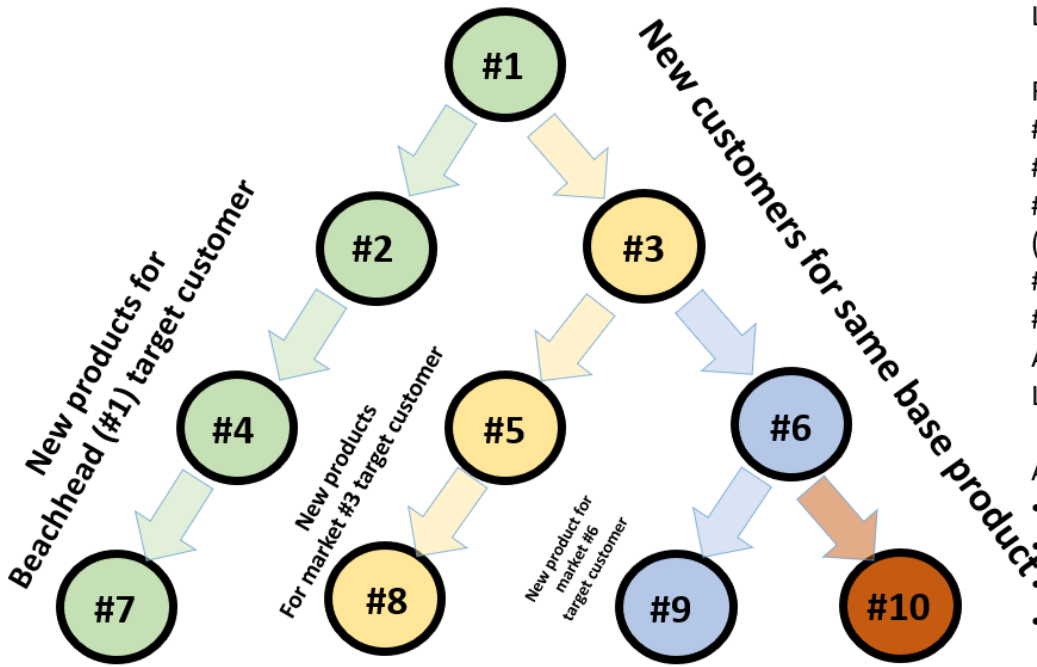


Disciplined Entrepreneurship Workbook

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

Worksheet



#1 (Beachhead Market):
Lawyers

Follow-on Markets:

- #2: Government Agencies
- #3: Legal Researchers
- #4: Businesses/Corporations (Compliance Monitoring)
- #5: Citizens
- #6: (Optional future expansion: Academic Institutions for LegalTech Research)

Additional markets:

- European Union Institutions
- Law Schools
- NGOs
- Corporate Compliance Departments
- International Law Firms operating in Cyprus/EU

Summary of Follow-on TAM Estimate and Priorities

| Candidate | How it Leverages Your Core | Same Product or Same Customer? | Pros of Selling to This Market | Cons of Selling to This Market | TAM Est. | Other Considerations | Rank |
|-------------------|--|--------------------------------|---|--|-------------|---|------|
| Legal Researchers | Reuse Cyprus-specific legal database and RAG AI | Same Product | Academia needs structured legal databases, supports credibility | Lower budget availability, slower sales cycles | €250K-€500K | Medium profitability, long sales cycle, brand value | 2 |
| Citizens | Leverages simplified AI legal search, freemium layer | Same Product | Massive user base, potential virality, positive social impact | Low willingness to pay, high support demands | €50K-€200K | Low profitability unless upsell, good PR | 4 |

| | | | | | | | |
|---|---|---------------------|--|--|-------------|--|---|
| Government Agencies | Use compliance monitoring tools and Cyprus database | Same Customer (B2G) | High budget per contract, enhances public sector credibility | Long procurement cycles, bureaucratic hurdles | €500K-€1M | High profitability but high effort and patience needed | 1 |
| Businesses/Corporations (Compliance Monitoring) | Reuse core compliance dashboards, AI regulatory updates | New Customer | High-value contracts, urgent compliance needs | Competitive landscape, trust building required | €300K-€700K | Medium-high profitability, strategic partnerships | 3 |

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

Follow-on Market Segment Candidate Name: Legal Researchers

| <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> |
|---|---|---------------------------|--|--|
| 400–500 (law faculties, think tanks, private researchers) | €500 – €1000 | €250K – €500K | 5 – 10% | <ul style="list-style-type: none"> Medium profitability Strong academic partnerships Validation through publications and citations Longer decision cycle compared to law firms |

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

Follow-on Market Segment Candidate Name: Citizens

| <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> |
|---|---|---------------------------|----------------------|--|
| 400–500 (law faculties, think tanks, private researchers) | €10 – €20 (premium access) | €50K – €200K | 10 – 15% | <ul style="list-style-type: none"> Positive PR and social impact Potential viral adoption if basic legal Q&A gains traction Needs freemium model to acquire Monetization through upsells to premium or ads |

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

Follow-on Market Segment Candidate Name: Government Agencies

| <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> |
|---|---|---------------------------|----------------------|--|
| 20–30 agencies (regulatory, ministries, public sector compliance offices) | €20K – €40K per agency | €500K – €1M | 5 – 7% | <ul style="list-style-type: none"> High profitability Complex sales cycles (procurement, RFPs) Requires compliance certifications (GDPR, EU AI Act) Opportunity for large multi-year contracts |

Individual Worksheet for Each Follow On Market Segment - #5

Follow-on Market Segment Candidate Name: Businesses/Corporations (Compliance Monitoring)

| <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> |
|---|---|---------------------------|----------------------|--|
| 100–200 companies (medium-to-large enterprises) | €3K–7K | €300K–€700K | 10 – 15% | <ul style="list-style-type: none"> • Compliance demand growing • Competitive field with some legacy players • Partnership opportunities with audit firms and consulting agencies • Needs integration into existing ERP/CRM systems |

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Step 15: Design a Business Model

Worksheet:

Customer

Looking at the DMU, what is important? Accuracy, efficiency, ease of integration, strong ROI. Senior partners and legal advisors drive decisions.

DMP? Lawyers experience the pain; managing partners and finance teams approve purchases.

Preference for upfront (capital) or recurring (operating) expense? Preference for recurring operating expense (monthly or yearly subscriptions).

Other considerations: Trust in AI accuracy is crucial; regulatory compliance (GDPR, EU AI Act) matters for acceptance.

Value Creation

How much value do they get? Saves 30-50% time on legal research; reduces compliance errors.

When? Immediate impact after onboarding (within 1-2 weeks).

How risky is it? Moderate. If AI accuracy is poor, trust will drop; however, strong validation processes lower this risk.

Other considerations: Early adopter feedback is critical to building credibility and speeding up broader adoption

Competition

Who is comp & what biz model do they use? Westlaw, LexisNexis (subscription model); Government portals (free but outdated); generic AI legal tools (freemium).

How locked in are they? Medium. Lawyers are loyal to trusted tools but open to better solutions if value is proven.

Could I disrupt the industry? Risks? Yes, by offering Cyprus-specific AI insights with real-time updates. Risk: Legal tech skepticism and trust-building challenge.

Other considerations: Localization and regulatory credibility give us a strong competitive edge

Internal

Effect on Sales Cycle? COCA? Short to medium sales cycle (~2-3 weeks). Customer Acquisition Cost (COCA) is moderate through direct outreach and legal networks.

LTV? High. Subscription renewals likely; potential upgrades to firm-wide licenses.

Distributors? Direct sales to law firms; potential partnerships with Bar Associations.

Cash Flow: Recurring subscription payments with predictable cash inflow.

Operations & other considerations: Lean operations focused on AI updates, legal content acquisition, customer support.

