



Grow
Intelligently



The TAM Trap:

Why Chasing Market Size Is
Destroying Your GTM Efficiency

The math is stark. Businesses are investing dramatically more to grow dramatically less.

Median Revenue Growth, FY23 – FY25 (proj.)



Change in Median Sales and Marketing Expenses FY21–FY24, Indexed to 2020



n = 300 publicly-traded companies in business services, financial services, healthcare technology and information services, media and telecommunication services, SaaS, and technology sectors

Note: Finalized FY2025 data and an updated report will be available late February after companies file annual reports.

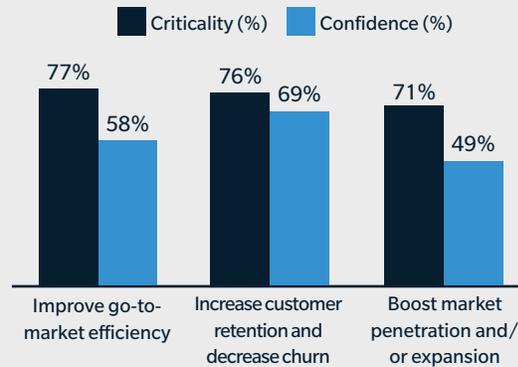
The GTM Model Is Breaking

Median revenue growth among B2B firms has fallen from 10% in FY23 to 5% projected for FY25. Growth cut in half in two years. Over the same period, sales and marketing expenses have ballooned. For every dollar companies spent on GTM in 2020, they are spending \$1.68 today.

CEOs and boards feel the pain but clearly struggle with execution. In SBI’s latest executive survey, 77% rank improving go-to-market efficiency as a top growth lever; 76% prioritize increasing customer retention; 71% focus on market penetration and expansion. The pattern is clear: executives want to extract more value while spending less.

However, only 58% of CEOs feel confident in their ability to improve GTM efficiency despite 77% ranking it as critical. That’s a 19-point gap between knowing what matters and knowing how to execute.

Confidence Lags Criticality for Key Growth Levers



n=118
Source: SBI Q4 2025 CEO Survey

This gap is not caused by a temporary slowdown. It reflects a fundamental shift in how markets reward GTM investment. As the GTM Efficiency Frontier shows, breadth and efficiency trade off without segmentation precision. Most firms are sliding toward the bottom right of this curve: wide coverage, declining returns. Commercial success today requires a strategic shift: moving from broad-market coverage toward precision positioning where efficiency and focus compound.

The GTM Efficiency Frontier

Breadth and efficiency trade off without segmentation precision



How Firms Fell Into This Position

For a decade, the mandate was growth. Interest rates were low. M&A was cheap. Boards funded expansion into adjacent markets. Product teams launched new services. GTM teams scaled to cover broader opportunities.

Firms expanded their portfolios through horizontal integration, vertical integration, or internal product development. Each path added capability. Each path added a new total addressable market.

The logic was sound. A \$5B company selling workforce planning into a \$20B TAM had limited runway. Acquire an inventory optimization company and suddenly you sell into supply chain. Launch an analytics module and you sell to the CIO. The combined TAM: \$50B. The growth story improves.

Boards rewarded this. Investors underwrote to it. CEOs pursued it. Companies successfully expanded their TAM, but their GTM coverage model broke.

How Breadth Destroys Differentiation

To cover this expanded TAM, firms spread GTM resources across more segments. Four problems emerge:

1. **Diluted positioning.** Customers understood the original value proposition but not the expanded one. A workforce planning firm acquires inventory optimization. Buyers know them for HR, not supply chain. Sales cycles lengthen as reps explain disconnected services, attempting to build trust on a weak foundation.
2. **Product-out vs customer-back.** Leadership incentivizes new offerings through SPIFs and updated comp plans. Sellers pitch what headquarters wants sold, not what customers need. Meanwhile, competitors who stay focused on customer problems gain the edge.
3. **Coverage chaos.** Larger portfolios mean broader buying centers. A firm that once sold only to CFOs now needs to engage CIOs, COOs, and CHROs simultaneously. On paper, territory sizes remain the same, but in reality, they explode in size. Budget authority gets democratized. Sellers spend time on accounts that simply cannot close.
4. **Misaligned Customer Expectations = Churn.** Sellers create their own “shadow” value props to get deals done. Account and customer success teams inherit this complexity. Customers struggle to realize value and churn rates rise. Renewals require more effort, yet yield lower returns.

