

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Management from the Nova School of Business and Economics.

**BUSINESS PLAN DEVELOPMENT FOR AN AI BASED LEGAL CHATBOT STARTUP:  
MARKET SIZE AND POTENTIAL OF THE LEGAL TECH MARKET AND ITS  
RELEVANT SUBSEGMENT FOR THE STARTUP IN GERMANY**

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Abstract:

The business plan outlines the introduction of a specialized AI-driven legal advice platform targeting the German market. The core offering is an online-hosted chatbot providing precise legal answers, distinct from general AI models and targeting legal advice seekers, law firms & legal departments, and law students. Additionally, partnerships with law firms and legal departments involve mediating between chatbot users and legal service providers. The plan encompasses comprehensive market analyses, financial projections, and the final evaluation of the attractiveness of the business and its addressable market.

Keywords: Business Plan, Legal, AI, Tech, Legal Tech, Legal AI, Startup, Law, Chatbot, New Product Development, Technological Innovation

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## List of abbreviations

AI.....	<i>Artificial Intelligence</i>
ANI.....	<i>Artificial Narrow Intelligence</i>
API.....	<i>Application Programming Interface</i>
B2B.....	<i>Business-to-business</i>
B2C.....	<i>Business-to-consumer</i>
B2L.....	<i>Business-to-lawyer</i>
BCG.....	<i>Boston Consulting Group</i>
CAGR.....	<i>Compounded annual growth rate</i>
CV.....	<i>Curriculum Vitae</i>
E-commerce.....	<i>Electronic Commerce</i>
E-WOM.....	<i>Electronic Word-of-mouth</i>
FGCP.....	<i>Fifth Generation Computer Project</i>
G&A.....	<i>General &amp; Administration</i>
GmbH.....	<i>Gesellschaft mit beschränkter Haftung</i>
IHK.....	<i>Industrie und Handelskammer</i>
Legal Tech.....	<i>Legal Technology</i>
LLM.....	<i>Language Learning Model</i>
ML.....	<i>Machine learning</i>
NLP.....	<i>Natural Language Processing</i>
RDG.....	<i>Rechtsdienstleistungsgesetz</i>
ROS.....	<i>Return on sales</i>
SEO.....	<i>Search Engine Optimization</i>
StBVV.....	<i>Steuerberatungsvergütungsverordnung</i>
STP.....	<i>Segmentation Targeting Positioning</i>
UG.....	<i>Unternehmergeellschaft</i>
USP.....	<i>Unique selling proposition</i>
VC.....	<i>Venture Capital</i>
WOM.....	<i>Word-of-mouth</i>
WTP.....	<i>Willingness to pay</i>

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## **1. General introduction to the topic**

Artificial Intelligence (AI) has garnered widespread attention and interest across various industries due to its transformative potential. The legal industry, in particular, is undergoing a notable transformation with the integration of AI technologies. Automation and AI-driven tools are enhancing legal research, document analysis, and even providing predictive analytics for case outcomes. The legal sector's adoption of AI reflects a broader trend where innovative technologies are reshaping traditional practices across diverse professional domains.

In response to this evolving landscape, three founders have devised an AI-based business idea with the aim of offering support to people who seek legal advice, law students, law firms, and legal departments. This initiative aligns with the broader trend of leveraging AI to enhance efficiency and effectiveness in legal services.

The goal of the master's thesis is to formulate a comprehensive business plan for the legal tech startup that focuses on market entry and sustainable success. The process involves applying theoretical models to analyze and shape the startup's strategy, progressing from understanding the external business environment to the core of the company.

Beginning with an introduction to the business idea and an overview of the market gap, the thesis explores market sizing to evaluate the entry market's potential. Subsequently, an industry analysis and strategy derivation through Porter's five forces are presented. The sixth chapter delves into customer analysis using the STP methodology, incorporating recent research findings from surveys and expert interviews to identify relevant customer groups. The resulting marketing mix in chapter seven contributes to the company's strategy, aligning with its vision and mission for the corporate strategy. Additional sections cover the vision and goals, the operational organization of the startup, and the formulation of a financial plan. The thesis concludes with a critical evaluation of the business idea, ensuring a comprehensive and strategic foundation for the legal tech startup's foray into the German market.

## **2. Business idea decision rational**

### **2.1 Why the business idea matters**

The interest in this project stems from the fascination with emerging technologies, particularly AI. As AI reshapes industries, exploring its impact on legal services aligns with the curiosity about transformative technologies. This project allows the authors to delve into the intersection of AI and the legal field, potentially reshaping how legal advice is sought and delivered. AI is not just a tool for businesses but also for empowering individuals and communities, reflecting the vision of technology driving positive change and its capacity to address real-world challenges. Studying AI's role in legal services goes beyond classroom learning; it is a step toward building innovative legal technology (legal tech) startups. In addition, entrepreneurial aspirations drive the motivation of this paper. As future business leaders, this project extends beyond a business plan, equipping the authors with skills needed for potential steps in the future. It provides a diverse learning opportunity, delving into AI, legal services, and business planning. The project nurtures critical thinking, problem-solving skills, and adaptability, crucial for future careers, while also synthesizing concepts from the master's program, offering a practical application of skills learned in marketing, finance, strategy, and more. Unlike traditional academic theses, a business plan integrates these skills, comprehensively understanding real-world business operations. Moreover, the business idea ensures equal access to initial legal advice for all social classes. This inclusivity aligns with the commitment to societal value beyond monetary gains.

This project represents the journey into the transformative realm of AI, entrepreneurial learning, and the practical application of multidisciplinary skills.

### **2.2 The rise of AI**

What is the definition of "artificial intelligence" and "machine learning"? Throughout history, there has been a longstanding collaboration between humans and machines, resulting in

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increased productivity and advancements in invention. The terms AI and "machine learning" (ML) refer to developing and implementing computer systems that can perform human-like tasks, reflecting a broad spectrum of cognitive abilities. Hence, within the scientific domain, the term encompasses a broad spectrum of cognitive abilities that are typically attributed to the human mind. The cognitive functions encompass various mental processes such as perception, thinking, learning, environmental interaction, problem-solving, and the manifestation of creativity (McKinsey & Company 2023).

Originating in the 1950s, AI's early stages faced challenges with computational limitations and high programming costs. The Dartmouth Summer Research Project on AI 1956 marked a significant milestone, introducing the term "artificial intelligence" (Copeland 2023). Thus, the decade of the 1970s posed notable obstacles for the research. Despite the achieved advancements, computers continued to face a significant deficiency in computational capacity necessary for tasks such as natural language processing and abstract reasoning. The previous constraint presented a significant obstacle to the progress of AI. A notable deceleration in advancement due to a decrease in financial resources allocated to this domain was the result. The limited funding had an adverse impact on the research and development endeavors pertaining to artificial intelligence technology (Anyoha 2017).

Throughout the 1980s, AI witnessed a notable rebound. Due to the introduction of sophisticated algorithms and a substantial rise in financial backing, AI experienced a resurgence. The utilization of novel methodologies, such as deep learning and expert systems, has facilitated significant progress in diverse applications of AI. The "Fifth Generation Computer Project (FGCP)" in Japan deserves special attention because of its substantial financial investment in the field of AI. While it is acknowledged that not all predetermined objectives were successfully attained, it is imperative to highlight that this project has significantly contributed to the advancement of AI research on a global scale, as well as serving as a source of inspiration for

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highly skilled scientists and engineers. Overall, the 1980s witnessed a significant comeback and innovative developments in AI, leading to notable advancements and progress (Anyoha 2017). Technological advancements in the 1980s set the stage for later breakthroughs. Ray (2018) notes that AI's evolution, particularly in computer storage capacity, became a non-issue, enabling technology to flourish. To grab the current state of AI, it is crucial to divide AI into three sections: Artificial Narrow Intelligence, General Intelligence, and Super Intelligence. Today, AI solutions belong to the Artificial Narrow Intelligence (ANI) category. ANI systems excel in specific tasks such as data analysis, text generation, image recognition, and language translation. In several businesses, ANI is already being utilized to automate operations and deliver insights. The next level is General Intelligence, where AI is able to independently solve problems and ultimately function like a human being. As the name implies, Superintelligence would mean that AI is more intelligent than humans in all areas. In recent years, in particular, the technology has made enormous progress and has been used in many areas, such as natural language processing, image recognition, and automation (ALLTECH Magazine 2023).

Regarding AI trends in 2023, one can name three emerging trends: Creative or Generative AI, ChatGPT, and AI for personalization. The first trend uses technology to generate original content such as images, text, and music. For this purpose, AI models are trained to learn the structures and patterns of pre-existing data and to generate unique and original content from the knowledge obtained. ChatGPT has been a well-known concept for most people for a few months and is a sibling model of InstructGPT, which is a chatbot for an introduction-based script. AI for personalization involves the possibility for companies in particular to offer solutions tailored to the individual needs of their customers. AI technology enables electronic commerce (e-commerce) platforms to recommend products that are most likely to appeal to specific users based on their search history and previous purchases. This also positively impacts on the customer experience and builds customer loyalty (Mirabella 2023). Major corporations

have increased AI utilization by 47%, impacting healthcare, transportation, logistics, and supply chain management (ALLTECH Magazine 2023). In general, AI has the potential to boost productivity growth, which is particularly crucial considering the slowdown in productivity in advanced economies. However, the impact of AI on the labor market is mixed as it could disrupt the labor force, particularly evident in the declining male labor force participation rate. While AI has the potential to boost productivity and create new job opportunities, it also presents challenges related to job displacement, income inequality, and changing skill requirements (Furman and Seamans 2019).

Having looked at the broad field of AI and its current trends, attention now turns to the nuanced integration of AI into legal services and law firms. The legal industry, a field rooted in tradition and precedent, is undergoing a profound transformation driven by the remarkable capabilities of AI. In this evolving legal landscape, AI is proving to be a disruptive force, offering unprecedented opportunities for innovation.

This ongoing trend is expected to seamlessly integrate into the daily workflows of lawyers and lead to profound changes across the legal sector. In the following section, the importance of AI specifically in the context of the legal industry is explored in detail, highlighting its potential impact and transformative consequences.

### **2.3 AI in the legal market**

Having explored the vast landscape of AI and current trends, the focus shifts towards integrating AI in legal services and law firms. The legal business is undergoing a transformational wave fueled by AI's extraordinary potential.

A study on legal tech use in Germany revealed that 76% of respondents consider it the most important trend to increase legal efficiency (Lovrekovic, Gutermuth und Loos 2022). This resounding consensus underscores the widespread recognition that AI-enabled legal techs are not just an option but a necessity for anyone who wants to succeed in the legal field. Princeton

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University, the University of Pennsylvania, and NYU researchers highlighted AI's significant impact on legal services, emphasizing its transformative power. According to Gomes (2023), integrating AI into legal processes is inevitable, reshaping service delivery.

***“The Day when AI-powered robot lawyers will represent clients in the courtroom may be fast approaching”*** (Gomes 2023)

Even if the concept of AI-controlled robot attorneys is on the horizon, the legal system may not be quite there. However, AI, particularly chatbots, are making progress in automating client contacts, data collecting, and day-to-day legal duties and might eventually take over 25% of attorneys' everyday tasks. ChatGPT and other generative AI systems offer 24/7 help, automation, and document preparation, revolutionizing accessibility, accuracy, and cost reduction in the legal business. While ChatGPT envisions significant changes in procedural legal work, it does not predict substantial inroads into academic legal analysis, statutory construction, or complex case analysis. Nonetheless, it foresees a technological transformation that will reshape the legal sector and increase self-help legal resources for clients and the public (Macey-Dare 2023).

Several AI systems, like ROSS Intelligence, LawGeex, and Beagle, have been used for legal research, contract drafting, and contract administration (Semmler and Rose 2017). Another noteworthy use is AI's capacity to forecast case outcomes, which improves attorneys' decision-making and client advice. Despite possible obstacles, integrating AI into the legal sector offers tremendous progress and lays the way for a technologically altered legal landscape (Macey-Dare 2023).

#### **2.4 German AI legal market examination**

As the exploration of AI applications in legal services and law firms unfolds, attention must move toward a more localized examination of this dynamic landscape. In the specific context of the German legal market, the integration of AI presents both opportunities and challenges

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that warrant a closer examination. Germany, known for its rigorous legal framework and commitment to precision, provides a unique backdrop for studying AI's influence on legal practices. This investigation delves into the intricacies of how AI impacts the legal landscape within Germany, considering the legal nuances and the technological innovations that underpin this shift.

Numerous providers are already simplifying legal tasks using software that combines AI, specifically ML, with predefined rules. While many of these products originate from the Anglo-American sphere, German providers also develop similar applications. These tools often use open-source software from platforms like Amazon or Google, customized for legal needs. They learn primarily through user-based training, continuously adapting to user requirements. Furthermore, the tools are primarily applied to organize and sift through extensive contract volumes (descriptive analytics) and predict complex legal outcomes (predictive analytics). Descriptive analysis in the legal framework involves examining historical data and patterns to provide a retrospective view of past legal cases or events. It helps lawyers and legal professionals understand what has happened in the past. Conversely, prescriptive analysis aims to offer recommendations and insights for future legal actions. It uses data and predictive analytics to guide the best action, helping legal professionals make informed decisions and strategies for upcoming cases or legal matters (Kaulartz und Braegelmann 2020).

