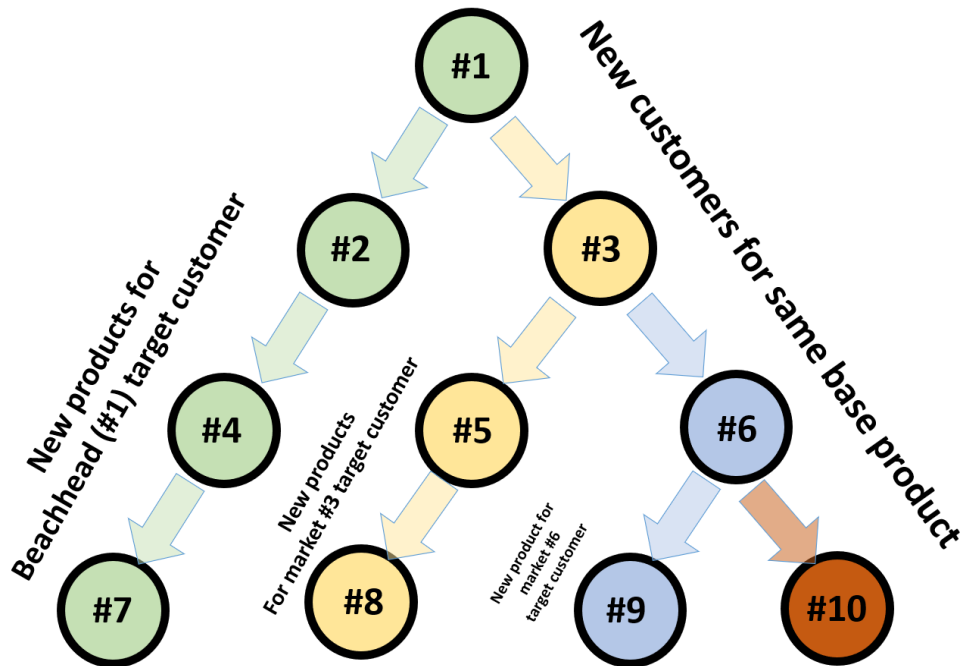


## Disciplined Entrepreneurship Workbook

### Step 14: Estimate the Total Addressable Market Size for Follow-on Markets

#### Worksheet



#1 (Beachhead Market):  
**Solo Travelers (25–40)**

Follow-on Markets:

#2: **Digital Nomads**  
#3: **Small Group Travelers**  
#4: **Corporate Retreat Planners**  
#5: **Luxury Travelers**  
#6: **University Travel Clubs**

Additional markets:

#7: **Travel Influencers**  
#8: **Adventure Tour Operators**  
#9: **Expat Communities**  
#10: **Elder Solo Travelers**

(Editable version of above graphic available in additional Powerpoint file)

#### Summary of Follow-on TAM Estimate and Priorities

	<u>Candidate</u>	<u>How it Leverages Your Core</u>	<u>Same Product or Same Customer?</u>	<u>Pros of Selling to This Market</u>	<u>Cons of Selling to This Market</u>	<u>TAM Est.</u>	<u>Other Considerations</u>	<u>Rank</u>
#2	Digital Nomads	Extends community and value engine with highly engaged users	Same Customer	Aligned lifestyle, word-of-mouth virality, early adopters	Saturation with tools, low short-term revenue per user	€500M	High lifetime value, strong brand alignment	1
#3	Small Group Travelers	Leverages trip planning & coordination features	Same Product	Group upselling potential, shared decision-making	Higher complexity in booking flows	€650M	Needs features for split-pay, itinerary sharing	2
#4	Corporate Retreats Planners	Builds on structured planning tools and concierge model	Same Product – B2B use case	High-ticket sales, bundled services, B2B referrals	Longer sales cycles, requires account management	€700M	Profitable but slower to scale	4

#5	Luxury Travelers	Expands curated, premium content with higher personalization demand	Same Product	High spend, brand alignment potential	Very niche, expects high-end service and polish	€300M	High expectations, low tolerance for glitches	5
#6	University Travel Clubs	Targets group planning & social discovery experience	Same Customer – younger demo	High virality, social momentum, loyalty potential	Low purchasing power, high churn	€400M	Works great with referrals & gamification	3

### Individual Worksheet for Each Follow-on Market Segment - #2

Follow-on Market Segment Candidate Name: Digital Nomads

<u>Estimate # of Users</u>	<u>Estimate Revenue per year per user</u>	<u>Estimate TAM Range</u>	<u>Compound Annual Growth Rate (CAGR) Estimate</u>	<u>Other Considerations (profitability, time to conquer, potential market share, investment required, competition, etc.) and Other Comments</u>
10 million worldwide	€50	€400M – €600M	Estimated 12%	<ul style="list-style-type: none"> <li>- High word-of-mouth potential</li> <li>- Can be monetized through freemium → premium</li> <li>- Low cost of acquisition through community channels</li> <li>- Needs offline access and flexibility</li> <li>- Lifetime value potentially high due to repeat usage</li> <li>- Saturated market with alternatives (Nomad List, etc.)</li> <li>- Best approached via partner integrations and referral-based campaigns</li> </ul>

### Individual Worksheet for Each Follow-on Market Segment - #3

Follow-on Market Segment Candidate Name: Small Group Travelers

<u>Estimate # of Users</u>	<u>Estimate Revenue per year per user</u>	<u>Estimate TAM Range</u>	<u>CAGR Estimate</u>	<u>Other Considerations (profitability, time to conquer, potential market share, investment required, competition, etc.) and Other Comments</u>
15 million (globally, ages 25–55)	€45 (average group members share planning tools or upgrades)	€600M – €700M	Estimated 10%	<ul style="list-style-type: none"> <li>- Strong upselling opportunities via group trip coordination</li> <li>- Word-of-mouth highly effective in peer groups</li> <li>- Requires additional development for multi-user features (e.g., shared itinerary, split payments)</li> <li>- Low customer acquisition cost (friends invite friends)</li> </ul>

### Individual Worksheet for Each Follow-on Market Segment - #4

Follow-on Market Segment Candidate Name: Corporate Retreat Planners

<u>Estimate # of Users</u>	<u>Estimate Revenue per year per user</u>	<u>Estimate TAM Range</u>	<u>CAGR Estimate</u>	<u>Other Considerations (profitability, time to conquer, potential market share, investment required, competition, etc.) and Other Comments</u>
1 million companies (mid-sized)	€700 (based on high-margin,	€650M – €750M	Estimated 8%	- High customer lifetime value due to recurring team events

to enterprise level)	concierge-style services)			<ul style="list-style-type: none"> <li>- Slower sales cycle due to procurement or HR involvement</li> <li>- B2B focus requires dedicated account management or onboarding teams</li> <li>- High profitability, especially through bundled services (accommodation, experiences, team-building)</li> </ul>
----------------------	---------------------------	--	--	---

#### Individual Worksheet for Each Follow On Market Segment - #5

**Follow-on Market Segment Candidate Name: \_\_ Luxury Travelers \_\_**

<u>Estimate # of Users</u>	<u>Estimate Revenue per year per user</u>	<u>Estimate TAM Range</u>	<u>CAGR Estimate</u>	<u>Other Considerations (profitability, time to conquer, potential market share, investment required, competition, etc.) and Other Comments</u>
2 million (globally frequent high-end travelers)	€150+ (premium curated experience subscriptions or concierge upgrades)	€300M – €400M	Estimated 6%	<ul style="list-style-type: none"> <li>- High profitability per user, but requires high-end UX, flawless customer support, and curated luxury content</li> <li>- Longer time to conquer due to high expectations and slower conversion (premium audiences are cautious)</li> <li>- Potential for partnerships with luxury brands and boutique hotels</li> <li>- Market expects white-glove, personalized attention and significant product polish required</li> <li>- Best suited for exclusive packages, VIP support, and hidden gem experiences not available on mainstream platforms</li> </ul>

#### Individual Worksheet for Each Follow On Market Segment - #6

**Follow-on Market Segment Candidate Name: \_\_ University Travel Clubs \_\_**

<u>Estimate # of Users</u>	<u>Estimate Revenue per year per user</u>	<u>Estimate TAM Range</u>	<u>CAGR Estimate</u>	<u>Other Considerations (profitability, time to conquer, potential market share, investment required, competition, etc.) and Other Comments</u>
20 million students (in clubs or organized group travel worldwide)	€20 (freemium or bundled group pricing)	€350M – €450M	Estimated 12% to 15%	<ul style="list-style-type: none"> <li>- Low individual purchasing power, but often travel in groups (multiplying per-trip value)</li> <li>- Fast to acquire but may be hard to retain due to seasonality and graduation churn</li> <li>- Ideal for travel planning templates, group discounts, polls, and trip coordination features</li> <li>- Very viral audience, ideal for referral-based growth, gamified incentives, and social features</li> <li>- High engagement potential if positioned as a fun and easy tool for organizing group adventures</li> </ul>

## Disciplined Entrepreneurship Workbook

### Step 15: Design a Business Model

#### Worksheet:

## Step #15 Worksheet: Key Considerations in Choosing a Business Model

Looking at the DMU, what is important? \_\_\_\_\_

DMP? \_\_\_\_\_

Preference for upfront (capital) or recurring (operating) expense? \_\_\_\_\_

Other considerations: \_\_\_\_\_

\_\_\_\_\_

Customer

How much value do they get? \_\_\_\_\_

When? \_\_\_\_\_

How risky is it? \_\_\_\_\_

Other considerations: \_\_\_\_\_

\_\_\_\_\_

Value Creation

Who is comp & what biz model do they use? \_\_\_\_\_

How locked in are they? \_\_\_\_\_

Could I disrupt the industry? Risks? \_\_\_\_\_

Other considerations: \_\_\_\_\_

\_\_\_\_\_

Competition

Effect on Sales Cycle? COCA? \_\_\_\_\_

LTV? \_\_\_\_\_

Distributors? \_\_\_\_\_ Cash Flow \_\_\_\_\_

Operations & other considerations: \_\_\_\_\_

\_\_\_\_\_

Internal

#### 1. Customer

Looking at the DMU, what is important?

**Trust, ease of onboarding, transparent pricing, ability to self-serve.**

DMP (Decision-Making Process)?

**For solo travelers and students: emotional decision.**

**For corporate/retreat use: committee or budget approval.**

Preference for upfront (capital) or recurring (operating) expense?

**Solo travelers & students: low barrier, prefer freemium or pay-as-you-go.**

**Corporate: recurring with invoicing is acceptable.**

Other considerations:

**Simplicity, flexibility, and visible value early in the journey.**

#### 2. Value Creation

How much value do they get?

**High: stress reduction, time saved, access to trusted local experiences.**

When?

**Immediate to short-term (1–3 days after signup).**

How risky is it?

**Low for freemium users. Subscription may feel risky unless value is proven upfront.**

Other considerations:

**Critical to onboard users with 1st “wow” moment within the first session.**

### 3. Competition

Who is comp & what biz model do they use?

**Airbnb Experiences (transactional), Nomad List (subscription), Triplt (freemium), Lonely Planet (book sales/digital content).**

How locked in are they?

**Moderately locked—platform trust and social proof matter.**

Could I disrupt the industry? Risks?

**Yes—by combining local expertise with social-driven recommendations.**

**Risk: Users default to “free search” options (Reddit, Google).**

Other considerations:

**Competitive edge lies in simplicity + authenticity.**

### 4. Internal

Effect on Sales Cycle? COCA?

**Low COCA due to influencer referrals and content marketing.**

**Freemium lowers sales friction.**

LTV?

**Moderate per user, can be increased via upsells and loyalty features.**

Distributors?

**App Stores, University travel clubs, Retreat organizers.**

Cash Flow:

**Subscription model is ideal for predictability.**

Operations & other considerations:

**Scalable with automation. Local guide vetting is the human bottleneck.**

**Identification of Different Units of Product You Can Charge For (if appropriate)**

What are the different potential units you could charge for? (e.g., individual product, number of users, usage, site license, etc.)

**1. Monthly Subscription:**

Pros: **Recurring revenue, predictable cash flow.**

Cons: **Harder to convert casual users; needs proven ongoing value.**

**2. Per-Trip Booking Fee**

Pros: **Low commitment, natural alignment with trip-based value.**

Cons: **Unpredictable revenue; lower per-user LTV.**

**3. Freemium and Premium Features**

Pros: **Low barrier to entry; upsell opportunity.**

Cons: **Value must be clearly demonstrated or users won't upgrade.**

### Summary of Business Model Candidates

#	<u>Option</u>	<u>Unit</u>	<u>Cust. Fit</u>	<u>Value Creation Fit</u>	<u>Comp. Fit</u>	<u>Internal Fit</u>	<u>Pros</u>	<u>Cons</u>	<u>Grade</u>
1	Freemium and Premium Subscription	Monthly sub	High	High	Medium	High	Scalable, flexible, low CAC	Risk of churn, needs strong onboarding	A
2	Pay-per-experience	Per trip	Medium	Medium	High	Medium	Aligns with casual travelers	Unpredictable cash flow	B+
3	Group Bundles	Group trip package	Medium	High	Medium	Low	Higher ticket value	Requires group planning infrastructure	B
4	B2B Licensing	Per organization	Low	Medium	Medium	Medium	Big contracts, higher LTV	Long sales cycles, onboarding barrier	C+
5	Ads (for freemium only users)	CPM/CPA	High	Low	Low	High	Monetize free users	Low revenue per user, UX disruption	C

*Note: Do not forget to consider creative hybrid models if appropriate.*

## 1. Initial Decision and Rationale

Which business model did you choose and why?