The TAM Trap

These four problems share a common cause. Firms expanded the markets they could theoretically sell into, but they did not expand the markets where they could win at reasonable rates.

The traditional TAM/SAM/SOM hierarchy does not solve this. Even SOM, which accounts for competitive dynamics, is not precise enough. It fails to distinguish between accounts you can theoretically win and accounts where you win at rates that justify the investment.

Here is how this plays out. A firm that once targeted 10,000 accounts in a narrow vertical now targets 50,000 accounts across five verticals. TAM increased 5x. SAM increased perhaps 2x. But the firm can only win in segments that understand its value proposition and have the right buying centers. The increased coverage creates noise that obscures where returns actually concentrate.

Sales teams cover accounts they cannot win. Marketing generates demand in segments with no competitive advantage. The very strategy designed to accelerate growth becomes the mechanism that slows it.

This is the TAM Trap.

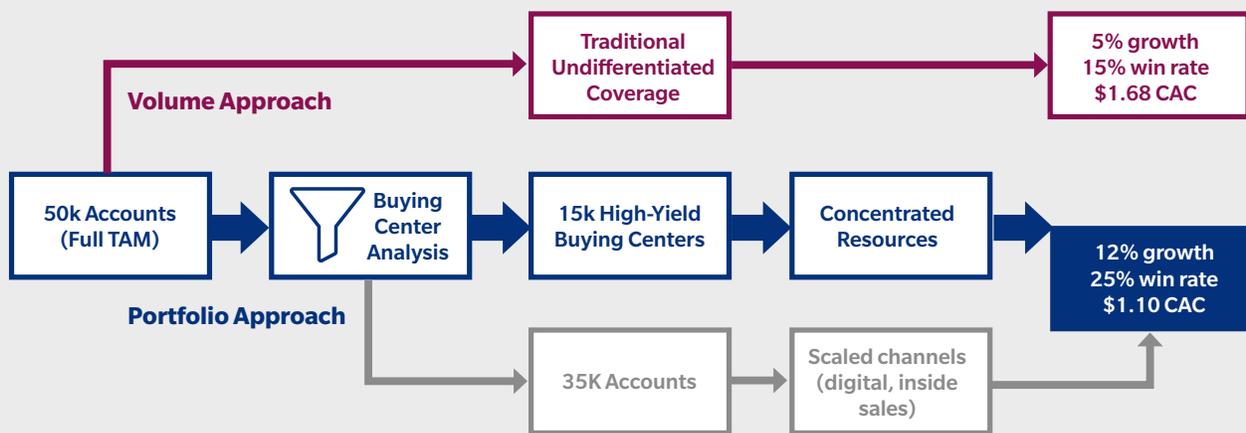
Breadth of coverage becomes a structural disadvantage. Firms compete against focused competitors with 3x the coverage intensity in their core segments.

TAM expansion without precision creates a portfolio of low-yield investments. New markets look like growth opportunities, but they function as resource drains.

Most firms' segmentation approach cannot consistently distinguish high-yield from low-yield segments. They cover the total addressable market because that is what GTM teams do. They do not calculate whether the marginal account justifies the marginal dollar of coverage. The cost of this failure is now measurable.

Growth fell 50% and costs rose 68%. The efficiency problems CEOs identified in SBI's survey are the direct result of deploying resources across markets that cannot generate returns.

Volume-focused vs Portfolio management approach



Identifying high-yield segments is necessary but insufficient. The harder problem is reallocation. Most firms know where they should focus. Few can execute the shift.

The obstacle is not analytical. It is organizational. GTM motions accumulate over time. New verticals get added. New service lines launch. New territories open. Each addition comes with headcount, quotas, and compensation plans. Removal is harder.

Territories calcify around legacy assumptions. Sellers defend accounts regardless of potential. Leaders protect headcount as a proxy for importance. The result is a portfolio of GTM investments that no longer reflects where returns concentrate.

