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Create something people want.

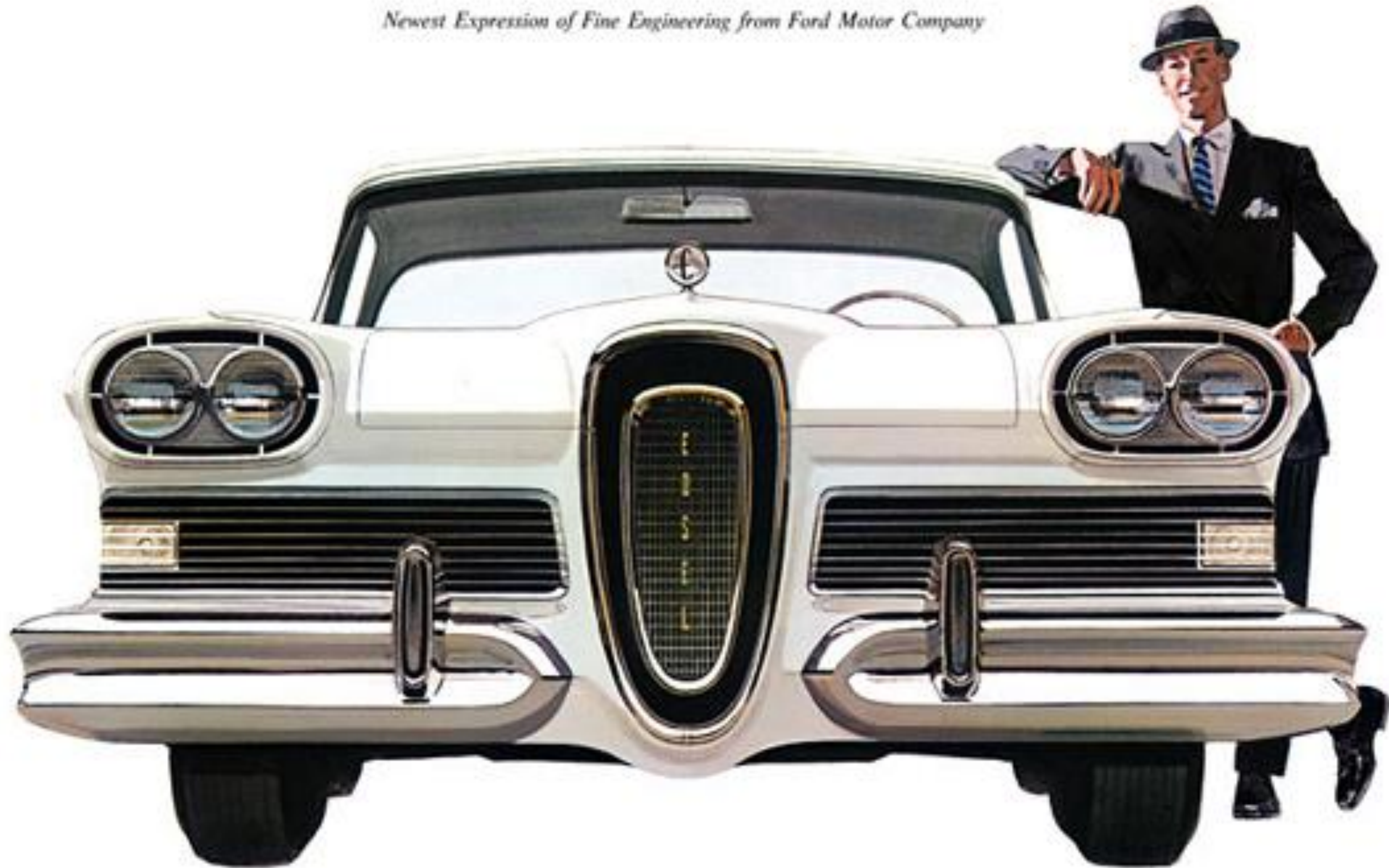


1958

The greatest new product failure in history.

THIS IS THE EDSEL

Newest Expression of Fine Engineering from Ford Motor Company



Ford Motor Company

- After revolutionizing mass production, Ford had their IPO (initial stock offering) on the New York Stock Exchange in 1956.
- The stock opened the day at \$64.50/share and by the end of the day was trading at \$70.50, giving them a market capitalization of \$660M (over \$6 billion in today's dollars).
- It was the most successful IPO in American history.

THIS IS THE EDSEL
Newest Expression of Fine Engineering from Ford Motor Company



Rolling-dome speedometer.

Push-button Teletouch transmission shifting

Self-adjusting brakes.

410-cubic-inch Edsel "E-475" Engine.

Warning lights on dashboard.

Speedometer glows when speeding.

Transmission locks in park until ignition key turned.

Triple-thermostat cooling system.

Front-mounted distributor, coil, fuel pump, dipstick.

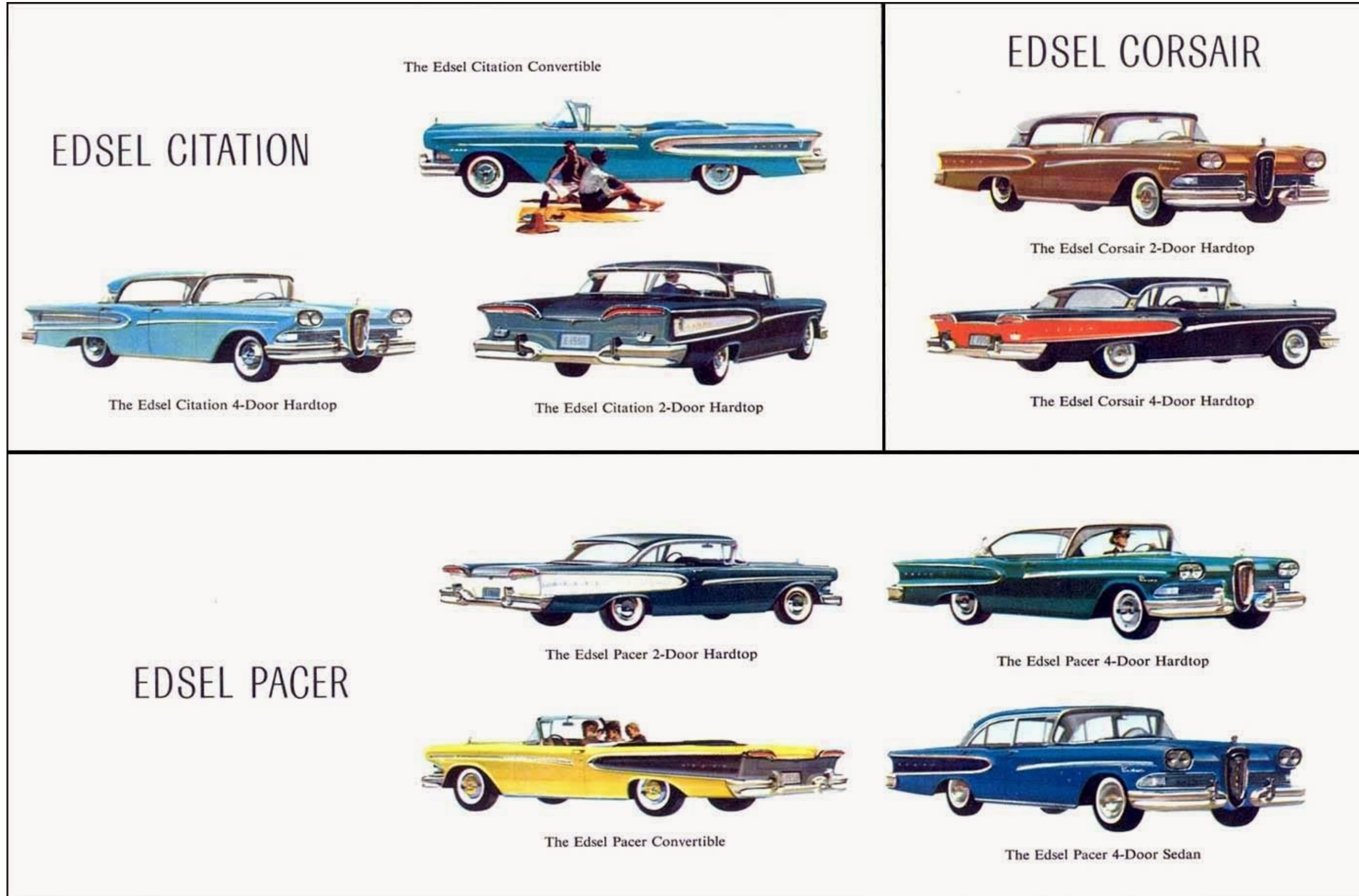
Hood release controlled electronically.

“The Newest Expression of Fine Engineering from Ford Motor Company”.

The most advanced automobile ever.

Projected sales for the first year were 200,000 units, with over one million units within three years.

18 models spread over four lines.