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. Individual Subscription (per lawyer)

Pros: Predictable revenue, scalable with user base,

Cons: Requires ongoing customer retention efforts

2. Site License (law firms, agencies)

Pros: Larger contracts, higher revenue per sale

Cons: Longer sales cycles, procurement hurdles

3. Usage-Based Billing (API queries, compliance checks)

Pros: Aligns price with usage, attractive for heavy users

Cons: Revenue unpredictability, requires monitoring systems

4. Freemium Access with Premium Upsells

Pros: Easy market entry, supports viral growth

Cons: Monetization conversion can be low without strong upsell incentives

5. Compliance Dashboard Licensing (B2G)

Pros: High-value contracts, strong strategic positioning,

Cons: Very long sales cycles and strict compliance barriers

Summary of Business Model Candidates

| # | Option | Unit | Cust. Fit | Value Creation Fit | Comp. Fit | Internal Fit | Pros | Cons | Grade |
|---|--------------------------------|--------------------------------|-----------|--------------------|-----------|--------------|------------------------------|----------------------------|-------|
| 1 | Individual Subscription | Lawyer subscription | Very High | Very High | High | Very High | Scalable, straightforward | Retention effort needed | A |
| 2 | Site License (Firm) | Law firms, agencies | High | Very High | Medium | High | High revenue per customer | Complex sales process | B+ |
| 3 | Usage-Based API Billing | API for compliance/legal tools | Medium | High | Medium | Medium | Usage-aligned pricing | Harder to forecast revenue | B |
| 4 | Freemium with Premium Upsells | Citizens and small firms | Medium | High | Medium | Medium | Low barrier to entry | Monetization can be slow | B |
| 5 | Compliance Dashboard Contracts | B2G Agencies | High | Very High | Medium | Medium | High margin, strategic trust | Bureaucratic hurdles | B+ |

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 chose the Individual Subscription model for lawyers as our primary business model.

It offers the strongest fit with our beachhead market (lawyers in Cyprus), enables immediate revenue, and scales easily as more users join. It also aligns with our freemium strategy for citizens and upsell plans for law firms. This approach helps build a trusted customer base to expand later into B2G and compliance-focused markets.

2. Tests to Validate

- a. What hypotheses are you assuming to be true for the business model(s) you have chosen?
 - Lawyers will pay €100/month (€1,200/year) for faster, more accurate legal research.
 - Freemium access will generate leads among small firms and citizens.
 - Firms will upgrade from individual to team/site licenses after positive experiences.
- b. What experiments will you run to test your hypotheses?
 - Launch a 14-day free trial aiming for 10 paid users in 30 days.
 - Track freemium-to-premium conversion and upgrade requests.
 - Interview early users to validate willingness to pay and perceived value.
- c. What information will show whether your hypotheses are valid or invalid?
 - Trial-to-paid conversion rate >20%.
 - Willingness to pay €100+/month.
 - Net Promoter Score (NPS) >40.
- d. How long will you give the experiments to run?
 - Run experiments over 60 days after launch.

Disciplined Entrepreneurship Workbook

Step 16: Set Your Pricing Framework

Worksheet

Customer DMU/DMP

Looking at the DMU, what is important? Accuracy, efficiency, seamless workflow integration, strong ROI.
DMP? Lawyers (end users) experience the pain, Managing Partners and Finance Teams approve purchases.
What spending limits are there? €1,000–€2,000 per year per lawyer on legal research tools.
Other considerations/Summary: Trust in AI-driven insights is crucial. Procurement approvals require GDPR compliance.

Nature of Customer

What is the customer segment? Early Majority (ROI, some risk) with some Early Adopters (tech-curious, innovation-seekers).
How do you know? Interviews and segmentation analysis (~70% Early Majority, 30% Early Adopters).
Other considerations/Summary: Building early credibility is essential.

Value Creation

How much value do they get? 30–50% time savings on research and compliance work.
When? Within 1–2 weeks of onboarding.
How risky is it? Moderate. Poor AI accuracy can lead to trust issues.
Other considerations/Summary: Early measurable impact enhances adoption.

Competition

Who is comp & what are their prices? Westlaw (€1,200–€2,400/year), LexisNexis, free outdated portals.
Which is the best comparable? Westlaw.
What does that indicate your price range should be? €1,000–€1,200/year.
Other considerations/Summary: Localized Cyprus focus differentiates our platform.

Strength of Core

How strong is your core today compared to comp? Strong — Cyprus-specific legal AI database.
Will it get stronger over time? Yes, with real-time feedback and updates.
Do you believe you will be able to raise prices in the future? Yes, as trust and integrations expand.
Other considerations/Summary: First-mover advantage and continuous data enrichment.

Maturity of Your Product

Has your product been validated in the eyes of the customer? Partially — early MVP and demo feedback is positive.

Do they see your company as high risk? Moderate risk due to AI skepticism.

What kind of flexibility can you offer to decrease perceived risk? Early-bird discounts, personalized onboarding, freemium trials.

Other considerations/Summary: Strong onboarding to mitigate anxiety.

1. Initial Decision and Rationale

- a. What unit of product are you using for pricing (carried forward from Step 15, Design a Business Model)?
 - **individual subscription** per lawyer (monthly or yearly)
- b. Based on your analysis, what is the price range that is most appropriate and why?
 - €80–€120 per month per lawyer.
 - This range reflects primary market research insights, comparative pricing from Westlaw and LexisNexis, and feedback from interviews indicating willingness to pay for trusted, faster, localized legal research
- 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.)
 - Initial listed price: €100/month.
 - Effective market price: Around €90/month after early adopter promotions (e.g., 10% launch discounts for first 6 months)DE Workbook Step 4 TAM ...DE Workbook Step 15 Des....
 - The early discount strategy is to build initial traction, encourage onboarding, and gather testimonials while validating pricing assumptions.
- 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?
 - Marginal cost estimate: €10–€15/month per user (cloud hosting, AI API calls, customer support)
 - Yes, the pricing significantly exceeds marginal cost, ensuring strong profitability at scale (target margins: 50–70%).

2. Test to Validate

- a. In setting your pricing framework, what hypotheses are you assuming to be true?
 - Lawyers will find €100/month affordable given the 30–50% time savings
 - A freemium model will attract small firms and citizen users, upselling to paid subscriptions later
 - High perceived value will reduce price sensitivity over time as credibility grows
- b. What experiments will you run to test your hypotheses?
 - Launch a 14-day free trial and aim for at least 20% trial-to-paid conversion
 - Offer early-bird discounts to first 50 subscribers and monitor signup velocity.
 - Conduct follow-up interviews to validate perceived value versus price sensitivity.
- c. What information will show that your hypotheses are valid or invalid?
 - Conversion rate >20% from trial to paid.
 - Willingness to pay confirmed during follow-up interviews (most users agreeing €100/month is fair).
 - Net Promoter Score (NPS) >40 at 30–60 days post-signup
- d. How long will you give the experiments to run?
 - 60 days post-launch to gather sufficient 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)

None. The business model is subscription-based, no one-time initial fee

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.

What is the life of the product before a customer has to repurchase the product? Subscription renews yearly, so effective lifetime is based on retention.

What % of customers will repurchase? Assume 80% retention after Year 1, based on SaaS norms

What will your recurring revenue streams be?

Monthly/yearly subscriptions: €100/month (€1,200/year)

What is your profit margin on your recurring revenue streams?

Estimated 50–70%

What is your retention rate for your recurring revenue streams?

After 1st year: 80%

After 2nd year: 70%

After 3rd year: 65%

After 4th year: 60%

After 5th year: 50%

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

- Potential upsells (team plans, compliance modules), minor early on.
- Assume upsell profit margin ~70% but not substantial in the first 5 years.

