Predicts 2026: AI Sourcing Excellence for Cost Control and Enhanced Value

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Initiatives:IT Sourcing Strategy Development and Execution; IT Contracts Negotiations; IT Vendor Portfolio Management

> AI's rapid adoption is driving up costs and risks, often due to complex licensing and aggressive vendor strategies. IT sourcing leaders must get in front of AI investments, negotiate contracts, and monitor usage to avoid budget overruns and maximize value.

Overview

Key Findings

- Sourcing leaders responsible for purchasing AI solutions are often influenced by organizational pressures and enthusiasm, sometimes before conducting thorough assessments of AI's value. Clients face challenges in evaluating broader terms and conditions (T&Cs) and keeping pace with the rapidly evolving technology landscape in a timely manner.

- AI is currently the main reason why software and cloud vendors are increasing price lists, with clients not always needing those features. The continuous flow of new and updated AI offerings obstructs objective sourcing assessments. New bundles are being forced on clients, increasing lock-in.

- AI consumption control is an issue that is addressed once commitments are completed with vendors. Cost management is limited to reporting, with unclear and fragmented responsibilities for contract, entitlement, and consumption management.

Recommendations

- Establish a tiered approval approach for AI value assessment. Demand stability in T&Cs and pricing for at least three to five years. Request continuous benchmarks on AI usage and value, linking pricing to AI productivity gains, making total cost of ownership (TCO) and ROI conditions for new contracts and renewals.

- Institute a cost validation team to model expenses, ensure accurate financial planning and prevent unexpected expenditures. Mandate pricing transparency on primary and secondary AI pricing metrics. Meticulously investigate options between individual AI services and bundles; PAYG and SaaS billing models.

- Embed consumption controls upstream and mandate the selection of AI models based on the best cost/quality ratios. Require vendors to enable robust testing and guardrails (e.g., bias detection, escalation protocols) to maintain responsible AI standards throughout the consumption life cycle. Unite SAM and FinOps to address holistically the full and diverse life cycle aspects of AI consumption.

Strategic Planning Assumptions

By 2029, organizations failing to implement tiered approvals and savvy AI contracting will double their AI costs and erode ROI.

Through 2029, 60% of AI-engaged organizations will incur unforeseen cost overruns due to opaque and complex vendor pricing, compelling strict consumption guardrails.

By 2029, organizations that integrate AI consumption sourcing and optimization will cut operating costs by 45% compared to 15% for others.

Analysis

What You Need to Know

The rapid growth of AI is outpacing spending discipline and governance. The fear of missing out on innovation has led to rapid adoption as organizations rush to purchase emerging AI capabilities, creating significant commercial risk. IT Sourcing leaders must help their organizations address the concern of AI costs running away, and prevent AI spend panic that can postpone innovation.
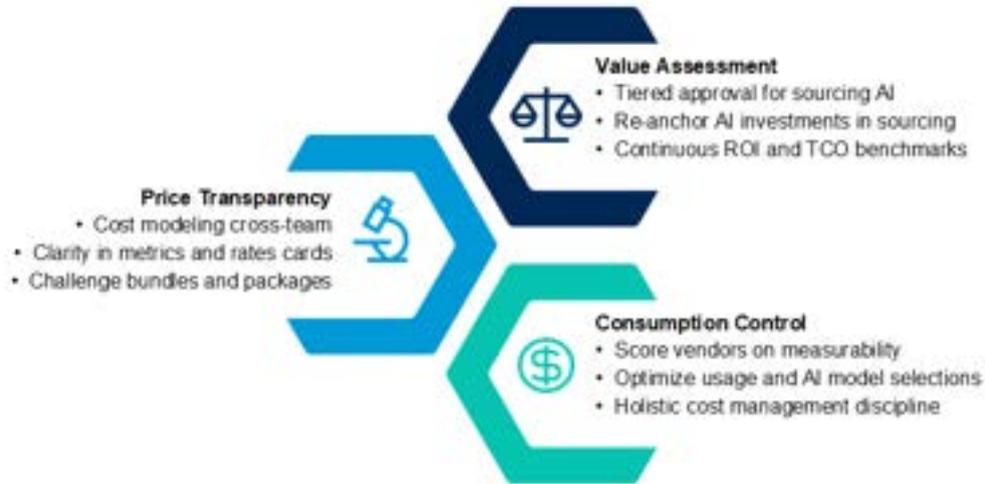
As AI shifts from a premium investment to a pervasive, budget-intensive commodity, organizations are facing escalating costs that threaten to make AI their largest IT expenditure. This rapid adoption, often driven by aggressive software and cloud vendor sales strategies and complex licensing models, exposes organizations to significant risks of budget overruns and underutilized resources. Many IT and business units adopt AI solutions without fully understanding the commercial implications, leading to unforeseen expenses and diminished leverage in vendor negotiations.