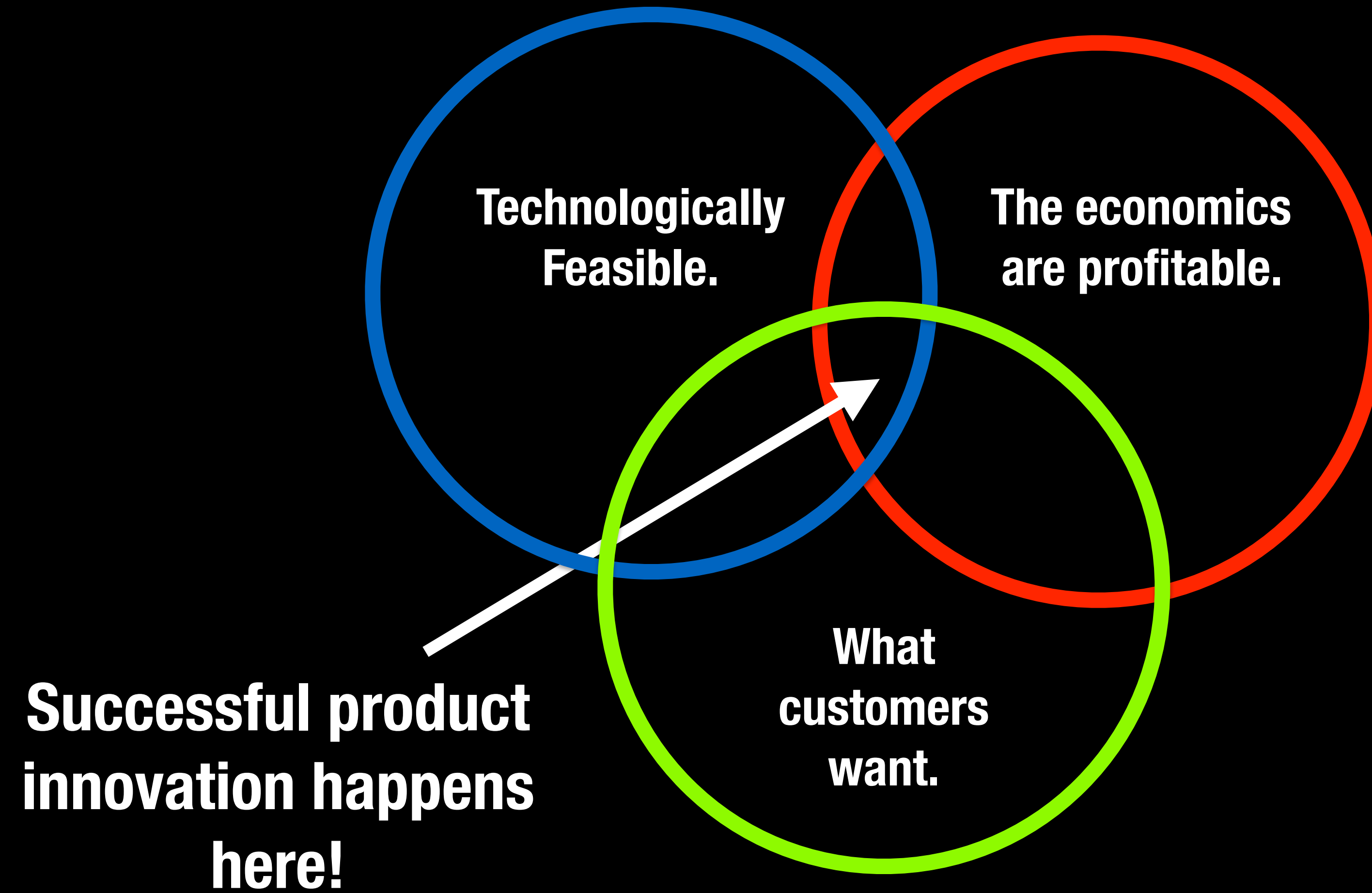
THIS IS THE EDSEL

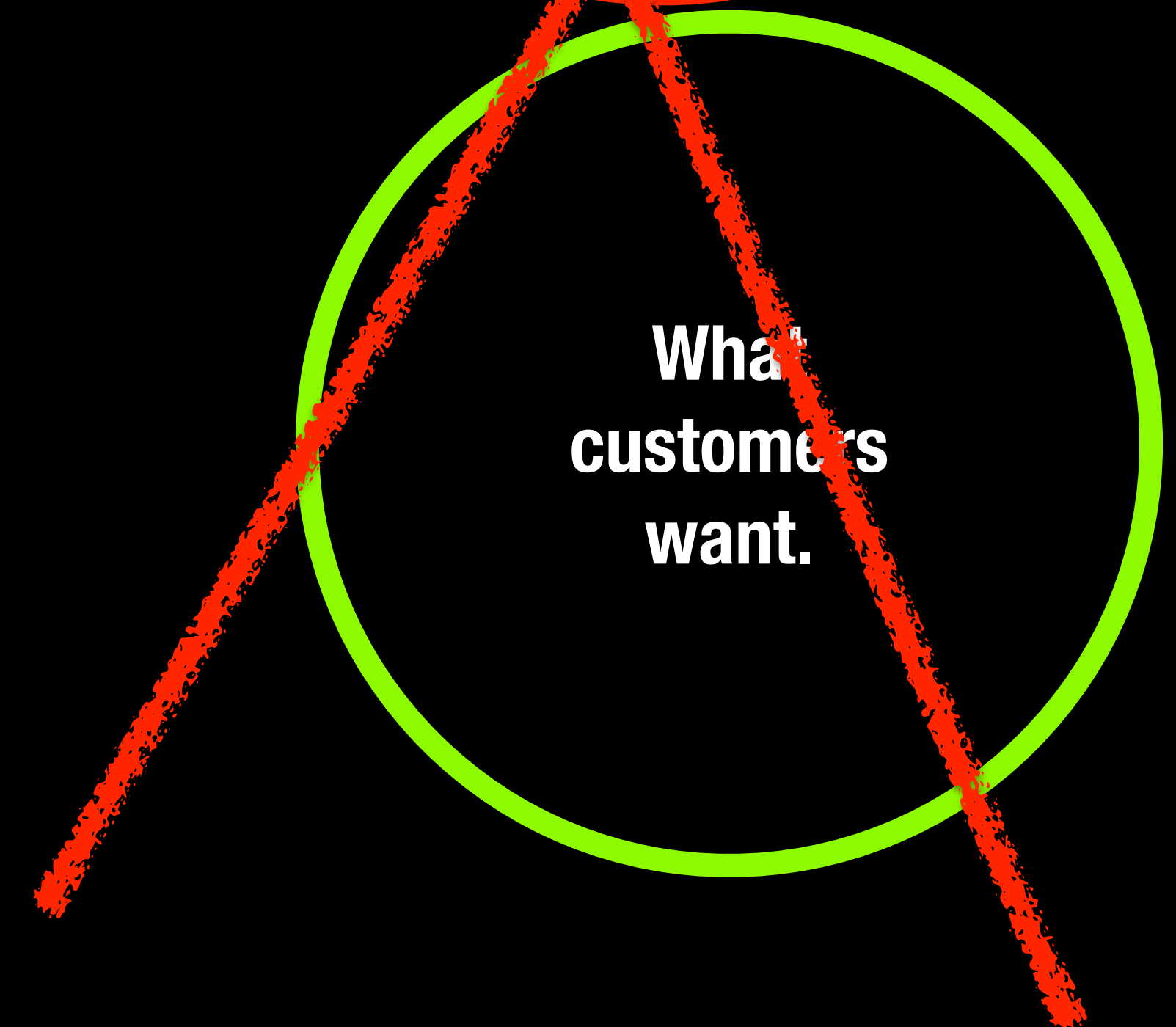
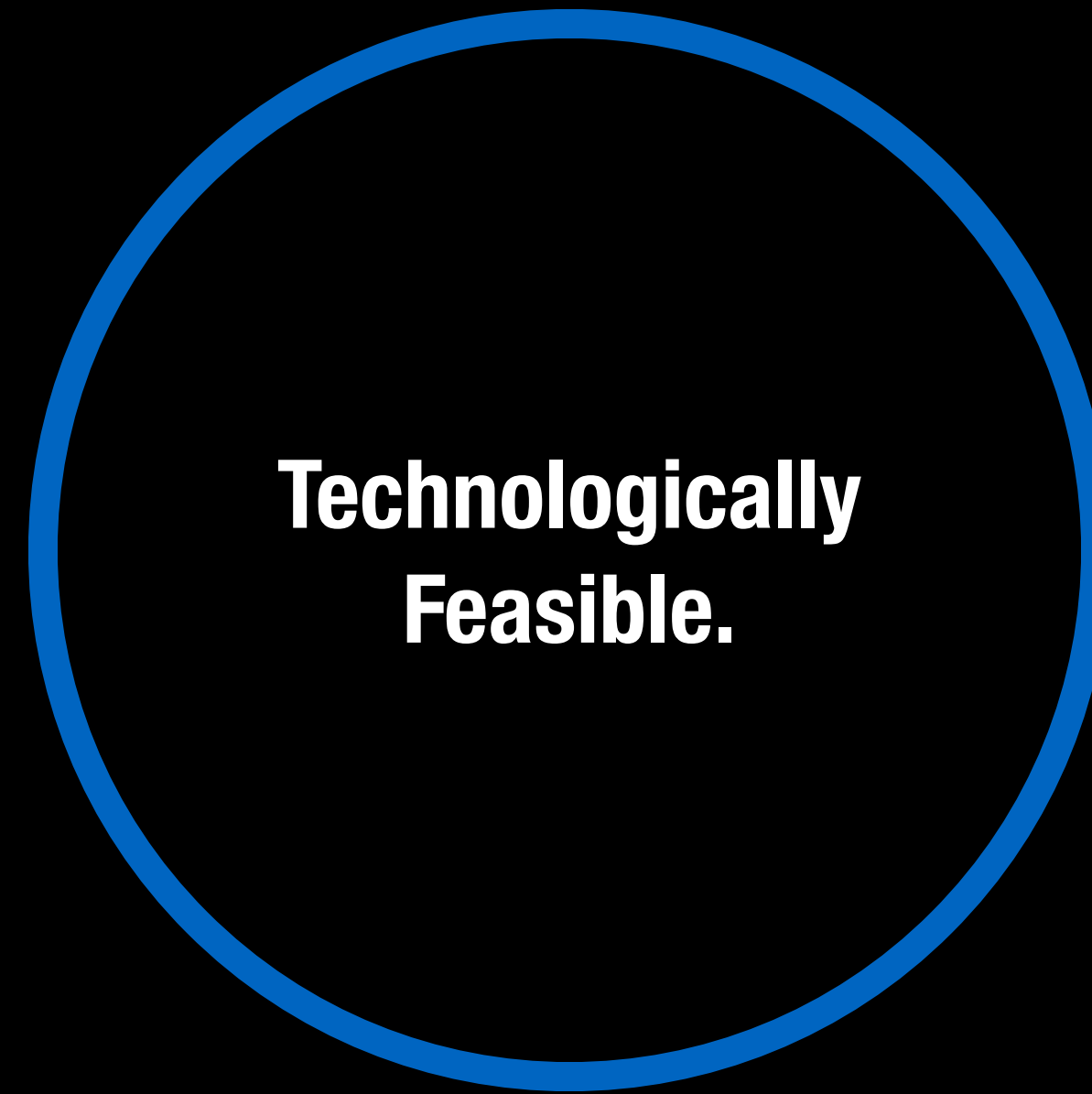
Newest Expression of Fine Engineering from Ford Motor Company



- **Projected sales for the first year were 200,000 units, with 3-year projections of over one million units.**
- **First year sales were less than 60,000.**
- **The second year was 56,000.**
- **Total units sold were less than half the company's projected break-even point.**
- **Each one sold cost 2x to make.**
- **The Edsel project lost a colossal \$350 million (over \$3 billion in current dollars).**

The greatest new product failure in history.





This has been a recurring issue since the dawn of entrepreneurship: how does one reliably create products that succeed?

We've all seen examples of companies that have sent millions of dollars developing products they thought they world needed, only to find out that no one wanted to buy those products.

I'm embarrassed to admit that I've done it myself.

In 2000-2001 I used linear product development:

Congratulations! You've spent 2 years and \$7.5 million proving that there is zero demand for your product!



Three concepts I wish I'd known before I did that:

Product Market Fit
Customer Development
Design Thinking

EE204: Business Management for Electrical Engineers and Computer Scientists

[Main Page](#) » [Product/Market Fit](#)

On this page:

[Product/Market Fit](#)

Product/Market Fit

“ *The only thing that matters is
getting to product/market fit.* ”

by [Marc Andreessen](#), June 25, 2007

This post is all about the only thing that matters for a new startup.

But first, some theory:

If you look at a broad cross-section of startups -- say, 30 or 40 or more; enough to screen out the pure flukes and look for patterns -- two obvious facts will jump out at you.

On this page:

[Product/Market Fit](#)

Product/Market Fit

“ The only thing that matters is getting to product/market fit. ”

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This post is all about the only thing that matters for a new startup.

But first, some theory:

If you look at a broad cross-section of startups -- say, 30 or 40 or more; enough to screen out the obvious facts will jump out at you.

*“ The only thing that matters is
getting to product/market fit. ”*

If the only thing that matters is
product/market fit, then how do we get
there most efficiently and effectively?



A photograph of Steve Blank, a man with grey hair and glasses, wearing a white shirt, speaking and gesturing with his hands. The background is blurred, showing other people and a red wall.

Steve Blank

- **Founded 8 companies, four had IPO's**
- **The other four resulted in “large craters in the ground”.**
- **Retired and wrote “The Four Steps to Epiphany”.**

**“No business plan survives first
contact with customers”.**

-Steve Blank

“Before you begin product development you need to do customer development”.

-Steve Blank

Steve Blanks' four components of **Customer Development**:

Customer discovery understands the problem to be solved and turns it into a series of hypotheses about the solution.

Customer validation tests whether those hypotheses are true.

Customer creation is the start of execution.

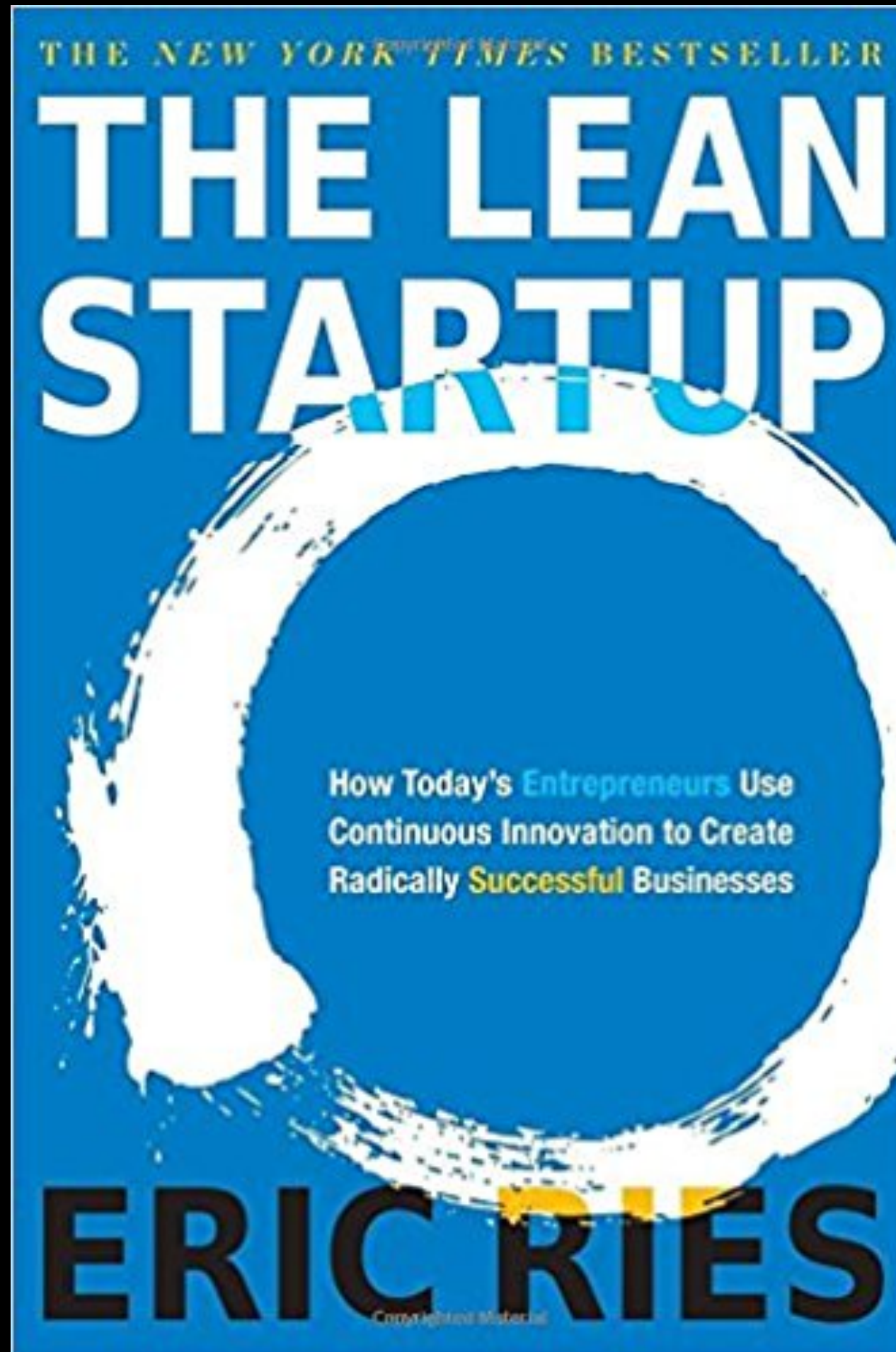
Company building transitions the organization from a startup to a company focused on executing a validated model.