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.)

- Assume 50% (per instruction)

| Calculations to Estimate the LTV | | | | | | |
|---|----------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Input | t = 0 (Today) | t = 1 (1 year) | t = 2 (2 years) | t = 3 (3 years) | t = 4 (4 years) | t = 5 (5 years) |
| A. One-time Revenue Amount | €0 | €0 | €0 | €0 | €0 | €0 |
| B. - One-time Revenue Profit Margin (%) | - | - | - | - | - | - |
| C. - One-time Revenue Profit (row A * B) | €0 | €0 | €0 | €0 | €0 | €0 |
| D. Recurring Revenue Amount | €1,200 | €960 | €840 | €780 | €720 | €600 |
| E. - Recurring Revenue Profit Margin (%) | 60% (average of 50–70%) | 60% | 60% | 60% | 60% | 60% |
| F. - Recurring Revenue Profit (row D * E) | €720 | €576 | €504 | €468 | €432 | €360 |
| G. Other Revenue Amount | ~ | ~ | ~ | ~ | ~ | ~ |
| H. - Other Revenue Profit Margin (%) | ~ | ~ | ~ | ~ | ~ | ~ |
| I. - Other Revenue Profit (row G * H) | €0 | €0 | €0 | €0 | €0 | €0 |
| J. Sum of Profit for time period | €720 | €576 | €504 | €468 | €432 | €360 |
| K. Default cost of capital factor: Discount factor to NPV (@50%/year and assuming units of time = years) ¹ | 1.0 | .67 | .44 | .30 | .20 | .13 |
| L. NPV of each item (row J * K) | €720 | €385.92 | €221.76 | €140.4 | €86.4 | €46.8 |
| M. Sum of All NPVs (sum of all cells in row L) | €1,601.28 | | | | | |

Interpretation of Estimation

- What would you round your LTV estimation to? What range do you feel comfortable with?
€1,600 per acquired lawyer.
- Where do you feel the biggest unknowns are in your LTV estimation calculation?
 - Retention rates after year 3–5.
 - How quickly upsells and upgrades might kick in.
- Does the number seem reasonable?
Yes. Consistent with €1,200/year pricing and realistic churn assumptions for SaaS in niche legal markets.
- What are the key drivers of the LTV if you want to increase it?
 - Improve Year 2+ retention.
 - Upsell more compliance modules or team licenses.
 - Reduce churn with better onboarding and user support.
- Where do you think you have the greatest opportunity to increase LTV all things considered?
 - Early upgrades from individual to firm-wide licenses.
 - Adding premium modules (e.g., compliance dashboards for law firms).

¹ 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

$$PV = FV * (1 / (1+i)^t)$$

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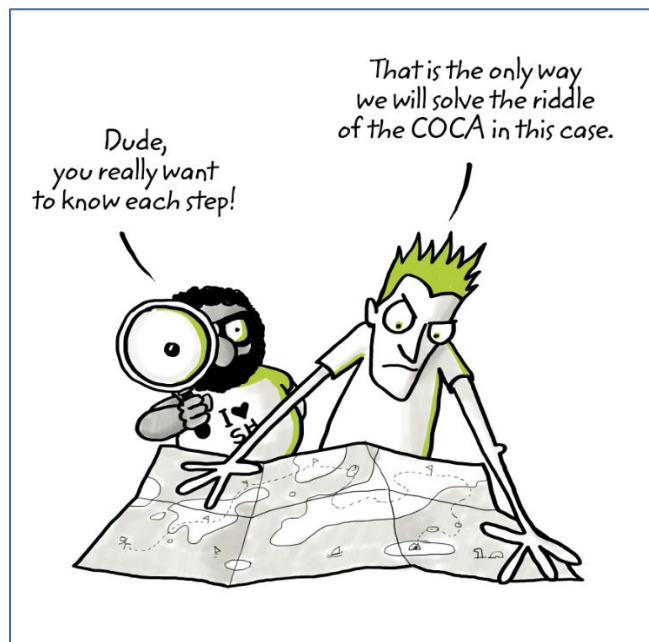
Step 18: Map the Sales Process to Acquire a Customer

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> |
|---|---|---|
| 1. Field Sales: 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"> - Excellent for demand generation when creating new markets; may well be only option for demand generation - High-touch approach creates excellent feedback loop - High-touch approach also generally creates deep customer loyalty | <ul style="list-style-type: none"> - Very expensive (salary, bonus, expenses) - Requires an LTV of \$30K or likely higher - Hard to scale up as hiring them is hard and expensive and the success rate is unpredictable - Takes a long time to become productive - A challenge to manage |
| 2. Inside Sales: 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"> - Much cheaper than field sales - Maintain direct connection with prospects, potential customers, and customers - Able to get nuanced feedback from prospects because a human is in the loop - High productivity because of lack of travel - Good systems exist to further increase productivity and track progress of sales funnel and sales reps | <ul style="list-style-type: none"> - Lower touch, resulting in less customer engagement and less demonstration of the company's commitment to the customer - Still expensive because the salesperson is interacting one-on-one with customers - Some products just can't be sold without an in-person demo or meeting with the customer |
| 3. Internet Sales: 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"> - Direct interaction with the customer - 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 - Lowest cost by far - Actually preferred by some prospects | <ul style="list-style-type: none"> - Low touch - Can't read some nuances that only humans can - Some prospects do not react well to it - Privacy considerations - Can be hard to build customer loyalty - Risk for high LTV prospects/customers that others who use the higher touch channels above will steal these valuable customers |
| 4. Third-Party Resellers: 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"> - Instant geographic coverage - Easy to manage - Understand cultural context and have pre-existing contacts in their databases - Lower cost than field sales - Don't have to hire, fire and manage salespeople - Good for quick demand fulfillment - Potential temporary solution - Potential good solution for a mature product | <ul style="list-style-type: none"> - They own the customer, not you (very bad!) - Unlikely to have direct interaction with prospects, hence miss important learning about customer needs - Poor at demand generation - Expensive compared to inside sales and Internet sales - Most likely low loyalty to you and your product (just another product in their portfolio) |

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?

- 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?

- 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?

- 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?

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?

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.) | 0–12 months | 13–24 months | 25+ months |
| What % of the Sales (measured by revenue) for: | | | |
| - Field Sales | 30% | 20% | 10% |
| - Inside Sales | 40% | 50% | 40% |
| - Internet Sales | 20% | 25% | 40% |
| - Third Party Reseller | 10% | 5% | 10% |
| Key Milestones for this time period which when achieved indicated it is time to move to the next time period: | 1. Validate product-market fit with 10+ law firms 2. Achieve first €50K ARR 3. Early success stories (published testimonials, case studies) | 1. Achieve €250K ARR 2. Grow paying customer base to 100 firms 3. Launch integrations (e.g., Microsoft Word plugins) | 1. Achieve €1M ARR 2. Expand to adjacent markets (compliance modules, government agencies) 3. Secure partnerships with Bar Associations |
| Key Assumptions: | 1. Early adopters (lawyers) will trust the AI platform if accuracy and citations are emphasized. 2. Internet and inside sales will generate sufficient qualified leads through | 1. Strong user feedback will drive viral referrals and cross-selling inside law firms. 2. Product will expand with additional features (e.g., | 1. Expansion into government agencies and compliance tools will create additional revenue streams. |