**We choose Freemium and Premium Subscription Model. This model allows easy entry for casual or budget-conscious users while still enabling monetization through premium features such as offline access, personalized itineraries, and concierge services. It aligns with the lifestyle and decision behavior of solo travelers, students, and digital nomads. Low CAC and scalable infrastructure make it a strong internal fit.**

## 2. Tests to Validate

a. What hypotheses are you assuming to be true for the business model(s) you have chosen?

**We believe that users will be willing to pay between €5 and €10 per month for access to personalized travel planning tools and exclusive content. Additionally, we hypothesize that the majority of perceived value is delivered within the first three days of usage, meaning a strong early experience is critical for conversion. We also expect that implementing a referral or loyalty program will increase user retention by at least 20%, as users will feel incentivized to stay and invite others.**

b. What experiments will you run to test your hypotheses?

**To test these hypotheses, we will run A/B pricing tests that present users with different value bundles at varying price points. We will track user behavior to monitor engagement, time to value realization, and freemium-to-premium upgrade rates. Additionally, we will run a two-week referral challenge that rewards users for inviting friends, and we will measure how many new users join as a result and how this affects retention.**

c. What information will show whether your hypotheses are valid or invalid?

**The hypotheses will be considered validated if at least 10% of freemium users convert to paid subscriptions, and if at least 60% of those paid users renew their subscription for a second month. Furthermore, if at least 15% of freemium users participate in the referral program by inviting at least one friend, we will see this as a strong indicator of viral potential and loyalty value.**

d. How long will you give the experiments to run?

**We will conduct these experiments over a four-week pilot period. During this time, we will continuously monitor key metrics and user feedback to evaluate performance and iterate quickly on what works best.**

## Disciplined Entrepreneurship Workbook

### Step 16: Set Your Pricing Framework

#### Worksheet

# Step #16 Worksheet: Key Considerations in Pricing

Looking at the DMU, what is important? \_\_\_\_\_  
DMP? \_\_\_\_\_  
What spending limits are there? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Customer DMU/DMP

What is the customer segment? \_\_ Techie (tech) \_\_ Early Adopter (ego) \_\_ Early Majority (ROI, some risk) \_\_ Late Majority (ROI, low risk) \_\_ Laggard (avoid risk)  
How do you know? \_\_\_\_\_  
Often it is %'s & then how will you id each type in your customer segment? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Nature of Customer

How much value do they get? \_\_\_\_\_  
When? \_\_\_\_\_  
How risky is it? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Value Creation



Who is comp & what are their prices? \_\_\_\_\_  
Which is the best comparable? \_\_\_\_\_  
What does that indicate your price range should? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Competition

How strong is your core today compared to comp? \_\_\_\_\_  
Will it get stronger over time? If so when? \_\_\_\_\_  
Do you believe you will be able to raise prices in the future? If so why? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Strength of Core

Has your product & value proposition been validate in the eyes of the customer? \_\_\_\_  
Do they see your company as high risk? \_\_\_\_\_  
What kind of flexibility can you do for your first customer to decrease the real risk & perceived risk in the market? \_\_\_\_\_  
Other considerations/Summary: \_\_\_\_\_

## Maturity of Your Product

### 1. Customer DMU/DMP

Looking at the DMU, what is important?

**Simplicity, transparency, low upfront commitment, and visible early value.**

DMP?

**End users make the decision, occasionally influenced by economic buyers in B2B or group use cases.**

What spending limits are there?

**Most solo travelers and students are sensitive to prices above €10/month. B2B cases can stretch to €50/month if value is clear.**

Other considerations/Summary:

**Ensure pricing tiers reflect usage levels and user type. Offer loyalty incentives to encourage continued use.**

### 2. Nature of Customer



What is the customer segment?

**Early Adopter (ego/value driven) and Early Majority (ROI + convenience).**

How do you know?

**Feedback from digital nomads, student clubs, and solo travelers suggests they seek modern, tech-driven solutions but care deeply about cost and convenience.**

Often it is %'s & then how will you id each type in your customer segment?

1. **30% Early Adopters – Tech-savvy users, often first to try new travel tools.**
2. **50% Early Majority – Value-conscious, pragmatic users who follow proven solutions.**
3. **15% Late Majority – Risk-averse, slower adopters needing strong reassurance.**
4. **5% Laggards – Least likely to switch from traditional tools or methods.**

Other considerations/Summary:

**The majority expect a freemium tier to "try before they buy." Upsell must happen via demonstrated value, not pressure.**

### 3. Value Creation

How much value do they get?

**High—users save time, avoid tourist traps, and discover authentic local gems.**

When?

**Within the first 1–3 days of use.**

How risky is it?

**Low for freemium, but risk rises slightly for paid tiers without upfront proof of value.**

Other considerations/Summary:

**Emphasize emotional value (memorable experiences) and practical support (logistics, safety).**

### 4. Competition

Who is comp & what are their prices?

**Nomad List (€75/year), Triplt Pro (~€45/year), Airbnb Experiences (fee per booking), Lonely Planet (€35/year).**

Which is the best comparable?

**Nomad List (community + discovery) and Triplt (trip planning functionality).**

What does that indicate your price range should be?

**€5–€10/month or €50–€80/year for premium tools and curated experiences.**

Other considerations/Summary:

**We can undercut competitors initially to attract volume, then add premium upsells.**

### 5. Strength of Core

How strong is your core today compared to comp?

**Competitive in community-based discovery and cultural immersion. Still maturing in AI itinerary and UX.**

Will it get stronger over time? If so when?

**Yes—with data accumulation and local expert partnerships. Expected within 6–12 months.**

Do you believe you will be able to raise prices in the future? If so why?

**Yes—through added personalization, concierge services, and user loyalty.**

Other considerations/Summary:

**Our strength lies in building trust and intimacy with our users, unlike transactional travel apps.**

### 6. Maturity of Your Product

Has your product & value proposition been validated in the eyes of the customer?

**Initial validation is strong from beta testers, especially among solo travelers and students.**

Do they see your company as high risk?

**Some do, especially if unfamiliar. Early adopters are more forgiving.**

What kind of flexibility can you do for your first customer to decrease perceived risk?

**Offer extended trials, personalized onboarding, and clear cancellation terms.**

Other considerations/Summary:

**Community testimonials and social proof are essential to building confidence and overcoming resistance.**

## 1. Initial Decision and Rationale

a. What unit of product are you using for pricing (carried forward from Step 15, Design a Business Model)?

**We are using a freemium + premium subscription model, where users can access basic features for free and upgrade to a monthly or annual subscription for advanced tools, curated experiences, and offline support.**

b. Based on your analysis, what is the price range that is most appropriate and why?

**The most appropriate price range for premium users is €5–€10/month or €50–€80/year. This aligns with competitors like Nomad List and Triplt, while still offering flexibility for younger, budget-conscious users. The price reflects Tourmate's value in convenience, cultural authenticity, and tech-based personalization.**

c. In the first year, what do you believe your initial listed price will be, and what will be the effective price to the market and why? (The "effective price" is the actual price your customer pays after discounts.)

**In the first year, our initial listed price will be €7/month or €65/year. However, due to promotions, extended trials, and discounts, the effective market price is expected to average around €5.50/month.**

d. Sanity Check: What is your expected estimated marginal cost (cost to produce a unit of product, excluding one-time setup costs)? Does your price per unit significantly exceed your estimated marginal cost in the long term?

**Estimated marginal cost per user is under €1/month (mostly cloud infrastructure, customer support). The long-term price significantly exceeds marginal cost, allowing sustainable growth and reinvestment into user experience and support.**

## 2. Test to Validate

e. In setting your pricing framework, what hypotheses are you assuming to be true?

**We hypothesize that users are willing to pay for curated, localized travel support that saves time, enhances cultural immersion, and improves the quality of their experiences. Additionally, we believe that**

most of the value perceived by users—and therefore their decision to upgrade—occurs within the first week of using the platform. We also assume that introducing discount-based offers and referral incentives will significantly improve both customer retention and lifetime value.

f. What experiments will you run to test your hypotheses?

To test these hypotheses, we will run A/B tests using different pricing tiers and bundled feature sets to see which combinations drive the most conversions. We will also track onboarding engagement to evaluate how early interactions with the app influence freemium-to-premium upgrade behavior. Furthermore, we will launch a referral program that provides a one-month premium extension for every successful invite, enabling us to measure the impact of social sharing and community engagement on customer acquisition and retention.

g. What information will show that your hypotheses are valid or invalid?

The hypotheses will be considered validated if at least 10% of freemium users upgrade to a paid plan within 30 days. Additionally, we expect to see at least 60% of these paid users continue their subscription into the second month, indicating meaningful value and satisfaction. Lastly, if 15% or more of freemium users make use of the referral program to invite friends, it will demonstrate the viral growth potential of our pricing and incentive strategy.

h. How long will you give the experiments to run?

These pricing validation experiments will be conducted over a four-week period. During this time, we will use platform analytics, user feedback surveys, and conversion tracking to monitor performance, understand behavior, and refine our pricing strategy based on real-time data.

## Disciplined Entrepreneurship Workbook

### Step 17: Estimate the Lifetime Value (LTV) of an Acquired Customer

#### Worksheet

##### Inputs to the Worksheet

##### One-Time Charge(s)

What will your one-time charges be for each customer? (e.g. initial purchase price of product)

##### €0 (Freemium model – no upfront cost)

What is your estimated profit margin on your one-time charges?  $(\text{One-Time Charge} - \text{Marginal Production Cost}) / \text{One-Time Charge} = \text{Profit Margin}$  -- e.g. if your one-time charge is \$100 and the cost to make that one unit of product is \$20, your profit margin is  $(100-20)/100 = 80\%$  (General estimate is fine and don't add more precision that is appropriate at this point – it can be misleading)

##### Not applicable (no upfront fee)

What is the life of the product before a customer has to repurchase the product? **Not applicable (ongoing access via subscription)**

What % of customers will repurchase? **Not applicable for one-time purchase model**

What will your recurring revenue streams be?

1. **Monthly Premium Subscription: €7/month**
2. **Annual Option: €65/year**
3. **Estimated effective annual revenue per paying user: €60**

What is your profit margin on your recurring revenue streams?

##### ~85% (digital service, low marginal costs)

What is your retention rate for your recurring revenue streams?

After 1<sup>st</sup> year: **100%**

After 2<sup>nd</sup> year: **60%**

After 3<sup>rd</sup> year: **45%**

After 4<sup>th</sup> year: **35%**

After 5<sup>th</sup> year: **25%**

What other revenue sources will you have? What will your profit margin be, and is there a yearly retention rate applicable to them?

1. **Referral partnerships (estimated €5 per user/year on avg)**
2. **Margin: ~80%**
3. **Retention: Same as recurring (based on user activity)**

What will your cost of capital be? (If you don't know, assume 50%. If you do know, explain below why you think your cost of capital will be different.)

**50% (standard assumption for early-stage startups)**

Calculations to Estimate the LTV						
Input	<u>t = 0</u> (Today)	<u>t = 1</u> (1 year)	<u>t = 2</u> (2 years)	<u>t = 3</u> (3 years)	<u>t = 4</u> (4 years)	<u>t = 5</u> (5 years)
A. One-time Revenue Amount	0	0	0	0	0	0
B. - One-time Revenue Profit Margin (%)	0	0	0	0	0	0
C. - One-time Revenue Profit (row A * B)	0	0	0	0	0	0
D. Recurring Revenue Amount	0	60 * 100% = 60.00	60 * 60% = 36.00	60 * 45% = 27.00	60 * 35% = 21.00	60 * 25% = 15.00
E. - Recurring Revenue Profit Margin (%)	0	85%	85%	85%	85%	85%
F. - Recurring Revenue Profit (row D * E)	0	51.00	30.60	22.95	17.85	12.75
G. Other Revenue Amount	0	5 * 100% = 5.00	5 * 60% = 3.00	5 * 45% = 2.25	5 * 35% = 1.75	5 * 25 = 1.25
H. - Other Revenue Profit Margin (%)	0	80%	80%	80%	80%	80%
I. - Other Revenue Profit (row G * H)	0	4.00	2.40	1.80	1.40	1.00
J. Sum of Profit for time period	0	51.00 + 4.00 = 55.00	30.60 + 2.40 = 33.00	22.95 + 1.80 = 24.75	17.85 + 1.40 = 19.25	12.75 + 1.00 = 13.75
K. Default cost of capital factor: Discount factor to NPV (@50%/year and assuming units of time = years) <sup>1</sup>	1.0	.67	.44	.30	.20	.13
L. NPV of each item (row J * K)	0	55.00 * 0.67 = 36.85	33.00 * 0.44 = 14.52	24.75 * 0.30 = 7.43	19.25 * 0.20 = 3.85	13.75 * 0.13 = 1.79
<b>M. Sum of All NPVs (sum of all cells in row L)</b>	<b>0 + 36.85 + 14.52 + 7.43 + 3.85 + 1.79 = 64.44</b>					

<sup>1</sup> To calculate the present value (PV) of a future value of cash (FV) where i = the interest rate and t = units of time past, the formula is  $PV = FV * (1 / (1+i)^t)$

## Interpretation of Estimation

i. What would you round your LTV estimation to? What range do you feel comfortable with?

**We would round our LTV to €65 per customer. We feel comfortable with a range of €60–€70, depending on final retention behavior and partner revenue share models.**

j. Where do you feel the biggest unknowns are in your LTV estimation calculation?