**“A corporation is an organization
built to execute a business model.**

**A startup is an organization
designed to find a business model.”**

— Steve Blank

The Lean Startup, a book by Eric Ries



Minimum viable product

Learn from Customers

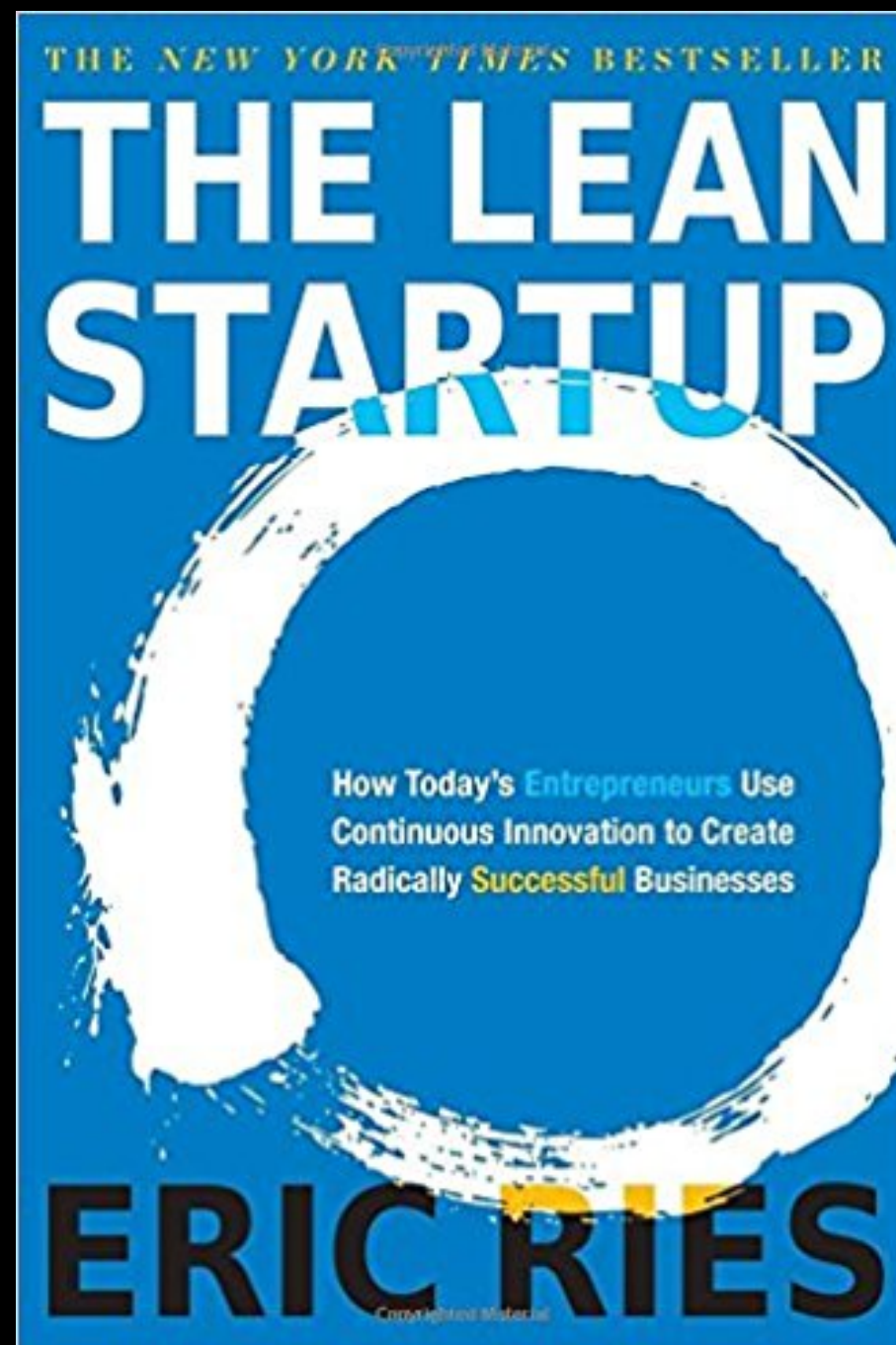
Continuous deployment

Rapid iterations

Learn, measure, adjust. Repeat.

Note: the “lean” does not mean “cheap”, per se, it means reducing cycle times and getting to a successful product more quickly.

The book by Eric Ries popularized the term “MVP”.



MVP

Minimum Viable Product

“A Minimum Viable Product is that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort.”

- Eric Ries, in The Lean Startup



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EYES & EDITORS, A PERSONAL NOTIFICATION SERVICE

Like to know when that book you want comes out in paperback or when your favorite author releases a new title? Eyes, our tireless, automated search agent, will send you mail. Meanwhile, our human editors are busy previewing galleys and reading advance reviews. They can let you know when especially wonderful works are published in particular genres or subject areas. Come in, [meet Eyes](#), and have it all explained.



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[register](#)

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Welcome to Thefacebook!

[Welcome to Thefacebook]

Thefacebook is an online directory that connects people through social networks at colleges.

We have opened up Thefacebook for popular consumption at **Harvard University**.

You can use Thefacebook to:

- Search for people at your school
- Find out who are in your classes
- Look up your friends' friends
- See a visualization of your social network

To get started, click below to register. If you have already registered, you can log in.

[Register](#)

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a Mark Zuckerberg production
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San Francisco, USA
8 Listings



© srmurphy

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Make money by sharing your space and local knowledge. [List a room.](#)

Travel

San Francisco, CA

Check in June 03, 2008



Nights: 1

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[Pietralunga, Umbria, IT](#)



[Tacoma, WA, US](#)

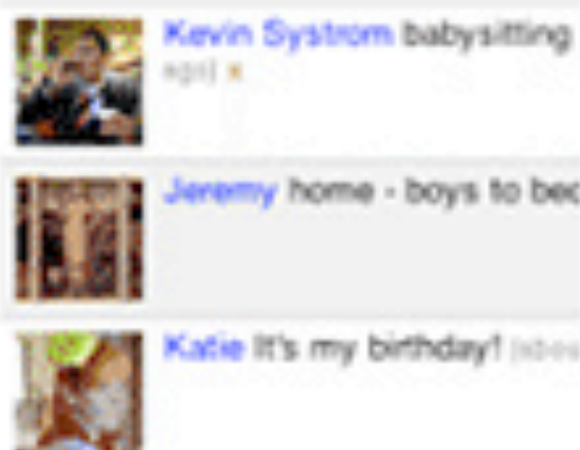


[San Francisco, CA, US](#)



Use twtr to stay in touch with your friends all the time. If you have a cell and can txt, you'll never be bored again...EVER!

What your friends are



.timeline

follow along with what your friends are doing throughout the day

- ★ Florian x [txt]
- ★ Garrett x [txt]
- ★ goldman x [txt]

txt

(or)

What are you doing?

.what up?

send updates from your cell or from the web about whats in yr head

Sign in.

Mobile number (or email)

Password (or PIN)

☐ Remember me

New? Sign up!

twtr works best when updated from your mobile phone. To verify you are you, we'll need your number.

Mobile number



Everyone's Private Driver

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On - demand car service via iPhone & SMS.

- ✓ Book a car on the fly from your phone or the web.
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UberCab Beta is currently live in San Francisco.

Learn how it works



What are people saying



sacca
9:24pm, May 30 from Twitter for iPhone

I don't always take sedans, but when I do, I use @ubercab. Stay in need of transportation, my friends.



trammell
9:01pm, May 30 from Twitter for iPhone

Rolling in an @ubercab w/ @mm @robweychert. Hella-swanky, super-simple black car service on your iPhone. Feeling quite undeservedly baller.

twitter

As seen on

TechCrunch



TECH
cocktail



“A Minimum Viable Product is that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort.”

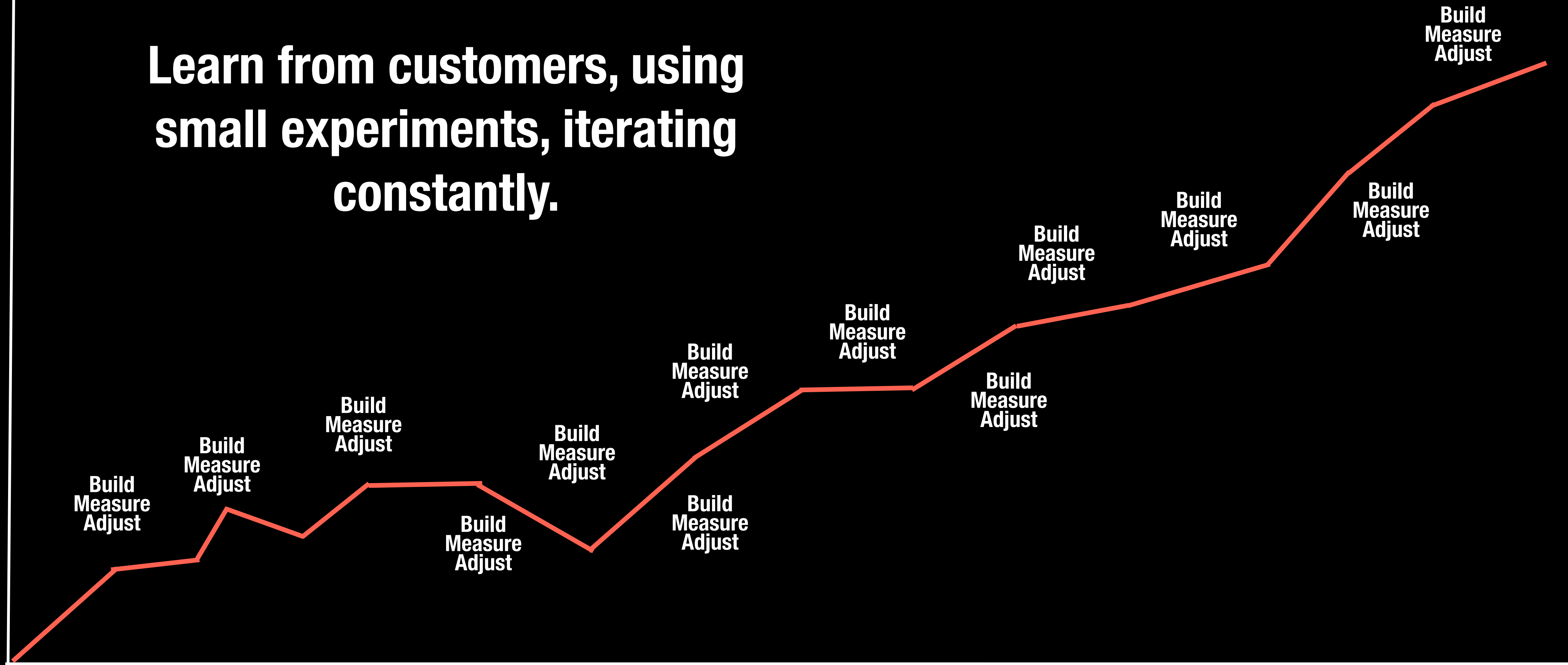
- Eric Ries, in The Lean Startup

“Mediocre entrepreneurs build an MVP to show something. Great entrepreneurs build an MVP to learn something.

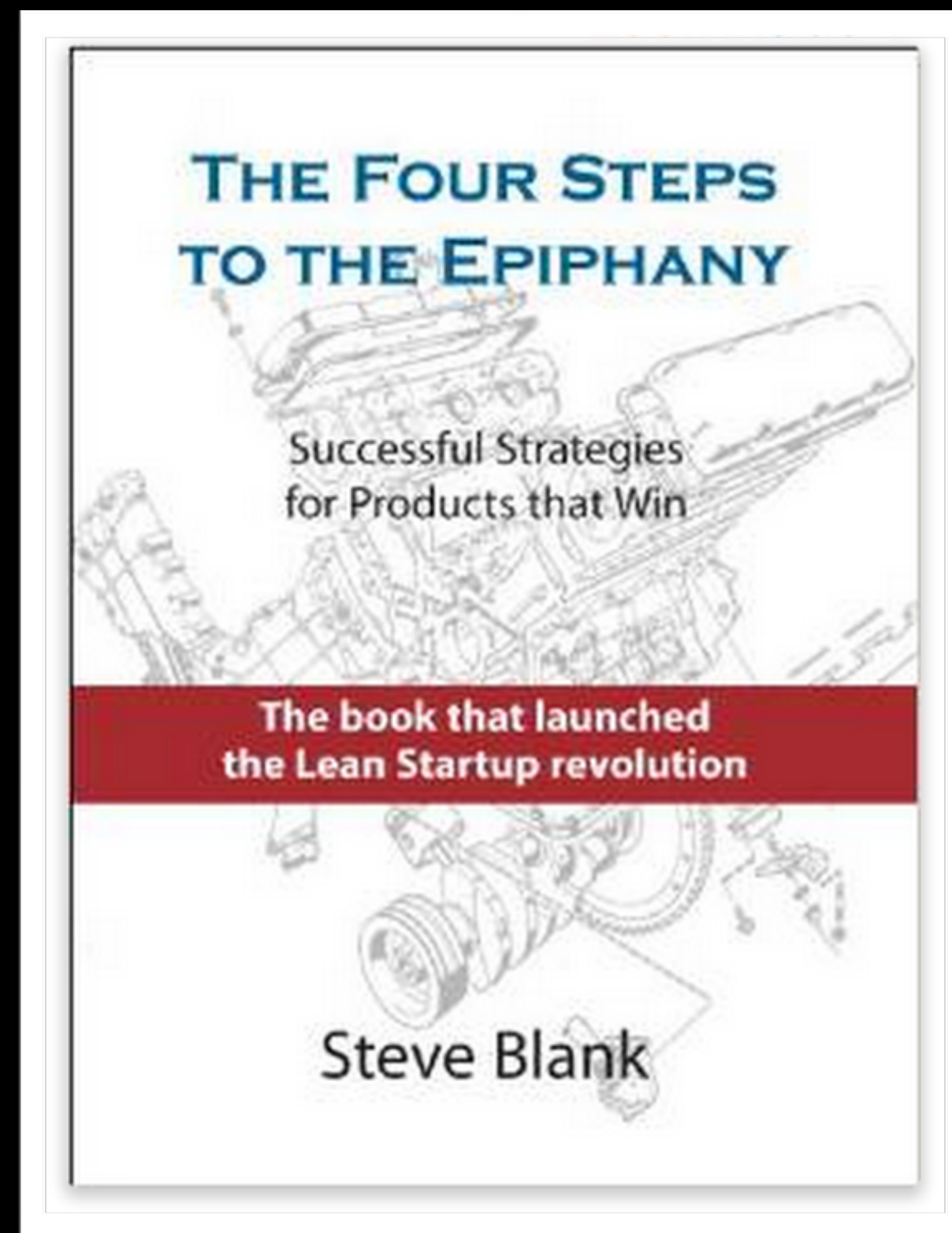
-Me

The lean startup methodology.