AI, GenAI and agentic AI are ushering in new, complex, and often opaque pricing structures, driven by vendors investing millions of dollars in R&D and aiming to make those investments profitable as soon as possible. The pricing structures, consumption models, and use rights for AI features pose both immediate and long-term budget risks due to their rapid evolution. It's often unclear where the boundaries lie between metered and unmetered AI usage, and activities that appear to be unmetered can unexpectedly result in metered charges, causing unforeseen expenses. This situation is worsened by "bring your own AI" initiatives and business-led purchasing, which often respond to readily available AI solutions without conducting proper due diligence on pricing models, data security, and compliance, leading to unforeseen risks and costs. [1]

To address these challenges, sourcing and procurement leaders must take a proactive role in governing AI investments. This includes rigorously assessing business requirements before sourcing, negotiating transparent and sustainable contract terms, and actively monitoring and rightsizing AI consumption. Without such oversight, organizations risk paying for unused licenses, subscriptions, cloud spend and support, ultimately leading to unnecessary financial losses. [2] By taking ownership of AI procurement and management, sourcing leaders can mitigate risks, maximize value, and ensure AI investments remain aligned with organizational goals, as illustrated in Figure 1 below.

Figure 1: AI Sourcing Excellence: 3 Areas to Prioritize

AI Sourcing Excellence: 3 Areas To Prioritize

Value Assessment
- Tiered approval for sourcing AI
- Re-anchor AI investments in sourcing
- Continuous ROI and TCO benchmarks

Price Transparency
- Cost modeling cross-team
- Clarity in metrics and rates cards
- Challenge bundles and packages

Consumption Control
- Score vendors on measurability
- Optimize usage and AI model selections
- Holistic cost management discipline

Source: Gartner
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Gartner

Strategic Planning Assumptions

Strategic Planning Assumption: By 2029, organizations failing to implement tiered approvals and savvy AI contracting will double their AI costs and erode ROI.

Analysis by: Mike Tucciarone

Key Findings:

- Over 1,000 vendors have introduced AI applications to the market, each positioning their capabilities as part of the ongoing technology vendor race.

- AI is being aggressively woven into software and SaaS renewals, prompting sourcing teams to evaluate and potentially expand their technology portfolios, often without clear business requirements or value assessments.

- Fast-tracked AI negotiations and commitments often occur before full cost and value assessments are completed, with many organizations treating AI deals like stable enterprise software or SaaS agreements, despite the unique risks and uncertainties.

Market Implications:

- The crowded and competitive vendor landscape is driving organizations to adopt AI solutions rapidly, often without sufficient evaluation of actual business needs or long-term value.

- Vendors facing higher costs of goods sold for AI/GenAI solutions compared to typical SaaS will continue to transfer margin risk to customers through complex pricing structures (e.g., fungible tokens, credits, secondary metrics, usage limits), resulting in unpredictable budgets.

- As the AI spending market is forecast to reach $3.3 trillion by 2029, vendors will exploit this growth by implementing aggressive price increases at renewal, significantly impacting technology budgets and deviating from previous practices.

Recommendations:

- Implement tiered approval processes that require business stakeholders to quantify the value, risk, and budget impact of each AI investment over the long term. Define specific goals/outcomes for each AI product that will be reviewed quarterly. Support comprehensive change management practices, user adoption strategies, robust data governance and training programs to maximize the value derived from AI.

