

The Lawless Venture Model

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• Vision



The Lawless Venture Model (LVM) is simple checklist to assure entrepreneurs that they have covered the major issues to develop their new ventures.

It is most useful in the stage when entrepreneurs have an “Inspiration,” and they first start to figure out how to take it to market.

It highlights first things to think about, questions to answer, and issues to resolve.

Vision



The Lawless Venture Model is based on 10 challenges with three to six key questions in each in a checklist format.

It is not based on the traditional Business Plan hierarchy and functional areas.

• LVM Challenge Checklist



First, list the major challenges to develop your venture.

- Product/service
- Addressable Market
- Conversion
- Development
- Operations
- Organization
- Cash
- Finances
- Legal
- Exit/Continuation

• The Key Questions



For each challenge, give your best, current answers to the key questions.

Complete, final answers are not as important as to be aware of each question, and to lay out how you will answer it.

Your venture may lead you to your own challenges and questions.

● Product/Service



Briefly describe the key technical, physical parts of your product/service.

Briefly describe the key parts of the product / service that create value for your customer.

Use the DVD questions (next slide) to check whether you have competitive advantage.

• DVD Questions



Test your competitive advantage by answering three questions:

Value - Why will customers buy your product/service (what problem are you solving)?

Differentiation - Why will they buy it from you (not a competitor)?

Durability – How long before your competitive advantage erodes from change in 1) customer preference, 2) competition/imitation, 3) technology obsolescence, 4) regulation

• Addressable Market



Describe the customers who will really buy your product/service (not a demographic).

- How many customers will really buy your product/service?
- On what timeline?
- How much will they pay?
- How many buys per week, month,....?
- How much will it cost to get a new customer?
- How will you use social media to get and keep customers?
- How will use your customer data?

• Addressable Market



Example: To start a premium ice-cream store in Solana Beach California, the market is better described as people willing to pay \$6.00 for scoop who live within 10-minute driving distance of the planned location. It could be estimated with a survey of people in the area.

Rather than data like, US ice-cream makers produced 726 million gallons in 2011. The U.S. dairy industry produced approximately 20 quarts per capita in 2010. Then applying some estimated percent to the national market size.

● Conversion



How will your customers pay (by the unit, subscription, membership, page views, etc.)?

How will you collect (cash, credit card, auto-pay, ...)?

• Development



Sometimes this is called “go-to-market.”

- What tasks are needed to get your product/service ready to sell?
- How will you complete them?
- On what timeline?
- What features do you need to prove your product /service as early in development as possible (MVP)?
- What is the best test available to create confidence in your product/service?
- When is your market test?

• Operations



- How will you build your product (in-house, out-sourced maker or service provider, ...)?
- How will you get the ingredients, components,... you need?
- How will you present it to your customers (website, app, storefront, ...)?
- How will you get it to your customers (in-person, drop-ship, storefront, app , website ...)?

• Organization



- What tasks do you need to develop your venture?
- How will get them (contracts, part, full-time hires,...)?
- On what timeline?
- What are the first in-house jobs to fill?
- How will you pay them (cash, options, % returns)?
- Who are your board of advisors?
- How do they help your venture?