The Shift: From Market Coverage to Coverage Intensity

The question for CEOs is not “how large is our addressable market?” The question is “where does each dollar of GTM investment generate the highest return, and are we systematically deploying capital to capture it?” Think in terms of coverage intensity and right-to-win against any competitor.

In this regard, the mental model of the CEO and CRO must shift. The old mandate of maximizing coverage must give way to optimizing Return on GTM (RoGTM).

This requires treating every rep hour and marketing dollar as capital deployment. Capital flows to assets that generate returns. Capital exits assets that destroy value. Deploying GTM resources into low-yield accounts simply because they fall within your addressable market destroys shareholder value.

Over the next three years, a clear divide will emerge. Volume-focused businesses that continue chasing large TAMs will see growth slow further. The businesses that win will take a portfolio management approach. This means they will identify the microsegments that deliver disproportionate returns, ruthlessly concentrate resources and AI efforts there, and defund inefficient markets and verticals.

Identifying High-Yield Microsegments

Escaping the TAM Trap starts with a framework that treats GTM deployment as capital allocation. Three layers matter:

1. Where buying authority sits: Identify and mobilize against buying centers, not just accounts.
2. Where you have the highest probability of winning: Score buying center potential and propensity based on historical performance
3. Where the return justifies the investment: Calculate realistic and attainable potential, not theoretical TAM, SAM or even SOM.

Most Accounts in Your CRM Cannot Buy

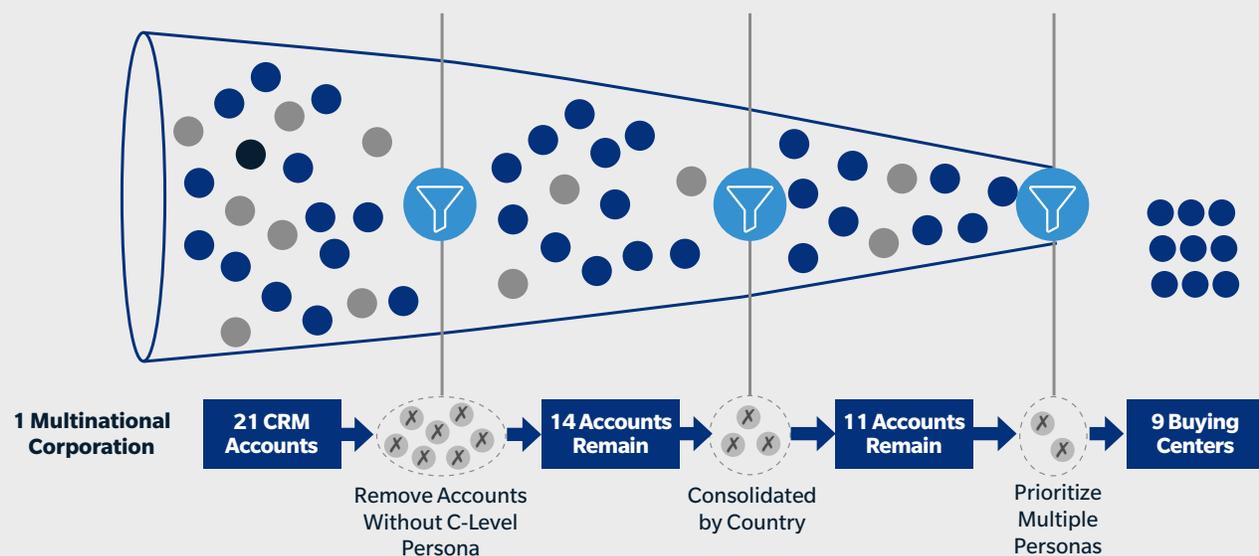
Most GTM teams' CRMs are full of accounts that cannot buy. A multinational corporation might appear as 21 separate accounts in your CRM. Traditional account segmentation assigns equal potential to all 21. In reality, 15 are regional offices with no budget authority. Three have C-level personas who control spending. Two have operational teams with no purchasing power.

Buying center identification solves this. A buying center exists where executive personas with budget authority sit: Finance leadership, Technology leadership, Sales leadership. A global financial institution with 21 CRM accounts becomes 9 actionable buying centers once you remove accounts without C-level personas, consolidate by country, and prioritize those with multiple decision-makers.

