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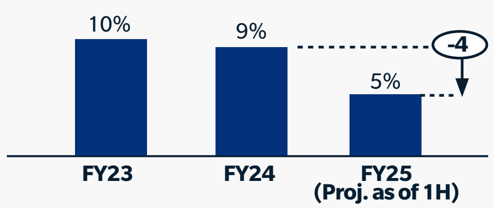
How Leaders Achieve Profitable Growth in a Stagnant Market

Summary

Most mid-market firms are grappling with stagnant revenue growth and increased GTM expenses.

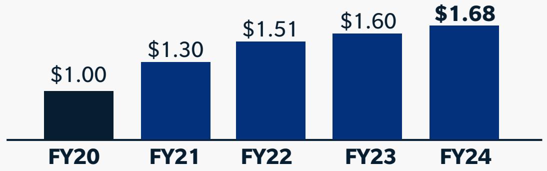
Growth stalled for most firms in FY24 and shows signs of declining in FY25.

Median Revenue Growth, FY23 - FY25 (proj.)



Rising costs and wage growth have ballooned GTM budgets. For every $1 spent in 2020, companies are spending $1.68 today.

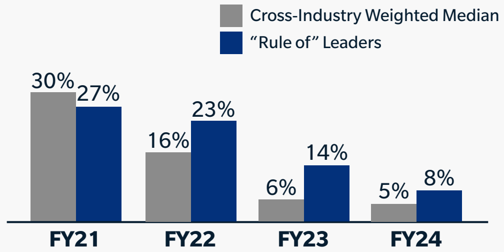
Change in Median Sales and Marketing Expenses FY21-FY24, Indexed to 2020



Leaders overcome market pressures by maintaining bold investments in effective GTM strategies.

When others pulled back, “Rule of” Leaders sustained GTM investments, executing better to profitably outgrow peers.

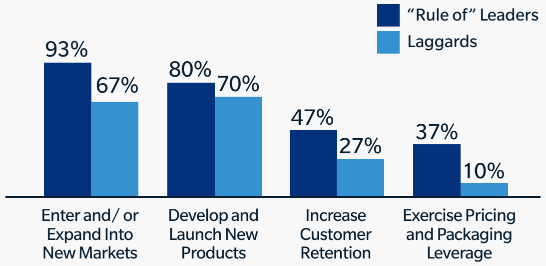
Growth Rate of Sales and Marketing Expenses FY21-FY24



Leaders drive profitable growth through:

- Deliberate market expansion and product development
- Use of pricing and packaging as a strategic tool
- Focus on customer retention

Portion of Companies Emphasizing Each Growth Lever, FY22-24



Four actions leaders use to drive profitable growth:

1. **Deploy AI for strategic market decisions** to identify expansion opportunities and predict success before competitors recognize them.
2. **Engineer pricing as a growth lever** through systematic discipline that captures value instead of leaving money on the table.
3. **Build unified data foundations** that enable fast, confident decisions while competitors waste time debating conflicting reports.
4. **Create retention systems with clear ownership** instead of hoping shared responsibility will somehow work.

While economic pressures from inflation, high interest rates, and rising expenses have stabilized, most companies still struggle to achieve growth. In response to these challenging economic conditions, most firms have taken steps to bolster (or restore) profitability, entering 2025 on their surest footing since 2021. But improvements to the bottom line have primarily come from right-sizing internal operations. Growth remains elusive.

Despite some easing of financial tensions, demand in the mid-market has been soft and the outlook based on early performance in 2025 is underwhelming. Fast-moving changes to domestic policies and the threat of sweeping tariffs on foreign trade have stoked uncertainty in corporate leaders, leaving them unwilling or unable to commit resources to their growth strategies. Moreover, AI innovation appears poised to quickly disrupt several sectors, making growth initiatives riskier and less likely in vulnerable industries.

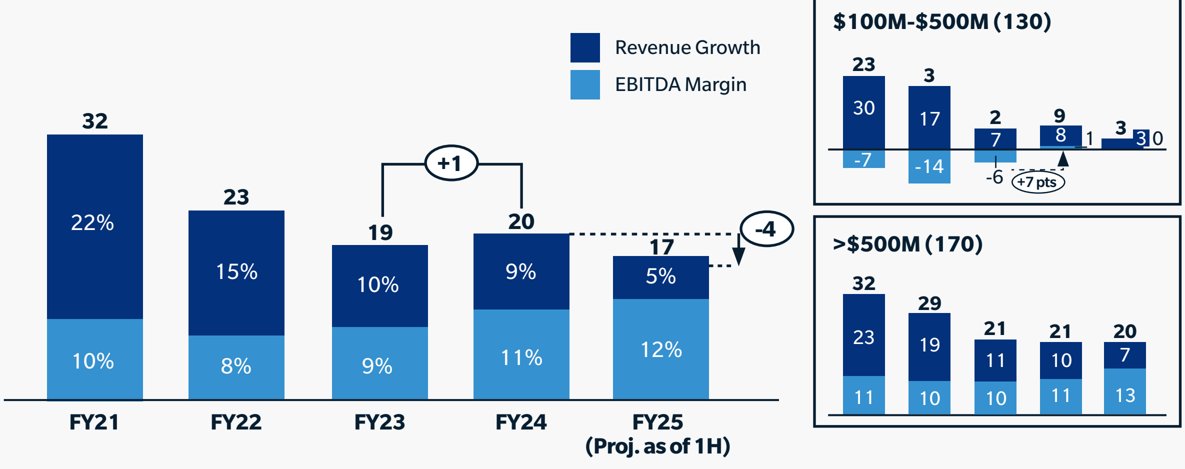
The resulting inactivity is only exacerbating commercial stagnation. CEOs and CFOs cannot afford to stand still. The question is how to overcome uncertainty and confidently invest to drive growth in a stagnant market.

To answer that question, we used "Rule of" metrics (i.e., the combination of revenue growth rate and EBITDA margin) to evaluate revenue performance and operating profitability at 300 mid-market companies from 2022 to 2024. Our goal was to identify differences in how leading firms invest for growth and focus their resources to maintain commercial momentum.

Companies are improving profitability, but growth is stagnant.

Most companies in the mid-market have seen a sharp reduction in "Rule of" performance since 2021. "Rule of 40", the former bellwether of success, has become an increasingly aspirational rarity as depressed revenue growth in 2023 saw little uptick in 2024. Median growth rates remained relatively unchanged, moving from 10% to 9%, while overall market weighted "Rule of" performance notched a meager 1 point increase driven by gains in EBITDA margin. Early projections for FY25, however, suggest this modest recovery in "Rule of" performance may be short-lived, with median revenue growth potentially compressing even further to just 5% while EBITDA margins stay mostly flat at 12%.