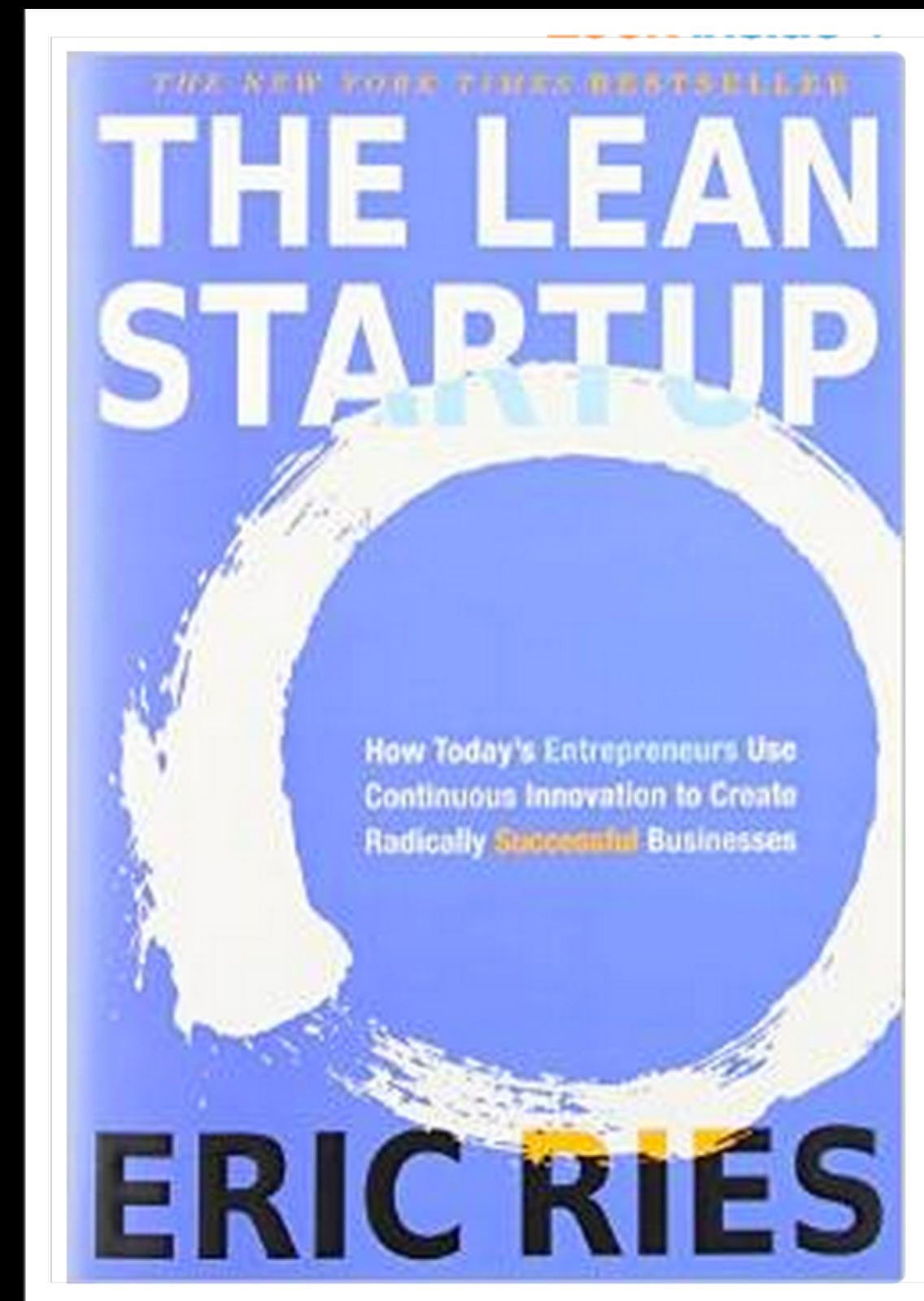
Learn from customers, using
small experiments, iterating
constantly.



Difficult.



Easier.



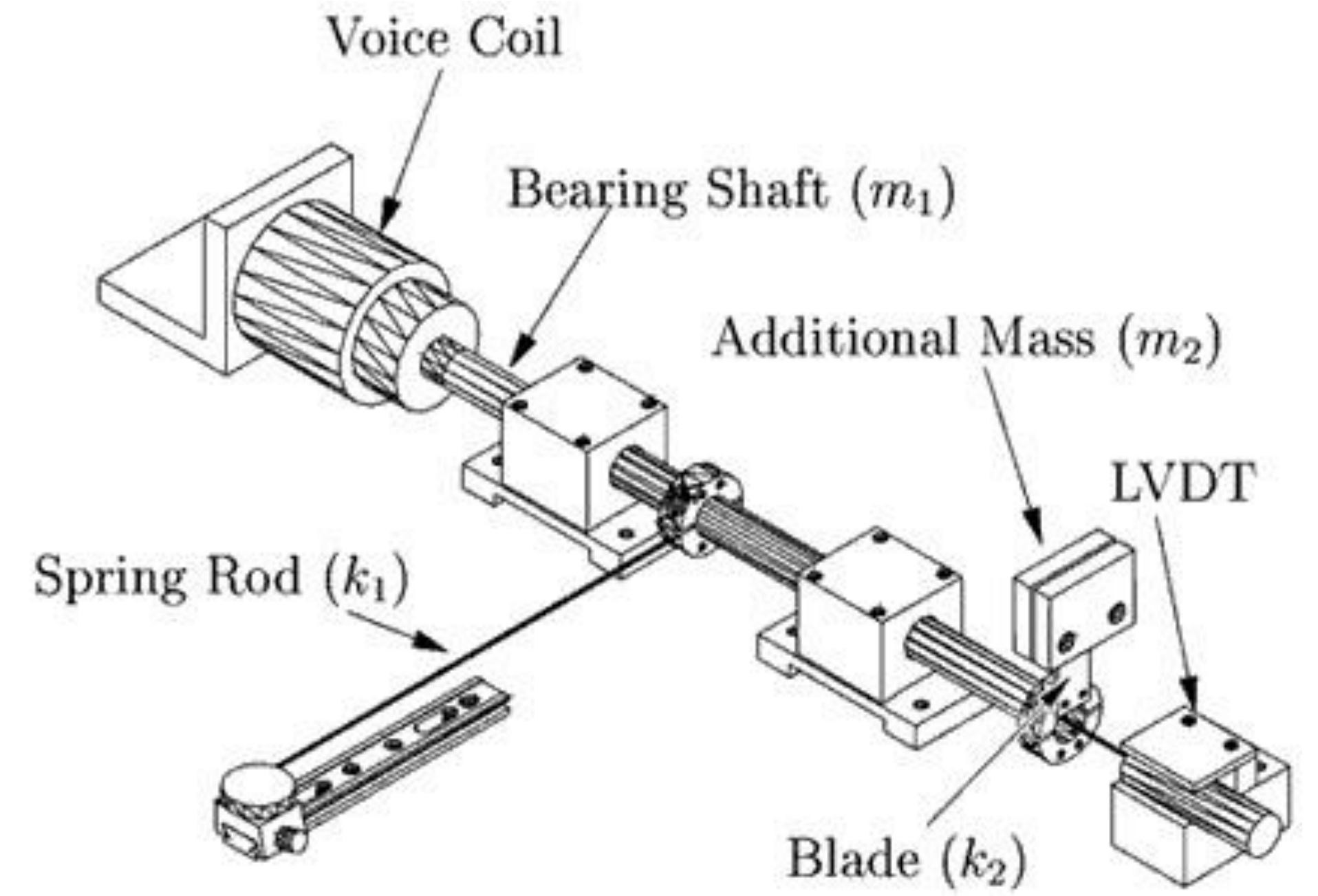
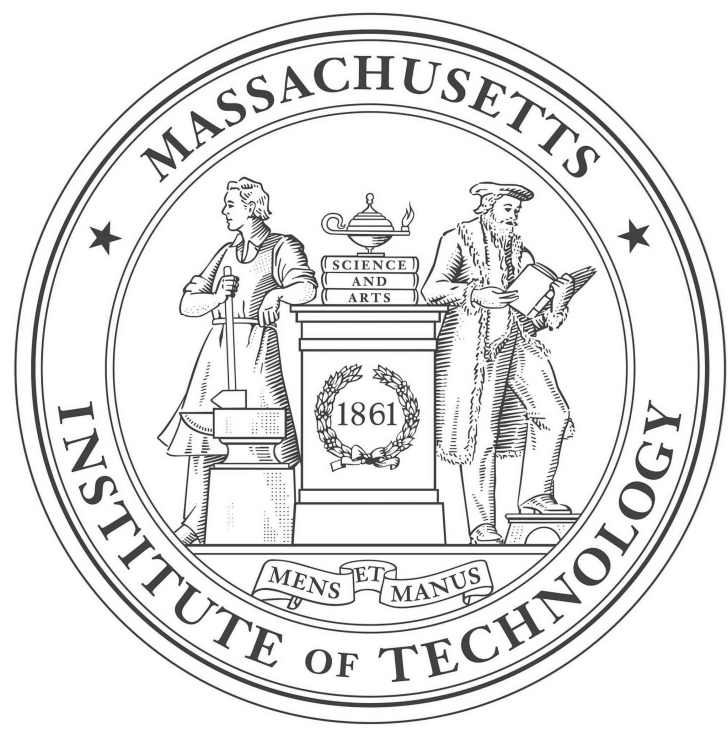
Easiest.

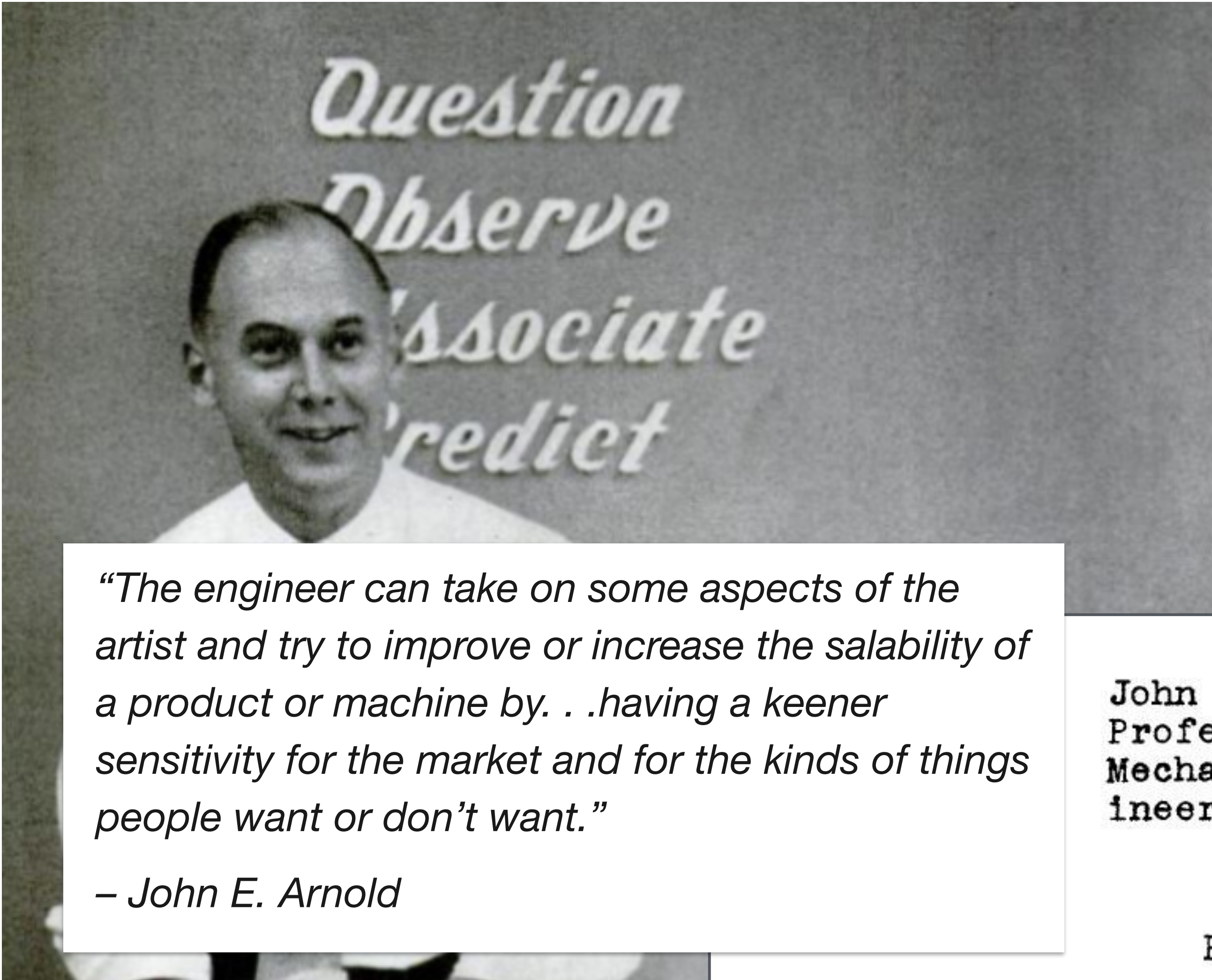


All are on the recommended reading list for BUS-217.

1958

An engineering professor goes rogue.





John Arnold Professor of Mechanical Engineering MIT

Professor Arnold sought to shift the meaning of engineering design from being “the language used to tell fabrication and assembly where to make their cuts” to “the language of innovation”.