Buying center identification highlights the most relevant levels in a company hierarchy based on the presence of executive-level personas

Account	Parent	Country	Persona Identified					Buying Center Designation
			Tech	Finance	Sales	HR	Legal	
Apex	--	US	✓	✓	✓	✓	✓	Global HQ
Regional Account 1	Apex	UK	✓	✓	✗	✗	✗	Buying Center
Regional Account 2	Apex	France	✗	✗	✗	✗	✗	Rolled up
Regional Account 3	Apex	AUS	✗	✗	✗	✗	✓	Buying Center
Apex Subsidiary	--	Germany	✓	✓	✓	✓	✓	Buying Center
Regional subsidiary 1	Apex subsidiary	Japan	✗	✗	✗	✗	✗	Rolled up
Regional subsidiary 2	Apex subsidiary	Canada	✗	✗	✗	✗	✗	Rolled up

When firms apply this approach, noise reduction typically ranges from 50% to 80%. This is capital allocation logic applied to coverage: do not spread resources across 21 accounts. Concentrate on the nine that can buy.





Where You Actually Win

Not all buying centers are equal. Some represent accounts where you have structural advantages. Others represent accounts where competitors win regardless of your effort.

The solution is to score buying centers based on where you historically win. Potential starting points include:

- company size,
- industry vertical,
- persona presence,
- competitive displacement opportunity, and
- prior engagement.

When calibrated against historical performance, this approach prioritizes future wins at twice the rate of chance and predicts outcomes significantly more accurately than random selection.

This is the yield curve of your GTM portfolio. High-propensity buying centers are high-yield investments. Low-propensity buying centers are speculative bets. Capital allocation logic says concentrate on high-yield, limit exposure to speculation.

What Each Opportunity is Worth

Knowing where you win is not enough. You need to know how much you can win. Calculate realistic revenue potential within each buying center using operational metrics tied to the business: for example, finance headcount, sales team size, inventory levels, total employee growth or contraction. These metrics reveal obtainable opportunity, not theoretical TAM or even SOM.

The gap between current revenue and realistic potential shows where to deploy expansion capital. A buying center generating \$500K today but representing \$5M in potential justifies different investment than one already at saturation.

Allocate Coverage Like Capital: The ROAD Framework

Buying center identification, propensity scoring, and potential sizing combine into the ROAD framework:

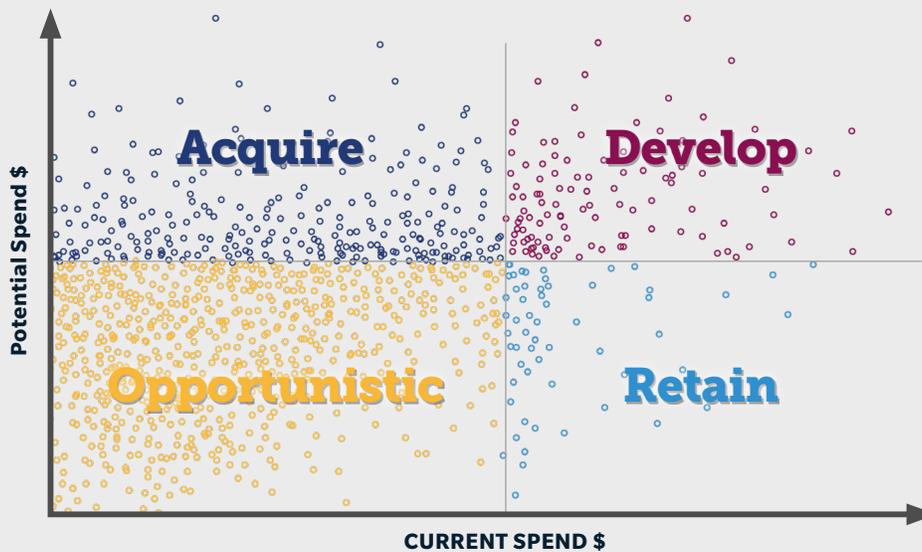
Retain: High current spend, low whitespace. Protect with account management. Investment thesis: defense.