Cross-Industry Weighted Median "Rule of" Performance, FY21-FY25 (proj.)
Revenue growth + EBITDA margin



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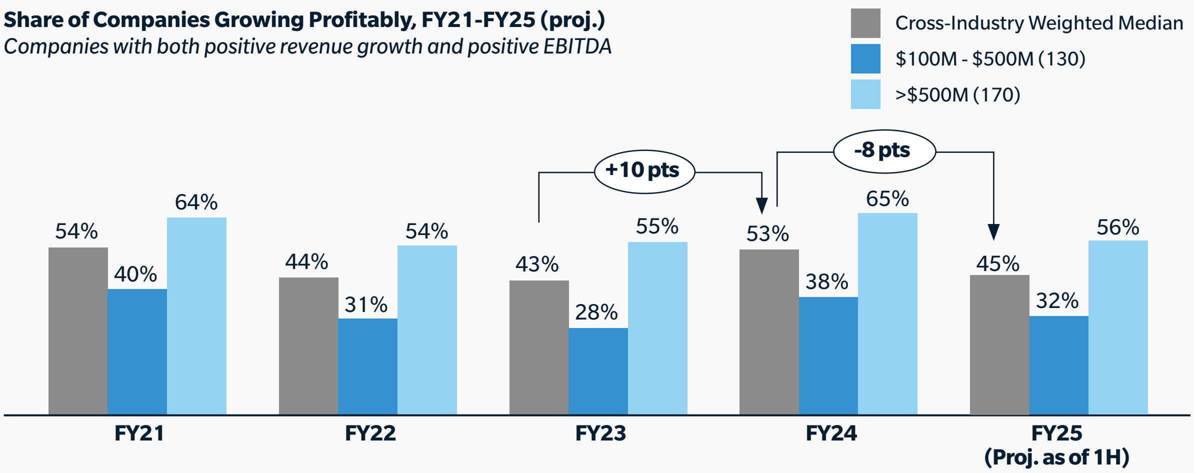
Source: SBI 2025 Analysis, public filing data

As expected, efforts to preserve EBITDA were more aggressive in smaller firms that were unable to absorb rising GTM expenses and the increasing cost of capital. Larger firms have kept EBITDA margins relatively flat since 2021, opting for a "wait-and-see" approach on bigger growth bets until signs of demand improve. Companies appear to be carrying these strategies into FY25 despite continued growth deterioration across both revenue segments.

Persistently low demand has made it challenging to maintain both healthy growth and sustainable earnings. The median share of companies that achieved any increase in growth while also maintaining positive EBITDA margins did increase by 10 pts in 2024 to 53%, but FY25 projections indicate this improvement may not hold, with the share of companies growing profitably potentially declining almost as much to 45% by year's end.

Share of Companies Growing Profitably, FY21-FY25 (proj.)
Companies with both positive revenue growth and positive EBITDA



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Source: SBI 2025 Analysis, public filing data

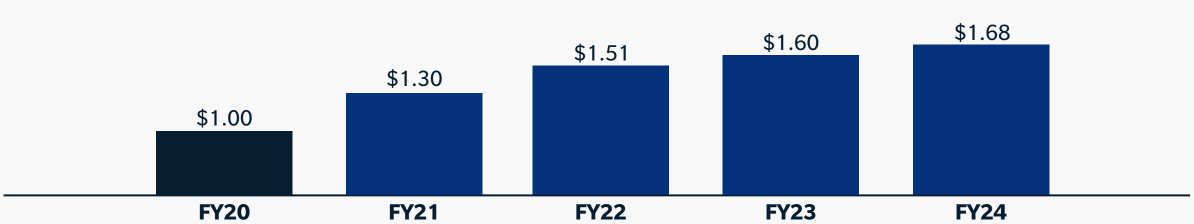
Gains in commercial efficiency were fairly uniform across the mid-market in FY24, with increases in profitability, especially in smaller firms, primarily coming from reduced expenses. Resource-constrained CEOs and CFOs that found themselves outspending revenue were forced to pull back, while peers with ample reserves made modest shifts to maintain spending levels. As demand continued to wane, some firms dramatically shed costs and others withheld additional investment. Profitability improved for most, but neither strategy achieved significant growth.

Commercial leaders are undoubtedly aware that increased profitability alone is unsustainable. To achieve profitable growth, companies must right-size their investments to market conditions and execute effectively to see a positive return.

Commercial investments are deteriorating, despite the long-term risk.

By now it is well known that commercial expenses have sky-rocketed in recent years. The combination of inflation and enduring wage growth pressured operating budgets and caused many companies to overspend on GTM, particularly those with a glut of commercial talent hired during the boom of 2021. Taking a closer look at operating costs, we found that sales and marketing expenses expanded by 68% from 2020 to 2024. For every dollar companies spent on sales and marketing expenses in 2020, they now spend $1.68.

Increase in Sales and Marketing Expenses FY21-FY24, Indexed to 2020
Change in cross-industry weighted median value of annual sales and marketing expenses per dollar



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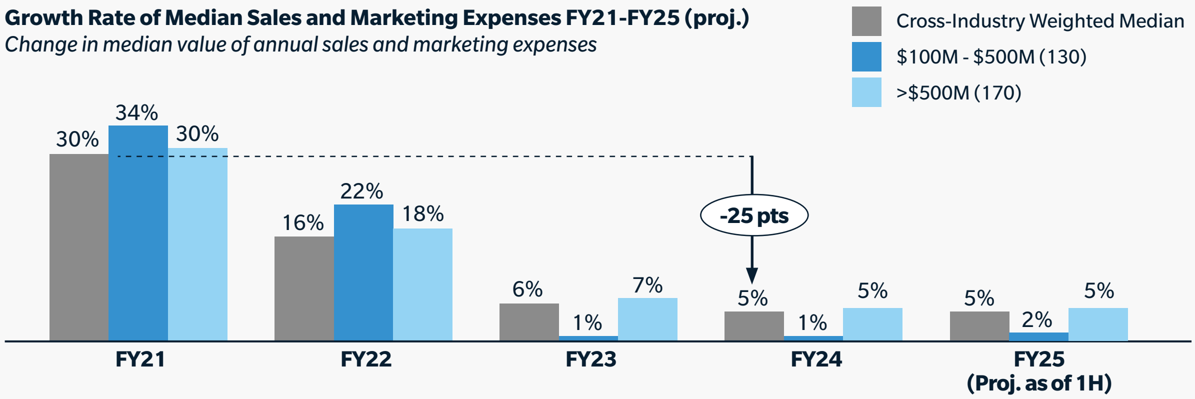
Source: SBI 2025 Analysis, public filing data

In response to sluggish growth and increased costs, companies are reducing the rate of investment in commercial operations. While commercial budgets have grown to meet rising costs, the pace of growth has slowed dramatically. The median growth rate of sales and marketing expenses has decreased 25 points from 30% in 2021 to just 5% in 2024. This trend will likely persist into 2025, with early projections indicating expense growth has plateaued at current levels for most firms.