- Re-anchor AI investments as part of your sourcing mandate. Aim for contracts balancing flexibility and price protection, limits on variable metrics (e.g., credit or token multipliers), and clear renewal terms as part of your sourcing strategy to maintain alignment with business goals and long-term budget control.

- Regularly incorporate external benchmarks and market insights into ROI and TCO models. This approach helps anticipate vendor pricing tactics and supports sourcing strategies that deliver measurable business value and withstand executive scrutiny.

Related Research:

How to Mitigate Emerging ROI Risk in Generative AI SaaS InvestmentsForecast Alert: AI in IT Spending, 2Q25

Quick Answer: 4 Ways CIOs Can Avoid a Budget Shock When Buying AI & GenAI

Prevent Surprise Cost Increases in SaaS Credit-Based Pricing

3 Generative AI SaaS Sourcing Strategies That Control Costs
Strategic Planning Assumption: Through 2029, 60% of AI-engaged organizations will incur unforeseen cost overruns due to opaque and complex vendor pricing, compelling strict consumption guardrails.

Analysis by: Stephen White and Zach Nagle

Key Findings:

- The prevalence of unforeseen cost overruns stems from a combination of vendor pricing strategies and internal organizational challenges in managing AI adoption. Vendors like Adobe, Microsoft, Salesforce, SAP and ServiceNow are prioritizing selling AI and demonstrating AI revenue to investors, leading to a combination of price hikes and new, complex purchasing options that conventional sourcing practices may be insufficient to address.

- AI proposals routinely lack transparency on pricing, consumption metrics, multipliers, scaling limits and rate cards, with essential details often buried in supplemental terms or URLs. This hinders objective sourcing assessments by making offers difficult to compare and exposing organizations to unpredictable, unbudgeted costs.

- Aggressive bundling and repackaging of AI capabilities, including forced upgrades, may appear cost-effective, but often obscures true costs and duplicate capabilities, limiting realized value. Vendor sales are removing non-AI discounts and pressuring quick decisions, resulting in unclear, changeable costs that undermine executives' need for transparency.

Market Implications:

- Conventional sourcing practices struggle to address the growing complexity of AI pricing models. Direct purchases by IT or business units and "bring your own AI" policies often bypass due diligence, creating unforeseen costs and increasing cost disputes between clients and vendors.

- SaaS vendors are demonstrably "all in" on AI and will continue to invest heavily in response to investor growth expectations, necessitating price model adaptation to drive revenue growth, including layered, hybrid, and "user plus" licensing models. A new subcategory of tools will emerge that enables organizations to model and visualize AI cost implications.

- As AI capabilities become deeply embedded in core platforms and sold in bundled packages, it becomes increasingly difficult and costly for customers to switch to alternatives.

Recommendations:

- Establish an AI cost validation tiger team to conduct a thorough analysis of expected usage, engaging internal stakeholders to review expected consumption, model costs, set budgets and sign off on all AI investments. As AI cost modeling tools emerge, evaluate capabilities and options for adoption, as well as highlighting best practices examples.

- Approach all initial AI sourcing rationally. Mandate vendor price transparency in all evaluations, including clarity of additional credit volume costs, overage and secondary pricing metrics like APIs and Agent calls, accompanied by commitments to protect against negative unilateral changes to rate cards or agent burn rates. Consider unlimited consumption offers when they provide long-term price protection and flexibility.

- Evolve sourcing skills to include analysis and understanding of AI cost models to avoid being caught off guard by cost overruns by providing training on analyzing complex pricing models and forecasting usage. Meticulously analyze costs of new AI-centric bundles versus buying products a la carte or renewing existing licenses as-is, and usage-based models versus fixed costs.