Opportunistic: Low spend, low potential. Serve through low cost, high scale channels such as marketing, inside sales, or channel partners. Investment thesis: limit exposure.

Acquire: Low spend, high potential. Deploy hunter resources. Investment thesis: new logo acquisition.

Develop: High spend, high whitespace. Deploy strategic account resources. Investment thesis: expansion. This quadrant funds growth.

A sample ROAD model output aligning accounts to their optimal coverage strategy.



R

Retain

These are top-spending customers that require nurturing, but have little whitespace left to capture. Defend revenue in retain accounts with your best customer success resources.

O

Opportunistic

These accounts have little current or potential spend. Cover via channel partners, digital marketing, or a "light touch" inside sales model.

A

Acquire

These accounts have significant growth opportunity. Cover with top-performing "hunter" account executives, supported by sales development.

D

Develop

These are your largest, most strategic accounts. Cover with a well-orchestrated team of your most experienced sellers and customer success resources.

Case Study: An Enterprise Planning Platform Escapes the TAM Trap

A \$1B+ enterprise planning software provider serving finance, legal, and sales performance management faced the structural challenge outlined earlier. Their CRM contained approximately 150,000 accounts across three global regions, but legacy segmentation efforts relied on an opaque model relying on very basic firmographics, which produced misalignment across sales, customer success, and marketing. No one trusted the resulting prioritization.

The symptoms were unmistakable. Mid-enterprise accounts consumed expensive field resources while strategic accounts received the same generic coverage. Territory strength varied by more than 50% within commercial pods, meaning some reps worked books with three times the potential of their peers. Quotas bore limited relationship to opportunity. Top performers subsidized underperforming segments, and leadership hesitated to redesign for fear of breakage and disruption. The provider was spending more to grow less.

Shifting to Buying Center Prioritization

The CRM treated legal entities as the unit of analysis, but budget authority for planning software sits with specific executives: CFOs, VPs of Legal, heads of Sales Operations. One of their customers, a global financial services firm, had dozens of regional entities in the CRM. Only four locations had executives who controlled purchasing decisions. The team updated account hierarchies and firmographics, then consolidated by country and persona density to surface proven buying centers.

This restructured how the provider saw their market. The 150,000 accounts remained, but coverage targets shifted from legal entities to qualified buying centers.

Calibrating to Sustained Winning

Knowing where buying authority sat wasn't enough. The team built a 5-factor scoring methodology calibrated to historical performance: company size, industry vertical, persona presence, competitive displacement opportunity, and prior engagement. Regional customization for AMER, EMEA, and APAC maintained global consistency while reflecting local dynamics.

Critically, the methodology quantified "obtainable potential" using industry benchmarks and deal type data rather than theoretical TAM, SAM, or SOM. This distinguished accounts where the provider had structural advantages from accounts that looked attractive on paper but historically converted at low rates.

Realigning Coverage to Opportunity

Territory and quota design used a standardized balancing methodology combining account potential, ARR, and whitespace metrics. Guardrails preserved vertical alignment, geographic proximity, and customer continuity while improving balance.

The coverage model shifted mid-enterprise accounts to inside sales and partner channels, freeing field capacity for strategic and enterprise segments. SDR and customer success territories realigned to match AE territories, reinforcing up-market focus across the full GTM motion. Quota methodology changed from historical assignment to opportunity-adjusted distribution. Territories with higher potential received higher targets.

Results

Territory strength variance dropped from 50%+ to approximately 20% within commercial pods. The provider achieved segment-pure coverage with differentiated motions by tier. Field capacity concentrated on accounts that justified the investment while scaled channels covered the rest efficiently.

Key Lesson

The provider didn't shrink their addressable market. They qualified it. The same 150,000 accounts remained in the CRM, but buying center analysis revealed where returns concentrated. Coverage matched potential. Quotas reflected opportunity. The TAM stayed constant; the allocation got smarter.

