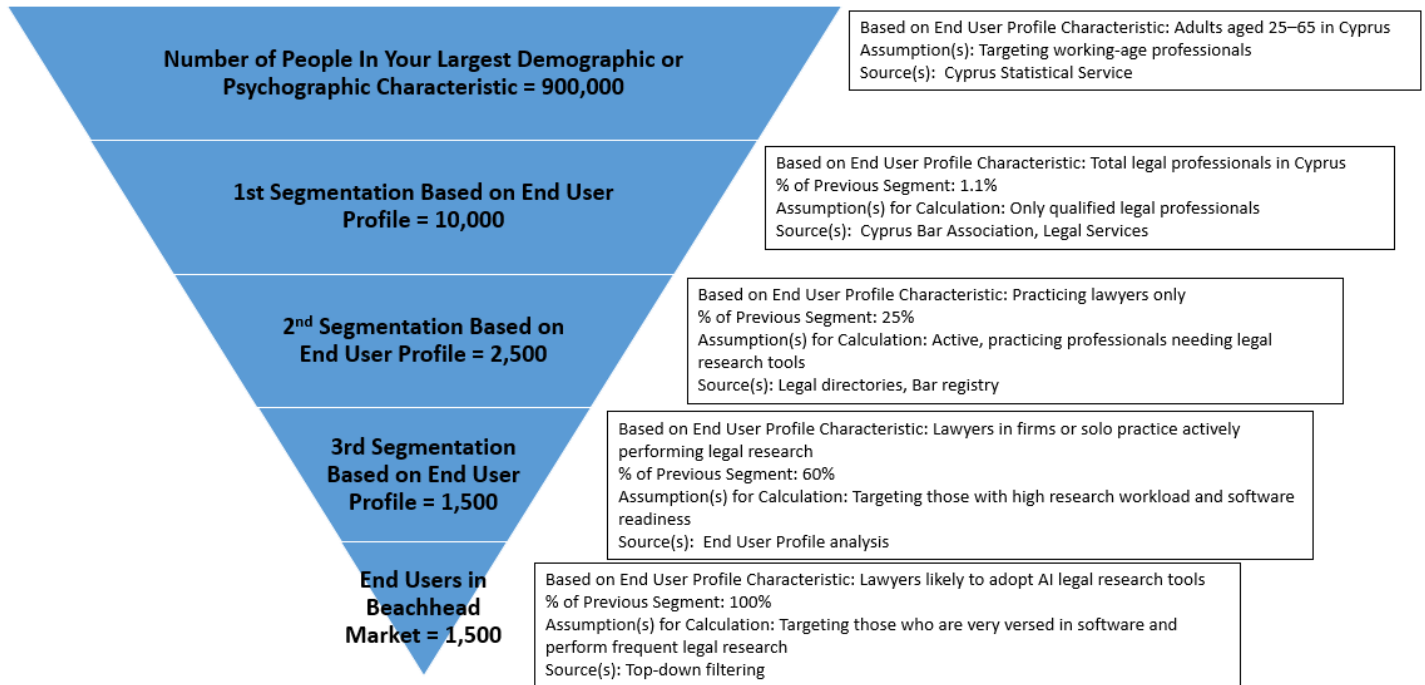


Disciplined Entrepreneurship Workbook

Step 4: Calculate Total Addressable Market (TAM) for Beachhead Market Worksheets

Top-Down Estimate of Number of End Users in Beachhead Market



(Editable version of above graphic provided in additional Powerpoint document)

I.	<u>One Time Charge Data Point</u>	
Ia	Estimation of price per unit	€100/month per lawyer (conservative SaaS estimate)
Ib	Number of units needed per end user	1 subscription per user
Ic	Average Life Relevant? (assume repurchase)	Yes
Id	Average Life of Product in year	1 year
Ie	Annualized Revenue (Ia*Ib)/Id (Data Point 1)	€1,200
II.	<u>Budget Available Data Points</u>	
Ila	Current Spend per end user (Data Point 2)	€1,000–€2,000 annually on legal research tools (Westlaw, LexisNexis)
Ilb	Total budget for the end user	€2,000/year
Ilc	What % of budget could go to this solution reasonably?	50%
Ild	Annualize Revenue (Ilb*Ilc) (Data Point 3)	€1,000
III	<u>Comparables</u>	
IIla	Who are the comparable for your business?	Westlaw, LexisNexis, Ross Intelligence
IIlb	What are the comparable products?	AI legal search tools, subscription-based legal databases
IIlc	What is the comparable converted to similar annualize revenue (Data Points 4 plus however many more you deem relevant)	€1,000–€2,400/year (consistent with our estimates)

