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Today's topic: Why TAM is overrated (and what matters when you're writing micro-checks)

You've probably seen this slide a hundred times by now:

"Our TAM is \$50 billion."

A cool graph.

Impressive numbers.

Makes the company sound huge.

Well here's the thing: TAM is basically useless for evaluating early-stage deals.

At Hustle Fund, we almost never ask about TAM. Most VCs will disagree with us on this, but hear me out.

TAM doesn't account for 3 things that actually matter:

1. How hard it is to get customers
2. How much you can upsell once you have them
3. And whether the market is accelerating or dying

The real question: Where's the market going?

If you were passing on Crypto in 2015 because the current market was "too small" you were looking at it wrong. You need to see where markets will be in 10 years - what they look like in the present day.

The same logic applies to alternative assets, the sharing economy, and emerging markets. Many countries don't have many unicorns right now, but are on a trajectory for that to change in a decade.

Trajectory matters way more than TAM.

This is especially true when you're writing \$5k checks. You're not trying to deploy \$100 million into proven markets - you're making small bets on where things are headed.

A shrinking \$50B market is far worse than a growing \$500M one.

Enter market pull

So if TAM is out, what should you actually look for?

Market pull. It's a velocity measurement that's loosely defined as "how quickly are customers adopting this product?"

Here's the math on what strong market pull looks like: to hit \$100M in annual revenue by year five, the trajectory might look something like...

- Year 1: \$1M
- Year 2: \$6M
- Year 3: \$15M
- Year 4: \$40M
- Year 5: \$100M

You're more than doubling every year, with much higher multiples in the early stages. This is hard to pull off.

Where market pull comes from

Market pull doesn't come from clever marketing tactics. It comes from shifts.

Markets today are accelerating or decelerating faster than ever – due to technology changes, behavior changes, or regulatory shifts. Some industries are dying quickly. Others are accelerating quickly.

Crypto in 2015 is the classic example. Small market at the time, but massive tailwinds. Same with the sharing economy before Uber and Airbnb proved the market.

Bill Gross, a serial founder, gave a legendary TED talk a decade ago on his study of hundreds of startups. The research showed that timing was the *single* biggest factor in whether a startup succeeded – more than the team, and more than the idea itself.

The bottom line

So when you're evaluating a deal, ask: is this company riding a wave that's building

So when you're evaluating a deal, ask: is this company riding a wave that's built on fighting against a current?

Are customer behaviors already shifting in this direction, or does the startup have to convince people to change?

Companies with strong market pull aren't pushing customers to adopt. Customers are already looking for a solution, and that startup just showed up at the right moment.

– Brian from [Angel Squad](#)

👉 Angel Investors come from everywhere

Spoiler alert: You don't need to be in Silicon Valley or have a trust fund to be a great angel investor.



Michael Gohari | New York, New York

First-Gen American + Finance Pro + Former Restaurant Owner

First-generation Jewish Persian American with finance/accounting background at PwC, Olaplex, and now Beautynova who also opened and sold a Quick Service Restaurant!

Why this matters: Michael represents the multi-cultural, multi-passionate entrepreneur who sees opportunities others miss. His financial background helps with due diligence, while his restaurant plans give him insights into consumer behavior and retail operations that pure tech investors lack.

Michael is in our angel investing community, Angel Squad.

Overheard in SF...probably

"We're hiring 'rockstar ninjas' only – regular humans need not apply. We communicate exclusively with Slack emojis."

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