Redeploying GTM Resources

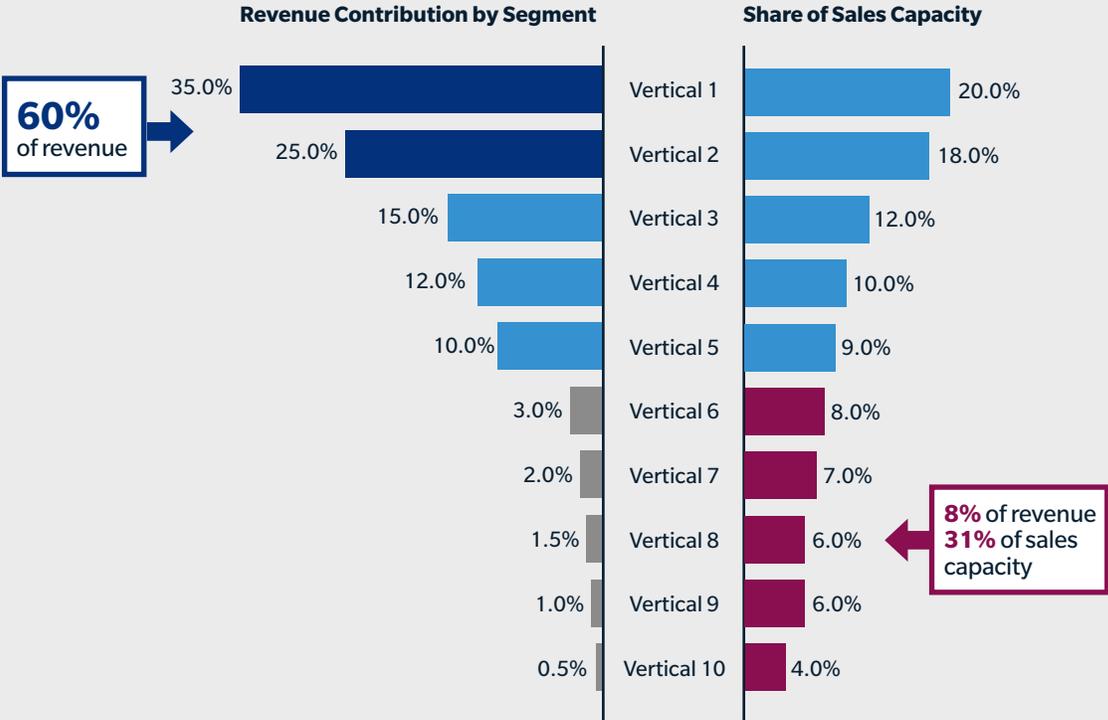
A GTM audit maps current resource allocation against expected returns. Where is enterprise-level coverage deployed against accounts that cannot justify the investment? Where are high-potential accounts receiving generic engagement? This comparison forces visibility into patterns that otherwise remain hidden.

Three patterns typically emerge.

1. The long tail: the bottom 20% of verticals or service lines consume 30-50% of sales energy while generating single-digit revenue contribution. These segments persist because they were strategic once; they are not strategic now.
2. Coverage inversion: high-potential buying centers receive the same coverage model as low-potential accounts. A \$15M potential account gets one rep visit per quarter, and so does a \$500K potential account. Capital is allocated by territory history, not by opportunity.
3. The equality trap: territories are balanced on account count or current revenue rather than potential. Reps with high-yield books carry the same quota as reps with low-yield books. Top performers subsidize underperforming segments.

The Long Tail Drains Your GTM Budget

Bottom 20% of segments generate 8% of revenue but consume 31% of sales capacity *illustrative*