**The biggest unknowns lie in the actual user retention over 12+ months, and how frequently users will remain active enough to generate referral or upsell revenue.**

k. Does the number seem reasonable?

**Yes, the estimate is reasonable considering comparable platforms like Nomad List and TripIt, which operate with similar pricing structures and margins. Our freemium model allows broad reach and conversion to subscription adds revenue flexibility.**

l. What are the key drivers of the LTV if you want to increase it?

- 1. Improving user onboarding and activation**
- 2. Increasing monthly-to-annual subscription conversions**
- 3. Launching high-margin upsells (e.g., concierge services, offline guides)**
- 4. Enhancing community-led referrals**

m. Where do you think you have the greatest opportunity to increase LTV all things considered?

**The greatest opportunity lies in extending customer retention through consistent value delivery and adding tiered upsell options that scale with user commitment. Enhancing in-app engagement and loyalty incentives will also drive both recurring and partner revenue per user.**

## Disciplined Entrepreneurship Workbook

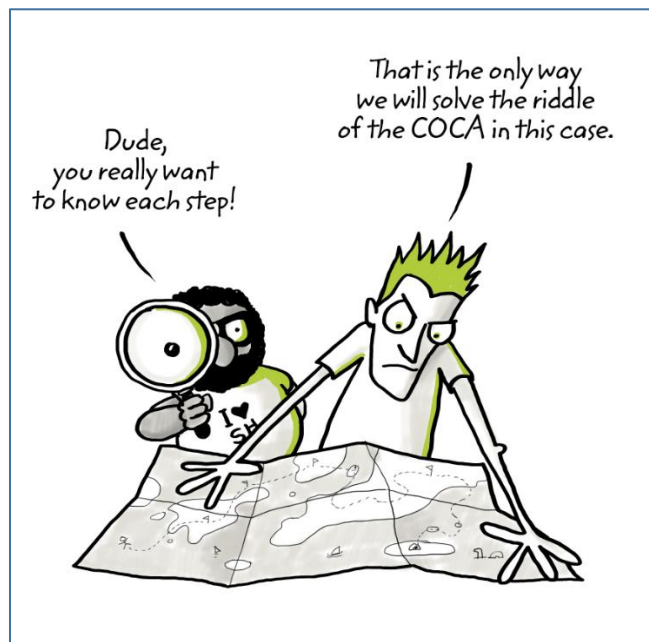
### Step 18: Map the Sales Process to Acquire a Customer

#### WHAT IS STEP 18, Map the Sales Process to Acquire a Customer?

Visually show how you will create and fulfill demand for your product over the short term, the medium term, and the long term.

#### WHY DO WE DO THIS STEP AND WHY DO WE DO IT NOW?

The sales process is a critical input to estimating the Cost of Customer Acquisition (COCA) in the next step, Step 19. The sales process, including selecting your sales channels, will allow you to understand the unit economics of your product and then adjust accordingly to increase profitability. You can intelligently map the sales process now that you have an estimate from Step 17 of the LTV, which helps indicate which sales methods are affordable and practical for your startup.



*Figuring out how to generate demand and to fulfill it with a sales channel strategy is your next key decision.*

#### By the Book

See pages 195-201 of *Disciplined Entrepreneurship* for base knowledge on this step.

See pages 201-202 of *Disciplined Entrepreneurship* for examples of how different companies and teams have addressed this step.

#### Process Guide

Now that you have a general range for what the LTV is going to be for your product, you can now start to focus on your sales strategy. In *Disciplined Entrepreneurship* I chose not to call it a channel strategy because the decision should be more thoughtful than a typical channel strategy, but most people still recognized it as a

channel strategy. I won't fight this nomenclature too much, but I think of it as a "channel strategy plus." It is a dynamic go-to-market strategy to both create demand and then fulfill demand, which are two quite different processes.

There are four main categories of sales channels to consider:

<u>Option</u>	<u>Pros</u>	<u>Cons</u>
<b>1. Field Sales:</b> Direct salespeople who are employees of the company. They call on prospects in person at some point in the process. They provide high-touch connection and line of communication to the potential customer. Also known as "outside sales."	<ul style="list-style-type: none"> <li>- Excellent for demand generation when creating new markets; may well be only option for demand generation</li> <li>- High-touch approach creates excellent feedback loop</li> <li>- High-touch approach also generally creates deep customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>- Very expensive (salary, bonus, expenses)</li> <li>- Requires an LTV of \$30K or likely higher</li> <li>- Hard to scale up as hiring them is hard and expensive and the success rate is unpredictable</li> <li>- Takes a long time to become productive</li> <li>- A challenge to manage</li> </ul>
<b>2. Inside Sales:</b> Also known as "telesales" in the past, but today no longer just telephone sales reps. They use email and other electronic communication to create and continue a dialogue with the customer, but do not visit the customer in person.	<ul style="list-style-type: none"> <li>- Much cheaper than field sales</li> <li>- Maintain direct connection with prospects, potential customers, and customers</li> <li>- Able to get nuanced feedback from prospects because a human is in the loop</li> <li>- High productivity because of lack of travel</li> <li>- Good systems exist to further increase productivity and track progress of sales funnel and sales reps</li> </ul>	<ul style="list-style-type: none"> <li>- Lower touch, resulting in less customer engagement and less demonstration of the company's commitment to the customer</li> <li>- Still expensive because the salesperson is interacting one-on-one with customers</li> <li>- Some products just can't be sold without an in-person demo or meeting with the customer</li> </ul>
<b>3. Internet Sales:</b> This is a general catch-all category for sales done by computers through automatically generated emails, big data analysis, social media, preference engines, etc. The key differentiator is that there is no human in the loop.	<ul style="list-style-type: none"> <li>- Direct interaction with the customer</li> <li>- Ability above all others to systematically capture even more data on the customer and track their progress – as well as spot patterns and make intelligent recommendations</li> <li>- Lowest cost by far</li> <li>- Actually preferred by some prospects</li> </ul>	<ul style="list-style-type: none"> <li>- Low touch</li> <li>- Can't read some nuances that only humans can</li> <li>- Some prospects do not react well to it</li> <li>- Privacy considerations</li> <li>- Can be hard to build customer loyalty</li> <li>- Risk for high LTV prospects/customers that others who use the higher touch channels above will steal these valuable customers</li> </ul>
<b>4. Third-Party Resellers:</b> These people sell your product but are not employees of your company. They include VARS (Value Added Resellers), distributors, stores, catalogues, independent sales agents, etc.	<ul style="list-style-type: none"> <li>- Instant geographic coverage</li> <li>- Easy to manage</li> <li>- Understand cultural context and have pre-existing contacts in their databases</li> <li>- Lower cost than field sales</li> <li>- Don't have to hire, fire and manage salespeople</li> <li>- Good for quick demand fulfillment</li> <li>- Potential temporary solution</li> <li>- Potential good solution for a mature product</li> </ul>	<ul style="list-style-type: none"> <li>- They own the customer, not you (very bad!)</li> <li>- Unlikely to have direct interaction with prospects, hence miss important learning about customer needs</li> <li>- Poor at demand generation</li> <li>- Expensive compared to inside sales and Internet sales</li> <li>- Most likely low loyalty to you and your product (just another product in their portfolio)</li> </ul>



Within each of these four categories, there can be many different variants, as well as hybrids across the categories. For instance, someone in field sales often spends a reasonable fraction of time on the phone, but their training and expertise is in face-to-face closing the sale, and their pay reflects that.

Still, this table is useful because it will help you determine what sales strategies are affordable based on your LTV:

<u>Estimated LTV</u>	<u>What you can afford for sales channels in the long term</u>
~\$30	Only Internet sales; no human can be in the loop
~\$300	Predominantly if not all Internet sales, with maybe a very small amount of inside sales for the most important prospects
~\$3,000	Mix of Internet sales and inside sales and maybe some third-party resellers, especially if the product is mature or low support required
~\$30K	Mix of all channels, with heavy reliance on inside sales and judicious use of field sales on big accounts. Third-party resellers can play a role in this scenario for geographic coverage and quick scale-up.
~\$300K	Likely led by field sales, with support from inside sales and some third-party resellers in selected areas for geographic coverage.
~\$3M	Dominated by field sales, with other channels in a supporting role
~\$30M	The field sales representatives are the all-powerful dictators; other sales channels don't even look at highly qualified prospects or customers without their approval. Customer intimacy and professionalism is crucial in this scenario.

To map your sales process, you will start by determining for the short, medium, and long term what proportion of sales will come from different channels. Use the worksheet "Sales Channels for the Short, Medium, and Long Term" to define the periods of time and proportions, as well as sales goals to achieve during that period, and assumptions and risks involved. You will also define what milestones you need to reach during each period so that your company is prepared to shift to the sales strategy for the next period.

Short term, medium term, and long term are defined in large part on the progress you make on your product. In the short term, you are figuring out what your product is and creating demand; in the medium term you are refining your product and starting to produce it in a repeatable fashion, you are fulfilling demand, and you are building the manufacturing and sales infrastructure you need to be successful; and in the long term, you are scaling your business. The key is that you define and understand what milestones allow you to shift your approach from the short-term sales channels to the medium term to the long term. Typically, short term will map to the first year from your LTV calculation, medium term the second year, and long term the third year and beyond, but this may differ if your product has significantly longer or shorter development cycles, such as new pharmaceutical development.

As is explained in more detail in *Disciplined Entrepreneurship*, the short term is where you will focus on demand generation and creating market awareness, and you will also still be iterating on your product and marketing, so field sales will be important despite its higher costs. As you progress through the medium term and then the long term, your sales channels should shift away from focusing on field sales, particularly for an LTV less than \$1M in the medium term and less than \$100K in the long term.

Next, you will take the sales funnel work you did in Step 13 and refine it into second draft sales funnels, one for each of the short-term, medium-term, and long-term time periods. Now that you know which sales channels are viable – and more importantly, not viable – for the long term, you have enough information to be

much more specific than in your original draft from Step 13. Like everything, you will continue refining your sales funnels over time.

You'll also think through what techniques and actions you can use to maximize conversion between steps. Be creative and draw on the work you've done so far in the 24 Steps as well as ideas from other companies and industries. At the end of this chapter I've provided an example from one of my student teams to inspire you.

A disclaimer: These worksheets are comprehensive and may be overdesigned for your situation. Or, if you have a complicated multi-sided market, they may be under-designed. Use common sense and customize this framework to fit your customer/product scenario. For instance, if you are B2C (Business to Consumer), some of this detail is not necessary, though I would argue it is still good for you to go through all the details so that you fully understand the big picture. Knowledge is a good thing – if you have the time.

### General Exercises to Understand Concept

See the back of the book for sample answers to some of these questions.

- 1. Personal Experience with a Consumer Product:** Identify a product in your personal life that you enjoy buying. Quickly map the experience you had in going from having initial interest in the product to purchasing it. Why do you like the sales process so much? Which sales channels does the product's maker use? Which tactics are effective?

**One consumer product I enjoy buying is noise-cancelling headphones (e.g., Apple Air pods or Sony). The buying process started with online research and reading reviews on Reddit and tech blogs. I tried the product in-store and then purchased it online with a discount. I appreciated the transparency, multiple sources of user feedback, and the ability to test the product physically before purchase. The company uses omnichannel sales: retail stores, e-commerce platforms, and marketplaces like Amazon. Effective tactics included influencer reviews, comparison tools, and email campaigns with time-limited discounts.**

- 2. Personal Experience with a Business Product:** Do the same exercise in #1 but now with a product from your professional life. What are the differences?

**In a professional setting, I subscribed to Slack for team communication. Unlike the headphone purchase, this involved a free trial, internal stakeholder discussions, and cost-benefit analysis. The sales funnel included onboarding content, live demos, and a sales rep who reached out after signup. Slack's sales process felt more collaborative and tailored. Key differences were the longer consideration time, involvement of multiple decision-makers, and a stronger focus on recurring value and integration. Slack uses inside sales, email automation, and self-service sign-up funnels.**

- 3. Learning from Negative Experiences:** Now think of a product where you were particularly unhappy with the sales experience. What did you not like? What was fundamentally flawed in the sales process? How could it have been redesigned to benefit both the customer and the company selling the product?

**I had a frustrating experience subscribing to a fitness app that advertised "custom plans," which turned out to be generic. The sales process overpromised with flashy ads but failed to explain the limitations clearly. The lack of transparency, pushy upsells, and poor customer support made it worse. To improve it, the company could offer realistic previews, transparent pricing, and tiered value based on engagement. Educating users during the onboarding process and offering a money-back guarantee would rebuild trust.**

4. **LinkedIn Example:** How does LinkedIn get new customers? How do they get customers to fill in their profiles? How do they encourage customers to increase the number of connections the customer has on the social network? Do customers ever speak to anyone who works at LinkedIn?

LinkedIn acquires new users primarily through email invitations, SEO, and integrations with job boards and career sites. Users are encouraged to fill in their profiles via nudges (progress bars), notifications, and gamified suggestions like “add 3 new skills.” To grow connections, LinkedIn suggests people from your contact list or industry, making it easy to expand your network. Most users never speak with a LinkedIn employee; the process is self-service and optimized through UI/UX prompts and behavioral data.

5. **Private Jet Sales Process:** Now imagine you were going to buy a private jet (nice!). What kind of sales process would you expect? Why?

If I were buying a private jet, I would expect a high-touch, personalized sales process. This would likely involve one-on-one consultations, site visits to see the jets, tailored proposals, and potentially meetings with financial advisors. The nature of this purchase demands confidentiality, exclusivity, and white-glove service. Sales reps would likely use relationship-building strategies and offer perks such as private test flights or custom feature walkthroughs. The expectation is a concierge-level experience due to the investment size and client profile.