The emergence of legal tech in the past few years, starting around 2016, indicates that even the traditionally conservative German legal system is gradually opening up to digital innovation. However, the German legal market has been cautious about adopting new technologies. Generally, it is essential to note that using self-learning algorithms and AI remains exceptionally rare in Germany (Kaulartz und Braegelmann 2020). Nevertheless, legal tech applications hold significant promise for businesses, and several German companies are already leveraging them extensively. These applications come in various forms, offering technical

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support or automation for various legal functions. The key benefits revolve around enhancing efficiency and reducing errors, leading to improved performance and higher quality in legal tasks. As part of the study by Lovrekovic, Gutermuth & Loos (2022), the 100 most successful companies in Germany, distributed across different sectors, were addressed. 92% of the participants were employees in the legal departments of the companies addressed, and they were asked specific questions about the knowledge and use of legal tech. According to the data, 78% of the respondents are familiar or very familiar with the topic, and 81% are actively involved with legal tech as part of their job. In general, the most significant advantage regarding legal tech is seen in "more efficient work". Furthermore, the results of the study show that the majority of the participating companies also plan to intensify the use of legal tech in the future. The trend is also visible globally: an analysis of data regarding the worldwide legal tech startup scene indicates a substantial uptick in the number of startups and the level of funding they have received since around 2012-2013. This trend is observable across the business-to-consumer (B2C) and business-to-business (B2B) sectors, encompassing startups catering to both categories. Most of these legal tech startups are situated in North America, confirming that North America is the world's leading market for legal tech providers. Notably, in the B2B sector, there are twice as many startups in North America compared to Europe, whereas in the B2C sector, Europe slightly edges out North America in terms of the number of legal tech startups. Since there are various forms of AI-based applications, it depends on how far they are already established. In Germany, many data and documents are not available digitally, so the necessary training of self-learning algorithms can only take place to a limited extent. To illustrate, in the United States, the practical use of predictive analytics for predicting litigation outcomes is more advanced. This is primarily because the U.S. benefits from a broader availability of data compared to Germany, where there are currently no suitable databases encompassing a vast array of district and regional court decisions alongside higher court rulings.

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The primary regulatory framework they adhere to for legal tech applications and companies operating in the German B2C sector is the "Rechtsdienstleistungsgesetz" (RDG). This law serves as the central reference point for their operations and compliance. The RDG "regulates the authority to provide out-of-court legal services in the Federal Republic of Germany" (§ 1 para. 1) and understands legal services in principle as "any activity in specific third-party matters as soon as it requires a legal examination of the individual case" (§ 2 para. 1) (Kind, Ferdinand und Priesack 2019).

### **2.5 Market gap**

The legal tech industry is still young and comes with various market gaps that need to be covered. Despite substantial technological advances, only 10% of legal firms have adopted technology after the American Bar Association (Legamart 2023(1)). Missing features and immature tools still curb demand after those tools (Rachel Dooley 2023). This leads to a legal service landscape where many law firms and legal departments still are reluctant to let go of current processes (Legal Suite 2022). If a process has automation through legal tech, it will usually be a particular one that is not inherently complex. Examples of those not inherently complex automated tasks are legal accounting and billing, legal document management, or contract drafting (AltFee 2023). Where actual technology encounters issues and unreliability is when it comes to complex case analysis that needs to account for individual patterns and is not easily automatable (see chapter 2.3). Here lies the main uncovered gap in the B2B legal tech market. The company that can offer the first comprehensive AI solution which can support lawyers in complex cases without being highly susceptible to mistakes will instantly become a monopolist in the market. Such a service might be similar to ChatGPT but is specifically tailored to legal applications. On the B2C side of the legal tech market, a company does not even have to deliver a revolutionizing product as this market only accounts for around 12% of the overall legal tech market in Europe and is less mature in technology advancement (Statista

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2023(3)) (Fong 2019). Existing legal tech products often follow a "Do it yourself" model with lower prices than traditional legal services (Comar und Dziadosz 2022). Platforms like Courtroom5 and Hello Divorce offer self-representation tools, while German services like Legalbird and Anwalt.de provide initial legal evaluations (Kendall 2021). Most services have uncomprehensive algorithms that do not include AI and cannot interact individually with each client, even though it might be helpful sometimes and would increase user experience. Thus, the market gap in the B2C market locates in offering more advanced AI services that can react individually to each client in real-time and learn throughout the interaction. This does not have to be a highly advanced chatbot like in the B2B market. For instance, a relatively easy AI chatbot for client- and job mediation, initial legal advice, or student study support would fill a gap in the market as such a technology is not present.

### **3. Business idea**

#### **3.1 Offering**

The business idea addresses the identified market gaps in the B2B and B2C legal tech markets. The idea came from a friend of one of the authors who plans to build a startup around this idea. Therefore, it was examined in detail as part of this thesis.

The business idea comprises five different services based on three AI chatbots, which address the B2B and the B2C markets. In the short- to medium-term, the focus will lie solely on the general German legal market, without a focus area of law. The founders consider geographic expansion, and more specialized services for different types of laws to increase market share and customer base in the long-term.

The first chatbot will serve as the initial legal adviser for legal help-seeking people. Additionally, this chatbot will actively suggest well-suited lawyers depending on the case of the legal advice seeker. The second chatbot will provide law students with legal knowledge and actively support of all kinds of legal questions throughout their studies. This chatbot will also mediate students who seek a legal job with law firms based on Curriculum Vitae (CV) – law firm requirement matching. The last chatbot solution will be the most complex one as it aims to be a well-accepted supporter for lawyers for complex case questions and profound legal research. Thus, all the solutions directly address the specific market gaps of the legal tech market, which have already been discussed in chapter 2.5. To complement the offered services, a conclusion of exclusive partnerships with law firms and legal departments is aspired. The pricing depends on the customer group and a one-off payment, subscription, or fee. Chapter 7 explains the pricing strategy in more detail with the marketing mix.

### 3.2 Technical realization of the product

This part aims to give a broad technical overview of the functionality of the three chatbot solutions. It should not dive deep into technical aspects but to equip a basic understanding of how a chatbot works. The following figure illustrates the technical architecture of a legal chatbot.

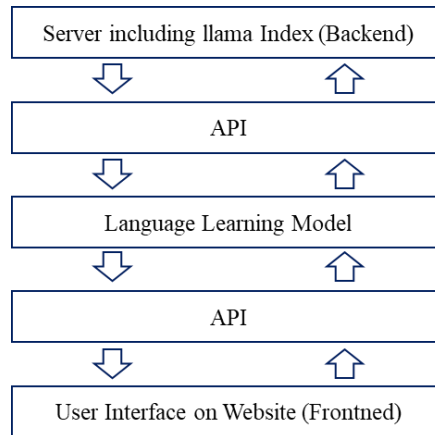


Figure 1: Technical architecture of the legal chatbots, own illustration

The figure showcases what happens when a user asks the chatbot a question. The question will be written down (or a picture with information will be uploaded) directly on the chatbot's user interface. The user interface means nothing but what a user sees on the computer screen. An Application Programming Interface (API) will then translate the user request for the Language Learning Model (LLM). It uses its natural language processing capabilities to make it understandable for the following API and the server. The server holds all the necessary data needed for the chatbot to function. This data includes information on various legal frameworks, current legislation, and past jurisdictions and will be regularly updated to maintain the accuracy of the answers. Inside the server, the llama index tool will access the requested data of the chatbot user in the server and then transfer them all the way back over two APIs and the LLM to the user, who will see the answer on the computer screen. The LLM is the AI consisting part of the model. It excels with its natural language processing capabilities and ensures the user receives a grammatically correct and well-written response. Additionally, it constantly adapts to the speaking patterns of the chatbot user and thus creates a unique user experience.

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Essential security features, like data encryption, validation, authentication, and authorization, will be implemented to protect the data stored on the server.

### **3.3 Customer value**

This part briefly introduces the main value the services should bring to the customers. A detailed overview will be provided later during the customer analysis.

On a high-level customer value can be divided into value for B2B customers and value for B2C customers. Regarding the B2C customers, the main value the chatbot service should bring them is easy knowledge gain about legal topics for which they would typically have had to consult a professional adviser or conduct extensive research. Furthermore, if desired, they get easy and fast mediation with legal experts or law firms. On the B2B side, the main value should be easier access to potential customers and employees but also possible efficiency gains if using the legal research chatbot internally.

#### **4. Legal tech market size and potential**

Before diving deeper into the legal tech market with a granular competition and customer analysis, conducting a more high-level analysis of the markets where the startup will be operating is inevitable. For such a high-level analysis, estimating market size and growth is essential as it will help determine the value of a new business strategy before it is instituted (Intuit MailChimp n/a). The startup and potential investors can assess the overall market potential based on its size, main trends, and growth drivers (Cuofano 2023). The beginning of this chapter provides a brief overview of the general legal tech market to assess the market potential for the startup before diving deeper into the submarkets of the startup. In the end, an overall market attractiveness evaluation provides the baseline for further analysis of the startup and is essential for the final assumptions in the financial forecast.

In general, the startup will serve the legal tech market in Germany with its AI chatbot solution. This market includes all kinds of technologies made to increase efficiency in the day-to-day business of law firms and legal departments (B2B) but also supports tools for normal legal advice seekers (B2C) (Fong 2019). The market estimation shows a growth by 8.8% per year in Europe from 2023 to 2030, mainly driven by possible efficiency gains. Germany is the biggest estimated market in 2030, with a size of €2,700,000,000 (kbv research 2023). Assuming the same growth rate for Germany as for Europe, the actual market size of Germany in 2023 is valued at €1,380,000,000. AI has increasingly emerged in the past years and expects high growth rates. Bloomberg forecasts the global generative AI market to grow at 42% per year until 2032 (Bloomberg 2023). Business Research Insights forecasts the growth of legal AI at 33.7% per year until 2027 (Business Research Insights 2023). More conservative forecasts expect growth rates between 10 and 20%, yet still showing high growth rates above the general legal tech market (Mordor Intelligence 2023) (Grand View Research 2021). Given that, it seems promising for the startup to build its product portfolio around AI.

Even though the startup operates in sizeable billion-euro market with high growth rates, it is essential to precisely understand the attractiveness of each subsegment the startup will address with its AI chatbot solutions. A realistic evaluation can be provided only with a clear understanding of the characteristics and main growth drivers.

In the context of the large legal tech market, the startup will approach three main subsegments.

(1) The legal research software market (B2B and B2C), (2) the B2C online client-law firm mediation market, and (3) the online student-legal job mediation market. In all markets, besides the B2B legal research software market, there is not a single specialized AI existing. This holds the opportunity for the startup to revolutionize the market and take advantage of being the first mover. On the flip side it also brings significant risks as there is no proof of concept and thus, potential demand can only be assumed. This chapter aims to reduce the level of uncertainty for the market potential to a minimum. The following provides an overview of the three submarkets and their potential.

#### **4.1 Legal research software market**

Grown Market Reports valued the legal research software market at €371,010,000 globally in 2019 and estimated to reach €1,270,000,000 in 2027 with a yearly growth rate of 16.9% (Sharma 2020). Given the market size in 2019 and applying the yearly growth rate, the actual global legal research software market in 2023 is valued at €692,860,000. Other reports estimate that the global market is significantly higher. For example, the report of Verified Market Reports estimated the market to be €8,370,000,000 in 2023 but with a lower compounded annual growth rate (CAGR) of 10.2% (Verified Market Reports 2023). Combining the information of both reports, a global market size of €4,530,000,000 with a CAGR of 13.55% was set in the respective analysis. To get to the German market size, the same share as for the legal tech market, which is at 5.6%, was assumed (Spherical Insights LLP 2023). Finally, this results in an estimated German legal research software market in 2023 of €253,680,000

accounting for around 18% of the overall German legal tech market. Despite accounting for nearly a fifth of the overall legal tech market, the growth rate is significantly higher, and thus, it concludes that the market is one of the less mature legal tech subsegments. Based on that, a market entry comes with the opportunity to gain market share faster, and it will be easier to establish market leadership in such an environment. Furthermore, low price sensitivity among B2B customers and high average prices between €50 and €600 per month makes the market highly attractive (TrustRadius 2023).

Regarding the revenue split of the legal research software market, it is assumed that a very large share, around 100%, comes from the B2B side, with law firms and legal departments as main customers. Some market reports, like one of Verified Market Reports, do not mention other customer groups at all. Others reports like Grown Market Reports, use an additional general cluster like “others” without defining who falls into that category (information only available in the paid version of the report).

Because two of the three chatbot solutions of the startup will partly address the B2C market, it will open up a new market for legal research software. The targeted customer groups here will be initial legal advice seekers and law students. To further investigate the general potential of these customer groups in the realm of legal research technology, a market sizing and growth driver analysis was conducted for the B2C initial legal advice service and the law student study support market. This will indicate an indication of how many people can potentially switch over to the legal research software solution of the startup. Regarding the initial legal advice service market, it is essential to mention that the chatbot cannot serve as a substitute for a lawyer’s initial legal advice, as only fully qualified lawyers have legal permission to give official legal advice in Germany (IHK 2023). Nevertheless, it can be expected that a small fraction of people who usually seek initial legal advice from a lawyer will use the chatbot solution as a substitute or in advance to be better prepared.

### 4.1.1 B2C initial legal advice service market

The B2C initial legal advice market was estimated to be €470,400,000 with a growth rate of 1% per year. Compared to the overall legal advice market size in Germany (including revenues from B2B customers) of €29,000,000,000 it only accounts for a small fraction of 1.6% (Graefe 2023). It seems realistic as a large share of overall revenues comes from business, not private customers. Overall, the market is large and thus looks attractive for the startup due to the enormous potential of customers switching over to their solution. Furthermore, the low growth rate is not seen as an issue, as the startup's success will mainly depend on the achieved penetration rate of the actual market, which makes overall size more important. No official data on the market size were available online. Thus, the author estimates the market size of this chapter using the following model.