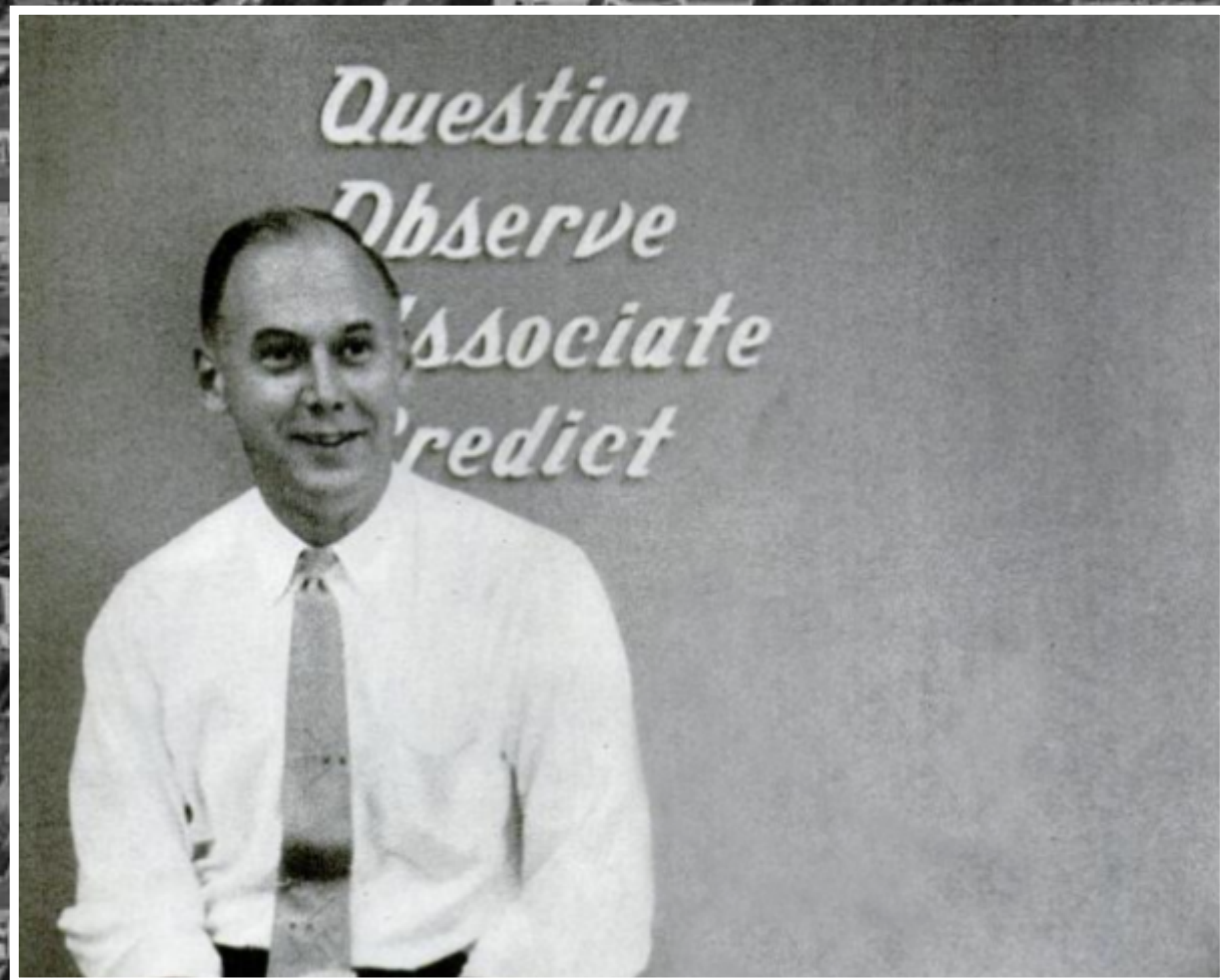
“The engineer can take on some aspects of the artist and try to improve or increase the salability of a product or machine by. . .having a keener sensitivity for the market and for the kinds of things people want or don’t want.”

– John E. Arnold

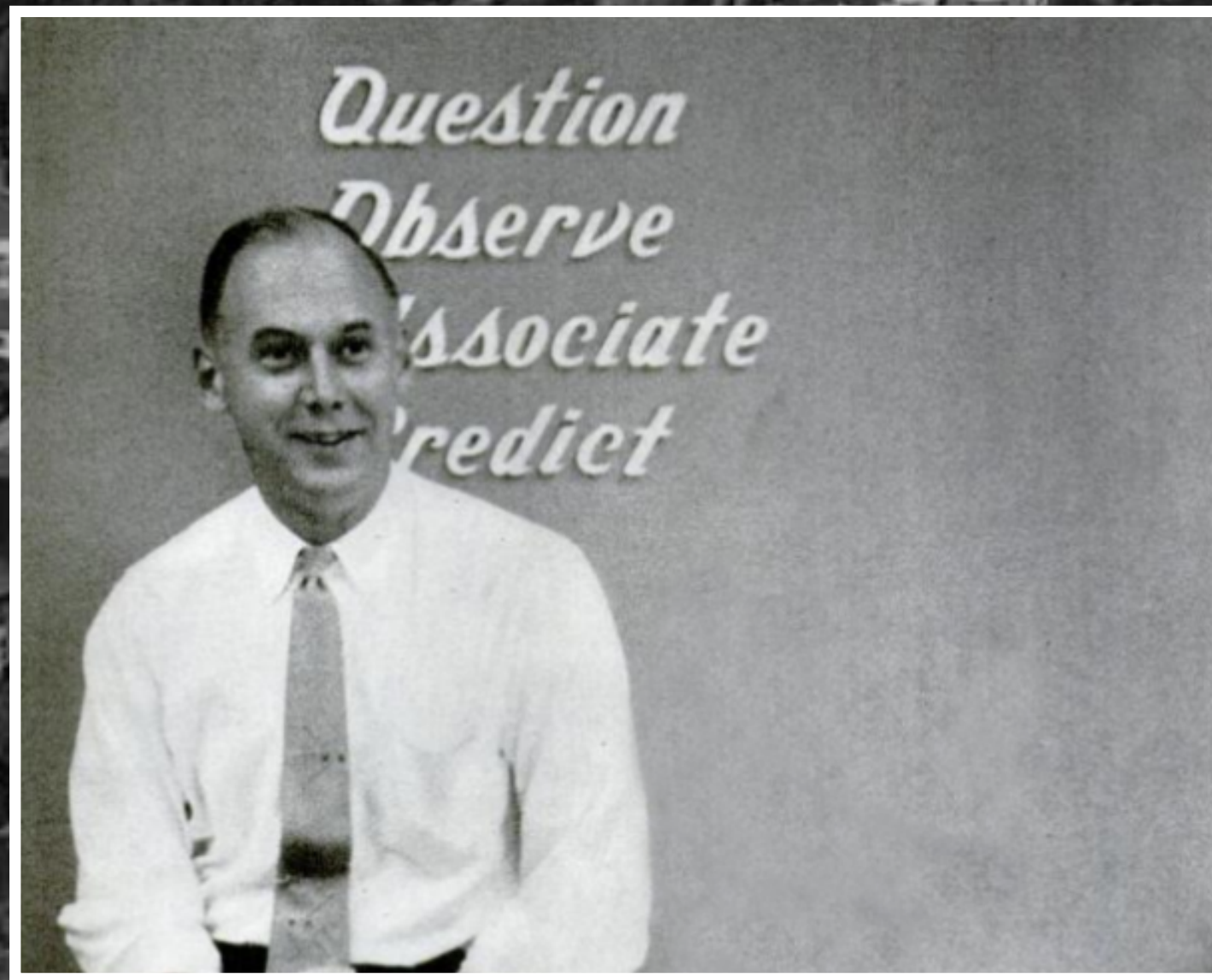
John Arnold
Professor of
Mechanical Eng-
ineering

Professor John Arnold believes his four steps - question, observe, associate, and predict hold in every act of innovation, from the lowest level to the highest.²



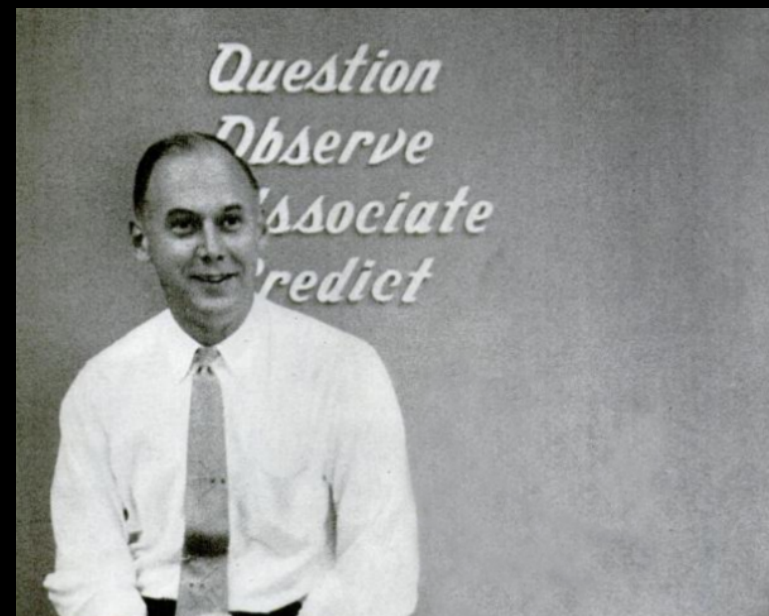


**In 1987 John Arnold went West.
He joined Stanford University where he was the founder
of the Design Division of the Mechanical Engineering**



Believed that engineers should bring a “human-centric” approach to solving problems.

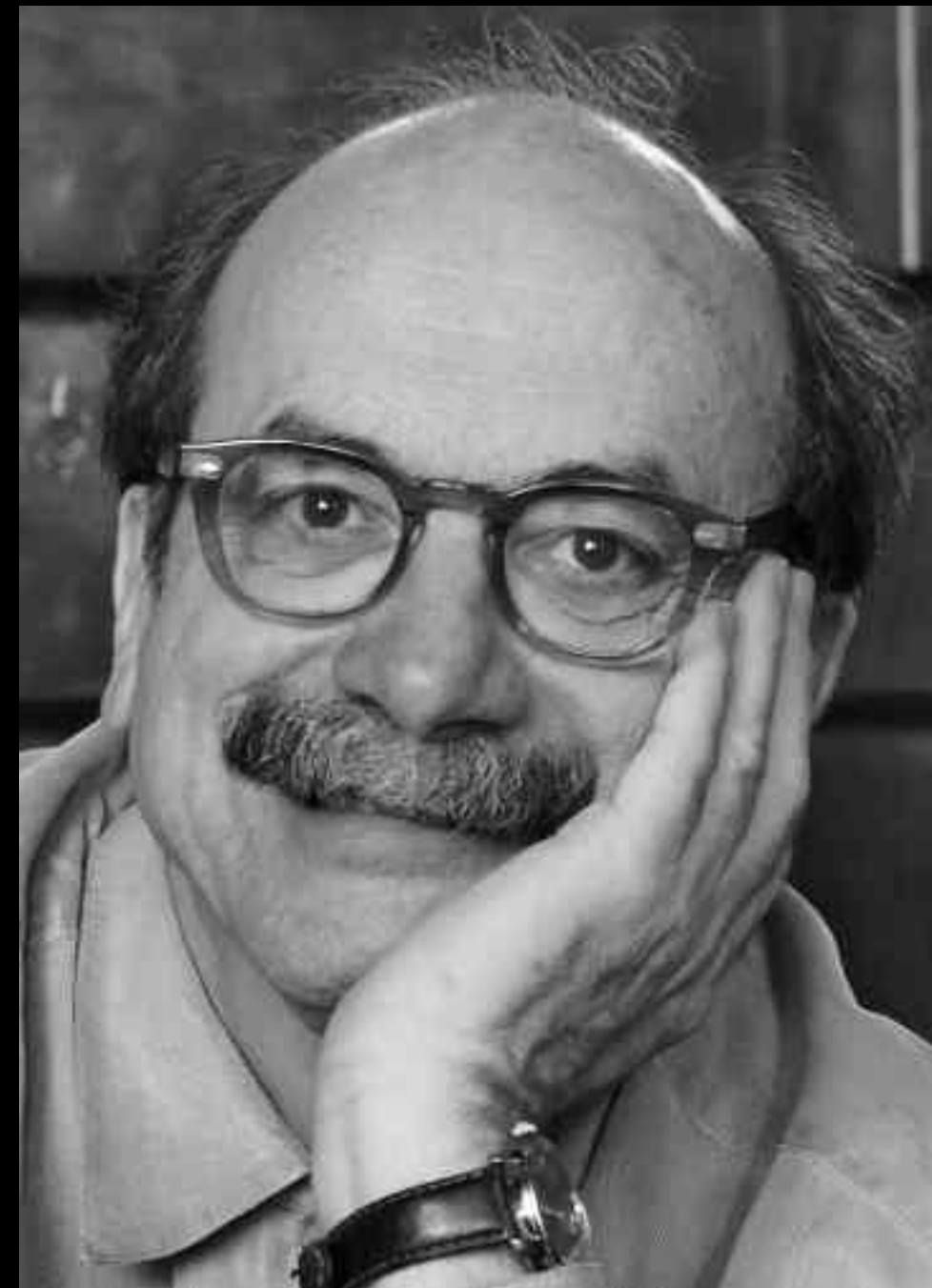
Created an engineering course called How to Ask a Question because “*Each of mankind’s advances was started by asking the right question*”.