Related Research:

SAP Business AI Licensing Demystified: A Practical Guide for IT Buyers

Optimize Adobe Acrobat and Creative Cloud Costs With Effective Negotiation

Quick Answer: What You Need to Know About Salesforce Flex Credits

The Cost Implications of Microsoft 365 Copilot Chat With Agents

Reduce ServiceNow GenAI Costs With the Right Now Assist License Model

Strategic Planning Assumption: By 2029, organizations that integrate AI consumption sourcing and optimization will cut operating costs by 45% compared to 15% for others.

Analysis by: Yoann Bianic

Key Findings:

- AI and GenAI products are not being evaluated, let alone scored, on the traceability of their usage and costs during the sourcing process. This environment means software and cloud vendors can remain silent on these critical aspects during sales cycles.

- Cost management applied to AI still focuses heavily on unsophisticated reporting and dashboards, rather than identifying opportunities to optimize either investments or the way AI is consumed, to eventually optimize spend.

- Client's existing cost management disciplines struggle to capture the full complexity of the AI consumption life cycle. The current status is an unclear responsibility between stakeholders responsible for commercial and technical aspects, both on the estimate and run sides. This includes AI features bundled in SaaS, T&Cs for rightsizing, and billing metrics.

Market Implications:

- Clients will be exposed to significant commercial risk, which may lead to future investments being paused until they are given the means to understand, before procuring AI services, how to track and manage consumption. Vendors will be increasingly required to prove cost tracking capabilities and billing accuracy before sourcing decisions are made.

- Client's software and cloud spend will increase due to AI, but without fit-for-purpose detailed drill-down analysis, clients will be unable to articulate if their AI charges are justified, accurate, or fully mapped to clear, required usage. A lack of viable data to inform actions leaves optimization and remediations out of reach, ultimately leading to wasted spend.

- Existing IT cost management disciplines miss AI cost optimization opportunities because of low convergence of software asset management (SAM) and FinOps. Beyond identification of AI consumption challenges, SAM and FinOps Tools and service vendors fail to execute and manage the full consumption cycle of AI, including complex use rights, metrics and usage.

Recommendations:

- Explicitly embed consumption management controls of AI into the sourcing cycle. Score vendors on their measurability and where third-party tools are unable to measure usage metrics to manage costs, including free or at no extra cost tools and resources. Make sure you can integrate with third-party tools when applicable, such as AI Gateways.

- Continuously monitor and optimize your AI consumption, along with key metrics tracking such as cost per conversation, per agent or business outcome. Support AI Gateways and Model routers evaluations, along with best practices for model selection, prompt and context engineering and response caching to achieve optimal cost-to-quality ratio (e.g., cost per million tokens). Require tools and managed services vendors to clearly demonstrate their methodologies for tracking and optimizing AI consumption.

- Enable rigor by uniting SAM and FinOps to establish a cost governance discipline to address holistically the implications of AI consumption. This discipline must execute detailed analysis of contract and product licensing and use rights (including customized language), meticulously tracking diverse consumption metrics. This discipline must also establish critical connections with AI engineering stakeholders to fully exploit all optimization opportunities.

Related Research:

Optimize AI Cost and Reliability Using AI Gateways and Model Routers

10 Best Practices for Optimizing Generative AI Costs

Control Software, Cloud and AI Costs by Integrating ITAM and FinOps

Govern GenAI Application Costs With Software Asset Management

A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

This report is too new to have on-target or missed predictions.

This report is too new to have on-target or missed predictions.

Evidence

[1] Meet Microsoft 365 Premium: Your AI and Productivity Powerhouse, Microsoft

[2] F-25011 2025 Gartner Cloud End-User Buying Behavior Survey

On average, 25-28% of public cloud expenditure is considered wasted or not effectively utilized across IaaS, PaaS, and SaaS. Most organizations report that 25 to 49% of cloud spend is wasted or not effectively utilized, with very few reporting extreme waste.

Recommended by the Authors

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How to Mitigate Emerging ROI Risk in Generative AI SaaS Investments

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Control Software, Cloud and AI Costs by Integrating ITAM and FinOps

Govern GenAI Application Costs With Software Asset Management

The Gartner FinOps Framework for Public Cloud Financial Management

Toolkit: How to Start a Software Asset Management Discipline