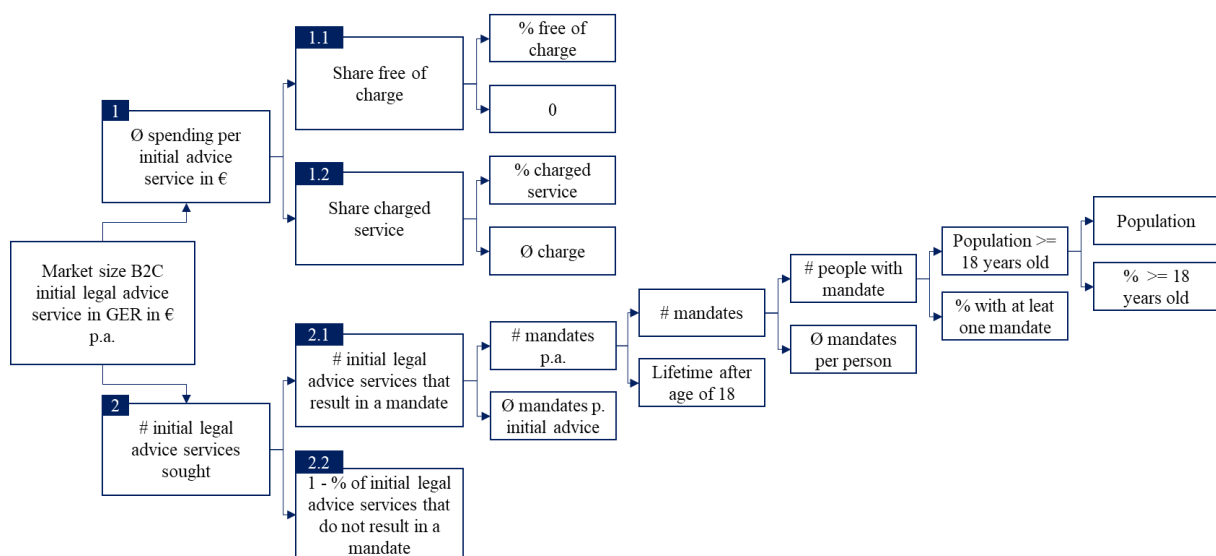


Figure 2: Market size B2C legal advice service in GER in € p.a., own illustration

The model shows the breakdown of its two main revenue drivers, namely the average spending per initial legal advice service in euro (price) and the number of initial legal advice services sought per year (quantity). Both revenue drivers were further broken down into their smaller subcomponents. It ensures a clear understanding of the market characteristics and allows for isolated deep dives into the components when trying to assess future growth expectations. In

the following, not every subcomponent that can be seen in the illustration will be addressed in detail with all its calculations, as this would result in a loss of the big picture. A detailed overview of all the calculations can be found in Appendix 1.

Regarding the average spending per initial legal advice service, an average of €140 was estimated. This value is driven by free services and those that cost money. In the past, a trend towards cost-free initial legal advice services emerged (Schön 2021) (Schiemzik 2017). Nonetheless, many lawyers still charge fees around the legally prescribed maximum fee of €250 (Schön 2021). Such a practice keeps the average price at relatively high rates, but a further decline can be expected in the future due to the negative trend of offering the service for free.

On the quantity side of the market size equation, the total number of initial legal services sought per year estimates at 3,360,000. To get this number, the authors used a top-down approach, starting with the German overall population of 84,400,000, of whom 67,500,000 (all people from the age of 18 on) are legally eligible to give up a legal mandate (Destatis Statistisches Bundesamt 2023). As 94% of people give up at least one legal mandate in their lifetime, with four abandoned mandates on average, and the average expected lifetime after reaching the age of 18 is 63 years, the total number of 4,030,000 abandoned private legal mandates is reached per year (Pröll 2022) (Destatis Statistisches Bundesamt 2023) (Statista 2023(1)). This makes around 25 mandates per lawyer per year and thus seems reasonable (Bundesrechtsanwaltskammer 2023(1)). After that, the cases in which one initial legal advice service will lead to more than one abandoned mandate add to the equation. Hence, it happens especially if a client approaches a lawyer with similar indictments where separate initial legal advice meetings are not required. Nevertheless, the assumption is that in most cases (70%), one initial legal advice service results only in one mandate, and thus, an average value of 1.5 abandoned mandates per initial legal advice was set. Last, it was accounted for the cases where an initial legal advice service does not end up in an abandoned mandate. The presumption is

that just 20% of initial legal advice services will not lead to a mandate as people usually just seek legal advice when they have a justified concern and done their initial research. Additionally, the lawyer has a conflict of interest in selling further services. When dividing the 4,030,000 abandoned private legal mandates per year through 1.5 and the reciprocal value of 20% final number is 3,360,000 initial legal advice services sought per year.

Regarding the market's growth rate, it expects to grow at very moderate levels of 1% per year, driven by positive developments on the quantity side and adverse developments on the price side. The negative trend of cost-free initial legal advice services, which pushes prices down, will be outweighed by the positive trend of increasing demand for legal services in general (Schiemzik 2017). Between 2016 and 2021, the legal advice industry grew by 3.9% per year, which was mainly driven by the increasing complexity of law (IBIS World 2023). Furthermore, the big three future challenges demographics and migration, digitization, and climate change have an expectation to cause tensions and disruptions in society and the economy, resulting in the growing demand for legal advice services and adoption need of law (Deloitte 2023). In general, these market developments are favorable for the startup as overall demand for legal advice increases their potential customer base, and they can benefit from the trend towards lower prices/free service by offering a solution with a price far below the market average. This sets the ground for a decent market penetration rate.

#### **4.1.2 Law student study support market**

The law student study support market, which includes all spending of law students for facilitating their studies and improving their study success, was estimated at a size of €45,430,000 with a growth of 5% per year. As the market leader for law tutoring in Germany already generated revenues of around €10,000,000 in 2013 the market size can be considered a conservative estimation (Timtschenko 2013). Overall, based on size, the market seems less attractive for the startup compared to the initial legal advice market, but on the upside, the

significantly higher growth rate indicates a less mature market with lower entry barriers. The following model estimated the market size.

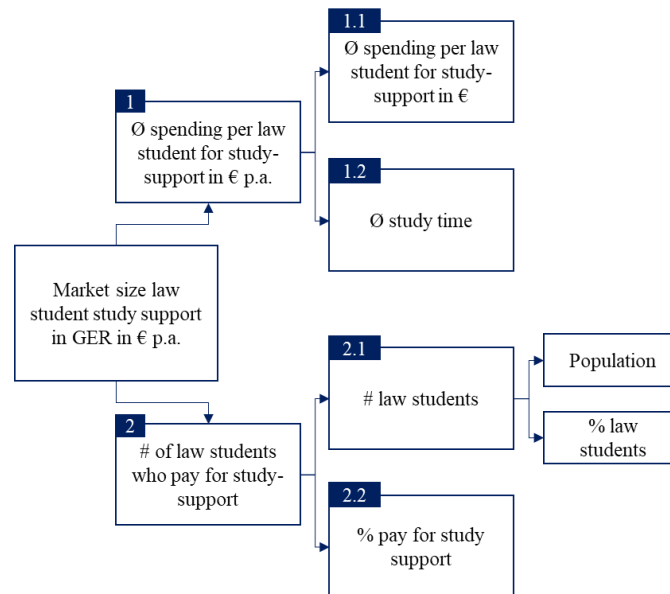


Figure 3: Market size law student study support in GER in € p.a., own illustration

The model breaks the market size down into its two main revenue drivers: average spending per law student for study support per year (price) and overall number of actual law students who pay for study support (quantity). In the next step, both drivers are separated into their subcomponents, which determine their final value. As in the first market sizing, all the specific calculations are not listed in detail. A detailed overview of all the calculations can be found in Appendix 2.

The average spending per law student for study support per year is estimated at an average of €416.38. Thus, the overall average spending of students throughout their studies and the average study time in years generates this value. The calculation for the average spending throughout their studies estimates an amount of €2,485.79 per student. This value includes spending on books, learning apps, make-up courses, and classical tutoring. Based on the study experience of the author of the chapter, the value for book spending was set to €90 on average with three books bought during a student's studies. Regarding learning apps, an average of only €1 was estimated as most of them are for free and the few that have costs, costs between €2 to €8 with

a one-off payment model (Köhler 2020). The average spending for makeup courses (courses which specifically are designed for specific exams like the state exam) was estimated at €1,989.79 per student and was subdivided into spending of classical law students who need to do one or two state exams to finish their studies and non-classical law students. Non-classical law students account for around 15% of all law students (indication of ChatGPT) and study law-related fields with a specialization like business law or classical law and decide to pursue a bachelor's or master's degree instead of becoming a fully qualified lawyer. As the study duration is shorter and there are no state exams at the end, it is assumed that these students will spend only around 50% of the number of classical law students (Hörner 2022). Regarding the classical law students, 70-80% take make-up classes before the first state exam, which start at 35€ per month and go up to €250, with the market leader taking €159 (371 stadtmagazin 2010) (Timtschenko 2013). On average the preparation for one of the two state exams takes 12 months and 90% of classical law students who take the first state exam also take the second one (iurratio 2023) (Ossen 2023(1)). Lastly, it was assumed that the 24% law students who drop out during their studies only spent 20% of the amount that one time state exam takers do (Matowitsch 2023). By taking all these information into account and assuming an average price per month of €160 the author arrived at the above-mentioned final number of average spending for make-up courses. Regarding the price an average law student spends on classical tutoring, the estimated value lies at €405, which is based on the following data and assumptions. In Germany 20-30% of pupils spend money for classical tutoring (Koinzer 2014). As students usually get less support from parents and do not have much money, this number is expected to be slightly below this range at 15%, paying the average hourly fee of €22.50 (Mundes 2023). Furthermore, usually a student does not take tutoring lessons over the whole course of its studies but only for courses they struggle with. Thus, an average of 30 weeks per year for two years was assumed here. For the average study time, which was used as an enumerator to get to the yearly

spendings, 5.97 years was estimated. For that, a weighted average was built based on the average study times for dropouts, non-dropouts, classical-law students who took one state exam, classical-law students who took both state exams, and non-classical law students. When including dropouts, the average study time for classical law students lies at 6.39 years (Gebertshammer 2022) (Matowitsch 2023). For non-classical students, this number lies at 3.59 years, with the assumption that 50% have a bachelor's and 50% a master's degree (Hörner 2022).

The number of actual law students who pay for study support was more straightforward to estimate and was finally estimated at 109,099. To arrive at this number, a top-down approach was used, starting with the actual number of law students in Germany of 116,683, which was then multiplied by the assumed 93.5% of law students who pay for study support (Statistisches Bundesamt (Destatis) 2023). As 70-80% of classical law students already spend money on expensive makeup courses, such a high percentage number seems reasonable, even when accounting for a lower utilization rate of non-classical law students.

For estimating the market's growth rate, the global private tutoring market growth was used as a benchmark as the author believes that it will be a good indicator for the demand development of study support tools/services in general. The global private tutoring market is expected to grow at 9.01% per year until 2030 (Fortune Business Insights 2023). This growth is mainly driven by the increasing competition among students, increasing spending of wealthy parents for the education of their children, the growing number of students, and the rising awareness about education in general.

Nevertheless, much of the growth comes from developing countries and the increasing number of students. As the startup operates in the developed German market and the number of law students was declining in the past, the growth of the German law student study support market is expected to be significantly below the 9.01% at 5% per year (Statista 2023(2)). However, this

is still an above-average growth rate, indicating a positive outlook for the startup's service. Especially the increasing level of competition is expected to be valuable for the startup as the service might enforce the fear among students to have a disadvantage towards other students who use the tool.

#### 4.2 B2C online client-law firm mediation market

The B2C online client-law firm mediation market was estimated to be €185,674,000 with a growth rate of 3% per year. Specifically, the market size for actual client meditations via an online third-party platform was estimated, advertising and client recruiting via the own website is excluded even though it “happened” online. Compared to the €470,400,000 market of initial legal advice services it only makes up around 40%. The main reason for that is the smaller quantity side of the market, whereas fees stay at similar levels. Despite similar average fees, the startup can now charge at least market average fees as no legal permission is required for a fully acknowledged service, making the price more attractive. The market size was estimated by the following model.

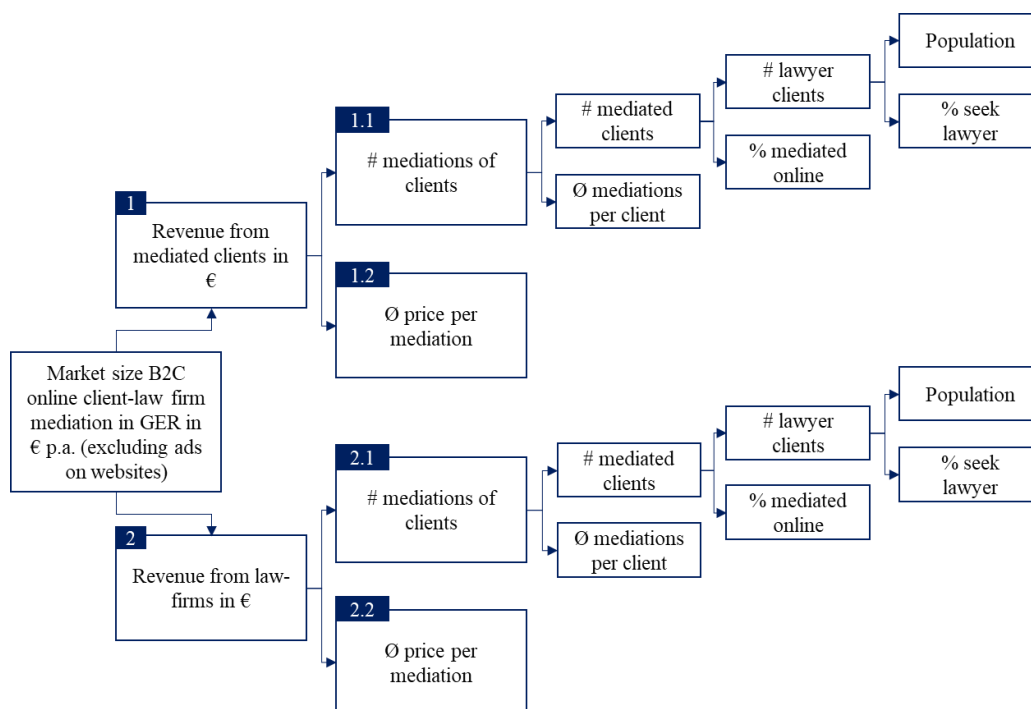


Figure 4: Market size B2C online client-law firm mediation in GER in € p.a., own illustration

Mediation service providers can gather fees from the mediated party and the receiving party. The model considers that by splitting the overall revenues of the market into revenues from mediated clients and revenues from law firms and legal departments. Both were further broken down into their two main revenue drivers' average price per mediation (price) and number of mediated clients (quantity). The quantity side, again, got further broken down into its driving subcomponents. As in the first two conducted market sizing, a detailed overview of all the calculations can be found in Appendix 3.