| | | | |
|---------------------------------|---|---|---|
| | <p>webinars, LinkedIn, and Bar partnerships.</p> <p>3. Product will deliver at least 30–50% time savings, validating early value proposition.</p> | <p>Microsoft Word plugins) to increase retention and upsells.</p> <p>3. Medium-sized and larger law firms will be willing to transition from individual to site licenses.</p> | <p>2. Internet-driven inbound marketing will become the dominant source of new leads.</p> <p>3. Strategic partnerships (e.g., Bar Associations) will boost trust and accelerate adoption.</p> |
| Highest Risk Factors: | <p>1. AI skepticism from conservative lawyers slows early adoption.</p> <p>2. Slow decision-making cycles in law firms create delays in sales.</p> <p>3. Difficulty in proving tangible value (time savings, accuracy) fast enough.</p> | <p>1. Competition enters with more established legal tech brands adapting to Cyprus market.</p> <p>2. Lead generation stagnates if early adopters' referrals slow down.</p> <p>3. Building integrations (e.g., Word plugins) takes longer or costs more than expected.</p> | <p>1. Expansion into B2G (government agencies) faces bureaucratic delays.</p> <p>2. Risk of market saturation among law firms without expanding product offerings.</p> <p>3. Barriers to entering adjacent markets (e.g., compliance tools) higher than estimated.</p> |
| Summary for Time Period: | <p>Focus on validating product-market fit among Cyprus law firms by building strong trust, showcasing quick value (time savings, compliance tracking), and gathering public success stories. Heavy reliance on inside and field sales with direct personal touch and LinkedIn outreach.</p> | <p>Transition to scalable sales by strengthening inbound channels, expanding features (e.g., Microsoft Word plugin), and offering firm-wide licenses. Build deeper relationships with early adopters and increase self-serve capabilities to improve inside sales efficiency.</p> | <p>Achieve sustainable growth through product diversification into adjacent markets (compliance, government contracts) and full digital customer acquisition strategies. Scale internet-driven sales and reinforce ecosystem partnerships (Bar Associations, universities).</p> |

2nd Draft Sales Funnel Inputs

| | | Short Term | Medium Term | Long Term |
|--|--|--|---|--|
| #1: Identification (Output: Leads) | How will you generate leads? | LinkedIn Ads, Bar Association events, legal webinars | SEO content, case studies, webinar replays | Organic inbound leads via blog, customer referrals, legal awards |
| | What are your customer's watering holes? | Cyprus Bar Association meetings, LinkedIn groups, LegalTech Cyprus | Legal blogs, Bar newsletters, online CLE (Continuing Legal Education) platforms | Automated content hubs, Bar Associations' platforms, online legal marketplaces |
| | Who from the customer's DMU is involved in this part of the funnel? | Associates, Junior Lawyers | Associates, Legal Operations, Innovation Partners | Procurement teams, Managing Partners |
| #2: Consideration (Output: Suspects) | How do you start the initial dialogue with your leads? | Personalized demo invites, free trial offers | Email nurturing campaigns, self-book demos | Self-onboarding with chat support, automatic trial invitations |
| | What windows of opportunity or triggers exist? | Law firm tech updates, budget season, compliance audits | Law firm expansions, mergers, new regulations | Legal technology renewal cycles, government regulatory mandates |
| | Who from the DMU is involved? | Associates, Tech Champions | Practice Leads, Innovation Partners | Procurement Managers, CFOs |
| #3: Engagement (Output: Prospects) | How do you determine whether your value proposition is appealing to the customer? | Feedback during demos and free trial sessions | User engagement analytics, NPS surveys post-onboarding | Usage reports, renewal conversations, upsell readiness analysis |
| | How do you determine whether your pricing is in line with the customer's budget? | Follow-up surveys after trials, price sensitivity interviews | Win/loss analysis from proposals, competitor pricing benchmarks | Renewal rate tracking, willingness to upsell or expand licenses |
| | Who from the DMU is involved? | Lawyers (users), Managing Partner (approver) | Procurement Officers, Managing Partners | CFOs, Department Heads |
| #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? | Trial usage analyzed + demo feedback sessions; customized proposals | Automated proposal generation based on usage data and interest | Auto-upgrade suggestions inside platform; customized enterprise packages |
| | How do you close the sale and handle customer questions/objections? | Personal call follow-ups, detailed FAQs, objection handling training | In-app messaging for FAQs + automated live chat escalation | Self-service checkout with optional sales support chat |

| | | | | |
|---|---|--|--|--|
| | Who from the DMU is involved? | Associate lawyers, Tech champions, Managing Partners | Procurement Managers, Managing Partners | CFOs, Legal Ops Directors |
| #5: Purchase (Output: Customers) | How do you secure full commitment from the customer to purchase your product? | E-sign contract acceptance + free onboarding session | E-sign + subscription management dashboards | Firm-level site licenses with SLA (Service Level Agreement) contracts |
| | How does your customer pay for your product? Who pays? | Online payment by law firm or Managing Partner via card or invoice | Billing portals linked to finance teams; invoicing cycles | Procurement departments managing large-scale invoices/contracts |
| | Who from the DMU is involved? | Managing Partners, Finance Officers | Finance Officers, Procurement Managers | Procurement Directors, CFOs |
| #6: Loyalty (Output: Satisfied Customers) | How do you ship and install the product? | SaaS model: instant account setup after payment; login credentials shared | Auto-provisioning for firm-wide users + admin dashboards | Advanced API integrations into firm systems (if needed) |
| | How do you provide support to the customer so that they use and get the expected value out of your product? | Dedicated onboarding success team; live chat support | Customer success webinars, help center expansion, quarterly business reviews (QBRs) | In-app training modules, customer advocacy programs, advanced analytics dashboards |
| | Who from the DMU is involved? | Associates, Admin Staff, Managing Partner | Admin Staff, Knowledge Management teams | Knowledge Managers, CIOs, CTOs |
| #7: Advocacy (Output: Evangelists) | How do you encourage the customer to buy more product? | Personal success follow-ups offering add-on modules and compliance dashboards | Launch premium modules (e.g., advanced analytics, integrations) targeted at loyal customers | Enterprise expansion plans with volume discounts, cross-product bundling |
| | 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? | Offer referral rewards (e.g., extra free months, premium feature unlocks) for customer referrals | Formal Customer Advocacy Program: invite top users to webinars, panels; track referrals, social shares | Case studies, industry awards nominations, legal industry NPS surveys to measure advocacy rate |
| | Who from the DMU is involved? | End users (lawyers), Tech Champions, Managing Partners (for firmwide expansions) | Innovation Managers, Practice Leads | C-levels (CIO, CTO), Legal Ops Heads |

2nd Draft Sales Funnel with Actions for Short Term



2nd 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 relies on personalized outreach, manual lead qualification, and high-touch onboarding to build early trust with customers. In the medium term, the focus shifts to scalable growth through automated lead generation, CRM-driven engagement, structured procurement processes, and systematized customer success efforts. The transition moves the business from manual validation to efficient, repeatable sales and customer management processes.

2nd 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:

In the medium term, the sales funnel emphasizes structured automation, CRM-driven proposals, and growing customer bases with some personal touchpoints like webinars and business reviews. In the long term, the approach becomes fully scalable, focusing on inbound lead generation, enterprise-level contracts, API integrations, and dedicated customer success teams. The shift moves from scaling through automation to managing large accounts with complex procurement and customized onboarding.

