

8x8 Inc.: Scale Usage-Based AI or Defend Recurring Revenue?

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Decision scope: Internal allocation of product, infrastructure, and go-to-market resources between usage-based AI/communications offerings and recurring subscription economics

Case convention: This is an author-created classroom decision exercise. The question, role, and alternatives are hypothetical; the company disclosures are historical. No private meeting or management mandate is represented.

The decision

At the close of 5 August 2026, 8x8 had reported a quarter in which platform-usage revenue grew quickly while subscription revenue declined and company-wide gross margin fell. The company was also describing higher adoption of AI products, but it did not disclose AI-specific paid revenue or product-level margins. Meanwhile, it reported remaining performance obligations and a balance sheet with substantial debt maturities ahead. [C1-C5]

For this exercise, assume you are advising CEO Samuel Wilson on where 8x8 should place its next increment of product, infrastructure, and go-to-market resources. This is not a documented board or management decision. The public record does not identify a specific budget amount or a private decision deadline.

Decision question: Should 8x8 accelerate usage-based AI and customer-experience products, prioritize subscription retention and margin recovery, or stage both through evidence-based investment gates?

The choices are deliberately open:

1. **Accelerate usage-based AI and CX.** Prioritize product development, service capacity, and selling around AI Studio, Engage, and usage-based customer-experience/API products. Preserve a baseline subscription-retention effort.
2. **Reinforce recurring economics.** Put the next increment into retention, cross-sell, and cost-to-serve improvement; keep AI expansion selective until management can demonstrate paid demand and contribution economics.
3. **Stage a portfolio of bets.** Fund near-term AI/CX expansion in steps, with further resources contingent on paid production use, repeat consumption, customer outcomes, renewal/expansion, and contribution after delivery and support costs.

These are author-created alternatives, not reported 8x8 plans. Any budget, threshold, test size, or payback target proposed by students is hypothetical.

The platform and its choices

8x8 describes a single platform spanning unified communications (UCaaS), contact-center software (CCaaS), and communications APIs (CPaaS). Its Q1 FY2027 filing reports one operating segment and separates service revenue into subscription and platform usage, but does not report results by product, customer, or AI use case. [C1, Note 2, pp. 8-9; C4, Item 1]

The company presented AI Studio as an environment for building and managing AI agents, while Engage extended customer-experience tools to staff outside traditional contact centers. Management said it was developing a broader, integrated customer-experience proposition. These statements describe the company's offer and intent; they do not establish that customers will buy multiple products or that integration reduces cost or churn. [C2, C3]

8x8's FY2026 filing identifies competition in communications, contact-center and AI products as a business risk. The materials in this case do not establish a relative market-position ranking or compare competitors' product economics. The decision is about how 8x8 should allocate its own resources given its disclosed mix, cost, adoption, and financing evidence. [C4, Item 1A]

Growth with a different mix

Exhibit 1. Q1 FY2027 revenue by type

USD millions; three months ended 30 June. Reported GAAP figures are [F]; changes and percentages are [C] calculations from reported values.

Revenue measure	Q1 FY2026	Q1 FY2027	Change	Change (%)
Total revenue	\$181.361	\$190.170	+\$8.809	+4.9%
Service revenue	\$176.308	\$185.346	+\$9.038	+5.1%
Subscription revenue	\$146.921	\$137.429	-\$9.492	-6.5%
Platform-usage revenue	\$29.387	\$47.917	+\$18.530	+63.1%
Usage as share of service revenue	16.7%	25.9%	+9.2 pts	-

Source: 8x8 Q1 FY2027 Form 10-Q, Note 2, p. 9 [C1]. Percentages are calculated from the reported figures. Subscription and usage sum to service revenue; total revenue also includes other revenue. Management attributed the subscription decline to churn and down-sell and the usage increase to higher customer consumption. The filing does not show that the same customers shifted from subscription to usage or that usage growth caused churn. [C1, MD&A, p. 24]

The revenue mix helps explain why a growth quarter could still leave an operating question. Usage revenue increased by more than the subscription decline, but the company also reported higher service-delivery costs.

Exhibit 2. Gross profit and service-delivery costs

USD millions, except margin; quarter ended 30 June. Reported levels are [F]; changes are [C] calculations; company explanations are [M] management statements.