Regarding revenues from mediated clients, it is expected that no revenues will come from this side. All mediation websites found were cost-free for those seeking a lawyer and only had pricing models addressing business customers. Even if a few websites charge a fee for the mediated party, this will only account for a small pool of revenues as there is no incentive for people to pay for the same service they get for free somewhere else. Examples of these cost-free websites are [Anwalt.de](https://www.anwalt.de) and [GetYourLawyer.ch](https://www.getyourlawyer.ch).

Assuming that no revenues in the market come from mediated clients, all the €185,674,000 are coming from the business side. On the price side, an average price per mediation of €172.72 was estimated based on the average mediation fee and the average costs of a mandate. On average, there was a mediation fee of 8%, assumed as a common commercial agent fee is around 10% of the sales value (Schulze 2021). A fee slightly below that was assumed as spending for a lawyer usually surpasses common prices for products where commercial agents act as mediators. For the average costs per mandate, €2,159 was estimated by dividing the overall €8,700,000,000 of revenues for legal advice services for private clients (70% revenues for business clients assumed) through the 4,030,000 abandoned mandates per year (Graefe 2023). On the quantity side of these revenues, 1,075,000 yearly client mediations were estimated. This was done by using a top-down approach, starting with the overall population of 84,400,000 in Germany, with its 63,450,000 people who are legally eligible to give up a legal mandate and

using the expected remaining lifetime after the age of 18 (63 years) to get to 1,007,000 yearly private lawyer clients. Because 60% of people use personnel recommendation as the first decision metric when choosing a lawyer, the other 40% can be assumed to be mediated online (Berson 2023). Finally, these online mediated clients were multiplied by the average mediations per client of 2.67. The average was estimated based on the average abandoned mandates per client of four and the average abandoned mandates per online mediation of 1.5.

After calculating the market size, the market's growth rate was estimated at 3% per year. It is expected that all the revenues will continue to come from the B2B side. Here, the growth is driven by increasing demand for online mediation services and increasing fees. As already pointed out in the initial legal advice market sizing, an increasing demand for legal services is expected due to the three future challenges: demographics and migration, digitization, and climate change, but also the increasing complexity of the law. Furthermore, a general shift towards online mediation can be observed across industries (Claxton 2021). On the price side, the percentage fee of 8% is already below the commercial agent average and expected to remain constant. Despite constant percentage fees, the absolute mediation fees are expected to increase as the number of lawyers has increased significantly below the industry revenue growth in the past (0.4% vs. 4% per year), indicating prices to be the revenue growth driver (Statista 2023(3)) (Graefe 2023). This demand overhang and trend towards higher prices is not expected to end soon as the number of law students in Germany has declined in the past, and the currently low level of advanced technology utilization cannot make up for the labor shortage yet (Ossen, Azur 2023). For the startup, this means that they can expect slightly increasing margins with potential sales bottlenecks due to full capacity utilization within law firms and legal departments. They will also benefit from the cross-industrial trend towards online services.

### 4.3 Online student-legal job mediation market

The online student-legal job mediation market was estimated to be €58,000,000 with a growth rate of 4% per year. Specifically, the market size for actual job meditations via an online third-party platform was estimated, and advertising and recruiting via the company’s website were excluded even though they “happened” online. Headhunting is also excluded as this service usually targets more senior positions not students or recent graduates. Compared to the €3,000,000,000 market in Germany for job advertisements, the online student-legal job mediation market only accounts for 1.93% of this market, indicating a conservative estimation (Index 2020). The market size was estimated by the following model.

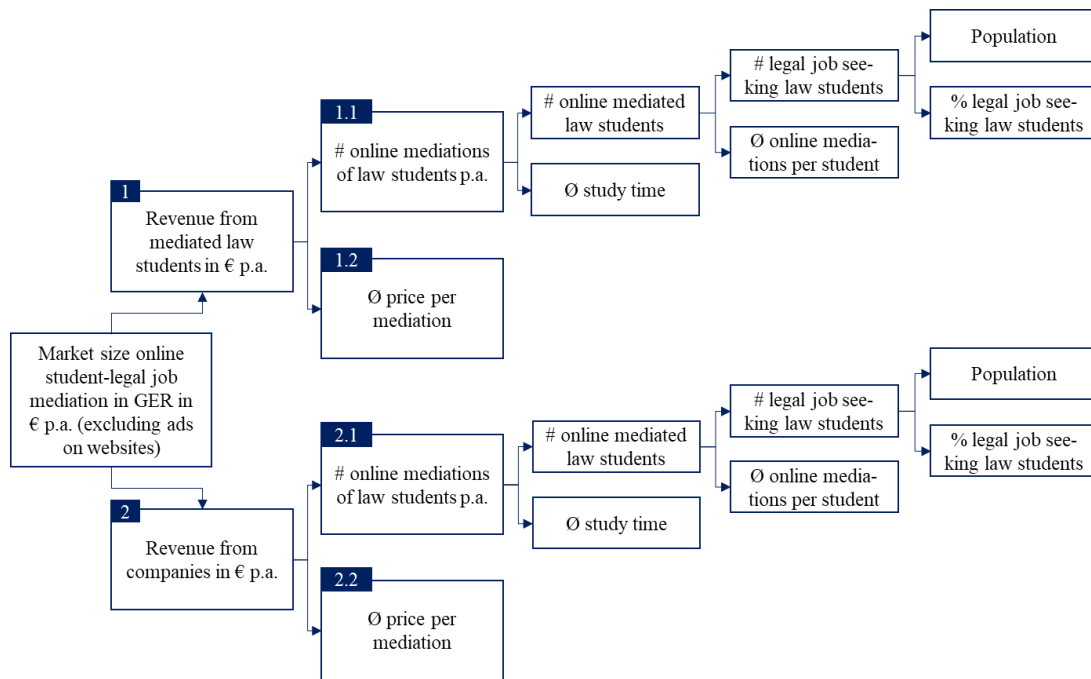


Figure 5: Market size online student law firm mediation in GER in € p.a., own illustration

The model takes both potential revenue contributors into account by splitting the overall revenues of the market into revenues from mediated students and revenues from companies, meaning law firms and legal departments. Both were further broken down into their two main revenue drivers’ average price per mediation (price) and number of mediated law students (quantity). The quantity side was further broken down into its driving subcomponents. A detailed overview of all the calculations can be found in Appendix 4.

As well as for the client-law firm mediation market, revenues from the mediated party (the law students) are expected to be zero as all websites found were cost-free for the people who sought a job and only had pricing models addressing business customers. Well known examples of these websites are StepStone and Indeed.

Assuming that no revenues in the market come from mediated students, all the €58,000,000 are coming from the business side. On the price side, an average price per mediation of €1,800 was estimated based on the average spending a company must make until finally hiring a new employee. An effective online job advertisement costs between €1,000 and €2,500, usually around €2,000 (HR Monkeys 2023). Effective here means that the job advertisement will lead to a job hiring. There will also be companies that solely focus on cost-free job advertisements, nevertheless, the effectiveness is far below the paid advertisements (Deimann 2022). Thus, the number of companies solely focusing on cost-free advertising is expected to be only around 10%. On the quantity side of the revenues, 32,223 online student mediations per year were estimated. For arriving at the final number, a top-down approach was used, starting with the overall number of law students in Germany, which was 116,683 (Statistisches Bundesamt (Destatis) 2023). After that, the number of students who will seek a legal job was estimated at 98,551 by subcategorizing the students as dropout and graduating and classical and non-classical law students. All graduating classical law students will do at least the mandatory internship before the first state exam (Hörner 2023). Still 90% of graduating non-classical law students are expected to do at least one internship before finishing their studies as they would have a significant disadvantage towards classical law students otherwise. Dropout students will have numbers significantly below that. The final steps were to calculate the overall number of online mediated law students per year by taking into account the average number of jobs sought per student, the percentage of online mediations, and the average study time. The average number of legal jobs sought lies at 7.2, mainly driven by five mandatory internships a student

must do before the second state exam (Hörner 2022). Of those jobs, 30% are expected to be mediated via online third-party platforms, as 70% of German companies already actively use online job boards (Lohmeier 2023). However, still around 60% of jobs are found through networking (Elmers 2022). The average study time was already estimated in the study support market sizing at 5.97 years.

Regarding the market's growth rate, a market growth of 4% per year is expected, mainly driven by the law student number, the share of online mediations, and the average price per mediation. When looking at the law student number development, we can see a declining trend in Germany in the past years, with a drop of law student study beginners of around 18% when comparing 2013/14 to 2022/23 numbers (Statista 2023(2)). Reasons for the decline were the long study duration to become a fully qualified lawyer, pressure, and a bad study climate (Kring 2022). The increasing demand for specialized study programs like business law is already slowing down the negative trend, but it is at least questionable if numbers will get back to previous levels, especially due to the rise of technology and associated uncertainties (Frankfurter Allgemeine Zeitung 2021). Regarding the share of online mediations, relative to the total mediations, a significant increase is expected, driven by the trend towards online network utilization. For example, the job network platform LinkedIn is expected to increase their user number by 11.07% per year between 2024 and 1027 (Statista 2023). Lastly, the average price per mediation is expected to increase as well. This assessment is based on a demand and supply estimation with demand growth exceeding the growth of supply. Even though the overall number of students is decreasing, the overall demand for online mediation is growing due to the trend towards online services. Compared to that, the supply side is expected to increase less as few established job portals are dominating the market, leading to high barriers to entry for new competitors. For the startup, these high entry barriers only apply to a limited extent as the

chatbot service differs strongly enough from classical mediation platforms to stand in indirect competition with them.

#### **4.4 Final evaluation of the market attractiveness for the startup**

Overall, the targeted markets are large enough to reach a broad audience with the chatbot service. Furthermore, the startup can utilize the big trend towards digitization and AI and the higher need for legal services. The B2B legal research software market will be the most challenging to enter due to the higher level of competition. In contrast, the other markets pose the risk of demand uncertainty as the chatbot solution is the first of its kind. Thus, as a sound demand estimation is highly critical for evaluating the final attractiveness of these markets, a separate customer analysis chapter will dive deeper into demand. Regarding the profitability of the different submarkets, the B2B legal research software market and the mediation markets are the most profitable, with high margins driven by high prices and low costs, which are typical for software solutions. The initial legal advice service market and the student study support market show relatively low margin levels due to high price sensitivity among customer groups and low chargeable prices. Nevertheless, this service is essential as it attracts customers to the chatbot platform, which can then be utilized for the high-margin mediation business.

## **5. Visions and goals**

This chapter looks at the critical aspects of the startup's vision and goals, distinguishing between short- to medium-term and long-term goals. Recognizing the different roles these goals play in shaping the course of the business, this chapter explains the strategic focus required for immediate growth and sustainability, as well as the enduring ambitions that represent the long-term impact of the business.

### **5.1 Short- to medium-term goals**

In the short to medium term, the focused objectives are strategically aligned to ensure rapid and sustainable growth. The primary goal is to achieve profitability within the first six months while fueling robust growth through expanding the customer network. While the product offering is being further refined, this phased approach involves gradually introducing new AI chatbots to the market. In the first phase, the chatbot will be developed for initial legal advice and mediation between private individuals and law firms. In further phases, specialized chatbots tailored to the specific needs of law students will be introduced, and finally, a comprehensive solution intended for internal use in law firms and legal departments. The company's overarching goal is to create broad acceptance and trust in the market for revolutionary AI solutions. This will be achieved by consistently delivering and continuously improving a reliable product. At the same time, the focus is on increasing brand awareness and consolidating its presence as a respected and innovative player in the legal tech landscape, which will be achieved through targeted marketing strategies and WOM.

### **5.2 Long-term goals**

As part of the long-term vision, the company wants to position itself as a reliable partner for law firms and corporate legal departments, enabling a seamless takeover of clients and employees. The aim is to be the first point of contact in Germany for people who want initial, non-binding legal advice or are looking for a qualified lawyer. The mission is also to become

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the most widely used resource for law students, providing them with comprehensive insight and assistance. In the future, the company will establish itself as the market leader for legal research software in Germany and serve the needs of legal departments in companies and law firms. Beyond national borders, the strategic vision includes international expansion, initially focusing on the DACH region (Germany, Austria, and Switzerland) and aiming for a market-leading position there. These long-term goals are intended to illustrate the company's innovation and sustainable influence on the legal landscape.

## **6. Operational organization**

The following sections refer to the operational organization, consisting of administrative formalities and critical strategic decisions such as the organizational structure, location choice, and legal form. Each element significantly influences the organization's basic structure, controls essential administrative processes, and shapes the strategic direction for the effective start. and further development of the startup.

### **6.1 Organizational structure**

When setting up the company organization, the primary goal is to create a lean and efficient structure characterized by clear responsibilities. The founding team comprises Alzen Kastrati, Leon Busch, and Marcel Friedrich. The founders will represent the core areas of legal, technology & software development, strategy & finance, and marketing & sales. Alzen Kastrati, with his background as software developer, is in the lead for the technology & software development division, Leon Busch for marketing and sales, and Marcel Friedrich for strategy & finance. As none of the founders has direct expertise in the legal domain, they will be sharing responsibilities here and consider external help in specific cases that might occur. A skills matrix highlights the respective skills of the founders and suggests hiring a legal expert to lead the legal division due to the need for more expertise in this domain (see Appendix 5). This will not only ensure that the startup itself acts in a legally appropriate manner but also benefit the offered chatbot solutions. The legal expert can interact directly with Alzen Kastrati, the person responsible for developing and maintaining the chatbots, to collaboratively develop new functionalities specifically designed for the requirements of legal stakeholders.