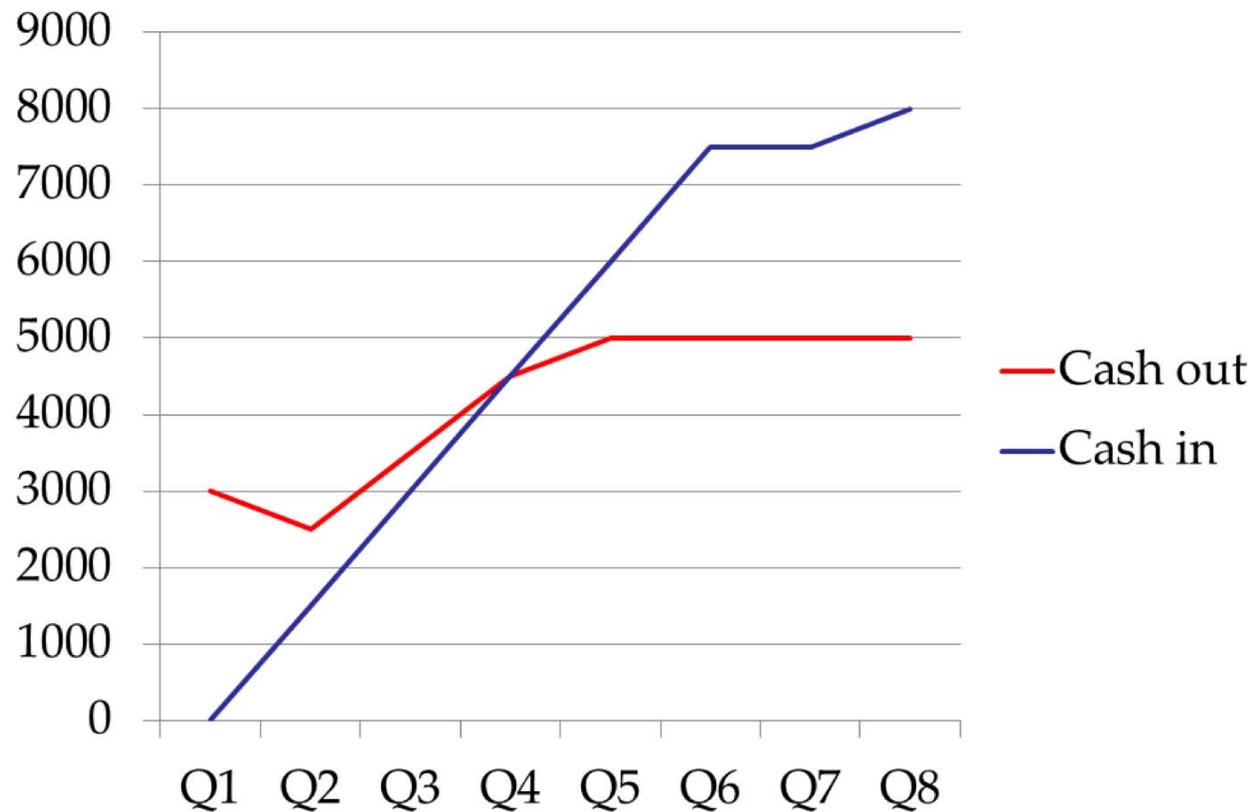
• Cash



Use the Cash-in / Cash-out Sketch (CICOS)

- Make a graph of cash x each period (week, month, quarter, ...),
- How much cash will you have from operations in each period?
- What is the total amount needed to pay bills coming due in the same periods?

• Cash-in / Cash-out Sketch



● Finances



Cash fits into your financial structure.

- How will you pay bills when cash-in from operations is less than cash-out?
- How much money, other than from operations, will you need in each period?
- What sources can you use to get the money?
- On what conditions can you get it?
- What valuation do you estimate at exit or continuation?
- Make *pro forma* financial statements.

● Finances



If you self-fund:

- Where will get the money to cover any cash gaps?
- What risk to personal wealth and relationships are you OK with?
- How much will you pay for the money?
- When will you pay it back?

● Finances



If you use outside funds:

- What sources do you expect to provide the money to cover any cash gaps?
- How will you reach them?
- What is your “pitch?” (See Build Your Pitch Deck)
- What term sheet do you expect to be offered?
- What terms are OK and not?
- How many rounds of funding do you expect?

• Legal



- When should you switch out of sole proprietorship?
- What legal organization should you move into?
- What liabilities do you need to prepare for?
- Do you have IP to protect?
- How should you handle contracting and hiring?
- When should you hire attorneys?
- How will they expect to be paid?

● Exit/Continuation



If you have investors, when will they be paid off?

- What kind of exit do you expect?
- If a trade sale, can you list likely acquirers?
- What are ideal and expected exit scenarios?

If you will continue to run the business,

- How will you transition from new venture to steady business?
- What will your role be?

• Last Thoughts



Your LVM can be used internally to help organize your thinking about what needs doing and when.

It can branch you off into other tasks like learning about term sheet provisions or preparing a pitch deck.

Externally, it is the basis of your pitch to investors and others. It can also be the start on a more formal Business Plan as needed.