## Worksheets

Sales Channels for the Short, Medium, and Long Term			
	Short Term – Initial Market Entry	Medium Term – Gaining Market Traction	Long Term – Steady State
How Long – when does this time period start and end? (include units – e.g. months, years, etc.)	0–6 months	6–24 months	24+ months
What % of the Sales (measured by revenue) for:			
- Field Sales	5%	15%	25%
- Inside Sales	15%	30%	30%
- Internet Sales	75%	45%	35%
- Third Party Reseller	5%	10%	10%
Key Milestones for this time period which when achieved indicated it is time to move to the next time period:	<ol style="list-style-type: none"> <li>1. Launch freemium product</li> <li>2. Get 10 early adopters to upgrade</li> <li>3. First influencer referral chain</li> </ol>	<ol style="list-style-type: none"> <li>1. 1000+ paid users</li> <li>2. Secure enterprise deal</li> <li>3. Referral program conversion &gt;15%</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategic reseller deals</li> <li>2. Positive unit economics</li> <li>3. Stable churn &lt;5%</li> </ol>
Key Assumptions:	<ol style="list-style-type: none"> <li>1. Early adopters value authenticity</li> <li>2. Communities are active online</li> <li>3. Small support team is sufficient</li> </ol>	<ol style="list-style-type: none"> <li>1. Word of mouth drives conversion</li> <li>2. App bugs are resolved</li> <li>3. Enough revenue to grow team</li> </ol>	<ol style="list-style-type: none"> <li>1. Tourmate becomes a habit</li> <li>2. Long-term loyalty forms</li> <li>3. Infrastructure can scale</li> </ol>
Highest Risk Factors:	<ol style="list-style-type: none"> <li>1. Users don't convert from free</li> </ol>	<ol style="list-style-type: none"> <li>1. High churn rate after first trip</li> </ol>	<ol style="list-style-type: none"> <li>1. Competitors clone model</li> </ol>

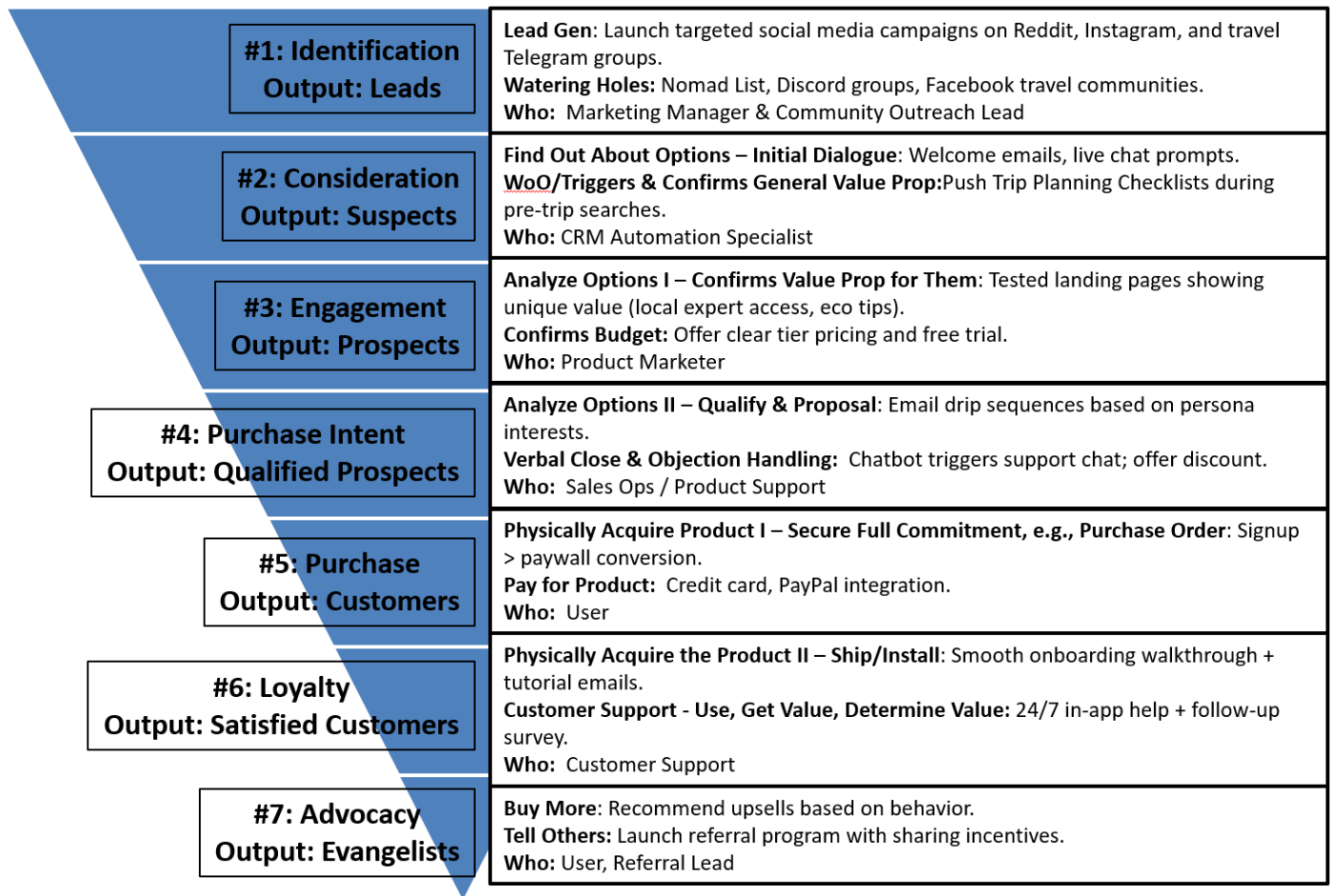
	<b>2. Influencers don't engage</b> <b>3. Low initial retention</b>	<b>2. Support load exceeds resources</b> <b>3. Failure to scale infrastructure</b>	<b>2. Market saturation</b> <b>3. Legal or policy barriers</b>
<b>Summary for Time Period:</b>	<b>Focus on awareness, trials, and feedback</b>	<b>Monetize user base, scale community</b>	<b>Long-term partnerships and global expansion</b>

## 2<sup>nd</sup> Draft Sales Funnel Inputs

		Short Term	Medium Term	Long Term
#1: Identification (Output: Leads)	How will you generate leads?	<b>Social ads, Reddit and Facebook group engagement</b>	<b>SEO, guest blogs, influencer collabs</b>	<b>B2B outreach, affiliate partnerships</b>
	What are your customer's watering holes?	<b>Nomad List, Telegram groups, Discord</b>	<b>Podcasts, Twitter spaces</b>	<b>Conferences, newsletters, travel expos</b>
	Who from the customer's DMU is involved in this part of the funnel?	<b>End User, Champion</b>	<b>End User, Champion</b>	<b>Champion, Economic Buyer</b>
#2: Consideration (Output: Suspects)	How do you start the initial dialogue with your leads?	<b>Welcome email, content drip</b>	<b>Targeted ads, lead magnets</b>	<b>Sales outreach, demo request forms</b>
	What windows of opportunity or triggers exist?	<b>Planning upcoming trip, community buzz</b>	<b>Budget season, off-season deals</b>	<b>Strategic travel seasons</b>
	Who from the DMU is involved?	<b>End User</b>	<b>Champion, Economic Buyer</b>	<b>Champion, Economic Buyer</b>
#3: Engagement (Output: Prospects)	How do you determine whether your value proposition is appealing to the customer?	<b>Highlight curated experiences, testimonials</b>	<b>Deeper UX improvements, AI suggestions</b>	<b>ROI projections</b>
	How do you determine whether your pricing is in line with the customer's budget?	<b>Freemium with premium tier prompt</b>	<b>Dynamic pricing, discounts</b>	<b>Annual plans</b>
	Who from the DMU is involved?	<b>End User</b>	<b>Economic Buyer</b>	<b>Economic Buyer</b>
#4: Purchase Intent (Output: Qualified Prospects)	How do you qualify that the customer is ready to purchase, and how do you develop a proposal for the purchase?	<b>Free trial usage behavior</b>	<b>Custom itineraries, early access features</b>	<b>Custom demo and testimonial kit</b>
	How do you close the sale and handle	<b>One-time promo and chatbot guidance</b>	<b>Referral stats and support call</b>	<b>Negotiated terms and SLAs</b>

	customer questions/objections?			
	Who from the DMU is involved?	<b>End User, Champion</b>	<b>Champion</b>	<b>Champion, Economic Buyer</b>
<b>#5: Purchase</b> (Output: Customers)	How do you secure full commitment from the customer to purchase your product?	<b>Simple checkout UX</b>	<b>Upgrade to premium</b>	<b>Enterprise contract</b>
	How does your customer pay for your product? Who pays?	<b>PayPal, card. Paid by End User</b>	<b>Group/corporate billing options</b>	<b>Invoicing</b>
	Who from the DMU is involved?	<b>End User, Economic Buyer</b>	<b>Economic Buyer</b>	<b>Economic Buyer</b>
<b>#6: Loyalty</b> (Output: Satisfied Customers)	How do you ship and install the product?	<b>Mobile app onboarding</b>	<b>Smooth UX, saved preferences</b>	<b>Custom onboarding</b>
	How do you provide support to the customer so that they use and get the expected value out of your product?	<b>Email, in-app tips, chatbot</b>	<b>Dedicated community group access</b>	<b>Account manager</b>
	Who from the DMU is involved?	<b>End User</b>	<b>End User, Champion</b>	<b>Champion, End User</b>
<b>#7: Advocacy</b> (Output: Evangelists)	How do you encourage the customer to buy more product?	<b>Personalized recs post-trip</b>	<b>Add-on offers</b>	<b>Expansion into other teams</b>
	How do you encourage the customer to tell others about the product, and how do you measure whether customers are telling others about your product?	<b>Referral bonus prompt post-review</b>	<b>Featured user stories</b>	<b>Public endorsement, case studies</b>
	Who from the DMU is involved?	<b>End User</b>	<b>End User</b>	<b>Economic Buyer, Champion</b>

## 2<sup>nd</sup> Draft Sales Funnel with Actions for Short Term



## 2<sup>nd</sup> Draft Sales Funnel with Actions for Medium Term



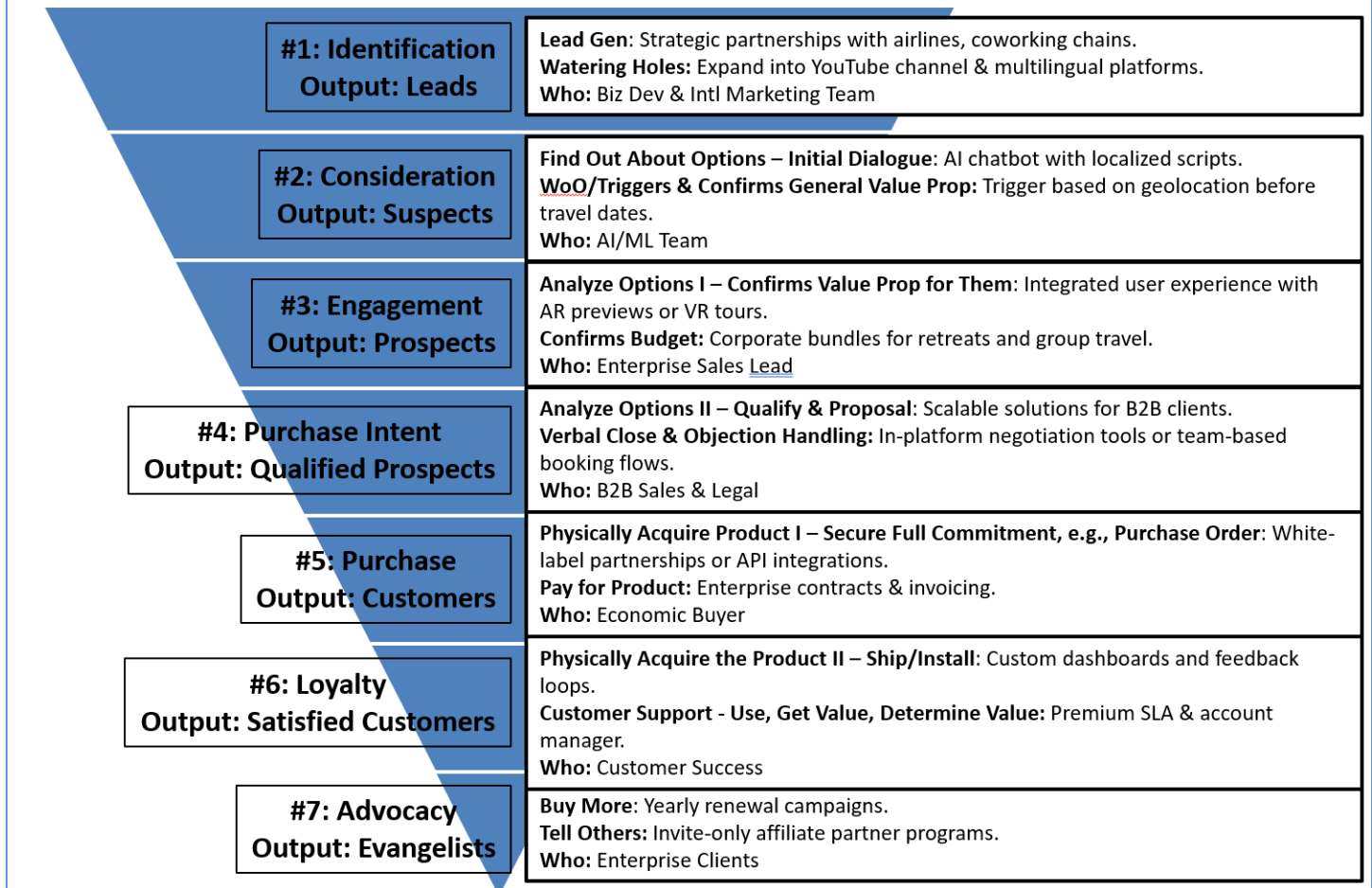
Please describe the major differences between your plans for the short-term and the medium-term sales funnels:

In the short term, the sales funnel strategy focuses on speed, automation, and leveraging existing digital communities. Lead generation is driven by targeted social media campaigns on platforms like Reddit, Instagram, and Telegram, while engagement occurs through watering holes such as Nomad List and Discord. Initial contact with potential customers is automated, using welcome emails, live chat prompts, and personalized travel checklists to trigger interest. The value proposition is communicated through A/B tested landing pages and a freemium pricing model, allowing users to easily assess the benefits and affordability of the product. Purchase intent is captured using email drip sequences and chatbots, which help guide the user through the final steps of conversion. The purchase process is streamlined through credit card and PayPal payments, while post-purchase support includes in-app tutorials and surveys. Loyalty and advocacy are encouraged through upsell recommendations and a referral program.