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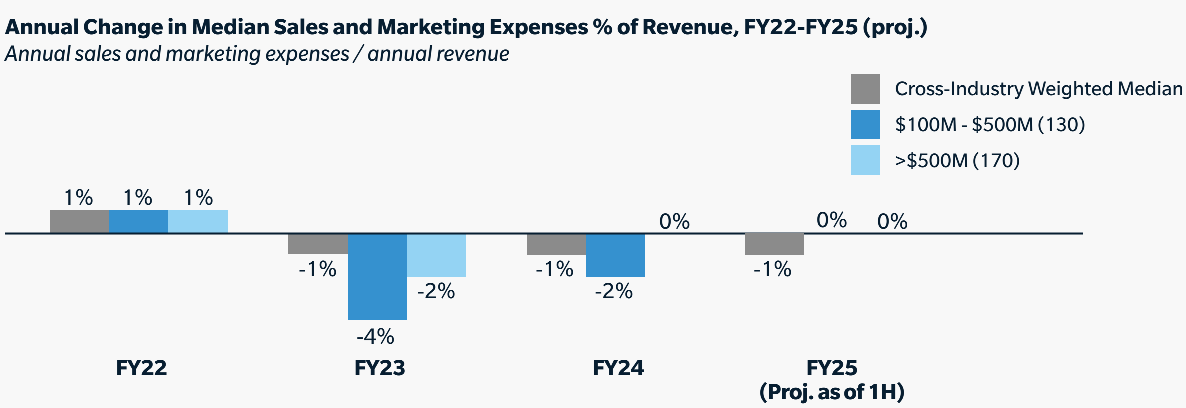
Source: SBI 2025 Analysis, public filing data

Looking closer at the growth of sales and marketing expenses, we see this slowdown was most pronounced in smaller firms. While larger firms drew down expenses more gradually, the rate of investment growth for companies between $100M - $500M in annual revenue dropped from 22% to 1% in 2023 and has remained flat since. Given the historic rate of inflation since 2022, a 1% growth rate might yield a nominal year-over-year increase to commercial budgets but still represents a net decrease in real spending. Rising costs increased sales and marketing expenses in nominal dollars but the decrease in buying power required deep cuts in the size and scope of commercial organizations to slow the rate of expense growth.

This same trend of decreased investment is reflected in the declining rate of commercial expenses relative to revenue. Median sales and marketing expenses percentage of revenue differs greatly by industry, but most sectors have seen a gradual decline since 2022. Again the dip in spending is more pronounced toward the bottom of the market, with smaller firms declining by a total of six points while larger firms declined just two points in 2023 and held flat in 2024. As expenses growth outpaced slowing revenue growth, most companies spent a greater portion of revenue on operations to avoid (or at least mitigate) negative EBITDA margins. Smaller firms, already spending a higher percentage of revenue on internal expenses, shed costs faster and more aggressively. As 2025 has unfolded, we have seen little change in companies' investment postures, with spending relative to revenue likely to remain flat or slightly below 2024 levels.



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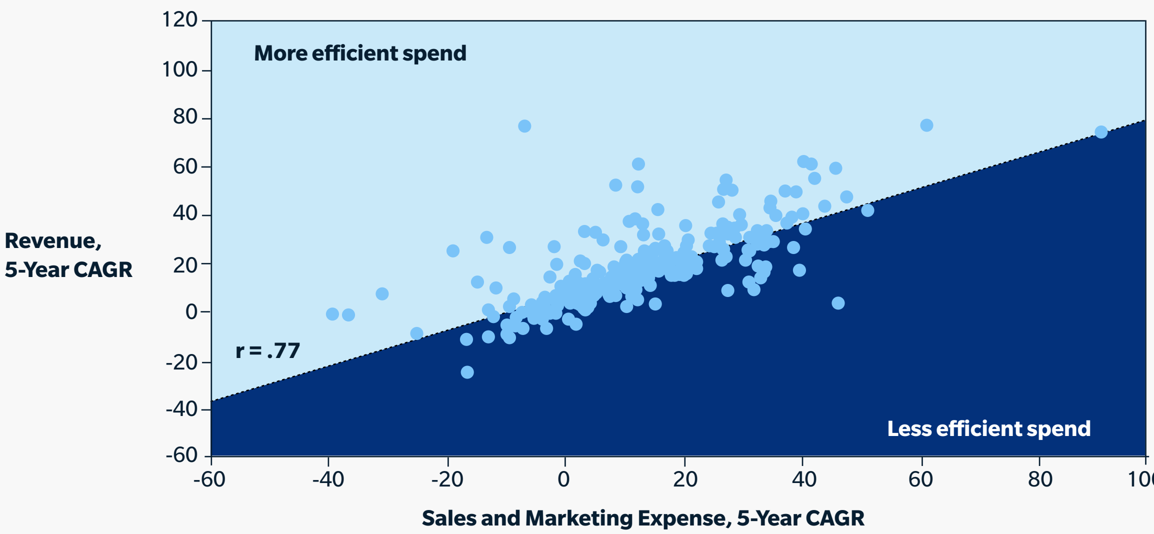
Source: SBI 2025 Analysis, public filing data

It’s unsurprising to see CEOs and CFOs reduce spending to close gaps in profitability. Given difficult market conditions, the investment posture is understandable yet nonetheless concerning for growth prospects. Across sectors (particularly in SaaS and technology), growth has classically come from short-term, deliberate overinvestment in commercial operations to disrupt competition and increase market share, i.e., “growth at all costs”. Instead, companies are now decelerating the rate of commercial investments and spending less in real dollars on sales and marketing operations. This strategy is increasing the bottom line but potentially poses risk for long-term growth.

When comparing operating expenses to company performance, we found that revenue growth and commercial expenses have been tightly aligned in recent years. Companies that increased investment in commercial teams to keep pace with rising costs generally saw stronger growth, while companies that failed to invest typically grew less or not at all.

Revenue Growth and Sales and Marketing Expenses, FY20-FY24
Revenue growth + EBITDA margin



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Source: SBI 2025 Analysis, public filing data

Seeing a strong correlation with increased commercial investment, CEOs and CFOs may be tempted to blindly spend their way to growth without examining the efficiency of commercial processes. But not all growth is profitable growth. The takeaway for company leaders is not that unbridled spending is a panacea, but rather that sustained revenue performance is unlikely to occur without commensurate investment.