John Arnold

Professor of Mechanical Engineering

Founder of Engineering Design program at Stanford University

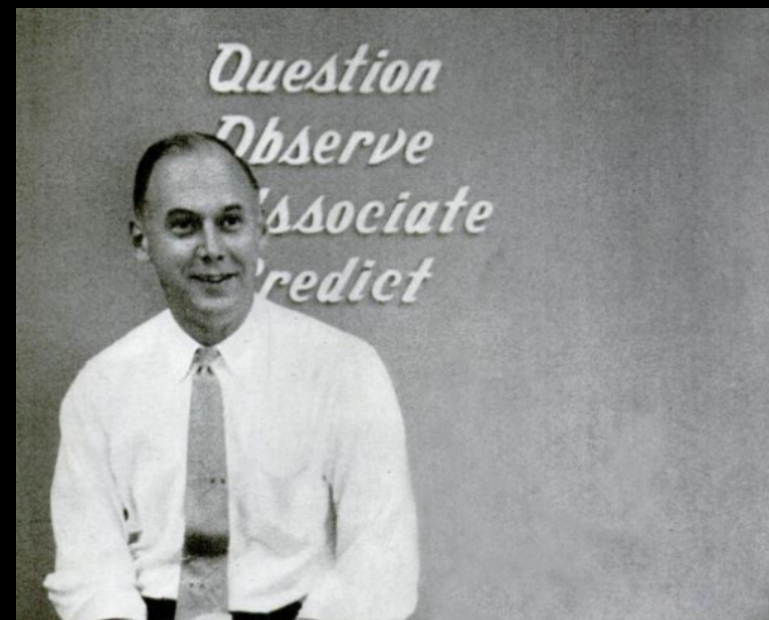


David Kelley

Mechanical Engineering degree from Carnegie-Mellon

Masters Degree from Stanford in Engineering Design

Founder of IDEO, a product design consultancy



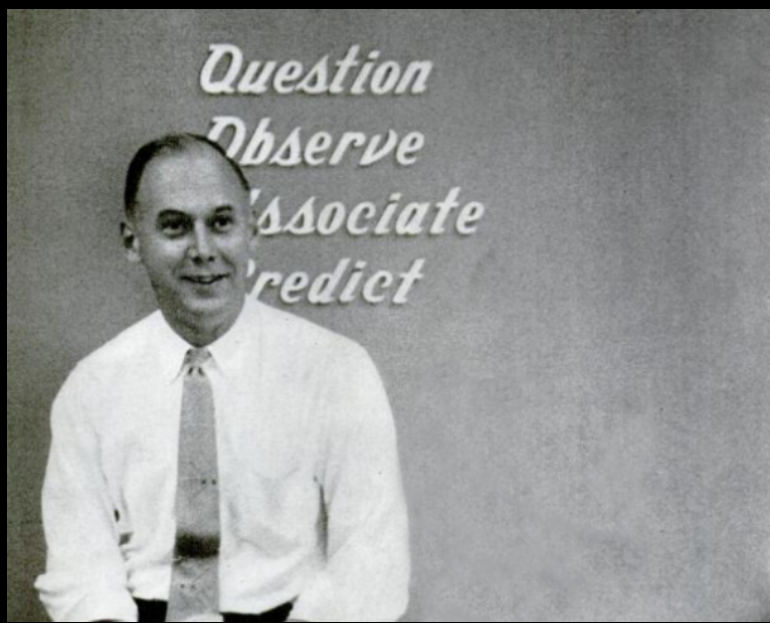
John Arnold

Professor of Mechanical Engineering
Founder of Engineering Design program



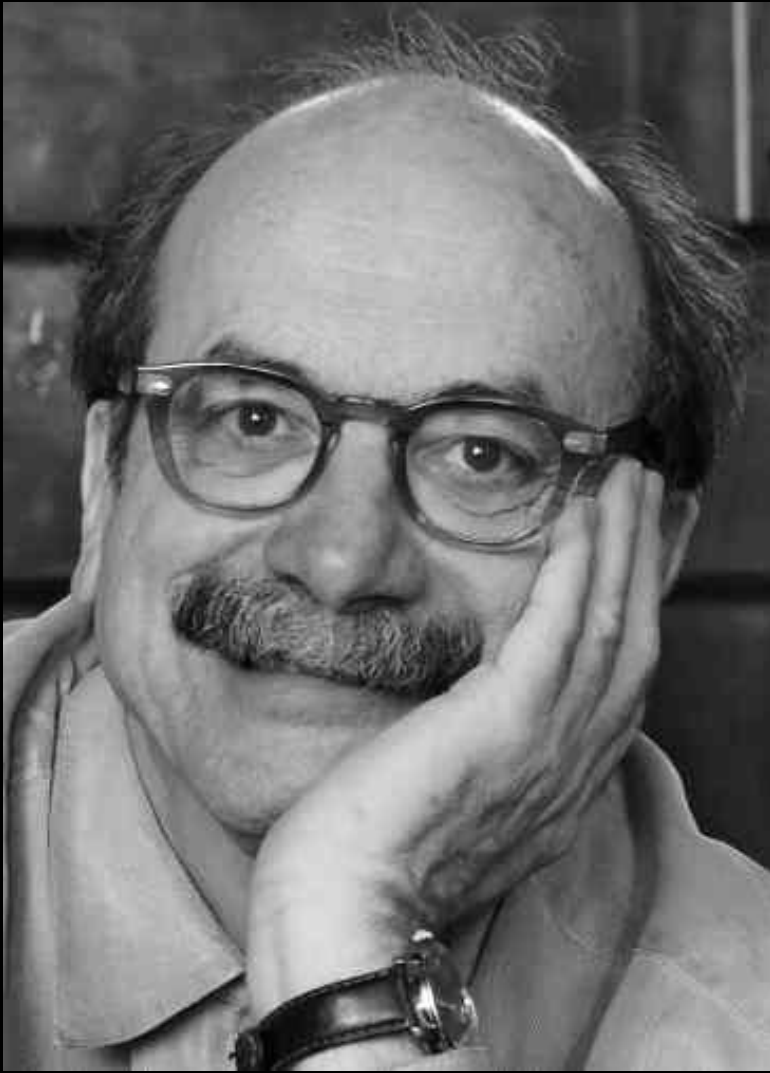
David Kelley





John Arnold

Professor of Mechanical Engineering
Founder of Engineering Design program at Stanford University



David Kelley

Co-Founder, IDEO



Steve Jobs

Co-Founder, Apple



Hasso Plattner
Founder of SAP

**In 2004 Hasso Plattner donated
\$40 million for David Kelley to
establish a new dedicated
engineering design program at
Stanford.**

Stanford
University



HASSO PLATTNER



NOTHING IS A MISTAKE.
THERE'S NO WIN
AND NO FAIL.

THERE'S ONLY
MAKE

JOHN CAGE

The d.school at Stanford

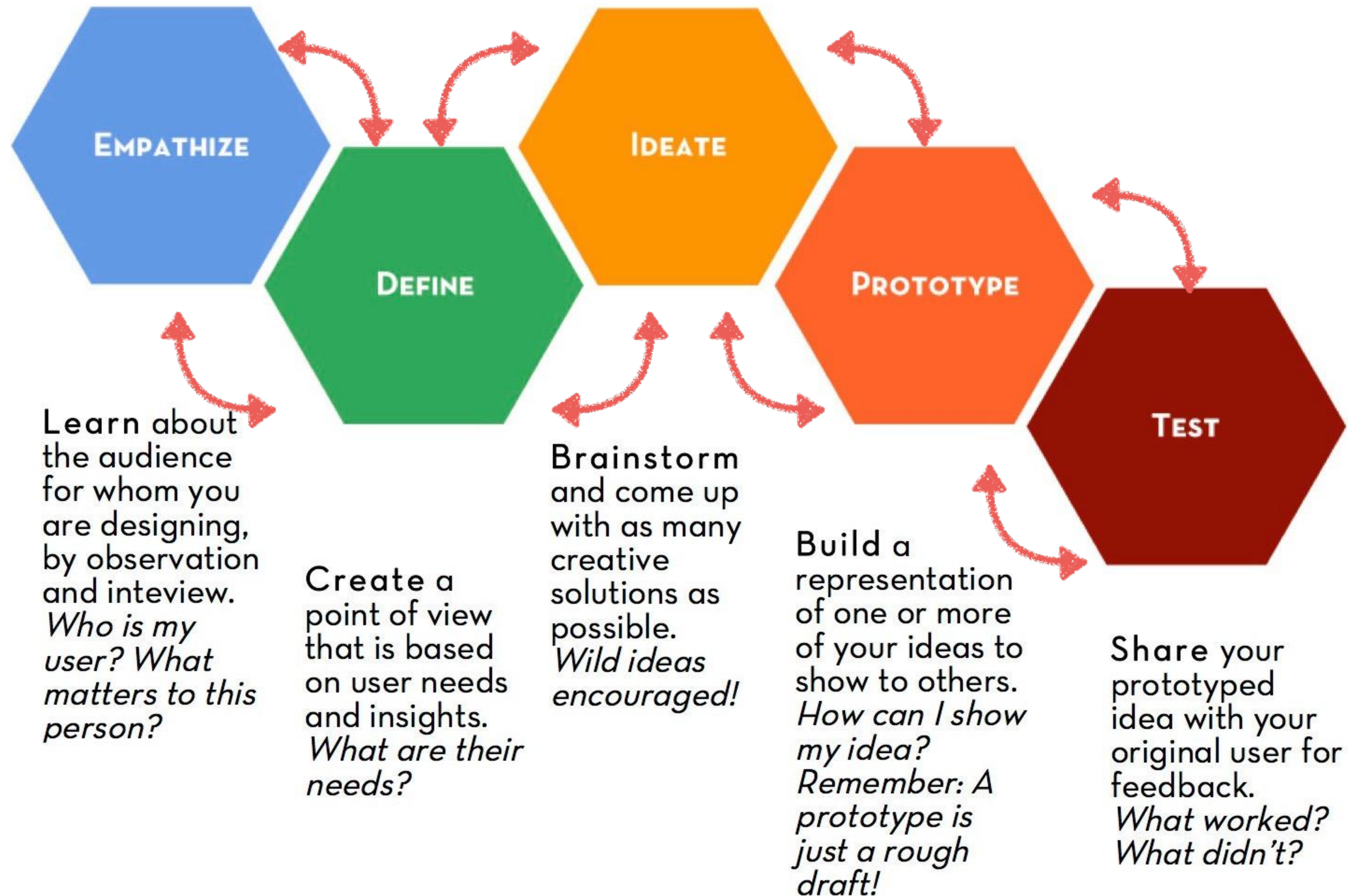


Design Thinking

Developed by the d.school at Stanford

Design Thinking:

An engineering framework for creating products that succeed.



Empathy

Insight

Ideate

Prototype

Test

Empathy

Insight

Ideate

Prototype

Test

Empathy

Insight

Ideate

Prototype

Test



Don't build anything until you fully understand (empathize with) the customer and what that customer cares about, what their daily life looks like, what points of pain they experience in their life, etc.

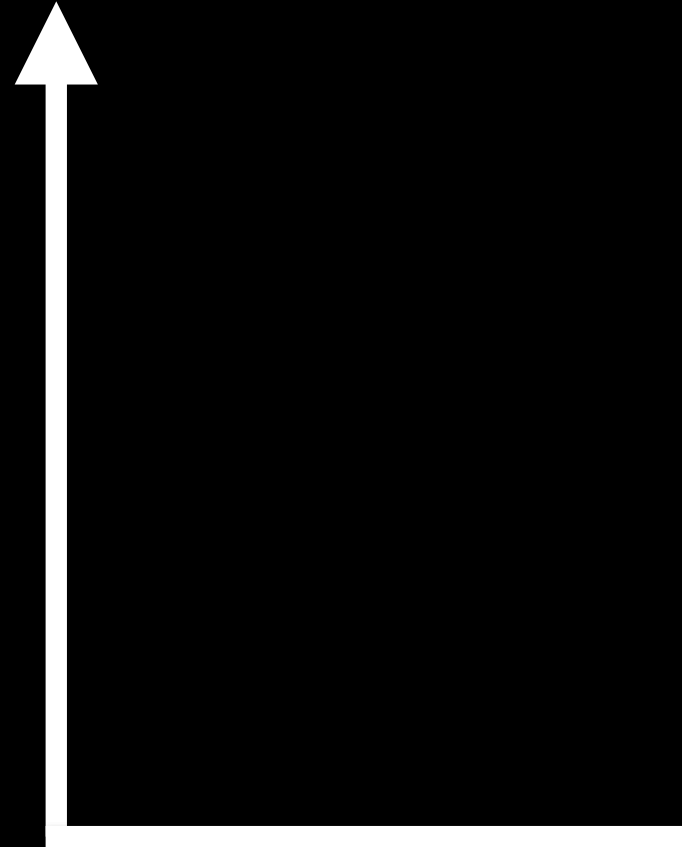
Empathy

Insight

Ideate

Prototype

Test



After fully understanding the customer and market, what insights have we uncovered?

What problems do customers have that no one is solving for them today?

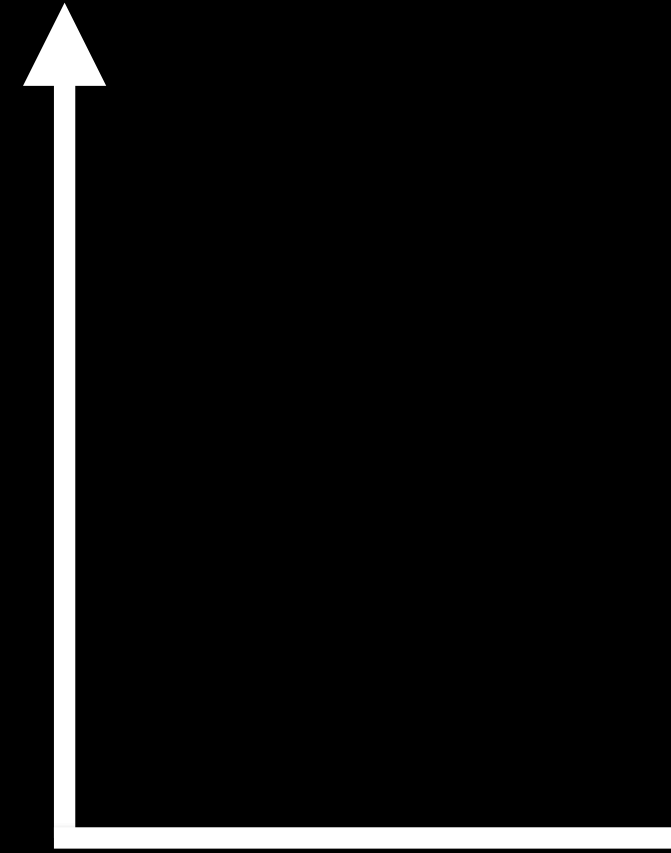
Empathy

Insight

Ideate

Prototype

Test



Brainstorming (the fun part!). Come up with ideas on how we could solve customers' problems.

Go wild - no ideas are stupid at this point in the process.

Empathy

Insight

Ideate

Prototype

Test

Build a prototype of your solution. Start by prototyping with words. Show it to prospective customers. Get their input. Gain insight by watching their reaction.



Empathy

Insight

Ideate

Prototype

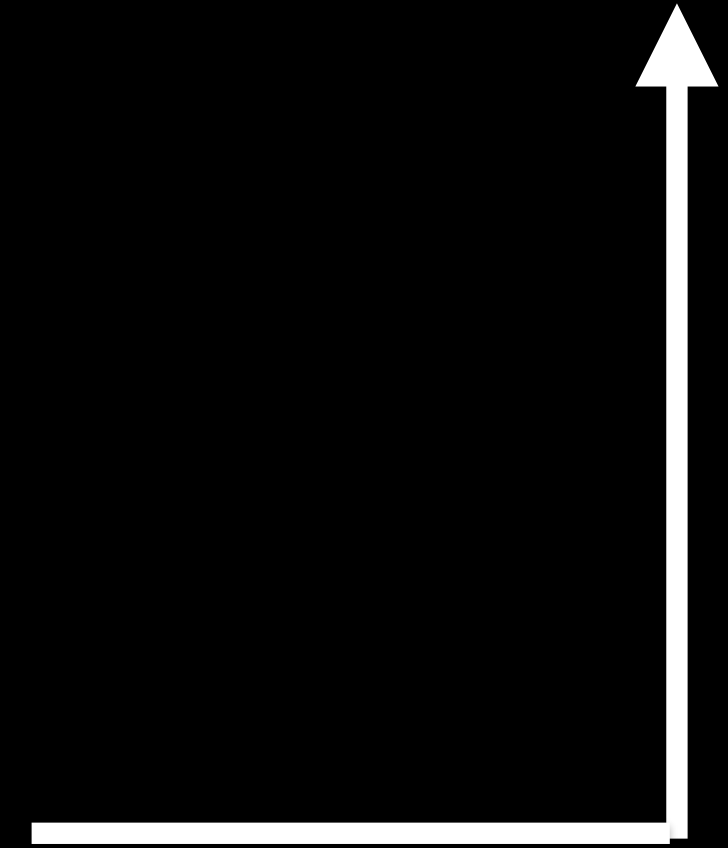
Test

Make refinements and show it again.