In contrast, the medium-term sales funnel shifts toward building credibility, personalization, and strategic partnerships to scale outreach. Lead generation evolves to include collaborations with travel bloggers and digital nomad influencers, and engagement is enhanced through virtual events and educational content like downloadable guides. Instead of relying solely on automation, consideration and engagement in this phase incorporate pop-up surveys, social proof from testimonials, and flexible pricing models for specific sub-segments like students. Personalized experience bundles and human-assisted customer service become key during the purchase intent stage, helping address objections and deepen trust. Payment options expand to include tools like Stripe and Google Pay, and

support becomes more hands-on with gamified onboarding experiences and dedicated reps for premium users. Advocacy also matures, with community-driven strategies like social media contests and experience sharing to boost organic growth. Overall, the short-term strategy is focused on efficiency and conversion, while the medium-term approach emphasizes depth, trust-building, and personalized customer engagement to support long-term growth.

## 2<sup>nd</sup> Draft Sales Funnel with Actions for Long Term



Please describe the major differences between your plans for the medium-term and the long-term sales funnels:

The key differences between the medium-term and long-term sales funnels lie in the shift from personalized growth to scalable enterprise-level operations and advanced technology integration. In the medium-term, the focus is on building trust, engagement, and product flexibility for a broader but still largely consumer-driven audience. Lead generation is achieved through influencer partnerships and virtual events, targeting digital nomads and travel enthusiasts. Customer engagement is personalized through testimonials, flexible pricing, and curated experience packs. Purchase processes remain semi-automated, with options for support from account representatives. Loyalty is encouraged through gamification, and advocacy is fostered through creative community contests like “Tourmate memories.”

By contrast, the long-term sales funnel transitions toward enterprise-level partnerships, automation, and global scalability. Identification of leads is driven by strategic alliances with large travel-related organizations like airlines or



coworking chains. Customer consideration is powered by AI chatbots with geolocation-based triggers, enabling more predictive and responsive engagement. Engagement becomes more immersive with advanced tech like augmented reality previews or VR tours, and pricing shifts toward corporate and group packages. Purchase intent and acquisition are facilitated by in-platform negotiation tools, white-label partnerships, and API integrations—designed to appeal to B2B clients. Loyalty at this stage is maintained through custom dashboards, service-level agreements, and dedicated account management. Advocacy is driven by invite-only affiliate programs and contract renewals, reflecting the shift to a more structured, long-term client relationship model. Overall, the medium-term is still oriented around high-touch consumer engagement, while the long-term sales funnel focuses on automation, partnerships, and operational scaling, ensuring sustained growth and deeper market penetration.

## Techniques and Actions to Maximize Yield Rate at Each Stage

Short Term: Summary of Techniques and Actions to Maximize Yield			
<b><u>Stage in Funnel</u></b> <b><u>(starting at top)</u></b>	<b><u>Technique(s)</u></b>	<b><u>How to Maximize Conversion</u></b>	<b><u>Done by Who?</u></b> <b><u>When?</u></b>
#1 – Identification (leads)	Social media ads, Reddit/Telegram campaigns	Targeted messaging, persona-driven content	Marketing Manager Month 1–2
#2 – Consideration (suspects)	Welcome emails, pre-trip checklists	Timely nudges, drip campaigns	CRM Specialist Month 1–3
#3 – Engagement (prospects)	Tested landing pages	Highlight testimonials and unique features	Product Marketer Month 2–3
#4 – Purchase Intent (qualified prospects)	Email drip and chatbot	Real-time engagement, urgency (promo timers)	Sales Ops Month 2–3
#5 – Purchase (customers)	Simple checkout, freemium > premium upsell	Eliminate friction in payment flow	UX Designer Month 2–3
#6 – Loyalty (satisfied customers)	Onboarding emails, tutorials	Gamify first usage, reward exploration	Support Team Month 3
#7 – Advocacy (evangelists)	Referral program	Offer bonus for shares/reviews	Community Lead Month 3

Medium Term: Summary of Techniques and Actions to Maximize Yield

<b><u>Stage in Funnel</u></b> <b><u>(starting at top)</u></b>	<b><u>Technique(s)</u></b>	<b><u>How to Maximize Conversion</u></b>	<b><u>Done by Who?</u></b> <b><u>When?</u></b>
#1 – Identification (leads)	Influencer campaigns, webinars	Host monthly online events and giveaways	Partnership Manager Months 4–8
#2 – Consideration (suspects)	Surveys, PDF guides	Trigger content downloads pre-trip	Growth Hacker Months 5–9
#3 – Engagement (prospects)	Regional case studies, flexible pricing	Create regional landing pages	Product Marketing Months 6–12
#4 – Purchase Intent (qualified prospects)	Custom itineraries, support chat	Train support for common objections	Account Rep Months 7–12
#5 – Purchase (customers)	Stripe, Google Pay, App Store, package bundles	Add urgency via seasonal discounts	Product and Finance Months 6–12
#6 – Loyalty (satisfied customers)	Gamification, community group invites	Build progression-based perks	CX Team Months 7–12
#7 – Advocacy (evangelists)	Travel memory contest, newsletter highlights	Showcase top users publicly	Community Manager Month 10+

Long Term: Summary of Techniques and Actions to Maximize Yield

<b><u>Stage in Funnel</u></b> <b><u>(starting at top)</u></b>	<b><u>Technique(s)</u></b>	<b><u>How to Maximize Conversion</u></b>	<b><u>Done by Who?</u></b> <b><u>When?</u></b>
#1 – Identification (leads)	Airline/coworking partnerships, expos	Bundle trials with partners	Biz Dev Team Year 2+
#2 – Consideration (suspects)	AI-driven chatbots, location triggers	Trigger offers based on movement	AI/ML Team Year 2+
#3 – Engagement (prospects)	VR/AR previews, corporate plans	Offer demo kits to enterprise clients	Enterprise Sales Year 2+
#4 – Purchase Intent (qualified prospects)	In-platform proposal & negotiation	Simplify legal review flows	Legal and Sales Year 2+
#5 – Purchase (customers)	API integration, enterprise invoicing	Offer post-trial invoicing	Product and B2B Sales Year 2+
#6 – Loyalty (satisfied customers)	Account managers, SLA guarantees	Assign reps to VIP clients	Customer Success Year 2+
#7 – Advocacy (evangelists)	Affiliate programs, renewals	Exclusive partner rewards	Enterprise Ops Year 3+

## Risk Factors

What are your three biggest risk factors in your go-to-market plan? How do you intend to mitigate those risks? What metrics will you use to monitor them and intervene as needed? (Remember, things never go exactly the way you want them to or you plan them!)

1. Risk Factor #1 and Mitigation Plan:

**Low conversion rate from freemium to paid users could hinder early revenue generation and slow down growth.**

**Implement A/B testing across onboarding flows, emphasize time-limited benefits for early upgrades, and offer introductory discounts to test willingness to pay.**

Metrics to Watch:

**Conversion rate from free to paid users within the first 7–14 days, user drop-off during onboarding, and engagement frequency during the first week.**

Potential Intervention Strategy:

**If conversion falls below 5%, test new value bundles or unlock premium features for limited-time trials; engage power users directly for feedback on pricing and feature relevance.**

2. Risk Factor #2 and Mitigation Plan:

**High user churn after the first month could limit recurring revenue and weaken long-term viability.**

**Enhance user retention through gamified onboarding, loyalty incentives, and hyper-personalized experience recommendations post-trip.**

Metrics to Watch:

**Monthly retention rate, NPS (Net Promoter Score), and number of experiences booked per user within 30 days.**

Potential Intervention Strategy:

**If churn exceeds 40%, introduce engagement campaigns with personalized trip suggestions, improve customer support response times, and launch in-app surveys to collect direct feedback for product iteration.**

3. Risk Factor #3 and Mitigation Plan:

**Lack of community-driven advocacy could weaken referral-based growth and reduce organic reach.**

**Launch structured referral programs and incentivize user-generated content via contests and highlights within the app.**

Metrics to Watch:

**Referral activation rate, number of social shares and reviews per 100 users, and user-generated content submissions.**

Potential Intervention Strategy:

**If referral engagement is low, collaborate with micro-influencers, showcase user testimonials prominently, and offer tiered rewards for referrals and social engagement.**

## Example

GearUp was a class project by Anusha Paliwal, Jillian Ardrey and Monique Guimond, all MIT Sloan MBAs from the class of 2017. They are all avid outdoors types, and they developed a plan for a new venture that would offer an annual

subscription service to provide active young traveling professionals with high-quality ski, snowboard, camping and backpack gear delivered to them when they went on vacations. Here is how they explained how they would maximize conversion between stages of the funnel, and how they defined their milestones for moving from the short term to medium term to long term sales strategies.

# Sales & Marketing Efforts (1)



Technique	How Maximize Conversion?	Done by Whom, When?
Inbound marketing	Create content (blog, video) about how to travel and get outside cheaply, best destinations to add onto your work trip, destinations close to major airports, teaching outdoor skills – which target market will be searching. Buy relevant Google search terms. Conduct continuous A/B testing with content and search terms to optimize.	Marketing personnel Short, medium & long term
SEO addressing pain point	Buy Google search terms to capture potential customers searching for solutions to “how to pay less to travel with gear” or “rentals with more selection and better quality” – as our product is a solution for their pain point. Conduct continuous A/B testing to optimize.	Marketing personnel Short, medium & long term
Social media marketing	Connect inbound marketing content to Facebook & Twitter company pages and place ads on Facebook. A/B testing to optimize Facebook ads.	Marketing personnel Short, medium & long term
Articles and ads in blogs/ Online magazines	Work with well-known outdoor, travel and traveling professional bloggers, as well as key magazines in these spaces, to get coverage through posts/articles. Advertise on sites of key magazines. Maximize conversion by proper targeting of sites where key user spends time.	Marketing personnel Founders (for interviews) Short, medium & long term
Field marketing	Push unique value-add of our product and engage with potential customers for advice on product iteration and optimization. Buy booths at huge outdoor events (e.g. Warren Miller premier, ski expos) and sponsor select social events (e.g. beer, music fests) in key cities and outdoor destinations. Attend relevant Meetup and club events in key cities.	Founders (Short term, as interaction and feedback from customers critical at beginning) Marketing personnel (Medium & long term) Don’t plan to ever conduct enough field work to justify hiring full-time salesperson

# Sales & Marketing Efforts (2)



Technique	How Maximize Conversion?	Done by Whom, When?
Key travel partnerships (e.g. Airbnb, ski resorts, Expedia)	Partner with sites where potential customers go to book lodging, etc for trips to become part of their booking process and/or advertise. Maximize conversion by partnering with the largest players where most of our potential customers book their travel. Non-hands on marketing technique which can yield strong results but will take capital, so not good for short term. Need to run pilot tests to prove ROI for this expensive marketing option.	Founders (critical relationship requiring high-touch, high level support) Medium & long term
Special pricing during windows of opportunity	Will have discounted pricing structures in place in the short term to drive growth. Price discounts will be marketed the month before each sport season starts, the holiday season, and when gear typically goes on sale at the end of each season and will require a person to book within 24 hours of receiving promo code to get discount. We will also have special pricing for our gear shop (selling discounted gear) spread via email marketing to current customers once we reveal this product feature in 2017.	Marketing personnel Short & medium term Long term, should be industry standard and not need to discount; however, re-evaluate monthly based on competition.
Ambassador Program	Current subscribers get account credits or can be entered to win trips for every friend that they get to sign up for our subscription service with their referral code. We will then contact top adopters of our referral service and provide them with marketing collateral and invite them to help us market to local Meetup groups and clubs; they will get credit for everyone they provide their referral code to in these groups who subscribes to our product. This incentivization will accelerate WOM and increase conversion of those who hear about our product. Will increase % of people participating in program and referring friends through email marketing campaigns.	Marketing personnel Short, medium & long term
User Feedback Program (for optimal product selection and operations)	Critical to ensure that our Core is maintained; that we can reliably provide our customers with the gear they want and deliver it when they want it. If we don't focus on continual iteration based on customer feedback, our churn rate will rise. Will increase % of people participating through email marketing campaigns.	Marketing personnel Short, medium & long term

# Evolving Sales Process



	Short Term	Medium Term	Long Term
Phase Length	Year 1	Year 2	Year 3 and onward
Phase Goal	<i>This phase will continue until Word of Mouth becomes significant and product selection/delivery method is optimized and proven (our core is solid). Then we will move from demand creation to demand fulfillment in the Medium Term.</i>	<i>This phase will focus on acquiring new members without direct involvement through pushing our Ambassador Program. We will continue our User Feedback Program through all phases to ensure our core stays strong. We will field interview requests and contribute to articles written about us by key media. We will roll out our gear shop (for buying discounted gear) this year and will focus on converting current subscribers to purchasers.</i>	<i>This phase will focus on acquiring new members without direct involvement through pushing our Ambassador Program and leveraging strategic partnerships. We will continue our User Feedback Program through all phases to ensure our core stays strong. We will still drive some basic marketing. We will re-evaluate our product vs. competition on a continual basis and expand into new offerings.</i>

This has been another intense chapter but you are building up great knowledge of your business so not only you know if it is worth doing but you also have a plan to make it great. Just as importantly, you are understanding the underlying drivers so you can intelligently and quickly identify and make adjustments once the business starts. It is hard work but it will pay off. The only thing harder is trying to launch a new product and not having a good plan. That is not only more work in the end, it is much more frustrating. Hang in there, we are about to pull it all together and launch this rocket ship.