As the product is software, the business model inherently allows scalability without significantly increasing personnel. However, as business growth is anticipated, the strategic plan provides for gradually introducing support staff. These new hires will report directly to the four division owners, maintaining the clear lines of responsibility and efficiency of the

company's organizational structure. This approach ensures a dynamic yet organized operational framework that can adapt to the evolving needs of the business.

## **6.2 Location choice**

How relevant the location choice is for a company is determined by its business model. The location choice is especially relevant for businesses that require proximity to customers (see Chapter 7.3). Given the nature of the digital business model, which does not require physical proximity to the customers, the choice of a specific location is flexible. Ensuring broad accessibility, the company's business model allows the product to reach individuals across Germany, free from the constraints of a fixed location. The company has designated the residence of its founder, Alzen Kastrati, as its official registered office. The flat is located in Düsseldorf, Germany. This choice proves particularly advantageous for a startup in its early stages, as it eliminates additional location costs, with only rental expenses being initially incurred.

## **6.3 Legal form**

In order to find the proper legal form for the startup, various legal forms and considerations must be considered, as well as factors such as liability, taxation, and flexibility. All three founders are still students and have limited capital resources. Thus, the company will initially opt for the German legal form "Unternehmergeellschaft" (UG), known for its flexibility and lower capital requirements. This choice is tailored to the startup phase and allows to build up the company with manageable financial obligations. As the company grows and its position in the market is consolidated, a transition to the legal form of a limited liability company, "Gesellschaft mit beschränkter Haftung" (GmbH), is planned for 2025. This step benefits from greater credibility, better liability protection and a more established corporate presence (Bundesministerium für Wirtschaft und Klimaschutz 2021). The decision to transition from UG

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to GmbH is a strategic move to ensure that the legal structure aligns with the evolving needs and ambitions of the expanding business.

## **7. Financial plan**

The financial plan is inevitable to determine whether a business idea is viable in the end or not. It connects all the parts of the previously conducted analyses and translates them into measurable results. Potential investors and money lenders especially emphasize a strong focus on the financial plan as they want to select the best possible investments with high upsides and low downside risks (Business.gov.nl 2023). In the following, a normal case scenario, best case scenario, and worst case scenario were calculated. Based on this, a critical evaluation of the upsides and downsides of the business is possible.

### **7.1 Normal case scenario**

#### **Initial investment costs**

As the website and the chatbot are directly developed by the founders, and no external parties are included, there are no upfront investment costs besides the costs for the registration of the company and working equipment. The company's registration in the legal form UG, including formulated articles of association costs €1,066.26 in Germany (firma.de 2023). Regarding the working equipment, the plan is to acquire a company laptop with one additional screen and a company smartphone for all three founders. The company laptop will be the Lenovo Think Pad X1 Carbon Gen 11, regarded as the best programming laptop in 2023 by the PC Magazine and costs €919 (PC Magazine 2023). For a screen, €200 will be calculated, and per smartphone a predefined budget of €750 was set. Thus, the overall initial investment costs are €6,673.25. Furthermore, there are no costs for office equipment like chairs and tables, as the company headquarters will be at the home of Alzen Kastrati, one of the three founders.

#### **Financing**

Each founder will deposit €2,000 for an equal share of equity in the company. Thus, the minimum requirements of a €1 deposit for founding an UG are easily met. Even though the business is not capital intensive, the startup will use the KfW-Kredit „ERP-Gründerkredit –

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StartGeld” for €50,000 to avoid liquidity issues at the beginning of operations. The effective annual interest rate will be 5.2%, and the overall term of the loan will be six years with a redemption-free initial year. Raising capital from venture capital (VC) firms or private investors is not planned in the beginning through the low capital requirements as it would dilute the equity position of the founders. The founders will consistently reevaluate further need for financing, potentially also from VC’s and private investors.

### Revenue forecast

The revenue mix of the startup will vary throughout the first four years as the different products will be introduced at different times. In the first year, only the chatbot for initial legal advice and client mediation will be launched. In the second year, the chatbot for law students and job mediation will be introduced. Only in the third year the chatbot for internal legal research purposes within legal departments and law firms will be launched due to the high complexity of product development. The following table shows the development of income over the next four years. The assumptions underlying the expected income are described in more detail below.

		Revenues in €				
	Services	2024	2025	2026	2027	CAGR
Chatbot 1	<b>Initial legal advice</b>	23,604.00	47,208.00	70,812.00	99,136.80	61.34%
	<b>Client mediation</b>	49,570.64	148,711.92	223,067.88	312,295.03	84.69%
Chatbot 2	<b>Law student study support</b>	-	18,802.50	37,605.00	52,647.00	67.33%
	<b>Job mediation</b>	-	13,200.00	39,600.00	55,440.00	104.94%
Chatbot 3	<b>B2B Legal research</b>	-	-	39,000.00	117,000.00	200.00%
	<b>Σ</b>	73,174.64	227,922.42	410,084.88	636,518.83	105.66%
	<b>Growth</b>		211.48%	79.92%	55.22%	

Table 1: Revenue forecast 2024 - 2027, own illustration

### *Group part*

In the first year, the startup expects a small fraction of the 3,360,000 yearly initial legal advice seekers to utilize their chatbot solution. As the startup does not have awareness in the market from the beginning and it is the first chatbot service of its kind, a conservative market penetration of 0.1% is assumed by the startup. That makes 3,360 customers in the first year, of which the startup assumes 95% to pay €5 per month and the other 5% to use the subscription model for €7 per month with an average customer lifetime of 12 months. Consequently, the startup will generate revenues of €23,604 in the first year through people who seek initial legal advice by using the chatbot. Furthermore, the startup aims to build ten partnerships with law firms within the first year. These partner firms will be shown as preferred choices towards other law firms that are not in a partnership with the startup if the case of the legal advice seeker suits both. Thus, at least 10% of mediations are expected to be towards those partner firms. As 2,873 people will get mediated through the chatbot (assuming that only 90% of the non-abo model users will be mediated), 287 people will get mediated towards the ten partner firms for the average mediation fee of €172.72. This results in additional revenues of €49,570.64, which adds to overall generated revenues of €73,174.64 in year one.

In the second year, the startup expects the market penetration rate to increase significantly due to rising awareness and acceptance of the chatbot. It expects a doubling of the rate to 0.2%, which accumulates to a doubling in customers per year to 6,720 and revenues to €47,208. Additionally, the startup expects to be able to triple its law firm partnerships to 30 as positive cases from other partnerships can be pitched to future partners. Through the higher coverage of different law cases, the mediation share of partner firms is expected to increase from 10% to 15%. As the overall number of mediations doubles, the revenues will amount to €148,711.92. This makes overall revenues of €195,919.92 for initial legal advice and legal mediation services. Next to these two services, two new services will be launched through a new chatbot in year two. This new chatbot will serve as a study support tool for students and also mediates

### *Group part*

students who use the chatbot with law firms and legal departments of companies for a job. As 93.5% of the actual 116,683 law students in Germany pay for legal advice services throughout their studies, the startup expects 0.5% of the 93.5% to pay for the chatbot service in the beginning as the awareness for the product will be low and there might be skepticism due to bad experiences with other AIs. Of these 545 students 50% are expected to only pay €4 ones for five requests for testing or job mediation purposes. The other 50% are expected to pay €10 per month for the subscription model, with an average customer lifetime of 12 months. Overall, this makes €18,802.50 using the chatbot in the first year when assuming equal distribution of customer acquisitions per month. Furthermore, there will be revenues for the job mediation service. On average, law students are looking 1.21 times per year (see Chapter 4 market sizing) for a job throughout their studies, meaning the first-year users of the chatbot are looking for 659 jobs in total. Here, the startup expects that 20% of these jobs (=132 jobs) will be finally mediated through the chatbot. The final mediation number of 132 accounts for 0.41% of the total online law student mediation market of 32,223, which seems ambitious but possible. Regarding the partner firms, the startup plans to win all existing partners also for this service and to forge five new partnerships with legal departments of companies. As these 35 firms will be preferred over non-partner firms when it comes to the suggestions for law students, 20% of all mediations are expected to be for partner firms. By setting average prices (=the revenues after the fee application) for internship mediation of €300 per mediation and €1,800 per mediation for full-time job mediation, the startup arrives at €13,200 for the student mediation service in its introduction year and €32,002.5 in general for the second chatbot. Thus, the startup will generate overall revenues of €227,922.42 in year two.

In the third year, revenues related to the two chatbots are expected to increase further due to increasing awareness and acceptance in the market and the forging of new partnerships with law firms. The revenues from initial legal advice seekers and client mediation will now grow

### *Group part*

by 50% overall to €293,879.88, with €70,812 coming from initial legal advice seekers and €223,067.88 coming from client mediation. Despite the high growth rate of 50%, the market penetration of overall legal advice seekers is still below 0.5%, which indicates far more potential to grow and conservative assumptions. Regarding the chatbot service for students, the startup expects strong growth, especially driven by positive WOM from students and their fear of getting a disadvantage towards students who use the tool. The service's penetration rate throughout all students is expected to double, reaching a penetration rate of 1% among law students who are willing to pay for study support tools. Thus, revenues for the usage among students will be €37,605. For job mediation, the startup expects the revenues to grow even more and the mediation rate towards partner firms is expected to increase from 20% to 25% through new firm partnerships. The final revenues per year here reach €39,600, so the revenues for the second chatbot in its second year of usage reach €77,205. Next to the two established chatbot services, a new legal AI research chatbot service for internal usage in law firms and legal departments will be introduced. Overall, there are 49,000 law firms in Germany, which are all relevant as target groups for the service, 3,200,000 small and medium-sized companies, where approximately 10% have their own legal department, and 20,800 large enterprises, which all have a legal department (HERFURTNER 2023) (Destatis Statistisches Bundesamt 2023). Thus, there is an overall large target group for the service of 389,800 companies, of whom the startup aims to acquire at least 60 in the initial year of the service, with the goal of an average customer lifetime of five to ten years. Through the subscription model with monthly payments of €100, the generated revenues for this service in the first year will be €39,000, assuming equal distribution of acquired customers per month. Overall, this makes revenues of €410,084.88 in year three.

In the fourth and final year of the revenue forecast, the startup expects the customer base for initial legal advice and lawyer mediation to increase by 40%, reaching an overall market

### *Group part*

penetration on the quantity side of 0.52% of the initial legal advice market. This will lead to revenues of €411,431.83, with €99,136.80 coming from initial legal advice seekers and €312,295.03 coming from client mediation. Regarding the chatbot service for students, the startup expects the user number to increase by 50%, which will lead to revenues of €108,087, with €52,647 accounting for the general usage and €55,440 for the job mediation. Lastly, the revenues from the legal research chatbot for law firms and legal departments are expected to increase significantly by at least 200% as the tool already will have proven its reliability for other law firms and legal departments, which is especially important in the B2B sector. Thus, the customer base is expected to increase by around 15%, bringing €117,000 in revenues if all customers from the first year stay in the second year. The coverage among all potential law firms and legal departments is still only at 0.02%, showing how significant the potential of this revenue channel is and that the revenue estimation is relatively conservative. This outweighs the somewhat optimistic assumption for the student study support and student-law firm mediation market, which assumes by far the highest market penetration rates. Overall, year four brings €636,518.83 in revenues.

### **Operational costs and other expenses**

Operating expenses are all costs that occur during the day-to-day activities of the business and illustrate how capital intensive a company is (Murphy 2022). Overall, the startup business model is not capital intensive as the product is software and no classical supply costs, logistic costs, costs for production facilities, or distribution costs occur. On top of the operational costs, the following part also includes loan interest expenses and costs for the change of legal form, as both reduce earnings on the income statement. Installment payments and investments are not considered as they have no effect on the income statement. Nevertheless, fixed and variable costs occur for the startup every month, with salary costs for founders and employees being by far the most significant cost position. The following table illustrates the occurring cost positions

*Group part*

throughout the first four years. Below the table, a more detailed explanation of the different positions can be found.

		Costs in €				
	Cost positions	2024	2025	2026	2027	CAGR
<b>Fixed costs</b>	<b>Server</b>	6,120.00	6,120.00	6,120.00	6,120.00	0.00%
	<b>llama Index</b>	558.00	558.00	558.00	558.00	0.00%
	<b>Microsoft 365 Business Standard</b>	35.10	46.80	58.50	58.50	18.56%
	<b>Salary employees</b>	-	54,000.00	114,000.00	126,000.00	52.75%
	<b>General &amp; Administration</b>	2,000.00	2,000.00	2,000.00	2,000.00	0.00%
	<b>Salary founders</b>	72,000.00	82,182.90	143,847.33	257,752.82	52.98%
<b>Variable costs</b>	<b>External Accounting Service</b>	2,107.00	4,166.00	6,122.00	7,933.00	55.57%
	<b>IHK Fees</b>	128.84	175.61	322.42	501.82	57.34%
	<b>Marketing spendings</b>	7,317.46	22,792.24	41,008.49	63,651.88	105.66%
	<b>Loan interest</b>	211.67	192.26	149.93	107.60	-20.19%
<b>Other</b>	<b>Change of legal form to GmbH</b>	-	900.00	-	-	-
	<b>Σ</b>	90,478.07	173,133.82	314,186.66	464,683.62	72.53%
	<b>Growth</b>	-	91.35%	81.47%	47.90%	

*Table 2: Operational costs forecast 2024 - 2027, own illustration*

Overall, the cost increase per year of 72.53% is far below the revenue increase of 105.55%, displaying a significant increase in profit margin throughout the years.

