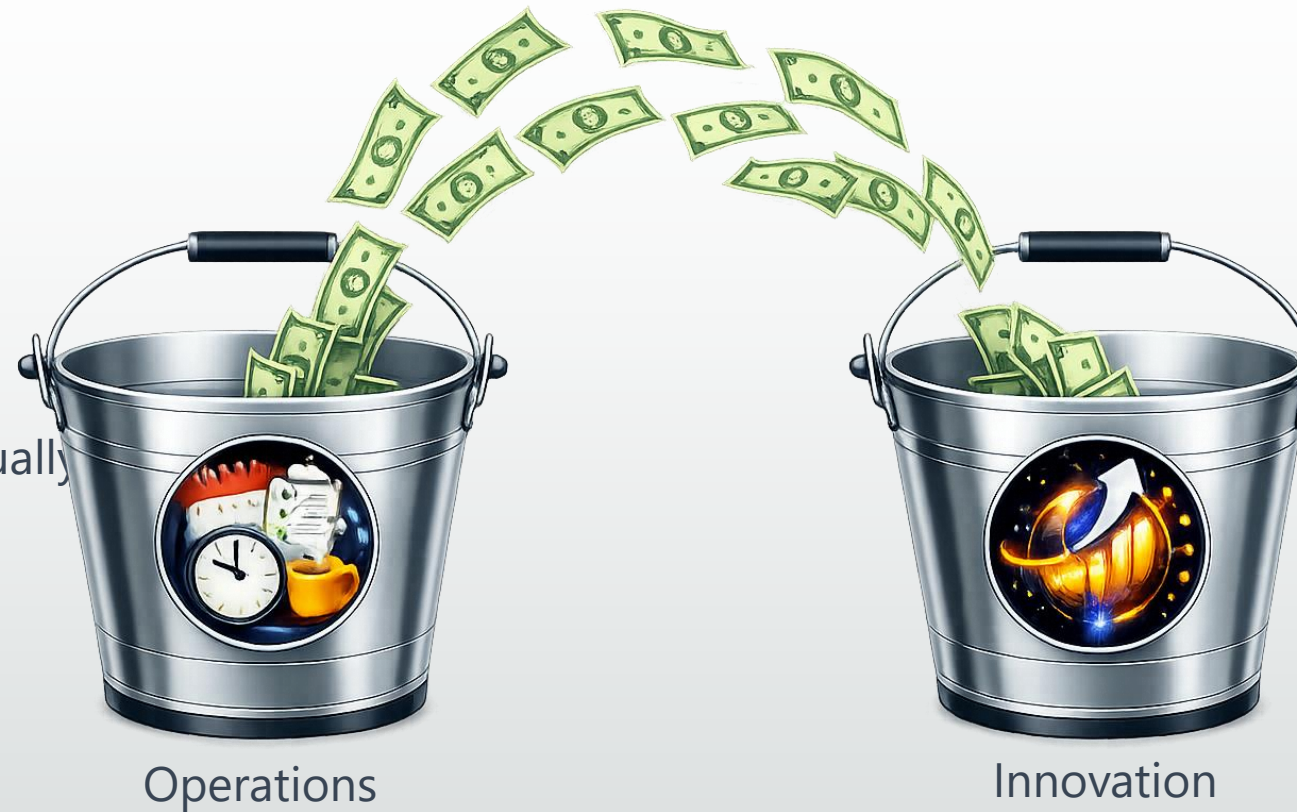
Why did this not cause a mass exodus?