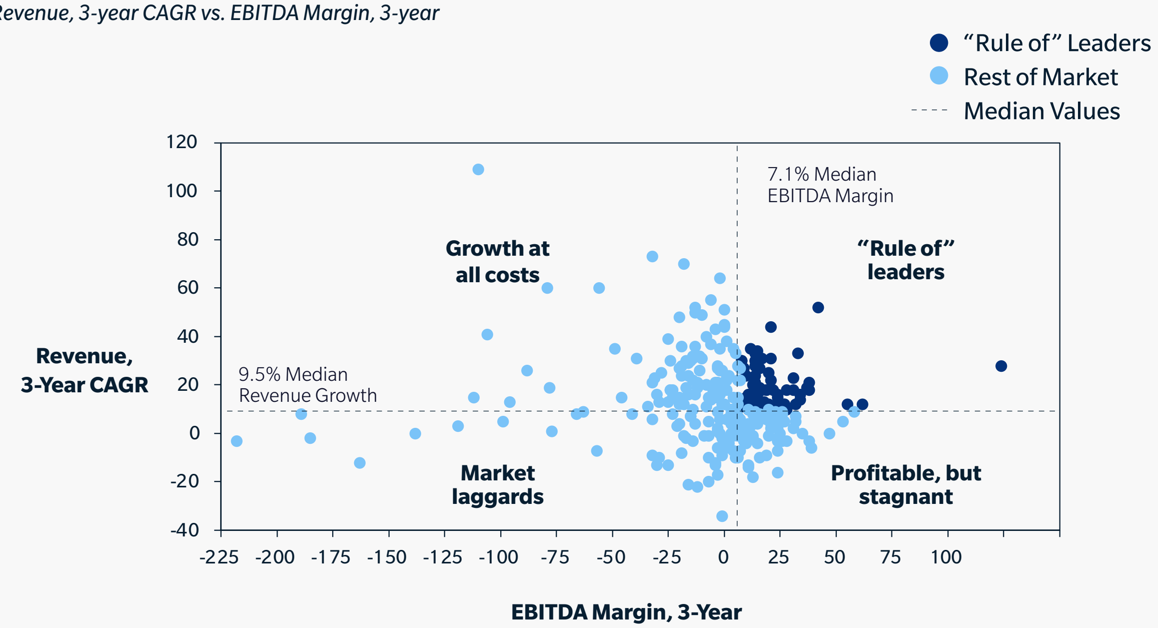
Still, after several punishing quarters of stagnant demand and declining revenue growth, increasing sales and marketing budgets while maintaining positive EBITDA is no longer an option for most companies. With tight operating budgets, companies will need to (at the very least) sustain sales and marketing investments at current levels but improve commercial performance if they want to achieve growth. CEOs and CFOs must find ways to increase the efficiency of their core commercial processes.

Differences in investment and strategic focus separated market leaders from the rest.

While weaker demand has impacted most firms, our analysis uncovered that declines in productivity were not necessarily universal. Profitable growth has been elusive, but some companies have maintained stronger productivity than their peers while keeping EBITDA equally stout.

We found that 21% of companies (64 of 300) outperformed the median in both EBITDA margin and revenue growth from 2022 to 2024. These companies – which we call "Rule of" Leaders - consistently outpaced the market in commercial efficiency, growing more than most of their peers and doing so with greater profitability.

"Rule of" Performance, FY22-FY24
Revenue, 3-year CAGR vs. EBITDA Margin, 3-year



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Source: SBI 2025 Analysis, public filing data

To identify companies with the strongest and most consistent "Rule of" performance, we looked at the compound annual growth rate (CAGR) of revenue over the last three fiscal years and the aggregate EBITDA margin in that period, i.e., the sum of all EBITDA as a percentage of total revenue from FY22-24. This allowed us to distinguish companies with sustained profitable growth from those with exceptional, but one-off results. Some "Rule of" leaders excelled more in growth than EBITDA and vice-versa, but all leaders beat the market weighted median for both revenue and margin.

Because "Rule of" performance is indicative of profitable growth, we sought to understand how leaders achieved better than market returns by comparing their growth strategies with the strategies of average market performers. When leaders budgeted for operations, did they invest more in sales and marketing teams? How did they identify and capitalize on new growth opportunities? And what growth tactics did leaders favor?

To identify ways in which top performers behaved differently, we assessed "Rule of" leaders against market laggards on two critical dimensions:

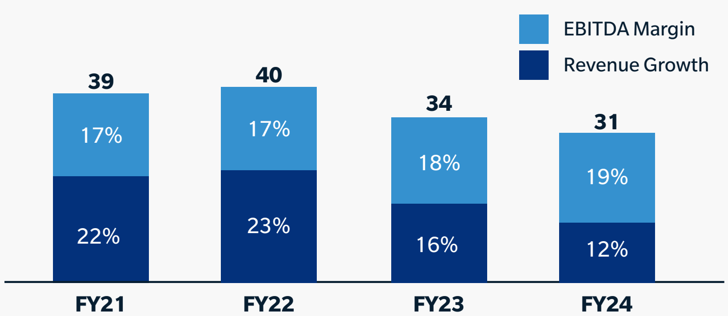
1. **Return on go-to-market (GTM).** We evaluated how leaders invested for growth and the ROI they received on commercial spend.
2. **Growth strategy.** We compared the strategies of market laggards with the strategic levers that "Rule of" leaders emphasized to achieve profitable growth.

By design, "Rule of" leaders realized better revenue outcomes than their peers. Interestingly, leaders saw lower returns per dollar on GTM expenses than some market laggards but earned considerably more growth for every dollar they spent.

When others pulled back, leaders sustained GTM investments, executing better to profitably outgrow peers.

While they were not immune to the macro-economic pressures that hampered the broader market, leaders consistently exceeded their peers in revenue growth and they did so with considerably greater profitability. Leaders finished FY24 at a median "Rule of 31", with revenue growth about three points higher than the market (12%) and EBITDA margins roughly eight points higher (19%).

Cross-Industry Weighted Median "Rule of" Performance, FY21-FY24
Revenue growth + EBITDA margin



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Source: SBI 2025 Analysis, public filing data

Leaders expanded EBITDA less.

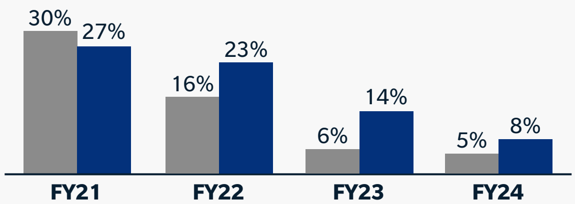
Despite stronger performance, leaders expanded EBITDA less than market peers, opting to sustain investments in operating teams instead of increasing net earnings. Leaders grew EBITDA by less than 1% from FY22 to FY24 (~18% - 19%) versus the market weighed median of 2% (~9% - 11%). As market conditions worsened, laggards were forced to recapture EBITDA by drawing down operational expenses. By contrast, leaders kept EBITDA relatively flat. Strong performance allowed them to keep operating budgets in line with rising costs without sacrificing profitability.

Leaders sustained greater investment in commercial operations.

Taking a closer look at operating budgets, we found leaders increased sales and marketing expenses at a higher rate than peers. While rates of investment declined for most companies, leaders have outpaced the market median every year since 2021, growing commercial expenses by 8% in FY24 compared to the market weighted median of 5%. As a result, "Rule of" leaders are now spending $1.91 for every dollar in sales and marketing they spent in 2020, or about 14% more per dollar than the market median.