On the fixed costs side the server, llama Index, and General & Administration (G&A) remain constant over time. The server costs and llama index are based on a subscription model, and as the startup already plans to directly purchase a powerful server for €490 per month, with two small backup servers for €10 each per month, updates are not needed within the first year of operation. G&A costs are all occurring expenses that cannot be subsumed below the other cost position, for example, travel expenses or renting of coworking spaces. The salary of employees and Microsoft 365 Business Standard application is increasing for every newly hired employee. In year two, a legal expert will be hired for an average salary in the industry of €4,500 per

### *Group part*

month, which will increase to €5,500 per month after two years to incentivize the employee to work hard. In year three, with the launch of the legal research chatbot, an additional software developer will be hired for an average salary of €5,000 per month to support the founding software developer to further improve the chatbots and help with customer support.

On the variable costs side, all positions depend on the achieved revenue levels. All three founders earn a market average yearly salary of 20% of profits (profits before deducting their salary) and a minimum of €2,000 per month (=€24,000 per year) if 20% of the profits would be below that level. Until the UG becomes a GmbH in 2025, the 20% of profit target applies only to 75% of profits as 25% must be retained as retained earnings. In the first year, the profits are below that target level, and so the founders earn €2,000 per month each, which amounts to €72,000 in 2024. In the following years, the target level of 20% profits is exceeded. Costs for external accounting services depend on the revenues a company generates yearly. In Germany, the “Steuerberatungsvergütungsverordnung (StBVV)” defines how much can be charged for accounting services, including annual financial statements. As the revenues increase throughout the year, the spending on accounting services increases. The fees for the German “Industrie und Handelskammer” (IHK) were calculated with the official IHK calculator and depend on the earned yearly profits. Last, the spending for marketing is set to 10% of revenues and thus increases proportionally with the revenue increase. After salaries, marketing is by far the highest cost position due to the high importance of spreading awareness of innovative products. Regarding other occurring costs, the loan interest rate has been declining throughout the years as the overall debt level decreases through the installment payments of €833.33 per month. Furthermore, in 2025, costs of €900 for changing the legal form from UG to GmbH will be incurred. The change of legal form will happen in 2025 as the statutory retained earnings of 25% of profits are expected to surpass the €25,000 mark throughout the year.

**Profit forecast and return on sales**

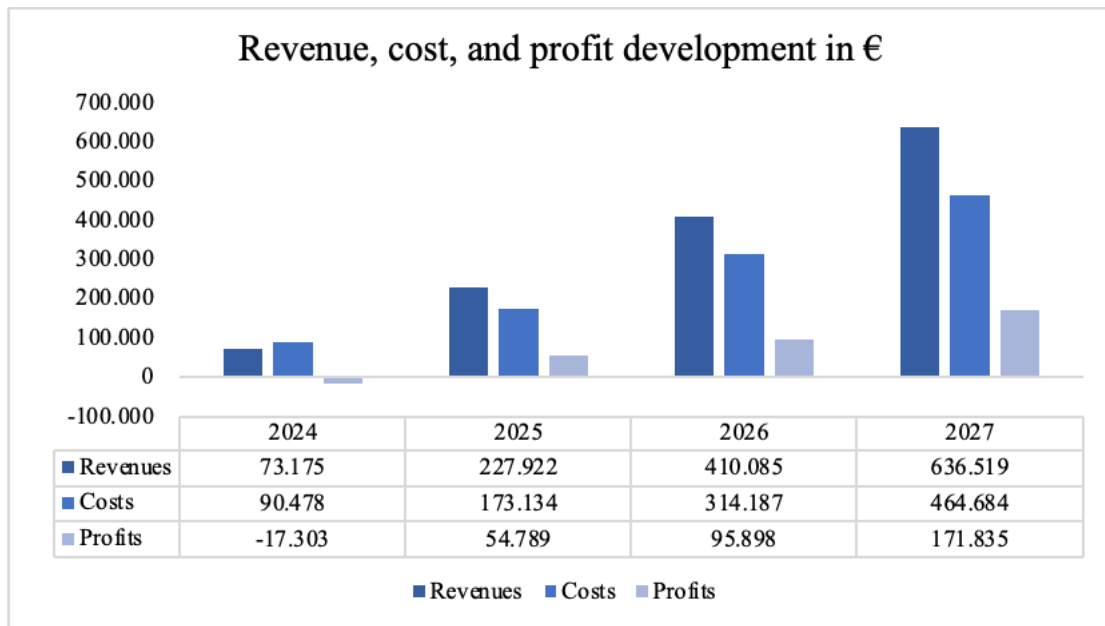


Figure 6: Profit forecast 2024 - 2027, own illustration

A profit forecast is essential for a company as it measures the health of the company and the ability to create value for shareholders. The figure below illustrates the profit development based on the forecasted revenues and costs for the first four years of the business.

There is a clear positive trend in which revenues are growing faster than costs, leading to rising profits over time. In 2024, profits are still negative, but already in its second year, the startup is able to generate a solid profit of €54,789, which is equal to a return on sales (ROS) of 24.04%. In the last two years of the forecast, the overall profits increased significantly by around 80% per year. The ROS could be maintained at over 20%, with 23.38% in 2026 and 27% in 2027. All these numbers indicate a highly profitable business.

**Liquidity planning**

Liquidity planning is essential for a business as it determines if a company will have the financial resources to pay future debts and liabilities. By definition, liquidity planning is a near-term finance planning task where an organization performs the daily coordination between in- and out-payments. Through this, a company avoids last-minute liquidity deficits and ensures it

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meets its short-term obligations. Furthermore, it ensures to avoid having too much cash, which costs the company money if the cash cannot earn interest (Gartner 2023). Regarding cashflow management, one general rule of thumb suggests that it is enough to cover three to six months' worth of operating expenses (Shelton 2023). Unlike the profit calculation, the liquidity planning considers all cashflows that go in and out of the business, so the monthly installment payments of €833.33 per month, which begin in the second year of operations, will be included in the liquidity planning.

The following figure showcases the liquidity development of the business from 2024 to 2027.

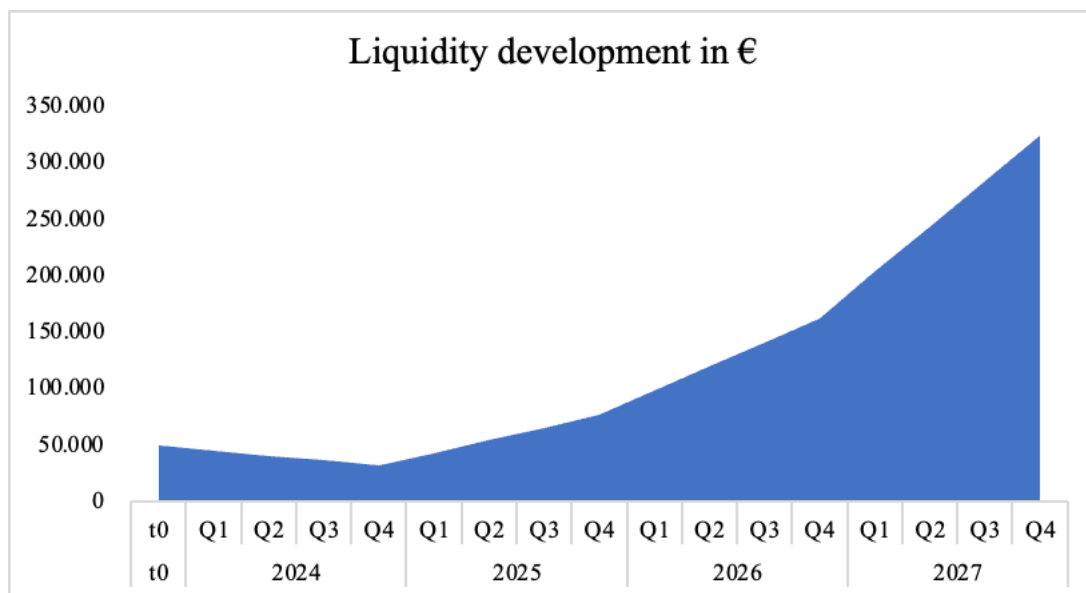


Figure 7: Liquidity development 2024 - 2027, own illustration

The chart displays an overall comfortable situation for the startup.

Through the loan deposit and the shareholder contributions, the startup starts its operations with around €50,000 in cash after deducting the initial investment of €6,673.26. The balance is slightly declining throughout 2024, reaching its all-time low in Q4 before increasing exponentially from Q1 in 2025. This is mainly driven by the significant profit increase, on which the monthly installment fee of €833.33 only has a small impact. The incline between the years is linear as the business is not seasonal, so the startup assumed yearly profits to be

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distributed equally between the months. As the liquidity level reaches high levels of around €100,000 in Q1 2026, the startup should actively look for further investment opportunities to yield an appropriate interest on the money. If investment opportunities are rare or have a bad risk-reward ratio, the cash balance that exceeds three to six months' operating expenses can be distributed to the founders and employees as bonus. Keeping higher levels only cost the company money due to missed out interest yields.

### Break-even time analysis

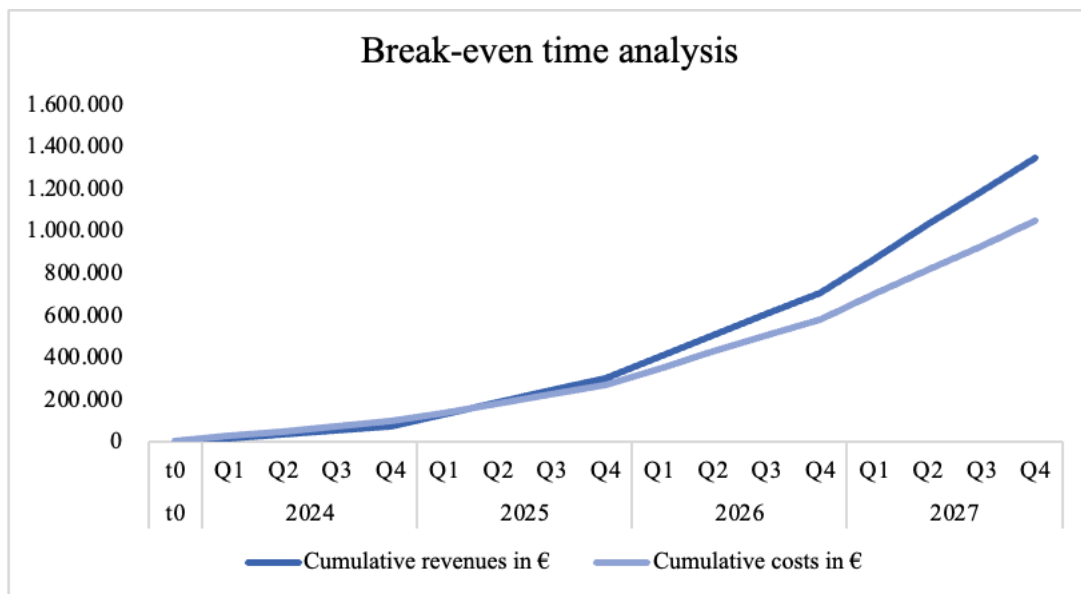


Figure 8: Break-even time analysis, own illustration

A break-even time analysis allows businesses to better understand the relationship between costs and profits. It calculates how long a company will take to amortize all occurred costs and thus highlights when the company will be profitable (Finance Strategist 2023). For that, the cumulative costs were compared with the cumulative revenues. The loan deposit and installment payments are not included as they have no impact on the operational result of the business. The following figure compares cumulated costs and revenues for the startup.

The figure shows that the startup will reach the break-even point in Q2 in 2025. This means that the startup will have amortized the cumulative costs until this time and will be profitable from now on. In 2025, cumulative revenues and costs are still similar, but from Q1 in 2026

revenues start excelling costs significantly in total growth. Overall, the illustrated development suggests an ongoing positive trend in the future if no unexpected environmental changes occur.

## **7.2 Best case scenario**

The best-case scenario illustrates what the startup can achieve in optimal market conditions. It is essential to mention that the business cases differ mainly in revenue assumptions as the cost positions are mainly fixed or proportionally dependent on revenues, and thus, improvement levers here are few. In contrast to the normal case scenario, it assumes a higher total demand for the offered services and a comfortable competitive position throughout the years. The higher demand in this scenario is driven by an economic recovery after challenging last few years and an increasing acceptance rate for AI technology among society. In times of economic recovery, companies are less financially restrained and more actively looking for new investment opportunities and partnerships. This will make it easier for the startup to build partnerships and convince companies to pay for their services. As the startup is the first company with an AI chatbot solution in all markets they enter (besides the B2B research software market), building strong B2B partnerships from the beginning will create higher barriers to entry for potential competitors and lead to a dominant market position of the startup. Furthermore, companies have a higher need for employees in good economic times, which aligns perfectly with the job mediation service. Additionally, the acceptance rate for AI technology might increase stronger than expected, especially leading to higher market penetration rates than assumed in the normal case scenario.

Given these positive developments, the startup expects to be able to already earn 40% more revenues in the first year and then increase revenues at a 15% higher rate on average (20% increased growth rate in 2025, 15% in 2026, and 10% in 2027). Costs, on the other side, will increase at a lower level as a large share of fixed costs remains unchanged, and only variable costs increase with the revenues. This leads to significant increases in profits each year,

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reaching a slight yearly profit in the first year of operations and increasing profits of 2027 by around 150% to €428,491 (see Appendix 16). Driven by the significant increase in profits, the liquidity situation also shows a steep incline in cash balance over the years (see Appendix 17). The slight drop in cash reserves after the initial investment gets back to old levels during Q1 in 2024 and keeps rising from then on. Similar to the normal case but even more, the startup has the challenge of managing the large sums of money effectively by finding attractive investments. Further considerations would be to increase the number of personnel, including a treasurer who is responsible for managing the money effectively, and to rent or buy an office location as soon as the personnel number reaches a certain level. The desired level of cash reserves should be kept around three to six months' worth of operating. Regarding the break-even time analysis, cumulative revenues surpass cumulative costs already in Q4 of the first year of operation in 2024 (see Appendix 18).