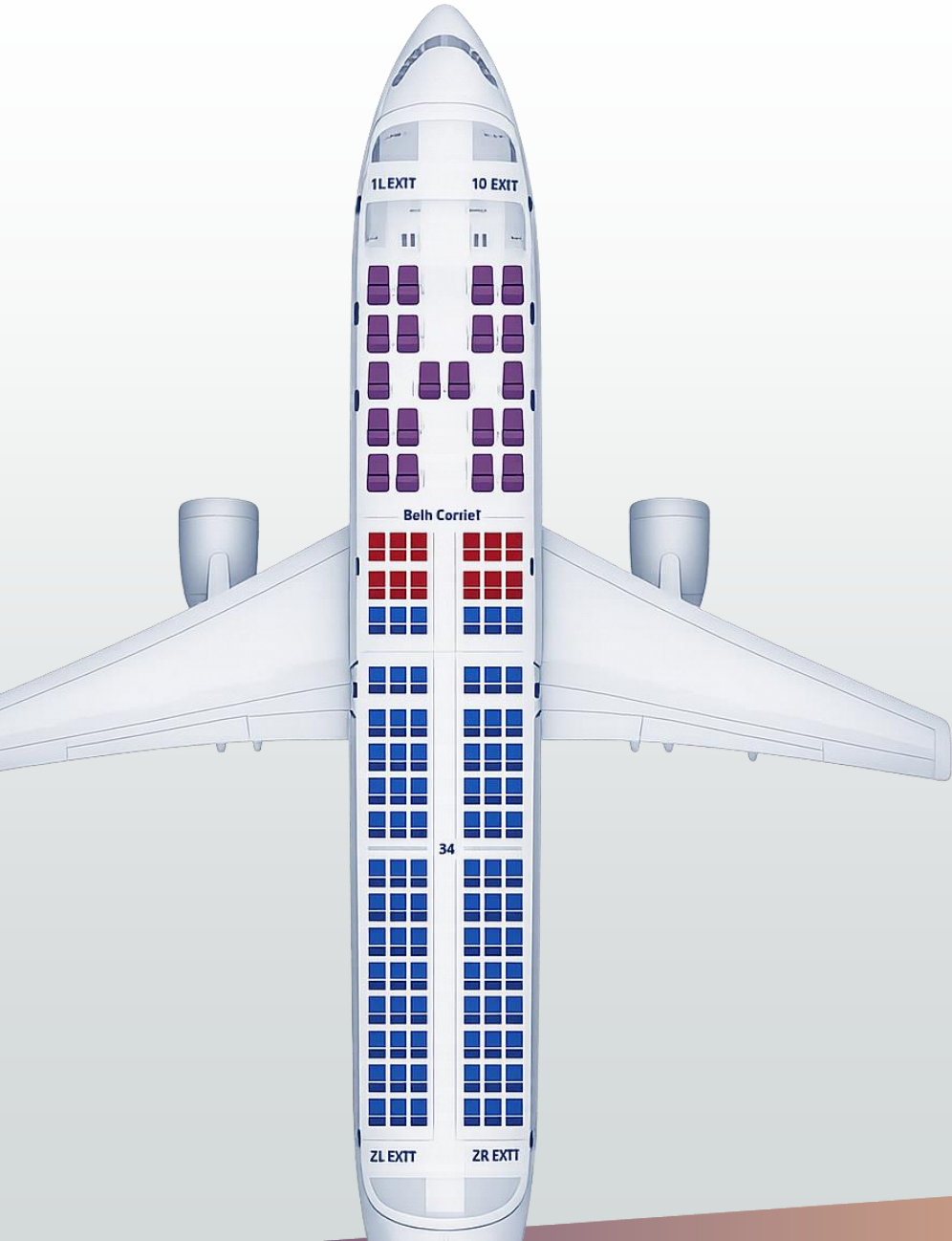
Lens of the Customer

Downstream impact

- **IT buckets**
 - On going operations (Keeping the lights on)
 - Innovation
- **Core Software Platforms** – growing at 12% annually
- IT budget likely only growing at ~3%
- Ratchet effect on corporate budget



Vendor Playbook



- **Evolving feature set** – the product’s initial purpose may no longer match the company’s present priorities
- **Pricing changes** – influenced by the addition of advanced AI capabilities
- **Macro-economic Factors**
- **Elimination of lower-tier subscription plans**
- **Updates to product SKUs and introduction of new bundles**
- **Support costs** – affecting the shift to new SKUs and bundles



Enterprise Agreements and Multi-year Contracts

Ally or Adversary

- **Essential for cost predictability**
- **Typically include a “Price Cap”**
 - Watch out for changing/EOS SKUs

- **Mask cost increases**
- **Lock in - term of the contract**
- **Generally, no renegotiation**

It's time to develop a plan

- **Build inflation models on reality rather than CPI.**
 - 8-12%
- **Avoid the surprise**
 - QBR or ABRs depending on the criticality of the solution
- **Renewals as transformation triggers**
 - Start early! 12-18 months
- **Structure caps in contract**
 - Some vendors may be open while other not.
- **Rationalize toolsets**
 - Right size your licensing
 - Reduce duplicate toolsets
 - Evaluate your usage, not the vendor.
- **Enterprise and multi-year agreements**

How can ANM help?

- **Before Renewal**
 - Technology Evaluations
 - Insights into trends and customer experiences
 - Right sizing complex licensing structures
 - Portfolio Rationalization workshops
- **After Renewal**
 - EA management
 - Budget guidance