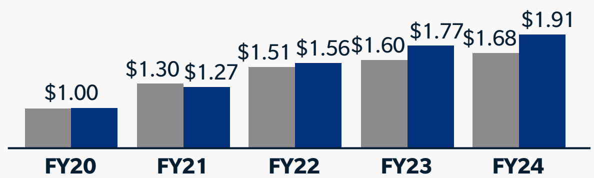
Growth Rate of Sales and Marketing Expenses FY21-FY24

Change in median value of annual sales and marketing expenses



Increase in Sales and Marketing Expenses FY21-FY24, Indexed to 2020

Change in median value of annual sales and marketing expense per dollar



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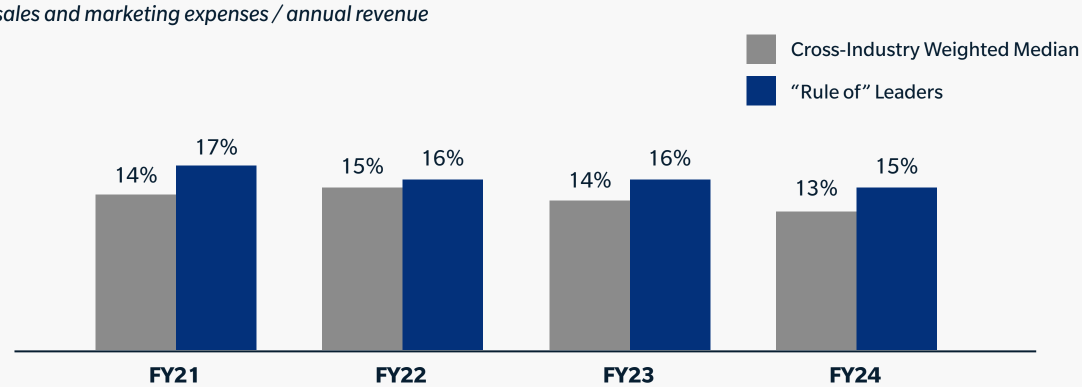
Source: SBI 2025 Analysis, public filing data

Leaders not only maintained a higher rate of investment growth than their peers, they also reinvested a greater share of earnings in commercial operations. While sales & marketing expenses percentage of revenue varies greatly by sector, leaders spent roughly two to three points more than the market weighted median from FY21-FY24.

Median Sales and Marketing Expenses % of Revenue, FY21-FY24

Annual sales and marketing expenses / annual revenue



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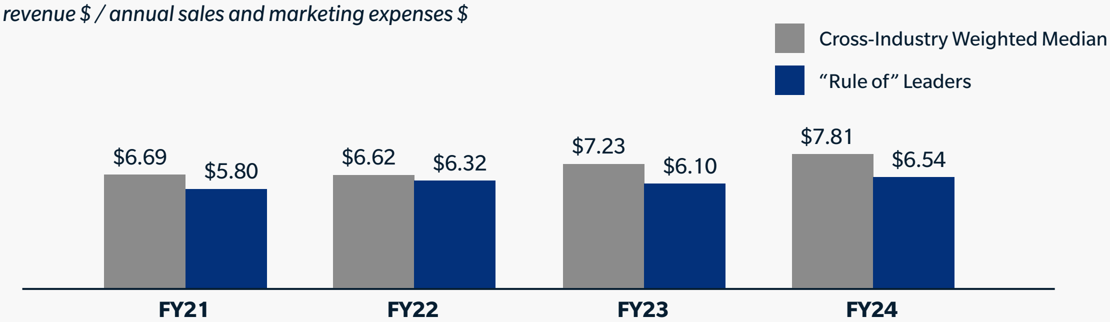
Source: SBI 2025 Analysis, public filing data

Leaders earned more growth on GTM spend through superior execution.

Counterintuitively, because leaders spent a greater portion of revenue on commercial expenses, the simple return on GTM investments for leaders was 19% lower than market peers. Leaders earned a median $6.54 for every dollar spent on sales and marketing in FY24 compared to the market-weighted $7.81. At first glance, it appears leaders are less commercially efficient than other companies. So what's going on?

Median Return on GTM Expenses, FY21-FY24
Annual revenue $ / annual sales and marketing expenses $



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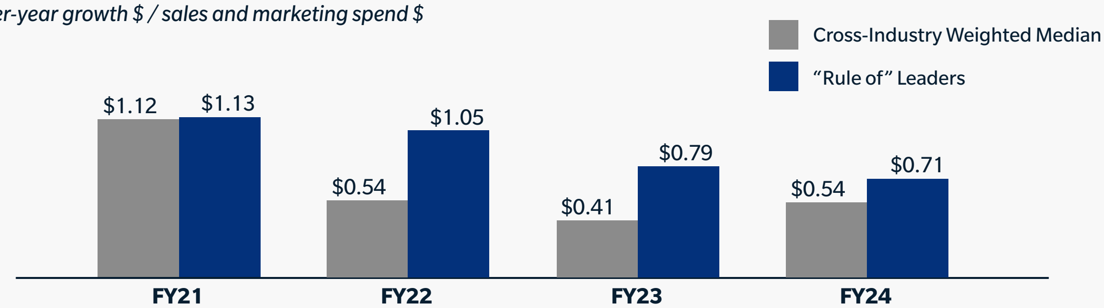
Source: SBI 2025 Analysis, public filing data

While leaders earned less revenue per dollar of commercial spend, they have consistently yielded more growth per year, every year, since 2021. In FY24, leaders realized 31% more growth per dollar on sales and marketing expenses, earning $0.71 per dollar compared to the market weighted median of just $0.54. Because leaders grew revenue at a higher rate, a larger portion of the dollars they spent on sales and marketing fueled incremental revenue. Leaders matched their prior year's performance with greater efficiency and devoted more productivity to growth.

Median Growth Yield on Sales and Marketing Expense, FY21-FY24
Year-over-year growth $ / sales and marketing spend $



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Source: SBI 2025 Analysis, public filing data

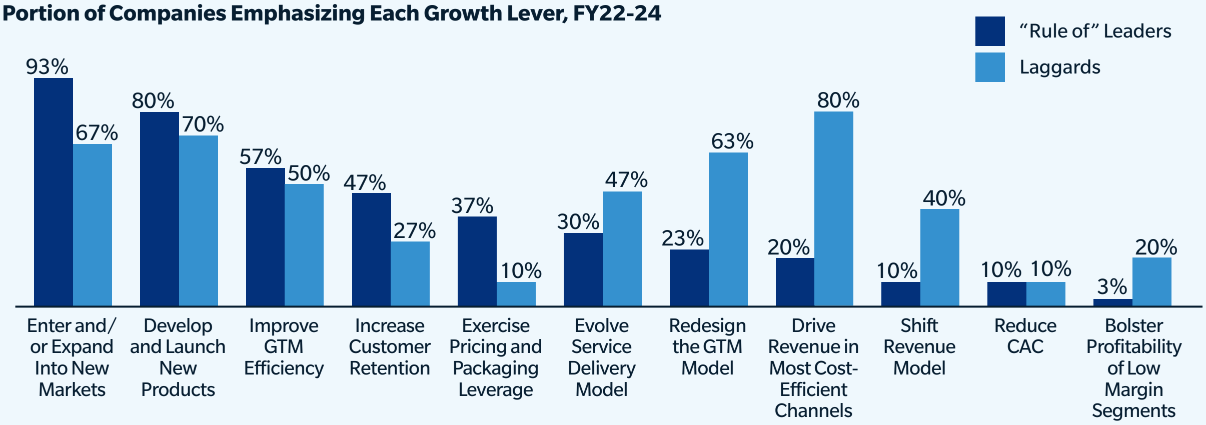
"Rule of" leaders achieved above average growth by executing successfully on two critical growth strategies: they engineered opportunities to grow in new customer segments by entering new regions or by offering new or revamped products, and they solved the "leaky bucket" problem using pricing and packaging and customer experience enhancements to keep retention high. Indeed, when we compared the behaviors of leaders with market laggards, we found that leaders emphasized these two strategies – purposeful expansion of the company's ideal customer profile (ICP) to new customer segments and steadfast focus on improving net revenue retention (NRR) – as integral to their GTM plans more often than market laggards.