### **7.3 Worst case scenario**

The worst-case scenario showcases the development of the startup's financial situation if internal and external problems arise. In a worst-case scenario, the startup cannot launch its products as planned due to underestimated development complexity and personnel needs. For the first two chatbots, which address initial legal advice seekers and law students, this is not expected even in the worst-case scenario as the complexity level of the products is relatively low. Regarding the legal AI research chatbot for law firms and legal departments, the high product complexity will lead to a one-year delay in the product launch. On the external side, there are three main threats, which will all apply in the worst-case scenario. First, the overall demand for and acceptance of AI develops worse than expected. Secondly, an economic depression arises. Third, new competitors can win market share from the startup and start price wars. The first two states will be assumed for the whole forecast period, whereas competitive

### *Group part*

pressure is expected to arise from the second year on reaching its high in the third year of operations.

Given these adverse developments, the startup expects that only 70% of expected revenues 2024 will be achieved due to a worsening economic situation and lower demand for AI services. In 2025, the expected growth rate of revenues will be slowed down by 20% due to new market entrants. For 2026, the expected revenue growth rate decreases even by 30% as the level of competition increases through price wars for market share gains. Furthermore, a new software developer cannot be hired as planned due to the financially difficult situation. In 2027, the overall situation stabilizes a bit, but revenue incline rates are still 15% below the expected levels of the expected case scenario. To save costs, the startup will postpone the salary increase of their legal expert. Additionally, the startup expects to lose all revenues from the legal AI research chatbot in 2026 due to the one-year delayed product launch. In 2027, €78,000 expected revenues will be lost as the product needs to establish itself in the market first and cannot benefit from word of mouth and positive use cases like assumed if the product had been launched a year earlier. All this will lead to a significant decrease in profits per year, with 2024 and 2025 being negative and 2026 being the first profitable year with a marginal surplus of €8,970. In 2027, the startup will achieve a solid profitability level, reaching profits of €58,767 (see Appendix 16). Even though the profits were negative in the first two years, the biggest concern for the startup in a worst-case scenario will be the liquidity situation. Despite saving employee salary costs, the startup will run out of liquidity by the end of Q2 2025 if they do not raise additional capital (see Appendix 17). From Q2 in 2027, the liquidity situation starts to recover and rises back to healthy levels. Additionally, a conducted break-even time analysis illustrates that it will take the startup until the end of Q4 in 2027 to reach its break-even point (see Appendix 18).

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Overall, the worst-case scenario suggests that the startup will be able to achieve profitability after some, time even in extremely challenging and negative circumstances. This shows the robustness of the business and its operational model, which is more resilient against a crisis than asset-heavy businesses with large fixed cost positions. The key for the startup in such a situation will be to gather additional funding to secure its solvency. However, large sums of funding will be optional.

## **8. Final evaluation of the business idea**

The purpose of the evaluation is to critically analyze the key components of the presented business plan, aiming to assess its overall feasibility, strategic soundness, and potential for success in the identified markets. The main opportunities and risks of the three different markets are highlighted in the first three subchapters. The fourth part evaluates the financial outlook for the startup and last a comprehensive conclusion will be provided.

### **8.1 Legal research software market**

The evaluation of the legal research software market reveals several promising aspects and challenges. On the positive side, the market appears less developed than the broader legal tech market, with a growth rate that is almost twice as high and a high fragmentation among players. This suggests that entering the market could be relatively more straightforward, presenting an opportunity for new entrants. Despite the immature stage of the market, it already accounts for around 18% of the overall legal tech market, implying its large potential. Notably, the absence of AI integration in most legal research software and the lack of AI chatbot services provide a niche space for innovation. Additionally, there is a conspicuous gap in the market for legal research software tailored specifically for law students and legal advice seekers, offering an attractive prospect, particularly considering the increasing expenditures on study support tools and services (see Chapter 6.3.2 survey results). The potential for a first-mover advantage further enhances the appeal of market entry. Regarding profitability, the B2B market excels with high prices and margins whereas prices and margins are lower in the B2C market due to higher price sensitivity. This indicates overall higher attractiveness of the B2B market. However, on the downside, the requirement for internal usage within law firms and legal departments is substantial, potentially favoring larger tech companies with more significant resources. On top of that market entry barriers are relatively low, which poses the threat of a worsening competitive situation over time. Moreover, developing proprietary internal research software

tools by significant players like EY introduces competitive challenges that new entrants must navigate (see Chapter 6.3.3 results: expert interviews). This nuanced evaluation underscores the opportunities and obstacles inherent in the legal research software market.

## **8.2 B2C online client-law firm mediation market**

The B2C online client-law firm mediation market presents compelling opportunities and challenges. A notable advantage lies in being the first to integrate AI into this market, capitalizing on a growing trend that promises to divert market share from competitors, mediating clients through less convenient website-based platforms. The company benefits directly from the increasing demand for legal advice, driven by the rising complexity of the law and three significant challenges—demographics/migration, digitization, and climate change. The potential first-mover advantage is particularly valuable in a market where the network and relationships with law firms are pivotal. Early entry into the market poses a barrier for competitors attempting to establish similar connections. Another positive aspect of the market is the low price sensitivity of law firms, which enables the startup to charge high prices. However, challenges exist, including potential skepticism from clients seeking legal advice and mediation through an AI chatbot. The pessimistic economic outlook, especially in Germany (projected economic growth of 0.9% in 2024), might reduce people's willingness to consult legal experts in the near future, impacting market demand (Kiel Institut für Weltwirtschaft 2023). Furthermore, the company's success is highly dependent on the willingness of law firms to establish partnerships, highlighting a potential vulnerability in market dynamics.

## **8.3 Online student-legal job mediation market**

The online student-legal job mediation market is promising but presents some challenges. As the first to introduce AI in the student mediation market, the company stands to gain market share from competitors relying on less convenient website-based mediation services. A unique advantage lies in the cost structure, as companies pay only for successful student hires,

### *Group part*

contrasting with the traditional model where job advertisements on portals incur costs irrespective of success. Interviews with professionals from law firms express a strong interest in such a service and low price sensitivity, underscoring the perceived value (see Chapter 6.3 results: expert interviews). The first-mover advantage is particularly valuable in a market where network and relationships with law firms and legal departments are paramount, creating a barrier for early adopters. However, challenges include potential student distrust in AI chatbots, company preferences for alternate recruitment processes to avoid mediation costs and a historical decline in the number of law students. The advancing role of technology may further impact the demand for legal experts. Additionally, the success hinges on the willingness of law firms and legal departments to engage in partnerships, emphasizing a potential vulnerability in market dynamics.

#### **8.4 Financial outlook**

The overall financial outlook for the startup looks promising. Due to its nature as an “asset-light” software provider, it does not have the challenge of covering high fixed costs and can scale its business relatively quickly. In the normal case scenario, the startup is expected to grow at a CAGR of 105% over the first four years of operation, reaching revenues of over €600,000 in 2027 and profits of over €150,000. In the best case scenario, it is even expected to grow at a CAGR of 115%, with revenues over €1,300,000 and profits over €400,000 in 2027. This illustrates the enormous potential of the business model, which is driven by a large addressable market, positive trends towards AI, a higher need for legal services, and the favorable market environment with a high fragmentation level of players and market gaps that the startup aims to cover. Even in a worst-case scenario, the startup is expected to reach profitability in its third year of operation and its break-even point at the end of 2027. This shows a high level of downside protection and low dependence on external factors for operating a profitable business. The startup's main financial threat is running out of liquidity to cover costs for the salaries of

the three founders and the legal employees. This threat is predominantly present within the first years after hiring an expensive legal expert. Thus, the liquidity situation needs to be monitored constantly towards a target cash reserve balance of around three to six months' worth of operating.

## **8.5 Conclusion**

In conclusion, the business faces a landscape of diverse opportunities and challenges across the evaluated markets. While promising with its relatively undeveloped state and high growth rate, the legal research software market poses challenges with the substantial requirement for internal usage within law firms and competitive pressures from established players. The B2C online client-law firm mediation market presents an advantageous position as the first AI integrator, capitalizing on a growing trend and rising demand for legal advice. However, skepticism toward AI chatbots, economic uncertainties, and dependence on law firm partnerships are notable challenges. The first-mover advantage and innovative cost structure offer distinct advantages in the online student-legal job mediation market. Nevertheless, challenges such as student distrust in AI chatbots, evolving technology impacts, and the dependence on law firm partnerships underline the need for strategic agility. On the financial side, high salary costs pose the most significant threat to and demand constant liquidity monitoring. As the founders navigate these complexities, their success pivots on a nuanced understanding of market dynamics, continuous innovation, and proactive engagement with industry stakeholders to establish robust partnerships. Pursuing these strategic imperatives will position the business to thrive in dynamic and evolving legal tech markets.

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## Statutory declaration

We declare that we have authored this thesis independently, that we have not used other than the declared sources / resources, and that we have explicitly marked all material which has been quoted either literally or by content from the used sources.

Date	Signatures			
20.12.2023				
	Anna Emer	Laura Person	Katharina Hardekopf	Marcel Friedrich

## Appendices

### Appendix 1: B2C Initial legal advice service market size calculations

Metric	Result	Calculation
Market size	€ 470,400,000	€140 price*3,360,000 initial legal advice services
Price per initial legal advice service	€ 140	70% lawyers*€200 average price + 30% lawyers*€0
Average price	€ 200	25%*€150 price + 50%*€200 price + 25%*€250 price
Initial legal advice services per year	3,360,000	2,690,000 initial legal services that led to giving up a mandate per year / (1-20% initial legal advice services that do not result in a mandate)
Initial legal services that led to giving up a mandate per year	2,690,000	4,030,000 mandates processed per year / 1.5 average number of mandates given up after initial legal advice
Mandates processed per year	4,030,000	67,500,000 people in Germany at least 18 years old*94% people who give up at least one during lifetime*4 mandates given up during lifetime) / 63 years expected lifetime after age of 18
Mandates given up during lifetime	4	(54/94)*2 mandates given up during lifetime + (26/94)*5 mandates given up during lifetime + (7/94)*8 mandates given up during lifetime + (7/94)*12 mandates given up during lifetime
Average number of mandates given up after initial legal advice	1.5	70%*1 mandate given up + 20%*2 mandates given up + 10%*4 mandates given up

Source: own illustration

### Appendix 2: Law student study support market size calculations

Metric	Result	Calculation
Market size	€ 45,430,000	€416.38 average spendings per law student per year*109,099 students who pay for study support
Average spendings per law student per year	€ 416.38	€2,485.79 law student spendings during studies / 5.97 years average study duration
Law student spending during studies	€ 2,486	€90 spendings for books + €1 spendings for apps + 85%*€2,171.52 per classical law student for makeup courses + 15%*€960 spendings per non-classical law student for makeup courses + €405 spendings for tutoring
Spendings for books	90	€30 per book*3 books
Spendings for apps	1	10% of law students pay for app*€5 apps costs*2 purchases during studies

Spendings classical law students for makeup courses	1,846	85% are classical law students*(76% graduating students*(75% do first state exam*160€ payment for course in average*12 months average course duration + 90% also do second state exam*160€ payment for course in average*12 months average course duration) + 24% non-graduating students*(20% spendings of first state exam taker))
Spendings non-classical law students for makeup courses	€ 144	15% are non-classical students*spendings of classical law student*50%
Spendings for tutoring	€ 405	15% of law students pay for tutoring*30 weeks tutoring*2 times tutoring per week a 1h*2 years*€22.50 price per hour
Average study duration	5.97 years	85% classical law students*6.39 years average study time for classical law students + 15% non-classical law students*3.59 years average study time for non-classical law students
Law students who pay for study support	109,099	116,683 law students in Germany*93.5% students who pay for study support

Source: own illustration

### Appendix 3: B2C online client-law firm mediation market size calculations

Metric	Result	Calculation
Market size	€ 185,674,000	€0 revenues from mediated clients + €185,674,000 revenues from law firms
Revenues from law firms	€ 185,674,000	€172.72 average price per mediation*1,075,000 mediated clients per year
Average price per mediation	€ 172.72	8% average mediation fee*2,159 average cost per mandate
Average cost per mandate	€ 2,159	(29,000,000,000 revenues for law services*30% law services being for B2C) / 4,030,000 yearly mandates
Mediated clients per year	1,075,000	(1,007,000 lawyer clients per year*40% mediation online / (4 mandates given up per client per year / 1.5 abandoned mandates per mediation)
Lawyer clients per year	1,007,000	63,450,000 people give up at least one mandate in lifetime / 63-year remaining lifetime from the age of 18 on
Mandates given up per client per year	4	4,030,000 mandates given up per year / 1,007,000 lawyer clients per year
Abandoned mandates per mediation	1.5	70% *1 given up mandate per mediation + 20%*2 given up mandates per mediation + 10%*4 given up mandates per mediation

Source: own illustration

#### Appendix 4: Online student-legal job mediation market size calculations

Metric	Result	Calculation
Market size	€ 58,000,000	€0 revenues from mediated students + €58,000,00 revenues from companies
Revenues from companies	€ 58,000,000	€1,800 average price per mediation*32,223 online mediations per year
Average price per mediation	€ 1,800.00	90% companies spending money on job advertisements*€2,000 average costs for a successful job placement through a job advertisement
Online mediations per year	32,223	(1.1 jobs sought per legal job seeking non-graduating student*11,202 non-graduating students + 7.2 jobs sought per job seeking graduating students*87,349)*30% mediated online
Legal job seeking non-graduating students	11,202	116,683 law students in Germany* 24% non-graduating students * 40% seek legal job during studies
Legal job seeking graduating students	87,349	116,683 law students in Germany*76% graduating students*(85% classical students + 15% non-classical students*90% non-classical student job seekers)
Jobs sought per non-graduating student	1.1	90%*1 internship sought + 10%*2 internships sought
Jobs sought per graduating student	7.2	85% classical students*7 internships sought in average per classical student + 15% non-classical student *2 internships sought per average non-classical student + 95%*1 legal job sought at the end of studies
Internships sought in average per classical student	7	90% of graduating students with 2 state exams*7.5 internships done in average with 5 mandatory internships before second state exam and 1 mandatory internship before the first state exam + 10% of graduating students with 1 state exam*2.5 internships done in average with 1 mandatory internship