*Iterate and test, iterate and test,
iterate and test.*

*Iterate and test, iterate and test,
iterate and test.*

That's how great products are built.



Summary

Don't do as I did in 2000-2001 and build a product based on your unvalidated assumptions. Get out there, talk to actual customers, and build a product based on validated understandings.

The only thing that matters is getting to **product/market fit.**

Getting efficiently to product/market fit can be facilitated by using the concepts of **Customer Development and **Design Thinking**.**

What you think would be a cool product is meaningless. What matters is what customers think.

An MVP is not something you build to show, it's something you build to learn from.

Entrepreneurship.

**“Entrepreneurship is the pursuit of opportunity,
without regard for resources currently controlled.”**

Professor Howard Stevenson

Harvard Business School

A story of startup failure:

A 3-person startup in San Diego set out to create a **water displacement** fluid that would protect aerospace parts from rusting.

They tried many different formulas, and their **first 39 attempts failed**.
Finally **water displacement formula 40** worked.

In 1973, the company had an IPO. The stock price increased by 61% on the first day of listing.

Today, the product is used by 60% of all businesses and 80% of all American households.



Today it's a \$350M/year company.

WD-40

(because they failed the first 39 times.)

“I've missed more than 9,000 shots in my career. I've lost almost 300 games. Twenty-six times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that's why I succeed”.

- Michael Jordan, NBA Hall of Fame

Business Model

“A business model describes the rationale of how an organization creates, delivers, and captures value”



Power by the hour

Our TotalCare[®] circular business model helps us to reduce waste and optimise resource efficiency, whilst enabling our customers to maximise the flying potential of their engines.



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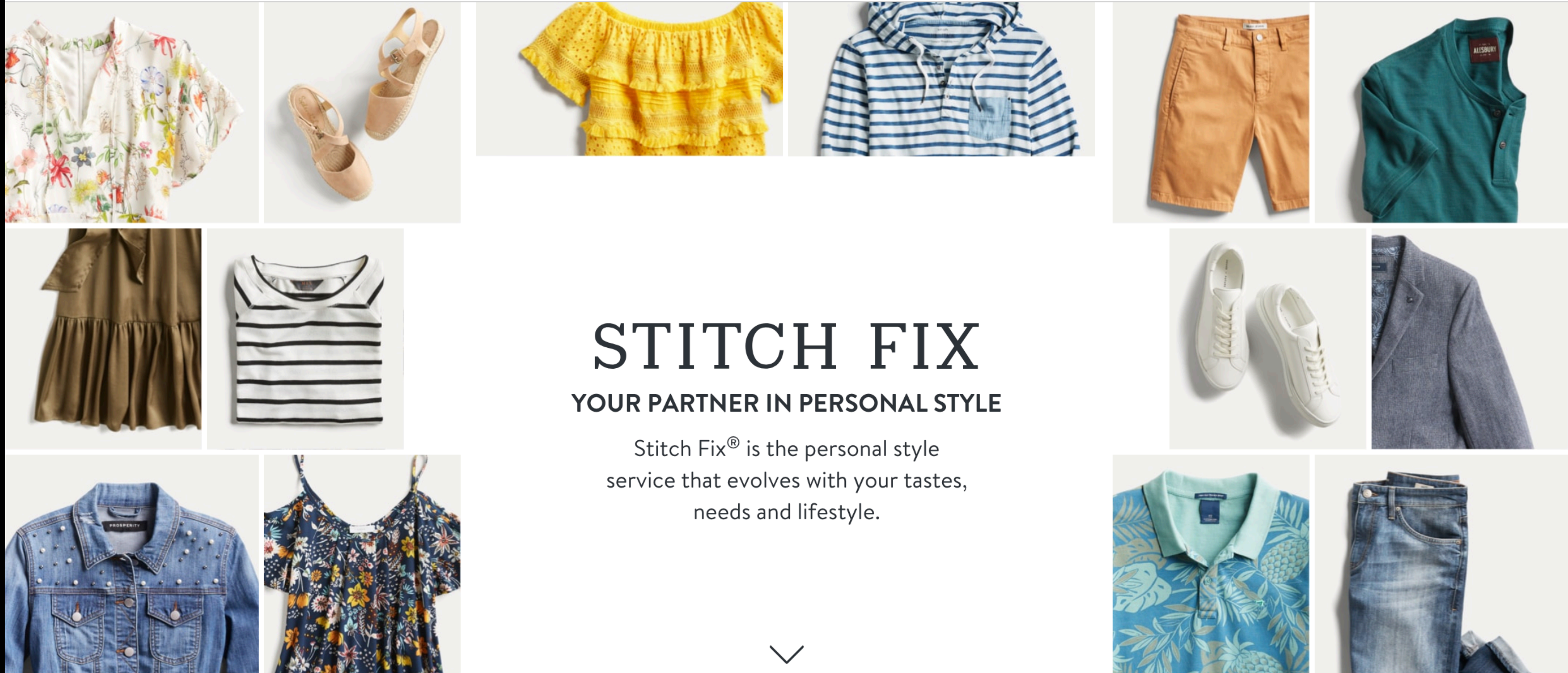
A circular business model

Our long-term service agreements retain product stewardship. This provides a means

STITCH FIX

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[SIGN IN](#)



WOMEN →

Offering 0-24W (XS-3X),
petite and maternity.

MEN →

We currently carry 28-42W (XS-2X).

The Casper Mattress

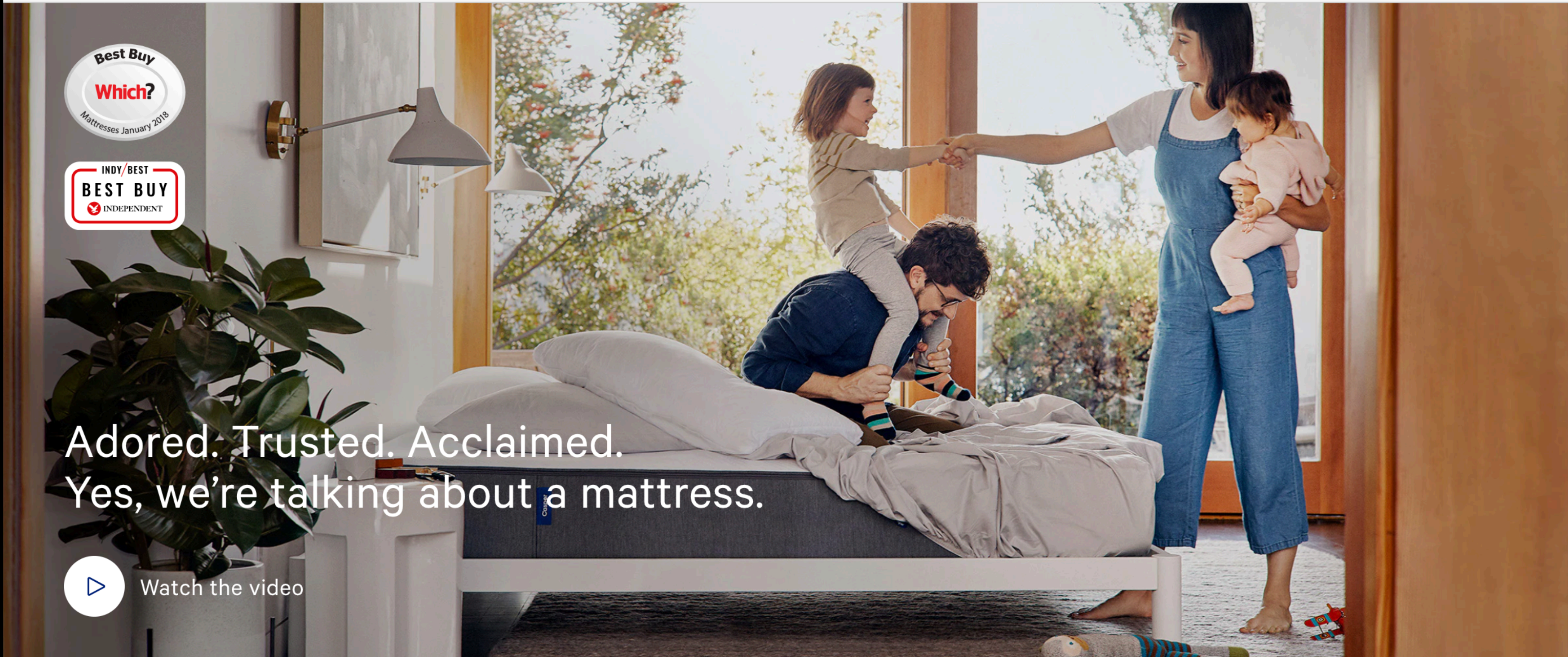
★★★★☆ 4.5/5 (5,187)

Select a size

Single 90 X 190 CM – £350

Delivered in 1-3 days

Add to cart



Adored. Trusted. Acclaimed.
Yes, we're talking about a mattress.

Watch the video

100 Night Trial,
Free Shipping & Returns

Optional extras: Planned delivery
& existing mattress removal

What makes the Casper different?



Casper is only three years old and has already developed a cult following — notorious for disrupting the \$14 billion mattress industry and completely changing the way consumers shop for mattresses.

The Business Model Canvas

Business Model Canvas

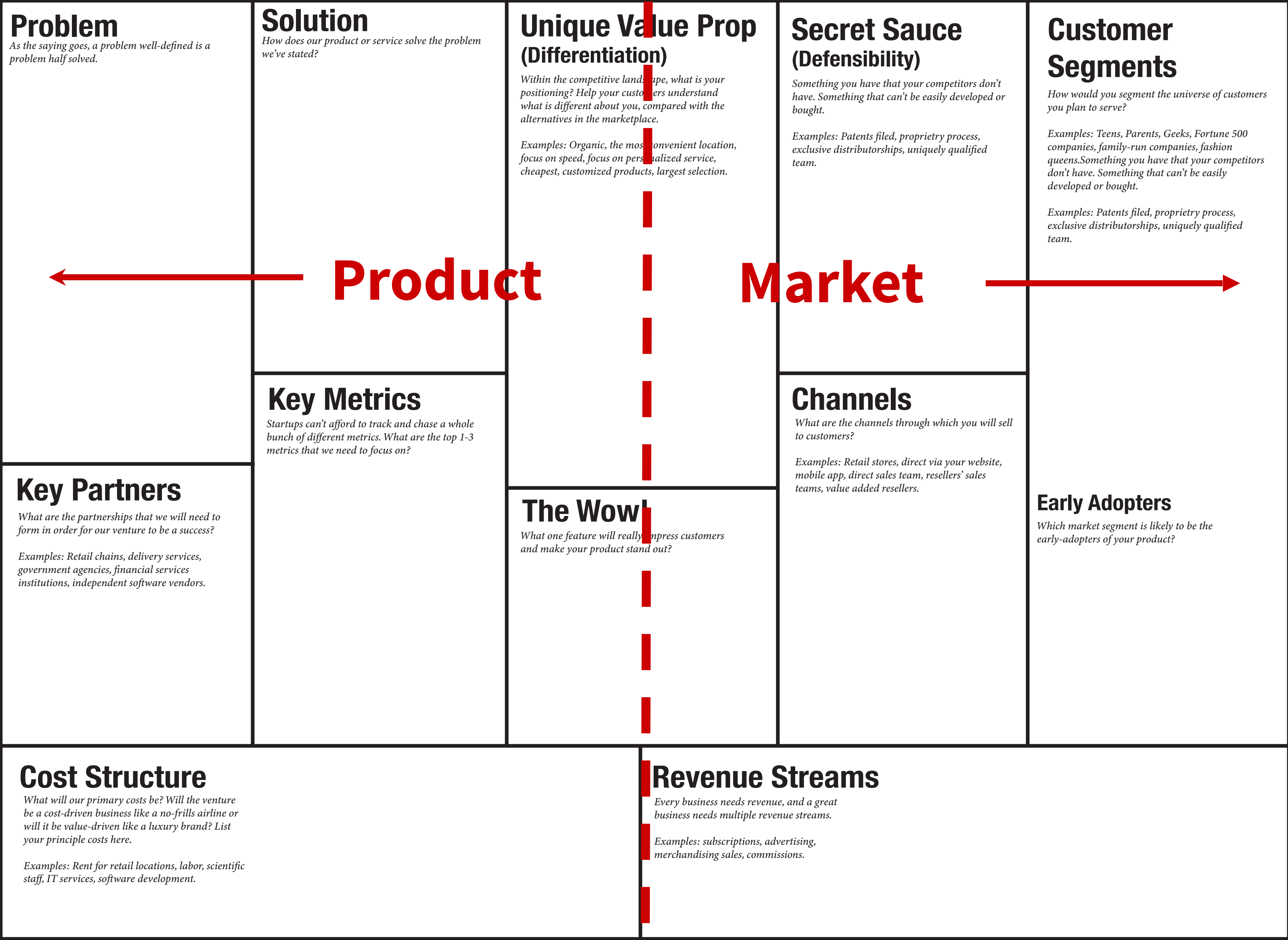
A business model describes how an organization creates, delivers, and captures value. This canvas provides a way for you to list your **hypotheses** as to how your venture's business model will work. Print this canvas out as large as you can, put it on your wall, and then use sticky notes on it. Remember, these are hypothesos which you will test, swapping-out stickies as you learn.