Leaders take a proactive approach to growth while laggards constantly reassess the revenue model to improve profitability.

When we analyzed their managements' communications – public filings, quarterly and annual reports, and earnings call transcripts – we found that leaders take a focused, proactive approach to growth. They generally pick a small number of deliberate investments and create an organization to ensure these big bets succeed.

By contrast, laggards either adopt or are forced into a more reactive position. They are more likely to focus on redesigning the GTM model, rebuilding leadership teams, and trying to squeeze out profitability even at the expense of growth. This reactive approach typically originates from unclear strategy at the leadership level, creating a cascade of challenges while trying to execute multiple large scale initiatives simultaneously.

Portion of Companies Emphasizing Each Growth Lever, FY22-24



n=60, 30 Rule of Leaders and 30 market laggards, five of each from publicly-traded companies in six sectors: business services, financial services, healthcare technology and information services, media and telecommunication services, SaaS, and technology sectors (using GECS industry definitions); companies have headquarters in US and CA, $100M-$5B in annual revenue in FY21-FY24, and a fiscal year ending Dec 31; Rule of Leaders exceeded the cross-industry weighted medians for revenue % growth, 3-year CAGR (9.5%) and EBITDA margin, 3-year (7.1%) in FY22-FY24
Source: SBI 2025 Analysis, public filing data

What separates "Rule of" leaders from laggards:

Leaders:

1. **Leaders pursue deliberate growth through market expansion and product development.** 93% of leaders emphasized entering and expanding into new markets compared with 67% of laggards. This approach reflects confidence in their core capabilities and a clear understanding of where expansion efforts will succeed.

2. **Leaders treat pricing and packaging as a strategic growth lever, not just a tool.** Leaders showed a 27 percentage point higher emphasis on exercising pricing and packaging leverage versus laggards.

3. **Leaders emphasize customer retention to drive sustainable growth.** Leaders showed a 20-percentage point higher emphasis on increasing customer retention. Leaders demonstrate clarity around retention responsibilities, with defined roles and accountability rather than the diffused ownership that characterizes laggards.

Laggards:

1. **Laggards react to performance pressure by chasing operational efficiency.** Eighty percent of laggards emphasized driving revenue through the most cost-effective channels compared to just 20% of leaders. Laggards also focused heavily on evolving service delivery models (47%) and shifting revenue models to capture more gross profit.

2. **Laggards constantly overhaul their GTM approach instead of executing consistently.** Nearly half focused on evolving service delivery models, 40% on shifting revenue models, 63% on redesigning GTM models, and 80% on updating channel coverage models. None of these exceeded 30% for leaders. This pattern of continuous restructuring suggests strategic uncertainty and prevents sustained execution of any single approach.

3. **Laggards churn through commercial leadership and organizational structures.** Seventy-seven percent of laggards versus 40% of leaders experienced commercial leadership changes, while 87% of laggards versus 53% of leaders underwent commercial role redesigns.

We recommend four actions to overcome commercial stagnation and enable profitable growth:

1. Move from AI Experiments to Strategic AI Execution

Common practice: Scattered AI pilots focused on cost reduction and task automation

GTM teams often approach AI through multiple disconnected experiments across teams. These experiments primarily target cost reductions or automating routine tasks (e.g., note-taking and content generation) in the hopes of finding quick-wins. This approach limits AI initiatives to the easiest use cases rather than the highest-impact ones.

Where it goes wrong: By focusing on the easiest applications, companies achieve single-digit productivity improvements while missing AI's potential to drive the strategic decision-making that separates "Rule of" Leaders from laggards. These pilots impose their real cost not through poor delivery, but by preventing companies from deploying AI for the complex, high-value strategic decisions that drive profitable growth.

Recommended best practice: Use AI to identify and prioritize market expansion opportunities through advanced pattern recognition.

Our research shows 93% of Rule of Leaders emphasize entering and expanding into new markets compared with just 67% of laggards. At the same time, our Q2 2025 pulsing of CEO's revealed companies that beat revenue targets were three times more likely to use AI for enhanced decision-making. Leaders don't just expand more; they expand more successfully because they make better-informed decisions. AI should amplify this strategic advantage by providing the analytical depth and pattern recognition that enable confident market entry decisions.

HOW TO OPERATIONALIZE

Enhance Strategic Decision Making:

- **Remove decision bias and improve objectivity** by processing growth decisions through AI models that eliminate functional biases and cherry-picked data
- **Deploy pattern recognition across complex market variables** to identify non-obvious relationships between customer characteristics, market conditions, and expansion success that human analysis would miss
- **Create unified market intelligence systems** that detect shifts in competitive positioning, customer behavior, and market opportunities as they emerge and provide a unified view of the current commercial landscape
- **Combine AI's analytical power with human expertise**, ensuring insights are not blindly taken from models conditioned on free internet content and meet the specific needs of the organization

Prioritize Market Entry Opportunities

- **Analyze market coverage efficiency** to identify where commercial resources are misaligned with market opportunity, enabling strategic reallocation before competitors recognize the gaps
- **Use AI-driven TAM analysis** that reveals expansion opportunities by processing thousands of market signals simultaneously rather than relying on static market research
- **Deploy competitive white space mapping** that identifies underserved segments and market adjacencies by analyzing win/loss patterns, customer usage data, and competitive positioning.
- **Implement dynamic market scoring models** that rank expansion opportunities based on probability of success, resource requirements, and strategic fit rather than gut instinct or limited data points

Diagnostic questions for your team:

1. How do you know your commercial capacity is best aligned to market opportunity?
2. What patterns in your customer data might you be missing that could reveal new market opportunities?
3. How could AI help you identify non-obvious adjacencies or use cases for expansion?
4. Are your AI investments focused on finding growth opportunities or just reducing costs?
5. How can you improve your underlying data to drive better decision-making?

2. Transform Pricing into a Strategic Growth Lever

Common practice: Ad-hoc pricing decisions and reactive discounting

Companies typically manage pricing through deal-by-deal negotiations, with sales teams having broad discounting authority to "save deals." Too often price increases happen sporadically or not at all. This creates an environment where pricing is just another tool to close deals instead of a strategic lever to drive growth. When pricing is just another tool, pricing discipline slips, discounting increases, and profitability suffers.

Where it goes wrong: This approach creates compounding value leakage that undermines GTM efficiency. Without systematic pricing discipline, companies leave potential revenue uncaptured through excessive discounting and failure to raise prices to capture value from product innovation. The problem accelerates over time as sales teams trained to win through discounting default to price concessions whenever they face resistance while at the same time the market is trained to expect discounting creating a race to the bottom. This reactive pricing strategy eliminates any baseline, making it impossible to distinguish good deals from bad ones when everything becomes bespoke. Meanwhile, product teams continue adding features and capabilities without corresponding price increases, widening the gap between delivered and captured value.

Recommended best practice: Build a systematic pricing discipline program that controls discounting and captures value through regular optimization.