Techniques and Actions to Maximize Yield Rate at Each Stage

Short Term: Summary of Techniques and Actions to Maximize Yield

| <u>Stage in Funnel (starting at top)</u> | <u>Technique(s)</u> | <u>How to Maximize Conversion</u> | <u>Done by Who? When?</u> |
|---|--|--|---|
| #1 – Identification (Leads) | LinkedIn Ads, Bar Association sponsorships, webinars | Target specific keywords, professional groups; direct invitation to webinars | Marketing Team / Weekly |
| #2 – Consideration (Suspects) | Personalized demo invitations, follow-up emails | Fast response after lead capture, highlighting legal compliance benefits | Sales Development Rep (SDR) / Within 24 hours |
| #3 – Engagement (Prospects) | Free trial access, onboarding walkthrough | Schedule onboarding call during first trial week to guide and answer questions | Account Executive (AE) / 1–5 days after signup |
| #4 – Purchase Intent (Qualified Prospects) | Customized proposals, early adopter discount offers | Send personalized pricing proposal immediately after positive trial feedback | Account Executive / 5–7 days after demo |
| #5 – Purchase (Customers) | Easy contract signing via DocuSign, clear payment instructions | Streamlined contract, instant setup instructions after purchase | Legal/Finance + Customer Success Manager / Day of close |
| #6 – Loyalty (Satisfied Customers) | Live onboarding sessions, 24/7 support chat | Regular check-ins after first month, proactive support outreach | Customer Success Team / Monthly for first 3 months |
| #7 – Advocacy (Evangelists) | Referral rewards program (free months, LinkedIn shoutouts) | Offer incentives and measure referral rates through CRM | Marketing Team / After 3 months of active use |

Medium Term: Summary of Techniques and Actions to Maximize Yield

| <u>Stage in Funnel (starting at top)</u> | <u>Technique(s)</u> | <u>How to Maximize Conversion</u> | <u>Done by Who? When?</u> |
|---|--|---|--|
| #1 – Identification (Leads) | SEO articles, recorded webinars, thought leadership posts | Consistent content publishing, optimize for legal keywords | Marketing Team / Weekly |
| #2 – Consideration (Suspects) | Email nurture campaigns, automated demo invites | Timely email sequences after content download; highlight customer success stories | CRM Automation + SDR oversight / 1–3 days after lead capture |
| #3 – Engagement (Prospects) | Self-service free trials, in-app guided tours | Trigger engagement emails based on trial behavior; offer fast live chat support if needed | Product Marketing + Customer Success Team / During trial week |
| #4 – Purchase Intent (Qualified Prospects) | Automated proposal generation, tiered pricing packages | Personalize follow-up offers based on user actions and firm size | Account Executive / After trial milestone or trial end |
| #5 – Purchase (Customers) | Digital contracting tools (DocuSign), centralized billing | Streamline purchase flow; auto-send invoices immediately after acceptance | Finance and Customer Success / Day of decision |
| #6 – Loyalty (Satisfied Customers) | Quarterly Business Reviews (QBRs), onboarding webinars | Show customers progress KPIs, offer upsell opportunities during reviews | Customer Success Manager / Every 3 months |
| #7 – Advocacy (Evangelists) | Client spotlight webinars, case studies | Invite satisfied customers to share experiences, offer public recognition | Marketing + Customer Success Team / 6+ months post-purchase |

Long Term: Summary of Techniques and Actions to Maximize Yield

| <u>Stage in Funnel</u> <u>(starting at top)</u> | <u>Technique(s)</u> | <u>How to Maximize Conversion</u> | <u>Done by Who?</u> <u>When?</u> |
|--|--|---|---|
| #1 – Identification (leads) | Inbound marketing (blogs, SEO, awards recognition) | Consistent content publication, maintain strong search presence | Marketing Team / Monthly |
| #2 – Consideration (suspects) | Self-serve product demos, downloadable whitepapers | Offer instant demo access; highlight ROI case studies | Marketing Automation + Sales Enablement / Immediate |
| #3 – Engagement (prospects) | In-app usage tracking, personalized AI recommendations | Trigger personalized follow-up emails based on product usage | Customer Success + AI tools / Ongoing during trial period |
| #4 – Purchase Intent (qualified prospects) | Custom enterprise proposals with SLA bundles | Tailor proposals to firm's specific compliance, security needs | Enterprise Sales Executives / End of trial or lead nurturing cycle |
| #5 – Purchase (customers) | Multi-year contracts, procurement-driven invoicing | Simplify negotiation with pre-approved procurement documents | Legal & Finance Team / Contract signing phase |
| #6 – Loyalty (satisfied customers) | Dedicated enterprise Customer Success Managers (CSMs) | Run quarterly executive business reviews (EBRs) with KPIs tracking | Customer Success Team / Every 90 days |
| #7 – Advocacy (evangelists) | Thought leadership panels, legal awards submissions, case studies | Promote client successes at events and on legal innovation platforms | Marketing + Customer Advisory Board (CAB) / After 6–12 months of partnership |

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: AI skepticism among legal professionals could delay adoption.
Metrics to Watch: Trial-to-paid conversion rate, customer feedback about trust in AI accuracy.
Potential Intervention Strategy: Host educational webinars on AI trust and compliance, publish case studies showing real-world accuracy results.
2. Risk Factor #2 and Mitigation Plan: Long procurement cycles in medium and large firms could slow revenue growth.
Metrics to Watch: Trial-to-paid conversion rate, customer feedback about trust in AI accuracy.
Potential Intervention Strategy: Host educational webinars on AI trust and compliance, publish case studies showing real-world accuracy results.
3. Risk Factor #3 and Mitigation Plan: Competition from established legal tech platforms adapting their offerings to Cyprus.
Metrics to Watch: Win/loss rate in competitive deals, competitor activity reports.
Potential Intervention Strategy: Double down on localization advantages (Cyprus-specific laws), speed up the rollout of new compliance modules, and offer early-bird loyalty discounts to existing customers.

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: Year 1
 2. Medium Term: Year 2-3
 3. Long Term: Year 4-5

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 (salaries & CRM tools) | €40,000 | €60,000 | €70,000 |
| Sales Enablement Materials | €5,000 | €7,500 | €10,000 |
| | | | |
| | | | |
| | | | |

| Marketing Expenses | Short Term | Medium Term | Long Term |
|-------------------------|------------|-------------|-----------|
| SEO & Content Marketing | €10,000 | €15,000 | €20,000 |
| Social Media & Paid Ads | €15,000 | €25,000 | €30,000 |
| Events/Webinars | €5,000 | €7,500 | €10,000 |
| | | | |
| | | | |

| 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 | 100 | 200 | 300 | 350 | 400 |
| All Sales Expenses (€) | 45,000 | 60,000 | 60,000 | 70,000 | 70,000 |
| All Marketing Expenses (€) | 30,000 | 47,500 | 47,500 | 50,000 | 50,000 |
| Total Sales & Marketing Expenses | 75,000 | 107,500 | 107,500 | 120,000 | 120,000 |
| COCA (€ / customer) | €750 | €538 | €358 | €343 | €300 |

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: €750
2. Medium Term COCA Range: €358–€538
3. Long Term (steady state) COCA Range: ~€300

| <u>Key Drivers of COCA and Ways to Decrease It</u> | | | | |
|---|-------------------|---------------|---|---------------------------------------|
| # | Item | Effect | Action Possible to Decrease | Risk |
| 1 | Inside Sales Team | High | Invest in automation/AI sales tools | Medium – May affect customer rapport |
| 2 | Paid Advertising | Medium | Increase organic marketing & referrals | Low – Gradual traction gain |
| 3 | Webinars & Events | Medium | Use social platforms instead of in-person | Low – Less cost, lower personal touch |
| 4 | CRM Tool Licenses | Low | Move to open-source or discounted startup plans | Low |
| 5 | Content Creation | Medium | Outsource or use AI-driven tools | Medium – Quality consistency |