<div><h2>Problem</h2><p><i>As the saying goes, a problem well-defined is a problem half solved.</i></p></div>	<div><h2>Solution</h2><p><i>How does our product or service solve the problem we've stated?</i></p></div>	<div><h2>Unique Value Prop (Differentiation)</h2><p><i>Within the competitive landscape, what is your positioning? Help your customers understand what is different about you, compared with the alternatives in the marketplace.</i></p><p><i>Examples: Organic, the most convenient location, focus on speed, focus on personalized service, cheapest, customized products, largest selection.</i></p></div>	<div><h2>Secret Sauce (Defensibility)</h2><p><i>Something you have that your competitors don't have. Something that can't be easily developed or bought.</i></p><p><i>Examples: Patents filed, proprietry process, exclusive distributorships, uniquely qualified team.</i></p></div>	<div><h2>Customer Segments</h2><p><i>How would you segment the universe of customers you plan to serve?</i></p><p><i>Examples: Teens, Parents, Geeks, Fortune 500 companies, family-run companies, fashion queens.Something you have that your competitors don't have. Something that can't be easily developed or bought.</i></p><p><i>Examples: Patents filed, proprietry process, exclusive distributorships, uniquely qualified team.</i></p></div>
	<div><h2>Key Metrics</h2><p><i>Startups can't afford to track and chase a whole bunch of different metrics. What are the top 1-3 metrics that we need to focus on?</i></p></div>		<div><h2>Channels</h2><p><i>What are the channels through which you will sell to customers?</i></p><p><i>Examples: Retail stores, direct via your website, mobile app, direct sales team, resellers' sales teams, value added resellers.</i></p></div>	
<div><h2>Key Partners</h2><p><i>What are the partnerships that we will need to form in order for our venture to be a success?</i></p><p><i>Examples: Retail chains, delivery services, government agencies, financial services institutions, independent software vendors.</i></p></div>		<div><h2>The Wow!</h2><p><i>What one feature will really impress customers and make your product stand out?</i></p></div>	<div><h2>Early Adopters</h2><p><i>Which market segment is likely to be the early-adopters of your product?</i></p></div>	
<div><h2>Cost Structure</h2><p><i>What will our primary costs be? Will the venture be a cost-driven business like a no-frills airline or will it be value-driven like a luxury brand? List your principle costs here.</i></p><p><i>Examples: Rent for retail locations, labor, scientific staff, IT services, software development.</i></p></div>			<div><h2>Revenue Streams</h2><p><i>Every business needs revenue, and a great business needs multiple revenue streams.</i></p><p><i>Examples: subscriptions, advertising, merchandising sales, commissions.</i></p></div>	

This version of the Business Model Canvas is a creation that stands on the shoulders of several giants. First among them is Alexander Osterwalder, in his terrific book Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers. His canvas is available via a Creative Commons license from Strategyzer AG. Ash Maurya then created the Lean Canvas, a version that aligned with Eric Reis's Lean Startup nonmenclature. Adobe then added the "Wow" box on their Kickbox framework. Licensed under the Creative Commons/Attribution-Share Alike 3.0 Unported License

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Stanford BUS-217

Business Model Canvas

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	<div>Key Metrics</div> <div>Startups can't afford to track and chase a whole bunch of different metrics. What are the top 1-3 metrics that we need to focus on?</div>		<div>Channels</div> <div>What are the channels through which you will sell to customers?</div> <div>Examples: Retail stores, direct via your website, mobile app, direct sales team, resellers' sales teams, value added resellers.</div>		<div>Early Adopters</div> <div>Which market segment is likely to be the early-adopters of your product?</div>		
<div>Key Partners</div> <div>What are the partnerships that we will need to form in order for our venture to be a success?</div> <div>Examples: Retail chains, delivery services, government agencies, financial services institutions, independent software vendors.</div>	<div>The Wow!</div> <div>What one feature will really impress customers and make your product stand out?</div>	<div>Cost Structure</div> <div>What will our primary costs be? Will the venture be a cost-driven business like a no-frills airline or will it be value-driven like a luxury brand? List your principle costs here.</div> <div>Examples: Rent for retail locations, labor, scientific staff, IT services, software development.</div>			<div>Revenue Streams</div> <div>Every business needs revenue, and a great business needs multiple revenue streams.</div> <div>Examples: subscriptions, advertising, merchandising sales, commissions.</div>		

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Bret's awesome startup:



Business Model Canvas

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<div>Problem <i>As the saying goes, a problem well-defined is a problem half solved.</i></div> <div>Medical research shows that a healthy breakfast is an important way to start the day, and yet many busy professionals and families don't have the time to prepare a healthy breakfast for themselves every morning.</div>	<div>Solution <i>How does our product or service solve the problem we've stated?</i></div> <div>For busy people who want to eat healthy, Breakfast is a subscription-based service that delivers fresh, healthy breakfasts directly to your home or office.</div>	<div>Unique Value Prop (Differentiation) <i>Within the competitive landscape, what is your positioning? Help your customers understand what is different about you, compared with the alternatives in the marketplace.</i></div> <div>Unlike other food delivery companies, we are uniquely focused just on delicious, healthy breakfasts.</div>	<div>Secret Sauce (Defensibility) <i>Something you have that your competitors don't have. Something that can't be easily developed or bought.</i></div> <div>A passionate founding team, laser-focused on healthy breakfasts for our customers and a proprietary technology platform.</div>	<div>Customer Segments <i>How would you segment the universe of customers you plan to serve?</i></div> <div>Examples: Teens, Parents, Geeks, Fortune 500 companies, family-run companies, fashion queens.Something you have that your competitors don't have. Something that can't be easily developed or bought.</div> <div>Examples: Patents filed, proprietry process, exclusive distributorships, uniquely qualified team.</div> <div>Working parents.</div> <div>Busy millenials.</div> <div>Health-concious singles.</div> <div>Seniors.</div> <div>Early Adopters <i>Which market segment is likely to be the early-adopters of your product?</i></div> <div>We think that working parents will be our early adopters because they are time-contrained and care about family health.</div>
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<div>Cost Structure <i>What will our primary costs be? Will the venture be a cost-driven business like a no-frills airline or will it be value-driven like a luxury brand? List your principle costs here.</i></div> <div>Examples: Rent for retail locations, labor, scientific staff, IT services, software development.</div> <div>Significant initial costs to develop the software and the menu items.</div> <div>Operating costs plus COGS. Key will be keeping kitchen waste low.</div>			<div>Revenue Streams <i>Every business needs revenue, and a great business needs multiple revenue streams.</i></div> <div>Examples: subscriptions, advertising, merchandising sales, commissions.</div> <div>- Home subscriptions.</div> <div>- Company office subscriptions.</div> <div>Down the road there may be opportunities for sponsored product placement (branded ingredients).</div>	

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BUS-217

Business Model Canvas

A business model describes how an organization creates, delivers, work. Print this canvas out as large as you can, put it on your w

Problem

As the saying goes, a problem well-defined is a problem half solved.

Medical research shows that a healthy breakfast is an important way to start the day, and yet many busy professionals and families don't have the time to prepare a healthy breakfast for themselves every morning.

Solution

How does our product or service solve the problem we've stated?

For busy people who want to eat healthy, Breakfast is a subscription-based service that delivers fresh, healthy breakfasts directly to your home or office.

Unique Value Proposition (Differentiation)

Within the competitive landscape, what is your positioning? Help your customers understand what is different about you, compared with the alternatives in the marketplace.

Examples: Organic, the most convenient location, focus on speed, focus on personalized service, cheapest, customized products, largest selection.

Unlike other food delivery companies, we are uniquely focused just on delicious, healthy breakfasts.

Key Metrics

Startups can't afford to track and chase a whole bunch of different metrics. What are the top 1-3 metrics that we need to focus on?

Model Canvas

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Secret Sauce (Defensibility)

Something you have that your competitors don't have. Something that can't be easily developed or bought.

Examples: Patents filed, proprietary process, exclusive distributorships, uniquely qualified team.

A passionate founding team, laser-focused on healthy breakfasts for our customers and a proprietary technology platform.

Channels

What are the channels through which you will sell to customers?

Examples: Retail stores, direct via your website, mobile app, direct sales team, resellers' sales teams, value added resellers.

Customer Segments

How would you segment the universe of customers you plan to serve?

Examples: Teens, Parents, Geeks, Fortune 500 companies, family-run companies, fashion queens. Something you have that your competitors don't have. Something that can't be easily developed or bought.

Examples: Patents filed, proprietary process, exclusive distributorships, uniquely qualified team.

Working parents.

Busy millenials.

Health-concious singles.

Seniors.

Early Adopters

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Working parents.

Busy millennials.

Health-conscious singles.

Seniors.

The Wow!

What one feature will really impress customers and make your product stand out?

Channels

What are the channels through which you will sell to customers?

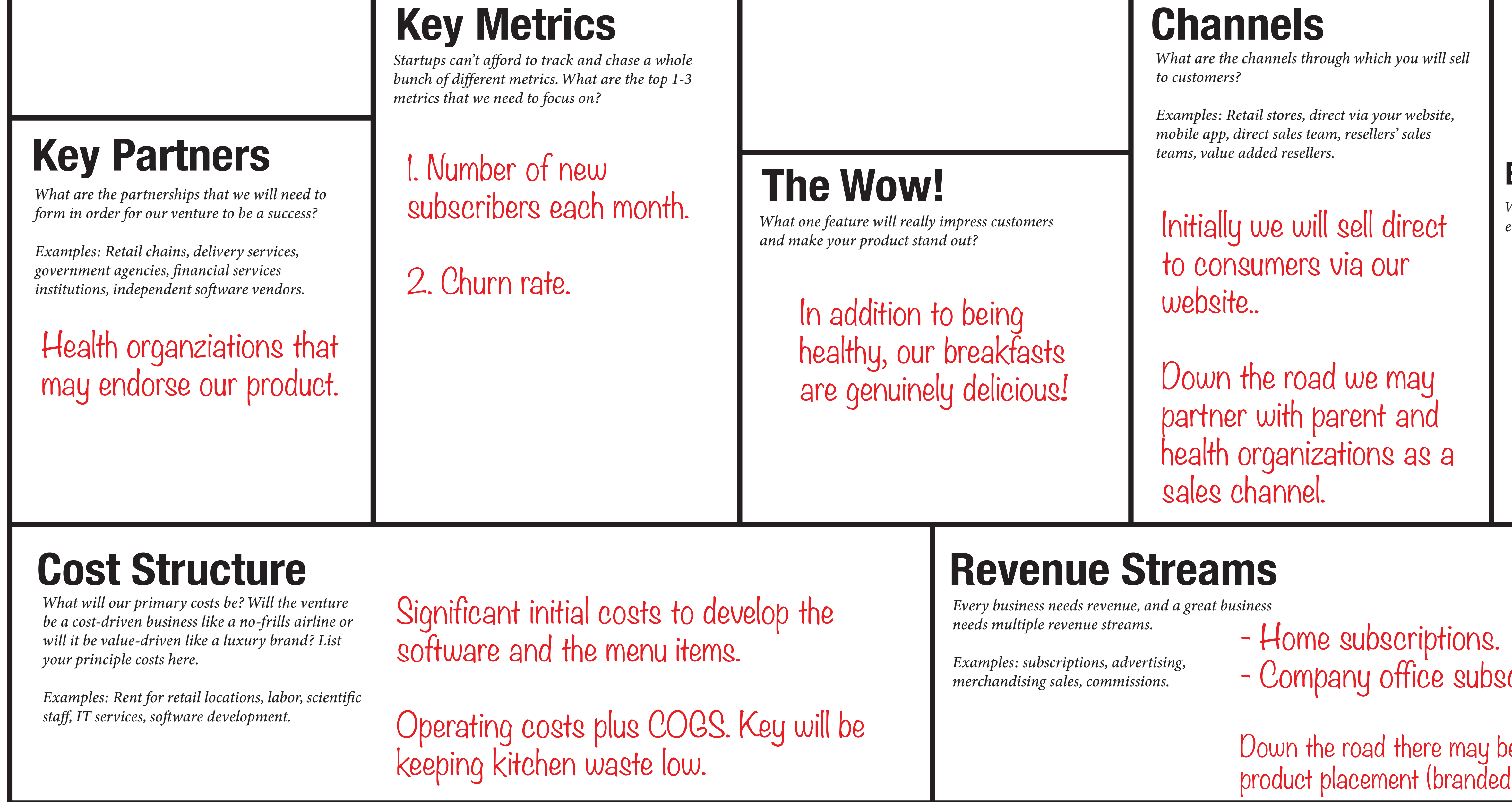
Examples: Retail stores, direct via your website, mobile app, direct sales team, resellers' sales teams, value added resellers.

Initially we will sell direct

Early Adopters

Which market segment is likely to be the early-adopters of your product?

	<h2>Channels</h2> <p><i>What are the channels through which you will sell to customers?</i></p> <p><i>Examples: Retail stores, direct via your website, mobile app, direct sales team, resellers' sales teams, value added resellers.</i></p> <p>Initially we will sell direct to consumers via our website..</p> <p>Down the road we may partner with parent and health organizations as a sales channel.</p>	<p>Health-conscious singles.</p> <p>Seniors.</p> <h2>Early Adopters</h2> <p><i>Which market segment is likely to be the early-adopters of your product?</i></p> <p>We think that working parents will be our early adopters because they are time-constrained and care about family health.</p>
<h2>Wow!</h2> <p><i>What feature will really impress customers and make your product stand out?</i></p> <p>In addition to being healthy, our breakfasts are genuinely delicious!</p>	<h2>Revenue Streams</h2> <p><i>Every business needs revenue, and a great business needs multiple revenue streams.</i></p> <p><i>Examples: subscriptions, advertising, merchandising sales, commissions.</i></p> <ul style="list-style-type: none"> - Home subscriptions. - Company office subscriptions. <p>Down the road there may be opportunities for sponsored product placement (branded ingredients).</p>	



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BUS

can't afford to track and chase a whole
different metrics. What are the top 1-3
that we need to focus on?

number of new
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churn rate.

The Wow!

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*Examples: Retail stores, direct via your website,
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to consumers via our
website..

Down the road we may
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health organizations as a
sales channel.

significant initial costs to develop the
business.

Revenue Streams

*Every business needs revenue, and a great business
needs multiple revenue streams.*

- Home subscriptions

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