Data shows Rule of Leaders have a 27% higher emphasis on pricing and packaging leverage than laggards. Closing this gap requires establishing a clear baseline pricing strategy and aligning your entire organization around systematic value capture.

HOW TO OPERATIONALIZE

Establish Strategic Pricing Infrastructure:

- **Define your core pricing strategy and market positioning** to ensure every pricing decision reinforces whether you're a premium player, value leader, or flexible competitor rather than letting deal-by-deal negotiations erode your brand (e.g., if you are a premium player is your discount level and pricing reflecting that on a competitive basis)
- **Structure pricing models that scale with customer value** rather than evolving based on internal product development, ensuring packages deliberately support your growth imperatives and capture willingness to pay
- **Build systematic approval frameworks** with strict discount authorization tiers that require escalating approval levels rather than giving broad discounting authority that undermines pricing discipline
- **Implement value documentation processes** that quantify customer outcomes and product impact to justify pricing decisions with data rather than relying on competitive positioning alone

Execute Disciplined Value Capture:

- **Eliminate discount leakage through transparency and accountability** by publishing weekly discount reports by rep and segment, setting quarterly targets to reduce average discount rates and tracking execution against policy
- **Align price increases to product innovation cycles** using data on feature adoption, usage growth, and customer outcomes to justify increases rather than arbitrary annual inflation adjustments
- **Stratify pricing strategies by customer willingness to pay** based on engagement levels, feature adoption, and account size rather than applying one-size-fits-all pricing across all segments
- **Create systematic price realization processes** with clear ownership, talk tracks, and monthly targets that treat pricing as a strategic capability rather than a tactical sales tool

Diagnostic questions for your team:

1. Who owns pricing decisions in your organization?
2. What teams collaborate or consult on pricing decisions to ensure strategic alignment?
3. What is your current average discount rate and what percentage of deals require discounting to close?
4. How often do you lose deals on price, and when you do, are you losing to competitors who deliver comparable value?
5. How do you document and communicate value delivery to justify pricing changes rather than relying on market pressure alone?

3. Move from Static to Dynamic Fact Bases to Drive GTM Efficiency Gains

Common practice: Governing with fragmented, function-specific dashboards

Most companies are data-rich but insight-poor. Only 35% of CEOs feel they have the necessary data for confident GTM decision-making. Too many organizations are still operating from a collection of disconnected, function-specific reports. Sales manages from the CRM, marketing from its automation platform, and finance from the ERP. This creates a mosaic of static, rearview-mirror perspectives, leading to strategic meetings where leaders waste time debating which data is correct rather than deciding on a clear path forward.

Where it goes wrong: Misaligned goals, data sets, and viewpoints among key decision makers slows growth and results in poor decision making. Leaders achieved 31% more growth per dollar on GTM spend ($0.71 vs $0.54) in part because they had the data necessary to distinguish high-yield investments from resource drains. Laggards however took a scattered approach, resulting in them spinning their wheels, lower returns, and commercial stagnation.

Recommended best practice: Create a unified, dynamic GTM fact base that serves as the single source of truth for commercial decisions.

Rule of Leaders demonstrate superior strategic focus because they make decisions from a unified view of reality rather than competing interpretations of fragmented data. This data foundation enables the focused execution that separates leaders from laggards who waste cycles debating conflicting reports instead of acting on insights. A dynamic fact base isn't a one-time cleanup project but an ongoing capability that enables confident, fast decision-making.

HOW TO OPERATIONALIZE

Build Integrated Decision-Making Infrastructure:

- **Unify fragmented data sources** to create a single source of truth that eliminates the conflicting reports and data storytelling that plague executive meetings and slow strategic decisions
- **Deploy integrated performance monitoring** that provides leading indicators of commercial health rather than lagging metrics that only confirm problems after they've impacted results
- **Create dynamic pipeline and forecasting models** that integrate sales, marketing, customer success, and financial data into coherent views trusted by all revenue functions
- **Implement predictive analytics capabilities** that signal when to enter new markets, adjust coverage models, or reallocate resources before competitors recognize the opportunities

Enable Fast, Confident Strategic Execution:

- **Build integrated scenario planning capabilities** that test multiple strategic options simultaneously using live data rather than static spreadsheet models that quickly become outdated
- **Create actionable competitive intelligence systems** that track market shifts, customer behavior changes, and expansion opportunities with systematic analysis rather than through quarterly reviews
- **Establish unified account intelligence** that combines firmographics, engagement data, and expansion potential rather than requiring manual data compilation for strategic decisions
- **Deploy performance attribution models** that identify which investments drive growth and which drain resources, enabling the strategic focus that characterizes Rule of Leaders

Diagnostic questions for your team:

1. Can your CRO and CMO instantly provide the same Customer Acquisition Cost, or does it trigger a debate?
2. How long does it take to identify which accounts have the highest expansion potential?
3. Can you prove that you are focused on the right growth opportunities using data that your entire GTM team trusts?
4. When customer behavior shifts, do you see it in days through your data or quarters through your results?
5. Is your GTM technology creating a single source of truth or adding more disconnected dashboards?

4. Engineer Customer Retention Instead of Hoping for it

Common practice: Making retention a shared responsibility that requires everyone's contribution

Retention challenges are endemic. 77% of CEOs in our most recent pulse survey say improving retention is their most critical growth lever. Commercial leaders today emphasize how everyone has a role to play in reducing churn. CSMs are nominally responsible for retention, but their success depends on so many others: Sales needs to set proper expectations during the initial sales. Marketing must deliver good-fit prospects. Revenue operations needs to provide early warning signals. Sales enablement must train teams on customer success principles.

Where it goes wrong: This creates retention chaos where it's everyone's job and when problems arise it's easy for blame to get diffused across this web of interdependencies. When CSMs depend on sales setting proper expectations, but sales is focused on closing deals, expectations get oversold. When marketing is measured on lead volume but CSMs need better-fit customers, quality suffers. When everyone contributes to retention success, it becomes impossible to pinpoint accountability when retention fails. The result is predictable: retention gets lost in a maze of shared responsibility where everyone can point to someone else when numbers decline.

Recommended best practice: Engineer retention by establishing clear accountability and focusing resources where you have the highest leverage to move the needle.

Our research shows Rule of Leaders companies have a 20% higher emphasis on increasing customer retention than laggards. Leaders engineer retention outcomes by conducting detailed customer journey workshops to understand the entire lifecycle and identify specific drivers of retention and expansion. They use this information to focus retention investments, make each GTM team member's contribution explicit with measurable activities, and create seamless handoff procedures.