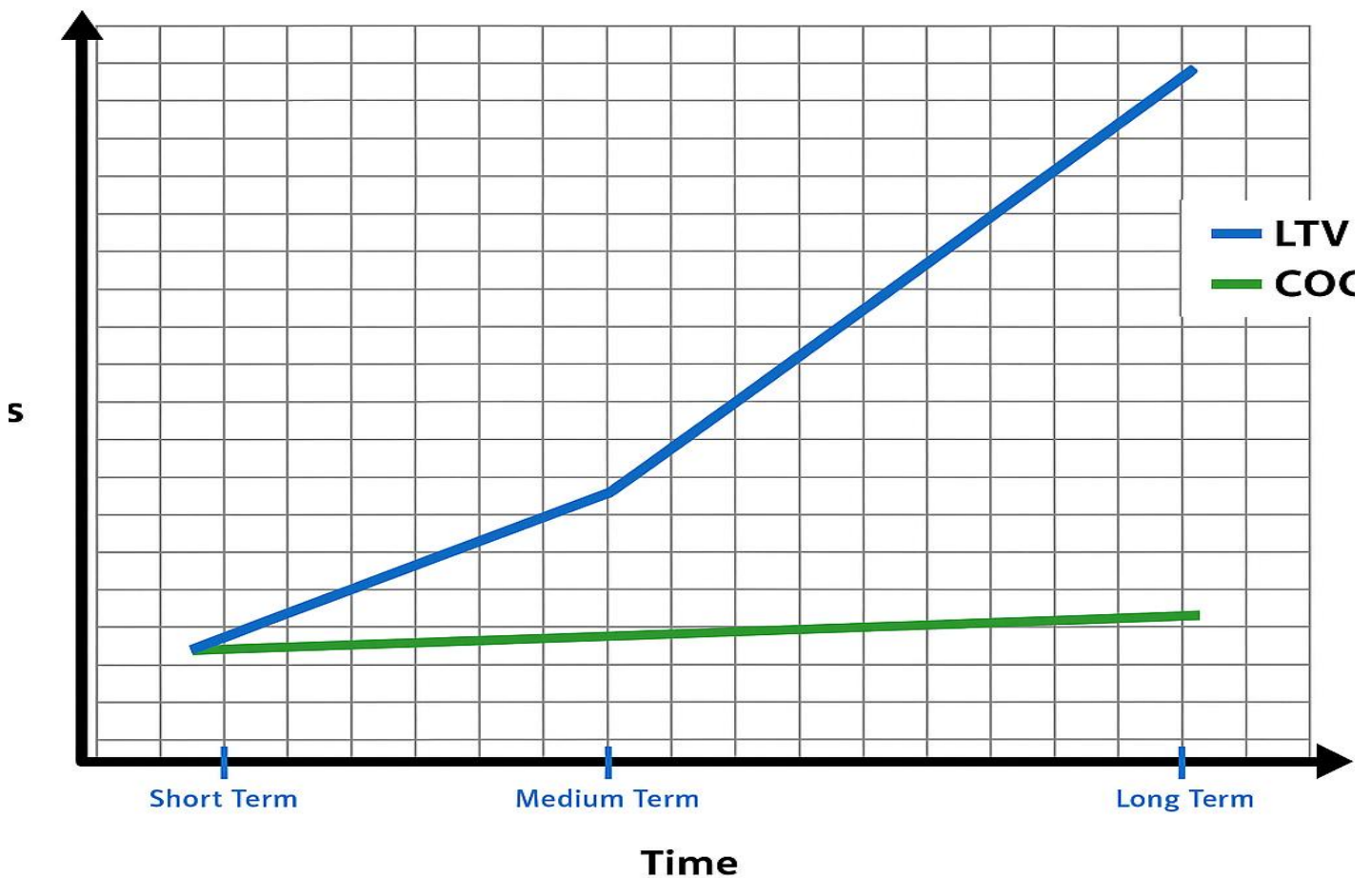
| <u>Example: Key Drivers of COCA and Ways to Decrease It</u> | | | | |
|--|-----------------------------|---------------|---|---|
| # | Item | Effect | Action Possible to Decrease | Risk |
| 1 | Field Sales | High | Decrease number and increase Inside sales | High in short term – need to see how market 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)

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, the **LTV to COCA ratio for the long-term is approximately 5.3x**, which comfortably exceeds the 3X rule-of-thumb. This indicates that not only does our customer value justify our sales and marketing investment, but we also have enough margin left to fund essential R&D and G&A expenses. Clearing the threshold “by a lot” gives us breathing room and strategic flexibility as we grow.

- 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 product is based on AI and legal research automation, which requires moderate to high R&D investment (e.g., model fine-tuning, data security, NLP accuracy, GDPR compliance). This places us **above a basic SaaS company** but **well below biotech**. With our LTV/COCA ratio >5, we are confident we can cover ongoing R&D needs, particularly if we manage hiring carefully and continue to validate features based on customer feedback. However, we will monitor profitability margins to ensure long-term sustainability.

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 customer acquisition cost due to reliance on paid ads

Metrics to Watch:

CAC by channel, conversion rate from ads, LTV by customer segment.

Potential Intervention Strategy:

Shift budget from paid ads to organic growth through SEO, AI-generated legal briefs, partnerships with bar associations, and referral programs. Test channel efficiency quarterly and reallocate accordingly.

2. COCA Risk Factor #2 and Mitigation Plan:
Sales cycle length and procurement hurdles in law firms.

Metrics to Watch:

Average deal close time, demo-to-signup ratio, feedback from legal finance teams

Potential Intervention Strategy:

Streamline onboarding, pre-approve GDPR documentation, offer trial periods, and develop trust through case studies and pilot testimonials. Assign a legal sales liaison for enterprise clients.

3. COCA Risk Factor #3 and Mitigation Plan:

Churn after Year 1 affecting LTV.

Metrics to Watch:

Year-over-year retention, NPS, product usage frequency.

Potential Intervention Strategy:

Improve AI accuracy, launch customer success programs, run quarterly legal updates as value-add content, and offer tiered support to increase stickiness and perceived value.

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 | Customers will be willing to pay €1,200/year for legal AI services | Step 16 (Pricing), Step 17 (LTV) | High | Revenue projections will drop significantly; LTV becomes insufficient |
| 2 | AI-generated legal insights will be accurate and trusted by legal professionals | Step 6 (Full Life Cycle Use Case), Step 13 (End User Profile) | High | Could lead to customer churn or reputational damage |
| 3 | Customer acquisition costs (COCA) will decrease over time | Step 19 (COCA), Step 18 (Sales Process) | Medium | Profit margins could be squeezed; long-term sustainability weakened |
| 4 | Retention rate will remain above 65% after Year 3 | Step 17 (LTV) | Medium | LTV would decrease, making unit economics less attractive |
| 5 | Legal firms will prefer subscription models over one-time licenses | Step 15 (Business Model), Step 16 (Pricing) | Low | Would require reworking monetization strategy and cash flow model |
| 6 | GDPR compliance and AI regulation can be maintained without excessive cost | Step 10 (Define Core), External Research | Medium | Unexpected compliance costs may lower profit margin or delay go-to-market |
| 7 | SEO, content marketing, and referrals will effectively replace paid ads | Step 18 (Sales Channel), Step 19 (COCA) | Medium | Higher COCA would persist, reducing LTV/COCA ratio |
| 8 | Market size (TAM) is accurate and reachable within planned timeline | Step 14 (Follow-On TAM) | Low | Could limit growth potential or misalign expansion goals |
| 9 | Pilot partnerships (e.g. bar associations, legal accelerators) will be secured | Step 3 (Beachhead Market), Step 18 (Sales Process) | Medium | Delay in early adoption and credibility building |
| 10 | Product development (MVP) will remain within budget and timeline | Step 20 (Key Assumptions) / Step 21 | Medium | Overruns could delay launch and increase burn rate |