## Disciplined Entrepreneurship Workbook

### Step 19: Estimate the Cost of Customer Acquisition (COCA) Worksheets

#### Worksheets

#### Assumptions for COCA Estimation

- a. What was the time interval you defined for the following phases in Step #18, Worksheets Section, Item II?
1. Short Term: 0-6 months
  2. Medium Term: 6-18 months
  3. Long Term: Over 18 months

#### Total Sales and Marketing Expenses List

List the expected sales and marketing expenses, and their costs. This input will be used when estimating the cost of customer acquisition.

Sales Expenses	Short Term	Medium Term	Long Term
Inside sales team	€20 000	€45 000	€60 000
Sales ops and support	€15 000	€25 000	€35 000
CRM tools and software	€5 000	€10 000	€15 000
B2B account reps	€0	€10 000	€20 000
Legal for contacts	€0	€5 000	€10 000

Marketing Expenses	Short Term	Medium Term	Long Term
Paid social ads (Reddit, IG)	€10 000	€15 000	€30 000
Influencer and partnerships	€10 000	€20 000	€40 000
SEO, blogs, email campaigns	€5 000	€10 000	€20 000
Virtual events and webinars	€5 000	€10 000	€15 000
YouTube	€0	€10 000	€15 000



Estimate the Cost of Customer Acquisition (COCA)					
	Time Period (default is year but can change)				
	Year 1	Year 2	Year 3	Year 4	Year 5
New Customers forecasted	1 000	2 500	4 000	6 000	9 000
All Sales expenses for period	€40 000	€95 000	€140 000	€180 000	€235 000
All Marketing expenses for period	€30 000	€65 000	€120 000	€150 000	€170 000
Total Marketing & Sales expenses for period	€70 000	€160 000	€260 000	€330 000	€405 000
COCA for the period	€70.00	€64.00	€65.00	€55.00	€45.00

### Convert Estimation into Short, Medium and Long Term

Understanding these numbers are not precise, create a range you are comfortable with for the short, medium and long term (as defined in I(c) above) from the worksheet above.

1. Short Term COCA Range: **€65-€75**
2. Medium Term COCA Range: **€60-€70**
3. Long Term (steady state) COCA Range: **€45-€55**

<b><u>Key Drivers of COCA and Ways to Decrease It</u></b>				
<b><u>#</u></b>	<b><u>Item</u></b>	<b><u>Effect</u></b>	<b><u>Action Possible to Decrease</u></b>	<b><u>Risk</u></b>
1	Paid Social Advertising	High	Improve organic content & SEO to reduce dependency	Medium – organic takes time to rank
2	Inside Sales Team Size	Medium	Implement automated chat + self-serve conversion tools	Low – customers are adapting to self-service
3	Influencer Partnerships	Medium	Shift toward affiliate-based performance pay	Medium – variable quality of affiliates
4	CRM Tooling and Sales Software	Low	Consolidate platforms and negotiate tool licenses	Low – careful migration required
5	Webinars and Virtual Events	Low	Use recorded evergreen content instead of live formats	Low – may reduce real-time engagement slightly

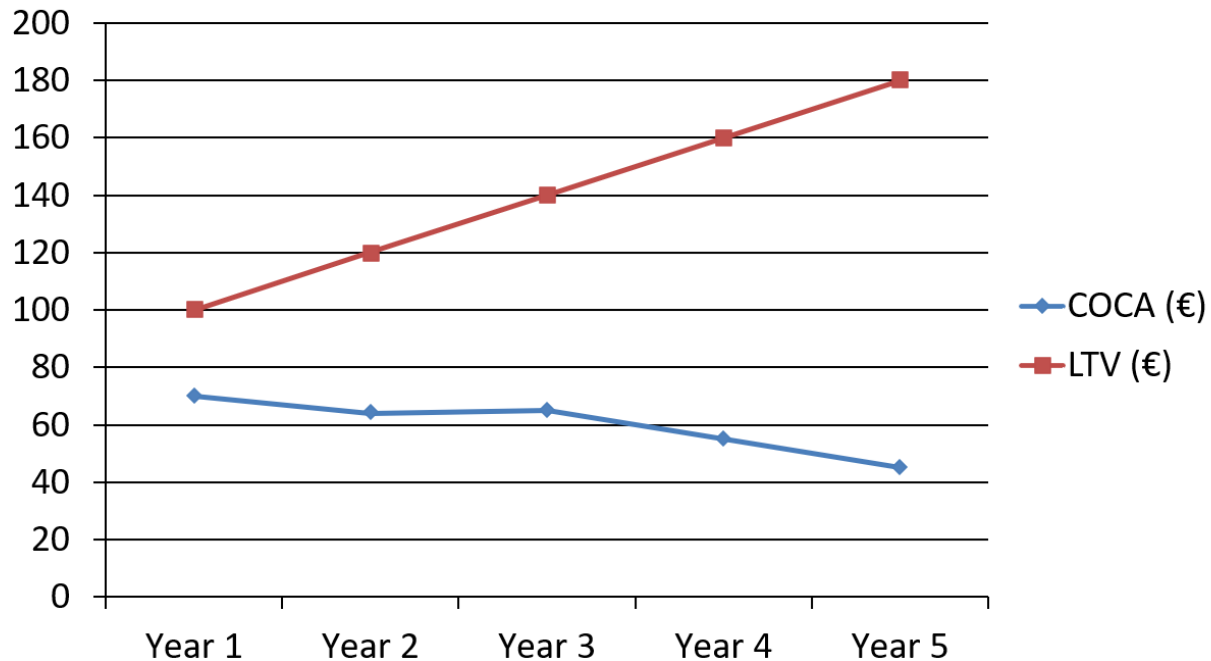
<b><u>Example: Key Drivers of COCA and Ways to Decrease It</u></b>				
<b><u>#</u></b>	<b><u>Item</u></b>	<b><u>Effect</u></b>	<b><u>Action Possible to Decrease</u></b>	<b><u>Risk</u></b>
1	Field Sales	High	Decrease number and increase Inside sales	High in short term – need to see how market adopts product; lack of direct sales people will definitely slow adoption
2	Field Sales internationally	High	Use third-party resellers	Low in short term/High in long term because we don't have direct connection with customers
3	Advertising Budget	Medium	Build up in-house social media and other capability	Medium but probably worth it in long term
4	Field and Inside Sales	Medium	Supplement and reduce numbers with stronger Internet sales investment	Medium in short term and if works, low in long term
5	Tradeshows	Medium	Eliminate and find a guerilla market approach at 10% of expense	Medium in that our customers expect us to be at these shows and it gives our company credibility; Still something can probably be done here

### Comparison of LTV and COCA Over Time

Label the axes with the appropriate numbers and units, and then plot the LTV and COCA on the graph based on your calculations from this step and from Step 17, Calculate the Lifetime Value (LTV) of an Acquired Customer. Draw a line to connect the three LTV points, and another line to connect the three COCA points.

(Editable version of the graphic below is available in additional Powerpoint document)

## Step #19: LTV vs. COCA Over Time



### Overall Interpretation of Unit Economics – Bringing it All Together

Now you have done all the hard work, let's pull it together and consolidate what we know and what we should do now.

- A. Basic 3X Test:** Is your LTV more than 3 times your COCA for your long-term time period? This is essential because COCA only deal with marketing and sales. The LTV must produce enough excess profit to also pay for research and development (R&D) as well as general and administrative (G&A) costs. The R&D costs can be significant. The 3X rule of thumb was created for software as a service companies, so the specifics of your industry may require a higher ratio in order to be successful. Does your LTV to COCA ratio clear the basic 3X threshold by a little, a reasonable amount, or a lot?

**Yes, our Long-Term LTV to COCA ratio clears the basic 3X threshold. With a long-term COCA range of €45–€55 and an estimated LTV of €240, the LTV/COCA ratio is between 4.36x and 5.33x. This comfortably exceeds the 3X benchmark, indicating a strong foundational business model with room to fund additional overhead like R&D and G&A. The excess margin shows that the customer acquisition cost is efficient relative to the lifetime value of each customer.**

- B. R&D Factor:** Is your R&D expense going to be above or below that of an average software as a service company? For instance, a biotech company's R&D expenses will be much higher. If so, then your ratio needs to be higher to compensate for this. For biotech companies it can be over 100x and for consumer goods, it can be

less. What is your situation and do you feel comfortable there will be enough profit to cover R&D expenses? (G&A expenses fluctuate as well if there is a regulatory component but they do not fluctuate as much as R&D so we will focus on R&D as the proxy for G&A as well):

**Our R&D expenses are expected to be moderate, likely below the level of a biotech company but above typical consumer products, since we are operating in a tech-enabled service space. While product development is a focus, the absence of heavy scientific research means our required LTV/COCA ratio doesn't need to exceed 10x. Given our 4.36x–5.33x ratio, we feel confident we can cover both R&D and G&A within our gross margin. However, we will continue monitoring this to ensure profitability stays on track as we scale.**

**Adjustments May Be Necessary But You Are Ready:** There is a good chance that your initial unit economics don't work. Don't overreact and don't underreact. You are prepared now to go back and iterate. Go back and make adjustments like you started to list in the Key Drivers of COCA worksheet. Make adjustments until the numbers work. It is great to be passionate and that is essential, but well thought-out numbers have a stubborn way of telling the truth in business. Don't ignore them. If in the end, you can't make the unit economics work, you won't have a sustainable business no matter how hard you try. But most of the time you can fix it now that you are equipped with this knowledge.

Once you have iterated and the plan works, like in Step 18, list the top 3 risk factors for the unit economics and how you plan to deal with them below:

1. COCA Risk Factor #1 and Mitigation Plan:  
**High initial dependency on paid social ads.**  
**Mitigation Plan: Gradually reduce reliance on paid ads by investing more in organic content, SEO, and partnerships.**  
Metrics to Watch: **CAC from paid vs organic channels, conversion rates, engagement metrics on content.**  
Potential Intervention Strategy: **If CAC from paid channels remains high, reallocate budget towards long-term SEO and influencer-based affiliate strategies, and experiment with content virality and community-building.**
2. COCA Risk Factor #2 and Mitigation Plan:  
**Inefficiencies in scaling inside sales.**  
**Mitigation Plan: Implement automated lead qualification, onboarding, and self-serve checkout systems to reduce labor costs.**  
Metrics to Watch: **Cost per acquisition via inside sales, close rates, average handling time, user journey completion rates.**  
Potential Intervention Strategy: **Increase automation through AI chatbots and onboarding flows. Reassign inside sales team members toward high-ticket or enterprise accounts.**
3. COCA Risk Factor #3 and Mitigation Plan:  
**Rising CRM and software tool stack costs.**  
**Mitigation Plan: Consolidate overlapping tools and renegotiate contracts. Explore open-source or scalable alternatives.**  
Metrics to Watch: **Monthly recurring spend per tool, feature usage rates, ROI per tool.**  
Potential Intervention Strategy: **Perform quarterly audits of software usage, cancel underutilized subscriptions, and optimize processes for fewer tools with deeper integrations.**

If you are an engineer like me, you are now getting to the fun part. Now we can build the product with confidence that it can be the basis of a great company. That being said, it all makes sense but we are not sure until it really happens. Now we move to the design and build stage in Step 20, Identify Key Assumptions.