HOW TO OPERATIONALIZE

Establish Clear Retention Accountability:

- **Assign direct retention ownership to customer success** with clear accountability for renewal rates and expansion revenue, supported by defined escalation procedures when cross-functional support is needed
- **Define explicit retention contributions for each role** with measurable activities rather than vague shared responsibilities, ensuring marketing delivers retention-predictive prospects measured by quality scores that predict 12-month retention
- **Create strict handoff protocols between functions** so teams are held accountable for solution fit assessments and realistic timeline setting through post-sale customer feedback scores.
- **Build early warning systems with clear escalation paths** that give CSMs 60-90 day advance notice of retention risks with specific intervention recommendations rather than reactive damage control

Focus Retention Investments on Highest-Leverage Opportunities:

- **Identify savable versus unsavable accounts systematically** by analyzing customer engagement data to create health scores that distinguish at-risk accounts that respond to intervention from those likely to churn regardless of effort
- **Target intervention resources based on account potential** using intensive, high-touch approaches for new accounts and high-value customers while applying automated, low-touch strategies to lower-value segments
- **Measure which retention activities actually move the needle** through systematic analysis of intervention success rates, reallocating effort to your most effective retention levers rather than applying uniform effort across all accounts
- **Prioritize retention moments with highest impact** by identifying the 4-6 critical points in your customer journey where retention interventions have the biggest effect rather than spreading resources across the entire lifecycle.

Diagnostic questions for your team:

1. Who owns retention at each stage of your customer lifecycle, and what happens when accountability overlaps?
2. How do you help team members prioritize competing retention and acquisition activities when time is limited?
3. What are the 4-6 moments in your customer journey where retention interventions have the biggest impact?
4. How do you measure retention performance separately from acquisition metrics to ensure it gets proper attention?
5. When retention problems arise, does everyone know exactly who should handle them and how to get help

Methodology:

Our analysis uses a curated set of 300 publicly traded companies representing the mid-sized market for business-to-business (B2B) goods and services. To qualify, a company's primary operating activities must involve B2B transactions, meaning they supply processed goods or services directly consumed by other businesses. Companies may produce products ultimately used by consumers, but their revenue generation must include sales to businesses.

Companies were included based on the following criteria:

1. Headquartered in the US or Canada
2. Annual revenue between $100 million and $5 billion
3. Publicly-traded companies listed on a stock exchange
4. Fiscal year ending on Dec 31 (for comparison of uniform performance periods)
5. Included industries using modified GECS

To define industry, we use a modified version of the Global Equity Classification Structure (GECS) developed by Morningstar.

The six industry sectors included are:

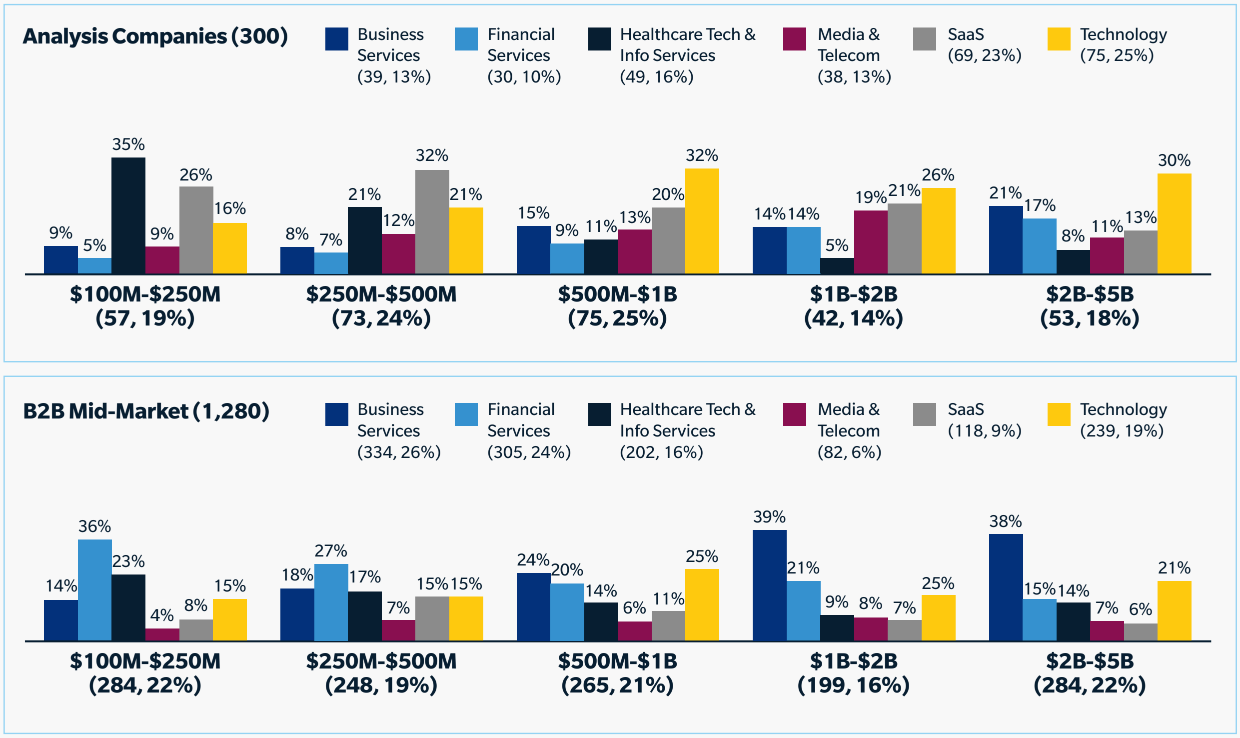
1. Business Services
2. Media and Telecommunications
3. Financial Services
4. Healthcare Technology and Information Services
5. SaaS
6. Technology

For more information, see SBI 2025 Analysis of Commercial Efficiency in the Mid-Market: Criteria for Inclusion and Industry Classification Methodology

Definition of Cross-Industry Weighted Median

We use a standard, weighted median calculated by assigning weights to each of the six industries represented in the analysis. The weights are based on the difference between the number of companies in the analysis set and the entire population of companies that meet the analysis criteria e.g., the mid-market for B2B goods and services. The 300 companies used in the analysis represent a statistically significant sample of the approximately 1,280 companies in the market.

Analysis Companies vs. Public B2B Mid-Market
By industry sector and revenue band



n=1280 publicly-traded companies in communication services, financial services, healthcare technology and information services, industrials, and technology sectors (using GECS industry definitions) with headquarters in US and CA, $100M-$5B in annual revenue in FY21-FY24
n=300 publicly-traded companies in business services, financial services, healthcare technology and information services, media and telecommunication services, SaaS, and technology sectors (using GECS industry definitions) with headquarters in US and CA, $100M-$5B in annual revenue in FY21-FY24, and a fiscal year ending Dec 31 Source: SBI 2025 Analysis, public filing data

AI-Enabled Research

Our analysis included a qualitative comparison of the growth strategies employed at companies that outperformed peers e.g., "Rule of" Leaders, and companies that were relative market laggards. Our comparative sets included five leaders and five laggards from each of the six industry sectors in our analysis.

To assess company growth strategies, we analyzed earnings call transcripts and public filings (10-K and 10-Q) from 2022 to 2024 using a retrieval-augmented generation (RAG) workflow built with Chroma vector databases and OpenAI's o3 large language model (LLM).

Next Steps

1. Talk to an SBI expert about how Wayforge Signal can help your GTM organization take advantage of AI to improve decision-making, transparency, and revenue growth
2. Go deeper into strategies to reduce churn with our report How Market Leaders Reverse Declining NRR
3. Watch our webinar: Improving Commercial Efficiency Using Artificial Intelligence

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.

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