**Disciplined Entrepreneurship Workbook**

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

## Worksheets

### Assumptions for COCA Estimation

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

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

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

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| 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**

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| **Key Drivers of COCA and Ways to Decrease It** | | | |  |
| **#** | **Item** | **Effect** | **Action Possible to Decrease** | **Risk** |
| 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** |

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| --- | --- | --- | --- | --- |
| **Example: Key Drivers of COCA and Ways to Decrease It** | | | |  |
| **#** | **Item** | **Effect** | **Action Possible to Decrease** | **Risk** |
| 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)**

**A graph with a red line and blue line

AI-generated content may be incorrect.**

### 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.

1. **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.**

1. **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.**

1. 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.**

1. 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.