## Disciplined Entrepreneurship Workbook

### Step 20: Identify Key Assumptions

#### Worksheet

Identify Key Overall Assumptions				
#	Assumption (in prioritized order)	Related Step(s) from the 24 Steps	Risk Level	Potential Impact if Assumption is Wrong
1	We can acquire customers at a long-term COCA of €45–€55	Step 18, 19	High	If COCA rises significantly, our unit economics will break down.
2	LTV per customer remains at or above €240	Step 16	High	If LTV is lower, we won't recover COCA, making the business unsustainable.
3	Organic marketing channels will scale over time to reduce COCA	Step 14, 19	Medium	Continued dependence on paid ads would inflate acquisition costs.
4	Self-serve tools and automation will successfully reduce reliance on expensive inside sales	Step 18	Medium	If automation adoption fails, sales costs will remain high and scale inefficiently.
5	Our conversion rate from lead to paying customer will meet or exceed 5% across core channels	Step 13, 19	High	If the conversion rate is lower than expected, acquisition costs will rise substantially, and marketing campaigns may become unprofitable, requiring major changes to either targeting, messaging, or product positioning.
6	Influencer partnerships and affiliate programs will drive meaningful traffic at a low cost	Step 14	Medium	If influencer ROI is low, we'll lose a key channel for scalable, efficient growth.
7	Our target customer segment is accurately defined and will respond positively to our messaging	Step 6-10	High	If we are wrong, we'll waste resources marketing to the wrong personas.
8	The market size and TAM estimates are accurate enough to justify scaling investment	Step 5	Medium	Overestimating TAM could lead to overinvestment in a limited market.
9	Pricing assumptions match perceived value and competitor benchmarks	Step 16	Low	Pricing too low reduces revenue; too high reduces conversion.
10	Operational efficiencies can scale with growth without disproportionately increasing overhead	Step 18	Medium	If overhead costs grow too fast, margins will compress even with good CAC/LTV.

This is in many ways a “catch your breath and digest what you have produced” step. It does not involve a lot of new work but it is important to set yourself up for the next step as well which is to test these assumptions. It is nice to have a step that is a bit easier, isn't it? You are getting close to the end now – hang in there!

## Disciplined Entrepreneurship Workbook

### Step 21: Test Key Assumptions

#### Worksheet

Test Key Overall Assumptions				
#	<u>Empirical Test (in order from most important to least important, based on the risk levels of the related assumption(s))</u>	<u>Related Assumption(s)</u>	<u>Resources Required for Test</u>	<u>What Outcome(s) Would Validate Your Assumption(s)?</u>
1	Run a paid ad campaign to measure conversion rate from lead to paying user	#5: Conversion rate from lead to paying customer $\geq 5\%$	€5,000 marketing budget, landing page, analytics	Conversion rate of $\geq 5\%$ sustained across multiple channels
2	Conduct A/B pricing tests on early adopters	#4: Target customers are willing to pay €10+/month	Pricing tools, sample customers, survey software	70%+ of users accept at least €10/month pricing
3	Launch targeted outreach to 50 businesses in 2 target verticals	#1: Core target customers will adopt the product as expected	CRM, cold outreach team, case studies	Positive response rate $\geq 30\%$ ; at least 5 paying customers
4	Track user churn over 3 months from onboarding	#2: Users will retain for 12+ months on average	Product usage data, user interviews, cohort analysis	Retention of $\geq 70\%$ at 3 months, churn $< 5\%$ monthly
5	Test SEO content strategy and lead capture funnel	#3: Website will drive 20%+ of leads via organic traffic	SEO content, analytics tools, landing page	Organic traffic converts 2–5% with 20%+ lead share
6	Pilot partnerships with 3 influencers	#6: Influencer marketing drives measurable customer acquisition	Influencer fees, tracking links, offer codes	Cost per acquisition (CPA) under €60 with sustained engagement
7	Trial an automated chat onboarding funnel	#7: Customers will complete onboarding via automated flows	Chatbot platform, onboarding scripts	$\geq 50\%$ of signups successfully complete onboarding autonomously
8	Run financial model with 10% higher churn	#8: Current LTV estimates are resilient to moderate churn	Spreadsheet model, historical churn data	LTV remains 3x COCA even with 10% higher churn
9	Conduct qualitative user feedback interviews	#10: UX is intuitive without significant support	Interview pool, UX researcher, usability recordings	80%+ of users rate experience as intuitive or better
10	Perform CRM cost-benefit analysis	#9: CRM tooling remains cost-effective as we scale	CRM usage audit, pricing quotes	CRM cost per user $< €5$ /month with 90%+ team adoption

Results from Testing Key Assumptions			
#	<u>What did you learn from the test?</u>	<u>Did the test validate your assumption? (Yes, No, or Not Knowable At This Point)</u>	<u>What will you do as a result of this test? (e.g. revisions to work done in previous steps, additional testing of assumptions, etc.)</u>
1	Conversion rate from paid ads was 4.2% which is slightly below goal	No	Test different messaging, optimize landing page, retest with new campaign
2	A/B test showed 68% accepted €10+ pricing	Yes	Proceed with €10/month base pricing, explore tiered pricing options
3	12 businesses responded positively, 6 converted	Yes	Prioritize targeted outreach in GTM plan and scale with case studies
4	Retention after 3 months was 72%	Yes	Continue current onboarding + support strategy, monitor churn monthly
5	Organic traffic produced 18% of leads, but CPA was high	No	Reevaluate SEO keyword focus, improve CTA on blog pages
6	2 influencers outperformed CPA expectations	Yes	Expand influencer strategy selectively with performance-based contracts
7	55% of users completed onboarding via chatbot	Yes	Roll out chatbot onboarding for all signups, track drop-offs
8	LTV remained 3.1x COCA with 10% churn increase	Yes	No immediate action needed, continue LTV sensitivity testing
9	85% of users rated the UX as intuitive	Yes	Minor UX tweaks recommended, but no overhaul required
10	CRM cost per user was €4.20/month	Yes	Maintain current CRM, monitor as team scales

After having completed these two steps, you have de-risked your product at the level of individual assumptions as much as you reasonably can. This accomplishment does not mean that when all the assumptions are put into one product that the fully assembled solution is assured of being successful in the market. In addition, there are some assumptions that will never be able to be fully tested until there is a product and it is put into production. That testing comes in the next two steps.

## Step 22: MVBP

How Your Proposed MVBP Meets the Three Objectives of an MVBP	
<b><u>Objectives</u></b>	<b><u>How, specifically, does your MVBP meet this objective?</u></b>
1. <b><u>Value</u></b> : Provides value to end user consistent with Step 8	The MVBP delivers core functionality focused on solving the end user's primary pain point, for instance, centralizing data input and automating report generation, which saves them 5+ hours/week and reduces manual error. This aligns directly with customer needs validated in Step 8 interviews and surveys.
2. <b><u>Pay</u></b> : Prove that the economic buyer will pay something for the product placement	Initial B2B pilot partners have agreed to a €10–€15/month fee for the MVBP in exchange for early access, priority feature input, and direct support. This shows clear willingness to pay and demonstrates economic value from the buyer's standpoint.
3. <b><u>Feedback</u></b> : Creates meaningful feedback loop with customer (end user, economic buyer and champion)	The MVBP includes built-in feedback tools (e.g., in-app prompts, satisfaction surveys) and bi-weekly check-ins with pilot users. Product usage analytics and direct interviews ensure ongoing feedback from all three stakeholder types: end user (daily users), economic buyer (budget holder), and internal champion (influencer/advocate).

### Minimizing Investment and/or Speeding Time to Market – Concierge Opportunities

Is there anything that can be concierged in your MVBP to reduce the initial investment required to achieve the above three objectives and/or decrease time to get to market with an MVBP? Time maybe even more important than money.

To minimize initial investment and accelerate time to market, several components of the MVBP can be delivered through concierge methods. For example, instead of developing a fully automated onboarding flow, a team member can personally guide new users through setup and best practices using Zoom or screen-sharing. Early features such as alerts or reports can be manually generated and delivered via email, helping validate their value before committing to software development. Customer support can be provided through familiar platforms like WhatsApp or Slack, avoiding the need to build an internal ticketing system while maintaining high responsiveness. Additionally, manual data handling, such as accepting CSV uploads for CRM or financial system integrations, allows customers to see immediate value without the technical overhead of full integration. These concierge approaches not only reduce cost and development time but also create valuable opportunities for direct user engagement and faster iteration.



## Step 23: Are Your Customers “Eating the Dog Food”?

So what numbers should you look at?

1. **Initial Interest:** Once your target customer is exposed to your value proposition, what percentage of them actively seek to learn more? On a website, you can measure the clickthrough rate from a page that details the benefits of the product to a subsequent page.
2. **Conversion Rates:** Once the target customer is in the sales funnel, the yield rates going from section to section of the funnel are extremely important numbers to understand, both the absolute numbers but also the trends.
3. **Purchase and Pay:** The ultimate conversion. Whether the customer pays for your product is one very important indication of whether the customer is getting value. How long it takes the customer to pay, and what percentage of customers end up not paying after making an initial commitment (the “default rate”), are also interesting numbers to watch.
4. **Retention Rates:** It is always telling to monitor retention rates, often referred to in the negative modality of “churn rate,” especially in subscription businesses. One way to measure retention rates is through support or maintenance contracts for post-purchase support. If the customer buys the product but doesn’t sign up for a maintenance contract at the end of the warranty period, in some industries that is a bad sign and you should take note immediately.
5. **Customer Advocacy:** There is a huge difference between a satisfied customer and a very happy, evangelizing one. The latter is at least one order of magnitude if not more valuable to you. The simplest and most commonly used way to measure customer advocacy is the Net Promoter Score (NPS), developed by Bain & Company, Satmetrix Systems, and Fred Reichheld. You gather the necessary data by asking customers a single question – On a scale of 1 to 10, with 10 being the highest, how likely is it that they would recommend your product to a friend or colleague? By tallying the percentage of responses that are 9s and 10s (“Promoters”) and subtracting the percentage of responses that are 6s and below (“Detractors”), you get your score, which can be as low as -100 (all Detractors) and as high as 100 (all Promoters).
6. **COCA and LTV:** Estimate these numbers again now that you have some sales. They are much easier to calculate the second time around! They are valuable, albeit imperfect, indicators of your success. If there are surprises in these numbers, then quickly dive into it and understand why.
7. **Gross Margin:** Your gross margin, the difference between what it costs to make one unit of product and what you sell that unit of product at, should go up over time, indicating that you are getting strong word of mouth for your product. If it goes down, then you are possibly providing too many discounts on your product, so the number of customers may be going up because the price is artificially low. The gross margin trend is an imperfect indicator on its own (much like the other indicators here), but make sure you monitor it.
8. Don’t feel constrained by this list. There are plenty of other metrics that will be equally or more valuable for your situation.

## Worksheet

What time period(s) will you measure metrics for (give duration and units – e.g. 2 weeks, 2 months, etc.) \_\_\_\_\_

Are Your Customers “Eating the Dog Food”?				
<u>Stage in Funnel (starting at top)</u>	<u>Est. Industry Conversion Average (%)</u>	<u>Your Conversion Goal (%)</u>	<u>Actual Conversion Rate (% and trend)</u>	<u>Next Steps if your actual conversion rate is lower than your goal</u>
#1 – Identification (leads)	5-10%	8%	6% - Stable	Improve targeting on outreach channels, adjust value messaging
#2 – Consideration (suspects)	15-30%	20%	18% - Improving	Refine website content and email follow-ups
#3 – Engagement (prospects)	25-40%	30%	22% - Declining	Offer more interactive demos or personalized walkthroughs
#4 – Purchase Intent (qualified prospects)	50%	60%	45% - Rising	Add stronger urgency or discount incentive, qualify leads better
#5 – Purchase (customers)	20-25%	25%	23% - Stable	Improve close rate with more social proof
#6 – Loyalty (satisfied customers)	60-80%	70%	65% - Early Data	Collect structured feedback and improve post-sale support
#7 – Advocacy (evangelists)	20-30%	25%	18% - Early Data	Launch referral incentives, gather testimonials or NPS surveys

## Gross Margin, LTV, COCA

	Expected for Short Term	Actual for Short Term	Next Steps
Gross Margin	60%	55%	Audit cost of delivery; reduce manual service components
LTV	€1 800	€1 500	Extend customer lifespan through upsells and renewals
COCA	€500	€600	Reduce ad spend per lead and improve sales efficiency

Define and Test Other Metrics

List Custom Metrics Here:	Expected for Short Term	Actual for Short Term	Next Steps
<b>NPS (Net Promoter Score)</b>	40	32	Follow up with detractors for feedback; enhance onboarding experience
Activation Rate (first value moment achieved within 7 days)	70%	50%	Improve onboarding clarity and engagement
Churn (Monthly)	<10%	15%	Identify churn reasons via exit surveys; develop retention content
CSAT (Customer Satisfaction Score post-support)	85%	80%	Improve support script; reduce resolution time

## Disciplined Entrepreneurship Workbook: Step 24 Worksheets

### Step 24: Develop a Product Plan

#### Worksheets

Product Plan – Version 2 for the Beachhead Market						
#	<u>Feature/Function</u>	<u>Benefit</u>		<u>How does it leverage your Core?</u>	<u>Priority</u>	<u>Est. Resources Needed to Develop</u>
1	Automated Report Generation	Saves time creating financial summaries		Core includes proprietary templating engine	High	2 backend engineers, 1 designer (4 weeks)
2	Customizable Dashboards	Provides personalized insights for clients		Visual layer driven by modular analytics infrastructure	Medium	1 frontend engineer, 1 UX designer (3 weeks)
3	Real-time Data Sync	Ensures data is always up to date		Sync engine built into data ingestion core	High	2 engineers (6 weeks)
4	User Role Management	Supports collaboration and compliance		Core has permission-based access system	Medium	1 engineer (2 weeks)
5	Manual Data Upload (CSV)	Enables early adopters without integrations		Leverages flexible input parser	High	1 engineer (1 week)
6	In-app Guided Setup	Reduces onboarding friction		Uses lightweight workflow system built in core	Low	1 PM, 1 engineer, 1 week (plus content)