IV Interpreting the Results		
IVa	Consensus on estimate of annualized revenue per end user (a range is fine)	€1,000–€1,200
	How did you end up at this number/range?	<ul style="list-style-type: none"> • Market rates of AI-based legal tools • Lawyer spend on current legal databases • Primary market research insights • Willingness to pay for automation and trust

Now the final items beyond just a beachhead market TAM are the other dimensions that are important to provide more meaning to the overall number. A \$10M beachhead market TAM that has 99% profitability where you can win 100% market share in less than a year, which also happens to be growing at 30% a year, is totally different than a \$10M beachhead market TAM with 10% profitability where you will only get 10% market share after 3 years of effort and the market is shrinking each year.

This information should be collected and then added in to fill out the Top-Down TAM Analysis Summary below to give a robust sense of the economic attractiveness of market characteristics of the beachhead market.

Top-Down TAM Analysis Summary				
1	Total # of end users in the broad market segment	2,000 lawyers in Cyprus	Source/ Based on:	Cyprus Bar Association
2	Total # of end users in the targeted sub-segment your BHM	1,500 (solo/corporate lawyers)	Source/ Based on:	PMR, Step 1/2/3 analysis
3	Annual monetizable revenue per end user	€1,200	Source/ Based on:	Pricing models, PMR
4	Estimate of Top-Down TAM (line 2 times line 3)	€1,800,000		$1,500 \times €1,200$
5	Estimate of Range of Profitability for Your Product	50–70%	Source/ Based on:	SaaS benchmarks, low variable cost
6	Estimated CAGR (Compound Annual Growth Rate)	15–20%	Source/ Based on:	LegalTech market trends
7	Estimated Time to Achieve 20% Market Share	2–3 years	Source/ Based on:	Go-to-market strategy
8	Anticipated Market Share Achieved if You are Reasonably Successful	30–40%	Source/ Based on:	PMR confidence, partner channels
	What are the 3 top assumptions that	1. Willingness to adopt AI tools by conservative legal professionals		

	could affect the attractiveness of the beachhead market for your product (besides the product itself)?	2. Trust in AI's accuracy and legal credibility 3. Speed of regulatory approvals for AI in legal services
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Based on this summary analysis, use the below checklist to assess whether your beachhead market is a good size:

Checklist After TAM Analysis of Beachhead Market			
		Yes	No
1	Is the market big enough to be interesting?	Yes	
2	Is it reasonable in size for us to achieve meaningful word of mouth, meaning it is not too big?	Yes	
3	Is it possible to get to cash flow positive in this market in a reasonable period of time (typically 3 years but it might be shorter or longer depending on the industry)? Note: This question takes into consideration the extra 4 factors described above	Yes	
4	Do I still feel good about this beachhead market as our initial market?	Yes	

If the answer to any of these is no, consider carefully before you move forward. Many of the high-profile entrepreneurs who have access to significant investment capital, or have a very strong personal balance sheet themselves, can ignore #3, but I would advise you to not ignore this question otherwise. It might be the second most important question for your survival. The most important question is the last one, because if you don't feel good about this market, you need to figure out why.

ADVANCED TOPICS: BOTTOM-UP TAM ANALYSIS

As mentioned, a bottom-up analysis is extremely powerful and gives you invaluable insights that are not generally possible through secondary research. Bottom-up analysis is also very time-consuming and difficult to get information for. If you are unsure about your market or your commitment to this idea, skip this part and come back later when you are more confident about your beachhead market and have a deeper understanding of the market. Most plans rely on top-down analysis, and while I think it's insufficient, it is the reality that bottom-up analysis is much, much harder to do.

The below worksheet uses a concept called "end user density" which allows you to complete a bottom-up analysis without the need to identify every single end user in a market, since that process can be prohibitively expensive in terms of time consumed.