Source: own illustration

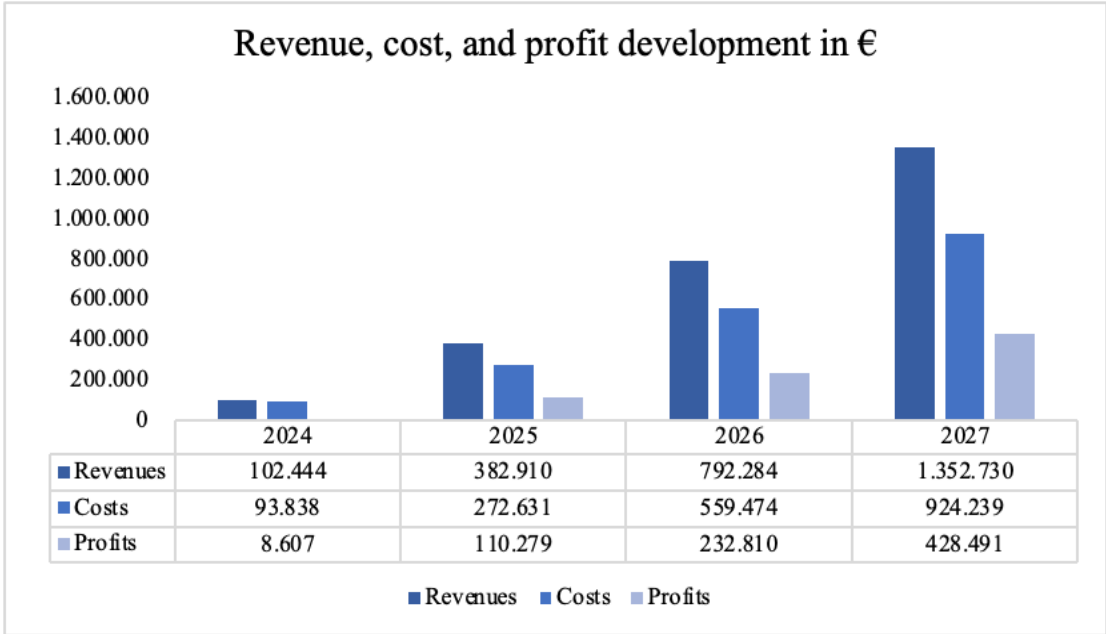
#### Appendix 5: Skills matrix of the founders

Skills matrix	Founding team		
	Alzen Kastrati	Leon Busch	Marcel Friedrich
Action/execution skills	●	●	●
Communication skills	●	●	●
Business expertise	●	●	●
Legal expertise	●	●	●
IT skills	●	●	●
Analytical skills	●	●	●
Creative/conceptual/methodological skills	●	●	●

Legend: ● low ● medium ● strong

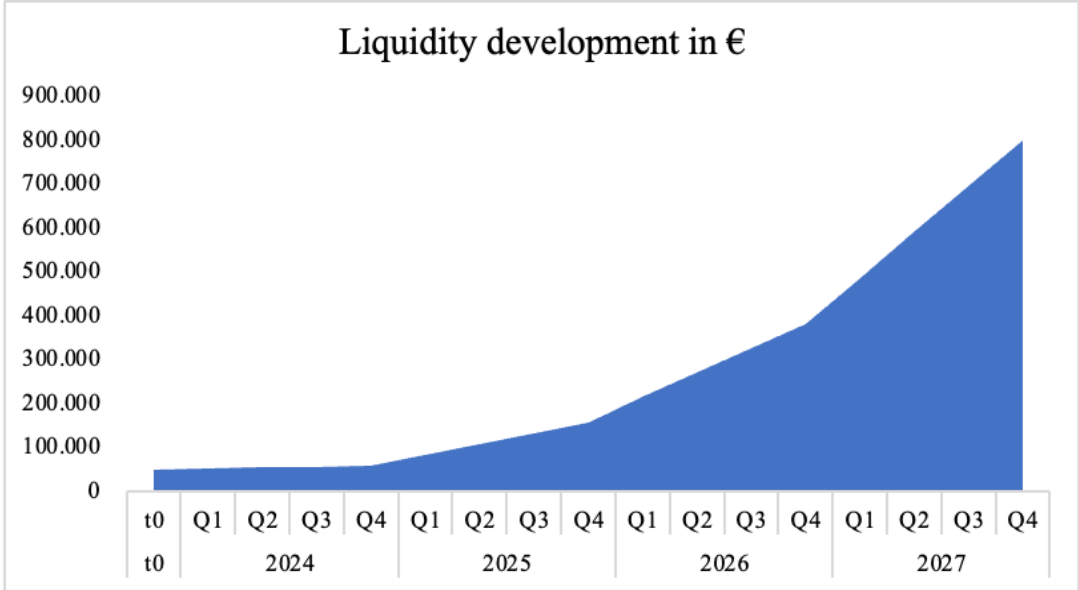
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Appendix 6: Best case scenario - revenue, cost, and profit development in €, 2024 – 2027



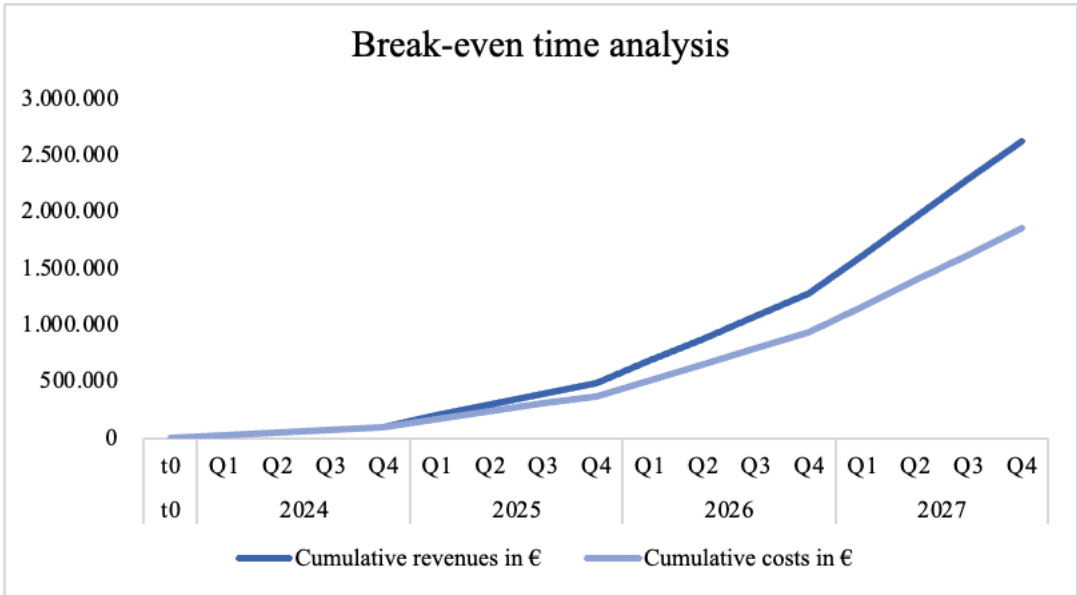
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Appendix 7: Best case scenario - liquidity development in €, 2024 – 2027



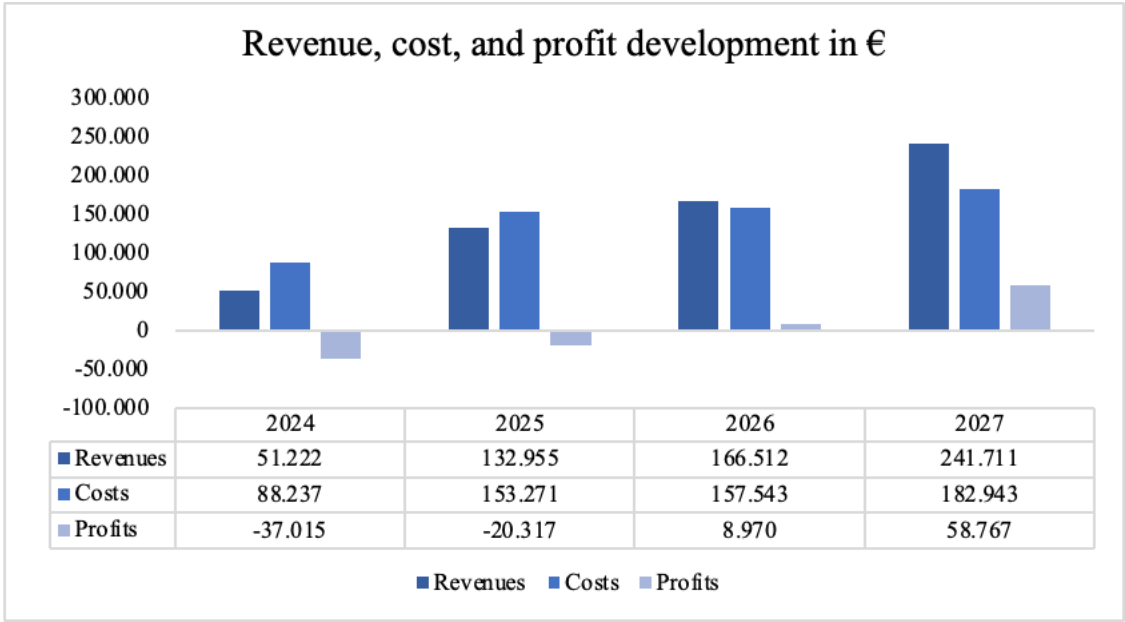
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Appendix 8: Best case scenario - break-even time analysis



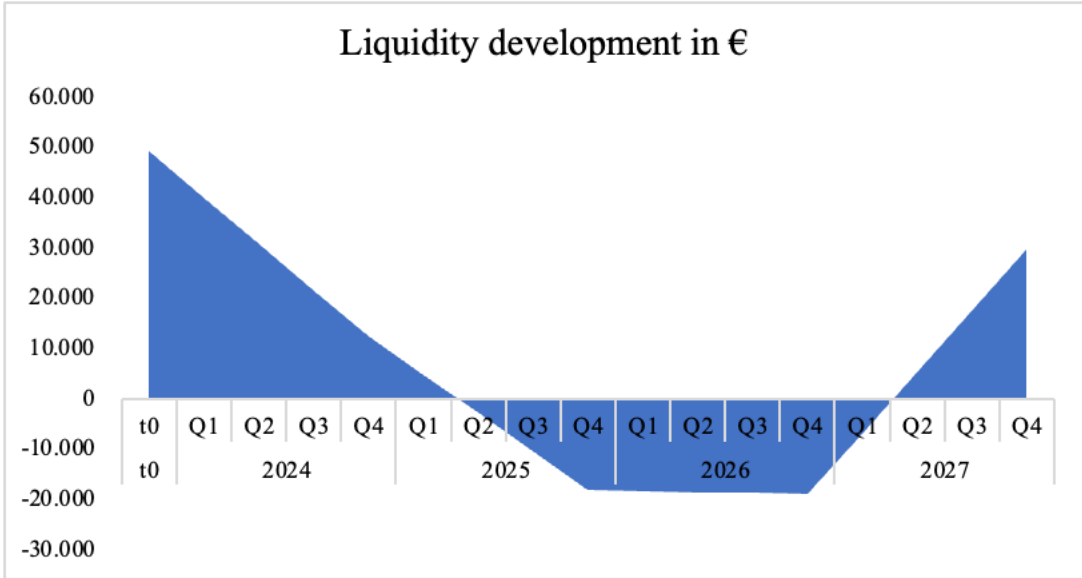
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Appendix 9: Worst case scenario - revenue, cost, and profit development in €, 2024 – 2027



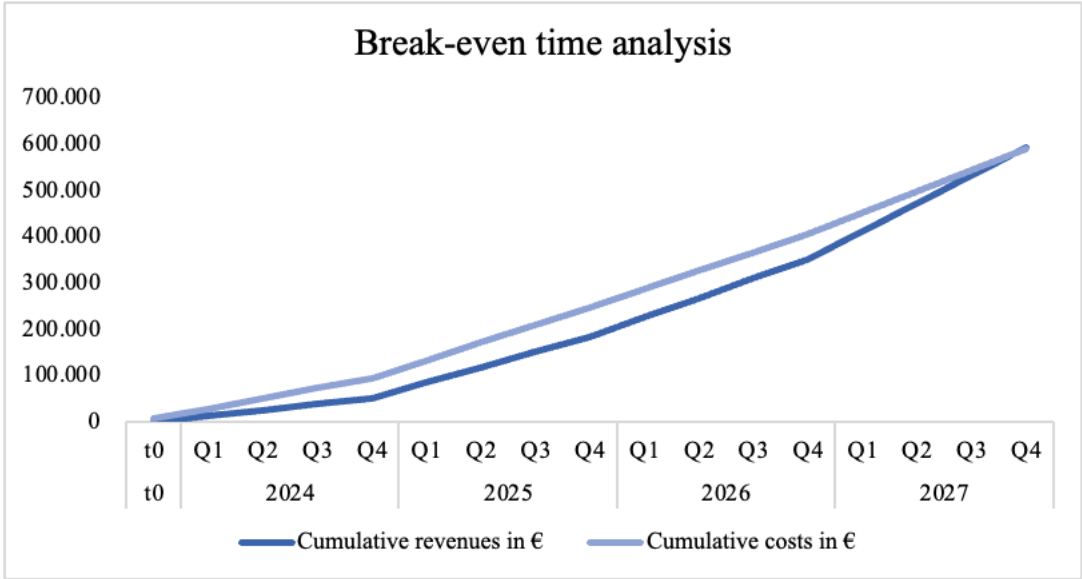
Source: own illustration

Appendix 10: Worst case scenario - liquidity development in €, 2024 – 2027



Source: own illustration

Appendix 11: Worst case scenario - break-even time analysis



Source: own illustration