Defunding Is Redeployment, Not Abandonment

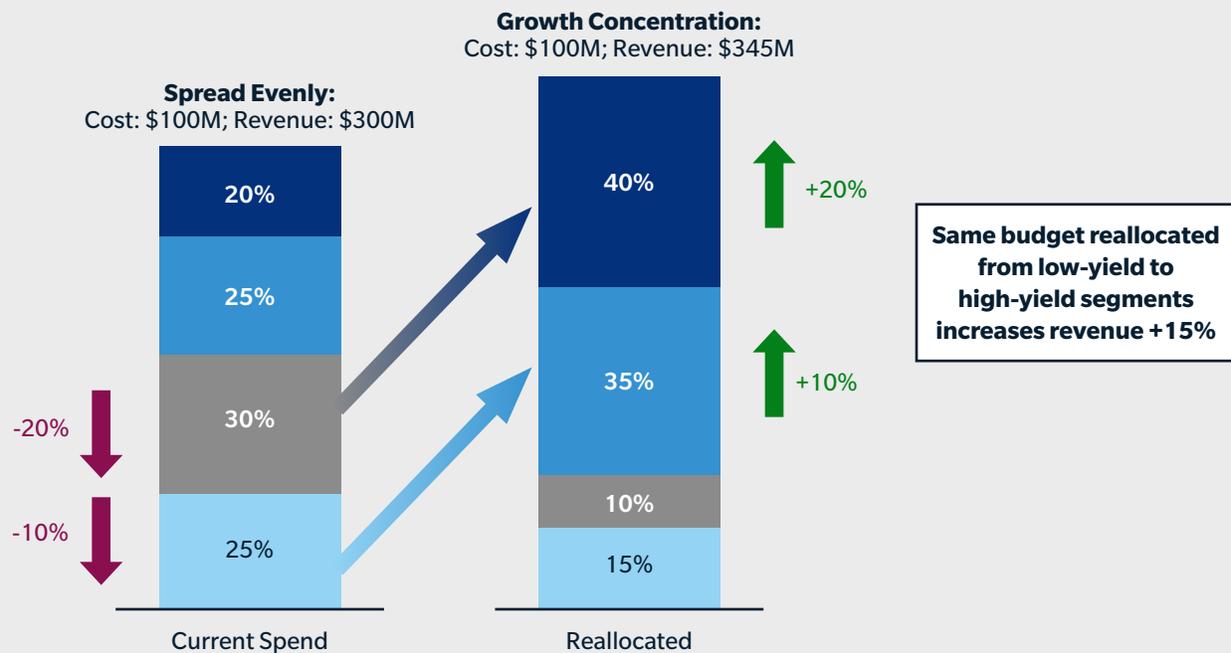
The language matters. Defunding sounds like retreat; redeployment sounds like strategy.

The capital trapped in low-yield segments does not disappear when you exit those segments. It becomes available for redeployment into high-yield targets. Rep hours currently spent on “opportunistic accounts” can shift to “acquire accounts.” Marketing spend currently scattered across 15 verticals can concentrate on five.

The math often surprises executives. A firm does not need more commercial headcount to grow. It needs cleaner allocation. The same investment concentrated on high-propensity, high-potential segments generates higher returns than the same investment spread across the full TAM.