To calculate end user density, you'll first need some way to divide up the market into countable units. For instance, in the SensAble example in *Disciplined Entrepreneurship*, we sold to companies that employed industrial designers, and they defined their countable entity as overall number of employees. Their resulting "designer density" for their market was expressed as the number of designers per thousand employees.

For a consumer product, your countable unit could be population, a specific socioeconomic segment of the population, the number of people who own another product, etc. For businesses it may be number of employees, revenue, products released each year, number of customers that company has, etc. These units depend on your situation. Clever

choice of countable unit for density will give credibility to your TAM estimate, so spend some time to optimize your choice on this unit, understanding it is still an estimate.

Once you have defined your countable unit, go to three instances of this unit and “count noses,” determine exactly how many end users are within that countable unit. Also determine how many people overall are in that countable unit.

Then, for each instance, determine what the annualized revenue per end user is, based on the unique circumstances of each instance. Do not guess, ask the people from this instance of the countable unit!

Bottom-Up TAM Analysis Worksheet

What countable unit are you using for end user density? Law firms in Cyprus

What are three instances of this countable unit you will be using to “count noses”?

1. Large law firm (10 lawyers, 15 staff) 2. Medium law firm (5 lawyers, 8 staff) 3. Solo practitioner (1 lawyer, 1 assistant)

	<u>Instance 1:</u> <u>Large law firm</u>	<u>Instance 2:</u> <u>Medium law firm</u>	<u>Instance 3:</u> <u>Solo practitioner</u>
<u>Who did you speak to in order to gather this info?</u>	<u>Andreas Christou (Lawyer)</u>	<u>Savvas Papapetrou (Lawyer)</u>	<u>Maria Georgiou (Citizen perspective on solo lawyers)</u>
<u># of end users</u>	<u>10</u>	<u>5</u>	<u>1</u>
<u># of people in the countable unit</u>	<u>25</u>	<u>13</u>	<u>2</u>
<u>Density ratio (# end users / # people in countable unit)</u>	<u>10/25=0.40</u>	<u>5/13=0.38</u>	<u>1 / 2=0.50</u>
<u>How representative of the whole market do you believe this instance is?</u>	<u>Very representative – large firm with full legal staff</u>	<u>Moderately representative – standard medium practice</u>	<u>Somewhat representative – many lawyers in Cyprus are solo</u>
<u>In this instance, what is your estimate of the annualized revenue per end user?</u>	<u>€1,200</u>	<u>€1,200</u>	<u>€1,200</u>

Based on the above table, what is a reasonable estimate of the end user density? $(0.40+0.38+0.50)/3 = 0.43 = 43\%$

What is a reasonable estimate of the annualized revenue per end user? €1,200 per year

Based on the end user density, what is a reasonable estimate for the number of end users in the market? 600 law firms × average 6 people per firm = 3,600 people $0.43 \times 3,600 = 1,548$

What is a reasonable estimate for the TAM (# end users multiplied by annualized revenue per end user)?
 $1,548 \times €1,200 = €1,857,600$

Four additional factors to consider:

Estimate of Range of Profitability for Your Product	50–70%	Based on:	SaaS model with low marginal cost; RISO BMC cost structure (AI, cloud, legal DB)
Estimated CAGR (Compound Annual Growth Rate)	15–20%	Based on:	Global LegalTech trends; Cyprus digital transformation initiatives
Estimated Time to Achieve 20% Market Share	2–3 years	Based on:	Conservative B2B adoption cycle; PMR on lawyer openness; partnership approach
Anticipated Market Share Achieved if You are Reasonably Successful	30–40%	Based on:	High product-market fit; strategic partnerships; strong value proposition

1. Comparing your top-down and bottom-up analyses, which do you believe has more credibility? Why?

The bottom-up analysis is more credible because it's based on real data from actual law firms and primary research. It reflects realistic usage patterns and pricing better than top-down estimates.

2. If you blend the two estimations, what is your final TAM size? What factors would make the TAM lower than you calculated? What are the factors that would drive the TAM much higher?

The blended final TAM is approximately €1.83 million. It could be lower due to AI skepticism or pricing resistance, or higher if adoption grows fast or new features expand the market.