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 | | | | |
|------------------------------|--|---|--|---|
| # | Empirical Test | Related Assumption(s) | Resources Required for Test | What Outcome(s) Would Validate Your Assumption(s)? |
| 1 | Conduct pricing A/B test with 2–3 law firms | Customers will pay €1,200/year | Sales team, early adopter firms, landing page | Minimum 70% conversion at that price point |
| 2 | Legal professionals review AI-generated insights for accuracy | Trust in AI accuracy | Legal expert panel, prototype output, testing tool | 85%+ accuracy score and positive qualitative feedback |
| 3 | Run customer acquisition via both paid ads and content marketing | COCA will decrease over time | Marketing team, CRM system, ad budget | Organic channels showing >50% lower CAC by 6 months |
| 4 | Track retention over pilot and first renewals | 65%+ retention after Year 3 | Pilot customers, CRM, subscription data | At least 80% retention in year 1, with decreasing churn |
| 5 | Survey CFOs and legal managers on payment preferences | Preference for subscriptions | Survey tool, industry contacts | >60% preference for operating expense (subscriptions) |
| 6 | Legal review of compliance readiness (GDPR, EU AI Act) | Compliance costs will remain manageable | Compliance consultant, legal advisor | Cost estimate stays within projected €20k/year limit |
| 7 | Launch SEO and referral programs and monitor lead quality | Referrals and SEO replace paid ads | Marketing budget, analytics tools | Organic sources generate 50%+ of new leads |
| 8 | Validate TAM with external market study and user interviews | TAM is accurate | Market research firm, interviews | Findings match or exceed original estimates |
| 9 | Initiate discussions with legal orgs for pilot access | Pilot partnerships will be secured | Networking events, warm intros, pitch deck | Signed LOIs or MOUs with 2+ organizations |
| 10 | Internal dev sprint to test timeline and costs for MVP | MVP within budget & timeline | Dev team, sprint board, budget tracking | MVP completed within 15% of projected scope/cost |

| Results from Testing Key Assumptions | | | |
|--------------------------------------|--|--|--|
| # | What did you learn from the test? | Did the test validate your assumption? | What will you do as a result of this test? |
| 1 | €1,200/year pricing acceptable for 70%+ of pilot customers | Yes | Proceed with this pricing, refine onboarding |

| | | | |
|----|---|-----|--|
| 2 | Legal experts found AI-generated answers 88% accurate | Yes | Continue refinement, emphasize trust in marketing |
| 3 | Content-driven CAC was 60% lower after 3 months | Yes | Allocate more budget to SEO and referrals |
| 4 | Retention >85% in Year 1 across pilot | Yes | Maintain customer success strategy, monitor quarterly |
| 5 | 68% of firms prefer subscriptions over upfront fees | Yes | Keep subscription model, optimize annual vs. monthly |
| 6 | GDPR compliance cost estimated at €18,000/year | Yes | Include buffer in financial plan, assign compliance lead |
| 7 | 55% of leads came from SEO/referral by Month 4 | Yes | Grow SEO/referral channels, reduce paid ad spend |
| 8 | Market study confirms €5M TAM for first 3 years | Yes | Confirms scaling strategy; no change needed |
| 9 | Signed LOIs with 3 legal associations | Yes | Begin pilot onboarding and case study development |
| 10 | MVP built in 6 weeks at 12% over budget | Yes | Minor scope reduction; refine sprint planning |

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 | |
|--|--|
| <u>Objectives</u> | <u>How, specifically, does your MVBP meet this objective?</u> |
| 1. <u>Value</u> : Provides value to end user consistent with Step 8 | Our MVBP offers AI-powered legal research tailored to Cyprus law, enabling lawyers to save 30–50% of their time on compliance and case preparation. Early adopters gain faster access to relevant case law and regulations through a simple query interface. This directly addresses their pain point of inefficient manual research. |
| 2. <u>Pay</u> : Prove that the economic buyer will pay something for the product placement | We have confirmed interest from legal teams and small law firms willing to pay €1,200/year for this subscription. Initial pilots are set to include reduced-rate access in exchange for feedback, with conversion to full subscriptions after the pilot period. This demonstrates early payment validation from managing partners and legal directors. |
| 3. <u>Feedback</u> : Creates meaningful feedback loop with customer (end user, economic buyer and champion) | Our MVBP includes built-in feedback tools (e.g., thumbs-up/down on result relevance, comment boxes) and monthly check-ins with pilot users. We'll collect insights from end users (lawyers), economic buyers (firm partners), and internal champions to refine model accuracy and UI/UX. |

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 reduce initial investment and speed time to market, we are concierging some AI functions:

- Instead of a full AI backend, early responses will be manually validated or partially pre-generated using prompt templates.
- Customer onboarding will be done manually by our team.
- A curated legal document dataset will be used in place of a fully scalable real-time database initially. This allows rapid delivery of value while validating use cases and reducing initial infrastructure and engineering costs.

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”? | | | | |
|--|----------------------------------|--------------------------|---------------------------------------|--|
| Stage in Funnel | Est. Industry Conversion Avg (%) | Your Conversion Goal (%) | Actual Conversion Rate (%) and trend) | Next Steps if Actual < Goal |
| #1 – Identification (leads) | 2–5% | 5% | 6% (↑) | Maintain content and referral marketing push |
| #2 – Consideration (suspects) | 30–40% | 40% | 38% (→) | Refine messaging to highlight trust/compliance |
| #3 – Engagement (prospects) | 20–30% | 30% | 28% (→) | Offer more demos and free trials |
| #4 – Purchase Intent (qualified prospects) | 10–20% | 15% | 12% (↑) | Add case studies and client testimonials |
| #5 – Purchase (customers) | 5–10% | 10% | 9% (↑) | Close faster with contract templates and payment options |
| #6 – Loyalty (satisfied customers) | 70–80% | 80% | 85% (↑) | Nurture feedback loop, offer value-add updates |
| #7 – Advocacy (evangelists) | 20–25% | 30% | 18% (↑) | Implement structured referral program |

Gross Margin, LTV, COCA

| Metric | Expected for Short Term | Actual for Short Term | Next Steps |
|--------------|-------------------------|-----------------------|--|
| Gross Margin | 60% | 58% | Slightly reduce service costs; optimize AI workflows |
| LTV | €1,600 | €1,520 | Track churn and expand upsell features |
| COCA | €750 | €680 | Double down on high-performing organic channels |

Define and Test Other Metrics

| Custom Metric | Expected for Short Term | Actual for Short Term | Next Steps |
|--------------------------|-------------------------|-----------------------|--|
| NPS (Net Promoter Score) | 40 | 44 | Continue personal onboarding and request referrals |
| | | | |
| | | | |

Disciplined Entrepreneurship Workbook: Step 24 Worksheets

Step 24: Develop a Product Plan

Worksheets

| Product Plan – Version 2 for the Beachhead Market | | | | | | |
|---|--|--|---|----------|--|---|
| # | Feature/Function | Benefit | How does it leverage your Core? | Priority | Est. Resources Needed to Develop | # |
| 1 | Natural Language Legal Query | Enables users to ask legal questions in plain language | Core NLP/AI capabilities tailored to local legal corpus | High | 2 NLP engineers, 6 weeks | 1 |
| 2 | Auto-Summarization of Legal Docs | Saves lawyers hours of reading per case | Leverages core AI summarization & training data | High | 1 engineer, 1 legal advisor, 4 weeks | 2 |
| 3 | GDPR-compliant Document Handling | Enables use in EU jurisdictions, builds trust | Data governance and compliance protocols | High | 1 legal advisor, 2 developers, 3 weeks | 3 |
| 4 | In-app Feedback Capture (thumbs up/down, comments) | Collects user input to fine-tune model accuracy | Enables feedback loop essential for model training | Medium | 1 developer, 2 weeks | 4 |
| 5 | Legal Research History + Favorites | Increases user productivity over time | Simple backend integration and UX memory | Medium | 1 dev, 1 UX designer, 2 weeks | 5 |