Measure	Q1 FY2026	Q1 FY2027	Change
Cost of service revenue	\$53.822	\$67.635	+\$13.813 (+25.7%)
Gross profit	\$120.440	\$116.371	–\$4.069
Gross margin	66.4%	61.2%	–5.2 pts

Management said network and carrier costs increased \$15.8 million, primarily to deliver usage-based services and support capacity needs; other cost reductions partially offset the increase. It also said usage-based offerings generally carry higher network/carrier costs per revenue dollar than subscriptions. These are company-wide results and management explanations, not AI-specific or product-level unit economics. [C1, MD&A, pp. 24-25]

Adoption signals and missing economics

8x8 reported that Q1 AI-solution adoption, including AI Studio and Intelligent Customer Assistant, increased 121% year over year and 68% sequentially. As of end-July, the CEO said more than 200 organizations were active in AI Studio and had built more than 2,900 agents; he said customers were using agents in production. A separate August 4 release reported Engage customers up more than 247%, Intelligent Customer Assistant interactions up more than 88%, and voice-AI interactions up more than 106% year over year. The CPO described AI in live customer conversations rather than pilots. These are management-reported activity and adoption indicators; the sources do not independently verify deployment or disclose whether these users or interactions were paid. [C3, CEO letter, pp. 4-5; C5, adoption metrics and CPO remarks]

The filing combines platform usage from APIs, messaging, minutes, and AI-based services. It does not disclose AI's share of usage growth, product-level revenue or cost, paid conversion, AI-specific retention, or customer contribution. The CFO said usage offerings contribute operating profit and cash as they scale, but supplied no product-level bridge. Students must weigh that management assertion alongside the consolidated gross-margin trend without treating either as a measured AI return. [C1, Note 2 and MD&A; C3, CFO letter, p. 10]

Exhibit 3. Remaining performance obligations

At 30 June 2026; approximate amounts and management recognition estimates.

Measure	Reported amount
Remaining performance obligations (RPO)	Approximately \$640 million
Expected recognition within 12 months	Approximately 64%
Expected recognition within 24 months	Approximately 88%

Source: C1, Note 2, “Remaining Performance Obligations,” p. 9. RPO excludes contracts with an original expected term under one year. The timing percentages are management estimates. RPO is contracted-revenue visibility, not ARR, a renewal rate, or proof subscription churn/down-sell has abated. [F/M]

Capital allocation context

At quarter-end, cash, cash equivalents, and restricted cash totaled \$92.302 million, including \$1.707 million restricted cash. Debt principal was \$309.414 million. Scheduled minimum term-loan repayments were \$25.0 million in FY2027 and \$82.5 million in FY2028, including \$70.0 million due at the August 2027 term-loan maturity; \$201.914 million of 4% convertible notes matured in February 2028. The filing reported covenant compliance on the notes. These figures make cash and financing relevant to the discussion, but do not by themselves establish distress or a required choice between debt repayment and product investment. [C1, balance sheet, Note 8, pp. 14-16 and 27]

In FY2026, usage revenue was \$143.173 million, up 56.0%, while subscription revenue was \$572.086 million, down 4.8%. The Q1 mix shift therefore followed a year-long pattern, but neither the annual nor quarterly figures show whether AI drove usage growth or what returns incremental investment would earn. [C4, Note 2, pp. 66-67; calculations from reported figures]

Your recommendation

Prepare a two-page recommendation to the CEO. Choose an allocation posture and explain what 8x8 should do over the next planning cycle. Identify the strongest argument against your choice, the information you would request, and the evidence that would make you change course. Address:

- whether usage growth is a compelling strategic signal, a low-quality mix shift, or both;
- how to balance subscription retention, customer adoption, platform integration, service cost, and cash/debt constraints;
- what customer-level and product-level measures should govern further investment; and
- how you would act while AI paid revenue, unit economics, churn/retention, and product-level profitability remain undisclosed.

You may recommend a staged approach, but specify what is staged and what would trigger the next step. Any dollar amount, performance threshold, conversion rate, cost, or expected return must be labeled **[A] hypothetical**. Do not present management's activity counts as paid growth, infer AI profitability from consolidated results, or claim a competitor advantage that the evidence does not establish.

Sources and conventions

- **[C1]** 8x8, Q1 FY2027 Form 10-Q, filed 5 Aug 2026, period ended 30 Jun 2026; SEC accession 0001023731-26-000114. Revenue Note 2 pp. 8-9; MD&A pp. 24-25; cash/debt pp. 14-16, 27. [SEC filing](#).
- **[C2]** 8x8, Q1 FY2027 earnings release, 4 Aug 2026. [Company release](#).
- **[C3]** 8x8, Q1 FY2027 Stockholder Letter & Financial Highlights, furnished 4 Aug 2026; CEO pp. 3-9; CFO p. 10. [SEC Exhibit 99.2](#).
- **[C4]** 8x8, FY2026 Form 10-K, filed 22 May 2026; business/risk disclosures and Note 2 pp. 66-67. [SEC filing](#).
- **[C5]** 8x8, "8x8 AI Adoption More Than Doubles as CX Demand Accelerates," 4 Aug 2026; adoption metrics and CPO remarks. [Company release](#).

Revenue, cost, liquidity, and debt facts are company-reported [F]; product/adoption, operating, and recognition-timing statements are attributed management claims [M]; arithmetic from reported values is [C]. The information cutoff excludes disclosures first public after 5 August 2026. No later event or outcome is used.