Same Budget, Different Allocation and Outcome

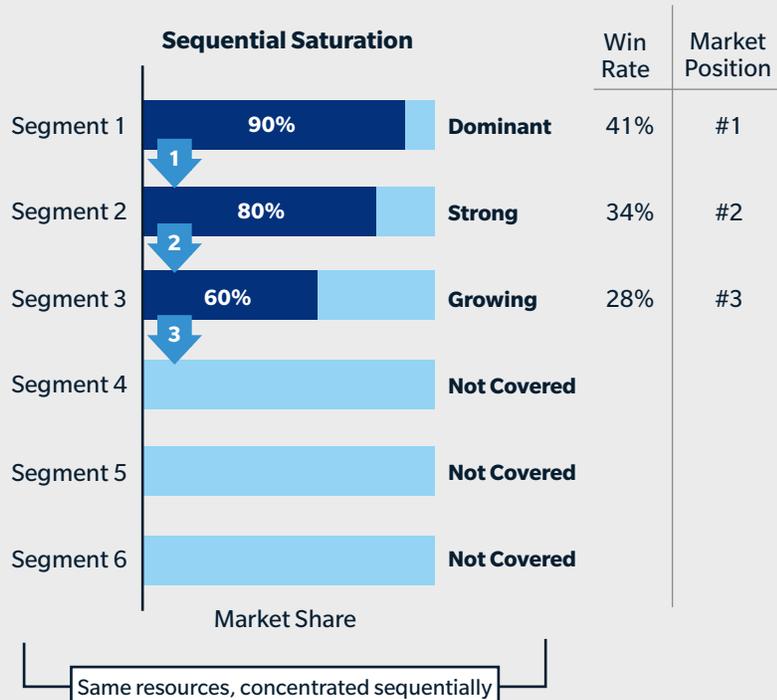
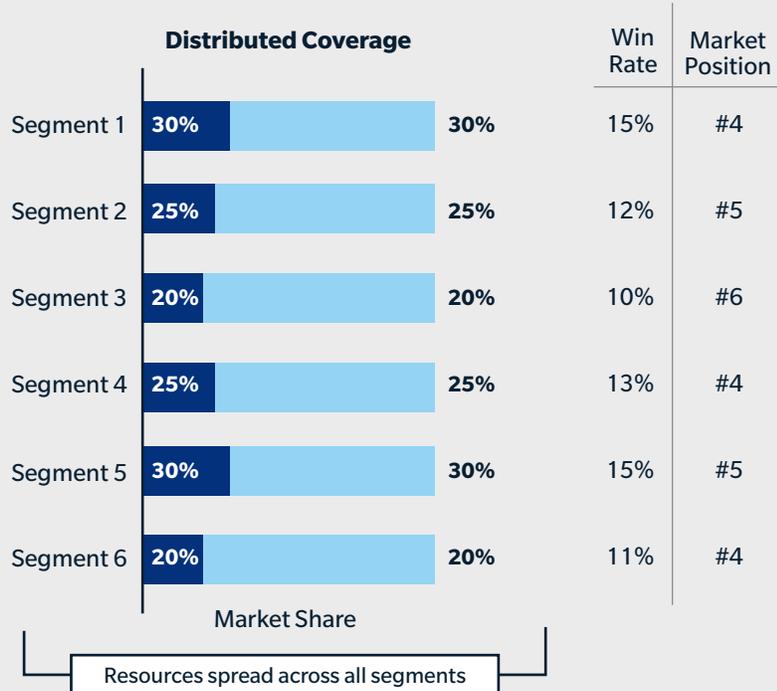
Illustrative



Sequential Saturation Beats Distributed Coverage

Same investment, concentrated on dominating select segments

Illustrative



Dominate Before Diversifying

The instinct after M&A or portfolio expansion is to pursue all new segments simultaneously. This spreads resources thin and recreates the TAM Trap at a smaller scale.

The alternative is sequential concentration. Pick one high-potential segment. Saturate it with coverage, marketing, and customer success until you dominate. Build reference customers, case studies, and specialized expertise. Ensure look-alike penetration within that microsegment. Then expand to the adjacent segment.

This approach trades breadth for depth. While market penetration feels slower, it is not. Concentrated coverage intensity in a single segment generates higher win rates, faster sales cycles, rich case studies, and stronger competitive positioning than distributed coverage across many segments. Dominate the beachhead before broadening the front. Each segment you own funds the capital to acquire the next.

Escaping the TAM Trap

Three capabilities separate firms that escape the TAM Trap:

1. **Precision segmentation eliminates waste.** Firms immediately identify which 50-80% of accounts cannot generate returns and reallocate capacity to high-yield targets.
2. **Strategic reallocation builds competitive moats.** Concentrated coverage creates intensity in core segments that competitors spreading resources broadly cannot match.
3. **New metrics enforce discipline.** Return on GTM, win rate by segment, and revenue per GTM dollar replace volume-based measures.

This is language boards already use for M&A, product portfolios, and capital budgeting decisions. GTM resource deployment should not differ. Investment committees would be wise to shift from underwriting to TAM to assessing coverage intensity and available market share within tightly defined vertical or segments.

The divide is emerging now. Market leaders are adopting a capital allocation strategy that improves GTM efficiency. Volume chasers will continue to chase larger TAMs and watch their win rates decline.

Why SBI?

Driven by insights and delivered from experience, SBI continues to help clients grow their revenue, margin, and enterprise value in ways never before possible.

Working with us, go-to-market leaders can expect confidence and trust with experienced partners every step of the way. We engage and support our clients as an extension of their team, both guiding and working side-by-side to deliver relatable, practical strategies that work for today and tomorrow.

Connect with SBI today and talk to us about how we can help you on your growth journey.



Grow
Intelligently

550 Reserve Street
Suite 190
Southlake, Texas, 76092
www.sbigrowth.com