Product Plan – Version 3 for the Beachhead Market						
#	<u>Feature/Function</u>	<u>Benefit</u>	<u>For Whom? EU, EB, Champ</u>	<u>How does it leverage your Core?</u>	<u>Priority</u>	<u>Est. Resources Needed to Develop</u>
1	Native Integration with QuickBooks	Eliminates manual entry and errors	EU, EB	Utilizes flexible data ingestion pipeline	High	2 engineers, 5 weeks
2	SLA-based Alerting System	Alerts users to anomalies or delays	EU, Champ	Core includes scheduling and alerting module	Medium	1 engineer, 3 weeks

3	Monthly ROI Report	Demonstrates cost savings/value to buyer	EB	Aggregates usage and productivity analytics	High	1 engineer, 1 data analyst, 2 weeks
4	Audit Trail & Version History	Enables compliance and error tracing	EU, EB	Leverages existing change-tracking architecture	Medium	2 engineers, 3 weeks
5	Referral Program Portal	Incentivizes customer advocacy	Champ	Built on lightweight CMS and tracking system	Low	1 marketer, 1 engineer, 2 weeks
6	Knowledge Base and AI Search	Empowers self-service, reduces support load	EU	Uses existing NLP layer for contextual queries	Medium	1 engineer, 1 content creator, 4 weeks

#### Other Activities Beyond Functionality for the Beachhead Market

What other activities do you anticipate doing related to the product to help it scale after Version 1.0 for the beachhead market? (e.g., go-to-market activities, regulatory matters, additional complementary services to support the product, additional sales channels, etc. – anything not related to product functionality listed above)

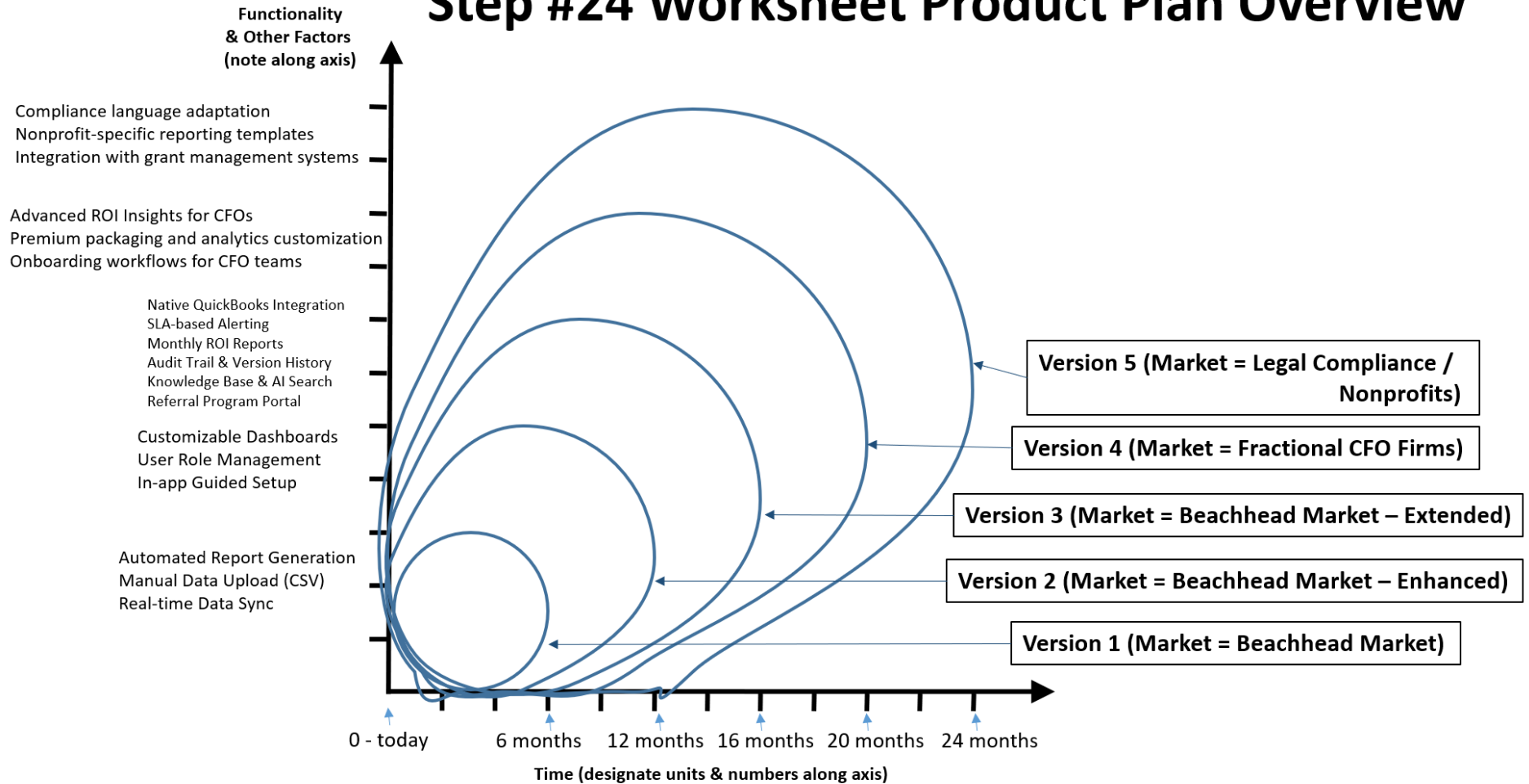
- 1. Develop onboarding webinars and video tutorials to accelerate adoption and reduce support requests.**
- 2. Launch a partner program to integrate with financial consultants and fractional CFOs.**
- 3. Seek SOC 2 compliance to satisfy security concerns from larger SMBs.**
- 4. Build customer success function to proactively support renewals and upsells.**
- 5. Experiment with alternative sales channels, such as marketplaces and VARs (value-added resellers).**

### Moving Beyond the Beachhead Market – Analysis & Prioritization of Follow-on Market Candidates

Refer to your work from Step 14, Calculate the TAM Size for Follow-on Markets, for this worksheet, but build upon it with the knowledge you have gained since that first draft.

#	Name	<u>Which market does it follow from?</u>	<u>Pros</u>	<u>Cons</u>	<u>Does it leverage your Core? (Y/N)</u>	<u>Priority</u>	<u>Key Factors Needed to Succeed</u>	<u>Resources Required</u>	<u>Risk</u>	<u>Reward</u>
1	Fractional CFO Firms	Accounting SaaS market	Similar workflow needs, higher price tolerance	Longer sales cycle	Yes	High	Industry testimonials, premium packaging	2 sales reps, 1 CS specialist	Medium	High
2	Legal Compliance Teams	Financial workflows	Need audit trails, version history, documentation	Different language and terminology	Partial	Medium	Compliance language UI adaptation	1 PM, 2 engineers	Medium	Medium
3	Nonprofits and Grant Admins	Reporting automation	Require structured reporting and traceability	Lower budgets	Yes	Medium	Value pricing strategy, templates	1 BD lead, 1 CS rep	Low	Medium
4	Healthcare Finance Depts	Financial workflows	Large budgets, intense reporting needs	Regulatory hurdles	Yes	Low	Secure hosting, certification, sales trust	1 compliance officer, 2 engineers	High	Very High
5	Real Estate Portfolio	Dashboard or reporting tools	Strong need for visibility, good word-of-mouth	Requires real estate-specific data connectors	Partial	Medium	Partnership with software vendors	1 BD lead, 1 engineer	Medium	High

# Step #24 Worksheet Product Plan Overview



(Editable version of this graphic is available in an additional Powerpoint file)

# Disciplined Entrepreneurship Workbook

## Beyond the 24 Steps – What is Missing in the 24 Steps?

I always talk about the need for focus and to be clear about what you are “deselecting” when you choose what to focus on. Similarly, in order for the 24 Steps to excel at guiding you through new product development, there were so many things relevant to startups in general that I had to leave out. In *Disciplined Entrepreneurship*, I ended with a reminder about the many areas essential to a startup that the 24 Steps do not cover, such as building a company culture, selecting a founding team, growing and building the team (HR processes), selling and sales execution, servicing the customer and building customer service processes, raising money to scale the business, entrepreneurial leadership and scaling the business, building and utilizing good company governance, and much more.

In this workbook, I want to elaborate a bit more on three key areas of focus so that you have guidance to keep your entrepreneurship education going and refreshed:

### Team & Culture

As mentioned earlier, your team will be your most important factor to determine success. That does not mean that you should not put enormous focus on your customer and product plan (you should) as that is the best way I have found to determine whether you have a strong and aligned team. Always be aware that you must have a **great** team; “good enough” never is if you want a great company.

The customer and product plan is essential, but conditions will change and you must have a team that will adjust. As you think of different versions of your product, it is also important to think of different versions of your team, each time getting stronger. This may involve upgrading skills, adding people to the team, moving people off the team, redesigning the organization to work better, or changing responsibilities and reporting structures. You must do what is best for all the stakeholders, which includes not only the employees but also the customers and, later, investors. If someone on the team is not a good fit, you are doing no one (including that employee) a favor by failing to acknowledge the lack of fit. It does not mean that the employee did not play a vital role at some point, or is a bad person, but rather they are not in a job that allows them to shine. You need to have a very coherent and skilled team to succeed in the tough world of entrepreneurship. Keep upgrading your team and have a mindset and general plan to do so but always consider values in this decision process.

I wrote a piece on this topic for TechCrunch call “Culture Eats Strategy for Breakfast”<sup>2</sup> which talks about the incredible power of a strong corporate culture and the danger of ignoring this difficult topic. It also gives you some examples and references as to how to develop your own unique but appropriate culture.

With regard to a more prescriptive approach to the HR challenge of building and continually upgrading your team, I would recommend the definitive book on the topic by Noam Wasserman called *Founder’s Dilemmas* and his website [www.noamwasserman.com](http://www.noamwasserman.com) which has assessment tools and lots of other useful materials.

### Financials

In this book, you did product unit economics and you were encouraged to make a first draft marketing and sales budget, but that alone is insufficient to fully understand the viability of a business and to track progress. This analysis only briefly mentioned the investments you will need to make in research and development as well as general and administration expenses; much more needs to be done.

Sometime people say you should not worry about the financials because all financials are going to be wrong. Yes, they will be wrong, but without a simple, dynamic model to gauge the rough magnitude of the financials, you will be flying

---

<sup>2</sup> See <https://techcrunch.com/2014/04/12/culture-eats-strategy-for-breakfast/>



blind in a turbulent area when you don't need to. At the outset of *Disciplined Entrepreneurship*, I state that the single necessary and sufficient condition for a business is a paying customer. That is not an accident. Money needs to come into your organization for it to be a business, and for it to be a sustainable business, you have to have more money come in than go out. Cash is the oxygen for your business; without it, you die.

So even if you know you can't get the numbers in your financial projections precisely right, it is so important that you need to build a general financial model to guide you in this critical area. Don't let this impossible-to-solve problem drag you down; instead, do enough so that you understand the underlying dynamics so that yours can be an economically sustainable business. You don't need an MBA but you do need to be financially literate.

There are many books and financial specialists who can guide you through how to make a simple model. There is no one-size-fits-all model here that magically solves the problem, as each startup has its unique story with different cost dynamics. It is not that hard, but you have to be organized and be comfortable with numbers – or someone on your team needs to be. If you and your team are not, I warn you that business requires this skill, so you should consider putting on your team someone (at least part time) who has an interest in and can ultimately do the financial analysis to guide you before you jump into the entrepreneurship world.

## Other Functions

You will need to set up functional groups/teams for other things that need to be done to support the product getting to your customer in the most efficient and effective manner. This includes but is not limited to human resources (as per #1 above), finance (as per the above paragraph), customer service, marketing communications, public relations, engineering, research, legal, regulatory, manufacturing, fundraising (different than financial and often overemphasized for startups – most often the best thing you can do to raise money is to have a great business), and other general services.

Setting these up these functional teams within an organization is non-trivial and non-obvious. I personally got invaluable training at IBM in my early years on how to do this and the importance of organizational design. It is not something people are just born with and, in fact, it is often counter intuitive.

I suggest you seek out experienced people in designing scalable organizations and listen carefully. Sometimes success in the product area makes you believe that you can easily solve this problem and that is not true. First, it requires a different skill set. Second, it is very hard to get right the first time. It is complicated because it involves humans and their motivations, so get assistance as you do this.

## Conclusion

Each one of these items, as well as each part of the 24 Steps, has a rich amount of experience and research behind them. Use this book as the beginning of your entrepreneurship education, not the end. The more you know about entrepreneurship, the more you will not only control your own destiny going forward, but you will thrive in the increasingly changing and unpredictable future. Hopefully this book has given you the insight, the confidence, and the hunger to want to become a better and better entrepreneur. The entrepreneurial journey never ends, and neither should your entrepreneurial education journey.

## Worksheet

What other activities are you going to do to continue to build your entrepreneurial skills and network?

1. **Join a founder peer group or mastermind network:**  
Surrounding myself with fellow entrepreneurs will provide peer support, accountability, and shared learning that enhances my decision-making and problem-solving.
2. **Attend industry conferences and startup events regularly:**  
These events are great opportunities to learn from experienced founders and experts, as well as to build relationships with potential partners, customers, investors, and mentors.
3. **Enroll in specialized entrepreneurship and leadership workshops or online courses:**  
Continuous learning in areas like financial modeling, team building, and product management will help me grow with my company and fill gaps in my skillset.
4. **Schedule monthly coffee chats with experienced entrepreneurs and advisors:**  
Actively seeking insights and feedback from those further along the journey will help me anticipate challenges and develop a more strategic outlook.
5. **Volunteer or mentor in early-stage startup programs:**  
Teaching others reinforces my own knowledge, keeps me connected with emerging trends, and expands my network of future collaborators or team members.