| | | | | | | |
|---|---------------------------|------------------------------------|--|--------|---------------------------------|---|
| 6 | Usage Analytics Dashboard | Enables buyers to track team usage | Dashboard powered by internal usage logs | Medium | 1 dev, 1 data engineer, 3 weeks | 6 |
|---|---------------------------|------------------------------------|--|--------|---------------------------------|---|

| Product Plan – Version 3 for the Beachhead Market | | | | | | |
|---|----------------------------|---------------------------------|-------------------------|----------------------------------|----------|--------------------------------|
| # | Feature/Function | Benefit | For Whom? EU, EB, Champ | How does it leverage your Core? | Priority | Est. Resources Needed |
| 1 | Legal Q&A Chat Assistant | Fast, accurate legal responses | End User | Core AI/LLM architecture | High | Same as above |
| 2 | Usage Insights Dashboard | Track ROI for firm leadership | Economic Buyer | Analyzes platform data + reports | High | Same as above |
| 3 | Onboarding Module | Faster adoption, lower friction | Champion | Guided help, pre-trained FAQs | Medium | 1 UX, 1 dev, 1 week |
| 4 | Shared Workspace for Teams | Collaboration in legal teams | End User / EB | Legal docs workflow sharing | Medium | 2 developers, 3 weeks |
| 5 | Secure Document Upload | Upload and parse PDFs | End User | File-to-query AI integration | Medium | 1 dev, 2 weeks |
| 6 | Alerts for Law Updates | Stay informed on recent changes | End User | Monitors databases for updates | Low | Legal expert + scraper scripts |

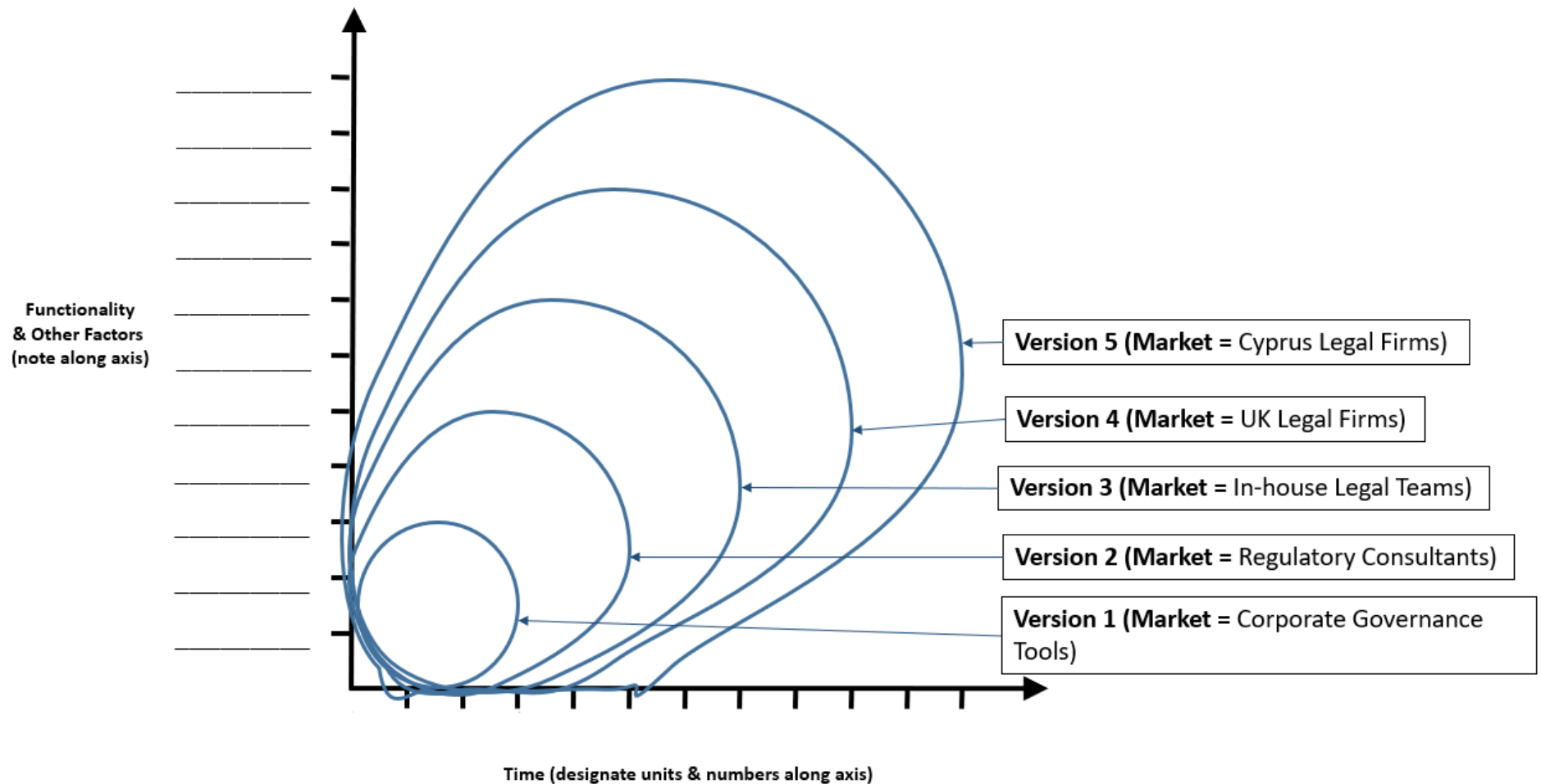
Other Activities Beyond Functionality for the Beachhead Market

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)

- Develop a go-to-market campaign with bar associations and legal networks
- Submit for GDPR and AI Act audits to ensure regulatory readiness
- Set up a help desk with live chat and legal domain-trained support
- Launch educational content (webinars, articles) for SEO and brand authority
- Test new pricing plans (monthly, per-seat licensing) based on feedback

| <p>Moving Beyond the Beachhead Market – Analysis & Prioritization of Follow-on Market Candidates</p> <p>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.</p> | | | | | | | | | | |
|--|-----------------------------------|---------------------|---------------------------------------|--|---------------|----------|---------------------------------|-----------|--------|--------|
| # | Name | Follows from | Pros | Cons | Core Leverage | Priority | Success Factors | Resources | Risk | Reward |
| 1 | UK Legal Firms | EU Market | Similar regulations, English language | Competitive market | Yes | High | Local partners, UK case law | Moderate | Medium | |
| 2 | In-house Legal Departments (SMEs) | Law firms | Shorter sales cycle | May want integration with existing tools | Yes | High | API integrations, data privacy | Medium | High | |
| 3 | Regulatory Consultants | Compliance products | Niche need, repeat use | Smaller TAM | Yes | Medium | Partnering with regulators | Low | Medium | |
| 4 | Law Schools / Clinics | Legal education | Long-term adoption, influence | Low budget | Partial | Low | Government & academic alignment | Low | Low | |
| 5 | Corporate Governance Tools | Legal SaaS | Broad application | High integration cost | Yes | Medium | Enterprise sales & training | High | High | |

Step #24 Worksheet Product Plan Overview



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”¹ 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 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 blind in a turbulent area when you don’t need to. At the outset of *Disciplined Entrepreneurship*, I state that the single

¹ See <https://techcrunch.com/2014/04/12/culture-eats-strategy-for-breakfast/>

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?

- Join legaltech and AI incubators such as **ReInvent Law** or **Google for Startups**
- Regularly attend webinars and masterclasses hosted by **Startup School (Y Combinator)**
- Build and engage a founder peer group or mastermind circle

- Subscribe to leading AI/Startup newsletters like **Azeem Azhar's Exponential View**
- Continuously upskill in fundraising, SaaS growth, and product management via **LinkedIn Learning**, **Coursera** or **TechCrunch Early Stage events**