

An Initial Assumptions List for one of my products

Value Proposition

I assume I know the problem my KwikKlean will solve,**which is** allowing the pool owner with a cartridge filter to clean the filter in 5 minutes instead of 20 minutes.

I assume I know how KwikKlean will provide the solution,**which is** distributing high pressure water jets to each rib slot in the filter.

I assume I know how much benefit the customer will achieve,**which is** speeding up a boring and tedious process and providing an acceptable end result.

Target Customer

I assume I know for whom the product solves the problem,**which is** all a) residential pool owners, b) commercial and government pool owners/managers, c) pool services companies.

I assume I know why they need to solve the problem,**which is** for private pool owners they would rather be doing something else than committing 20 minutes to cleaning the filter; for commercial and municipal owners, saving time and money; for commercial pool services companies, saving time means more customers and reduced per-pool costs.

I assume I know why they would have an urgent need to buy the product,**which is** the fact that saving time either makes or saves "money" or allows for more recreation.

I assume I know the size of the market,**which is** 4.5 million pools in the US. 80% are residential and about 40% of those have a pool service.

Channels

I assume I know how to get the message to the probable customer,**which is** through a) pool supply web sites, b) pool supply stores. Direct involvement with and advertising in these venues with reach the majority of the customers. Selling the product through a major national pool supply retailer (online or in stores) is a strong option.

I assume I know how to close a sale with the residential pool owner,**which is** by convincing him that his free time is more valuable than filter-cleaning time in the the hot sun.

I assume I know how to close a sale with the pool service company,**which is** convincing them that saving 15 minutes per customer with allow them to service more customers in a day and have a higher profit margin.

I assume I know how to close a sale with the pool supply company,**which is** convincing them that residential and commercial customers will be motivated to seek out and buy the product from their stores.

Revenue Model

I assume I know the most appropriate revenue model,**which is** asset sale, selling direct, giving

margins to distributors and discounts to commercial users.

Pricing Strategy

I assume I know the price at which the customer realizes a compelling value proposition given the revenue model, **which is** establishing a \$20 retail price to the residential customer, a one-time expenditure with the recurring benefits of time and convenience.

I assume I know the price at which the customer realizes a compelling value proposition given the revenue model, **which is** convincing the pool supply stores that residential and service customers will buy the product at the retail price and offering them a discount.

Sales and Distribution

I assume I know how to collect money, **which is** through direct e-commerce, pay-through from a distributor or store who charges a markup.

I assume I know how to distribute the product, **which is**, for individual residential and pool service buyers, stocking product and shipping from a central facility and using UPS. For distributors, shipping large amount of inventory to the store's distribution centers.

Fulfillment

I assume I know how to build the product, **which is** by having the parts made in China and the packaging and instructions printed locally. Assembly, stuffing, and shipping can be handled at a central facility.

Activities and Resources

I assume I know the key activities required, **which is** financial (bookkeeping, invoicing), production management, assemblers, shipping and order fulfillment, sales and customer relationship management, vendor management, marketing management, executive leadership.

I assume I know the key resources required, **which is** bookkeeper, vendor and production manager, two assemblers, one shipping and order fulfillment person, sales and customer relationship manager, marketing manager, executive and leadership. I need physical facilities with office space and warehouse for inventory and assembly and shipping. I need 5 offices with desks and chairs, computers, phones, network, printers, filing cabinets, storage cabinets, shipping supplies, office supplies, and so on.

Product and Infrastructure Costs

I assume I know the Raw Product Costs, **which is** \$2.75 for two plastic half-channels, welded to form the water distribution ring. I have commitments from a manufacturer in China. The hose attachment device that attaches to the ring by threaded connections costs \$.75, delivered. Printed material costs \$.15. The total estimated RPC is \$3.65.

I assume I know the Infrastructure Costs, **which is** A recurring \$500,000 when the business is in full operation and \$100,000 up front for the physical startup.

Profitability

I assume I know that revenue will exceed RPC and infrastructure costs, **which is** in the first full year, we will sell 20,000 units. Averaging \$12 for distribution sales (60% of sales) and \$16 for pool

service sales (25%) and \$20 for residential sales (15%), we should expect a net revenue of about \$300,000. We should be able to break even by keeping the expenses lean. In the second year, we expect sales of at least 40,000 units, which gives us almost \$600,000 in net revenue to cover infrastructure. The infrastructure as designed can assemble, package and ship up to 200 units a day, or 25 per hour. At full capacity, we can easily ship 70,000 units per year, giving us a profit margin in the third year of \$1,450,000 to cover \$500,000 in infrastructure and ROI. This represents a company value of \$7 million at a 5 multiplier.

Sustainability, Scalability

I assume I know that the product and profit is repeatable and scalable and the customer base is not limited, *which is* because each unit generates a profit margin. The market won't be even 2% saturated in the beginning of the third year. A certain percentage of the market will be driven by "replacement" sales because the product is designed to wear out or break in the fourth year. Given that and the rate of new homeowners entering the market, we expect at least 25 years of sustained growth.

I assume I know how I will manage and keep customers engaged, *which is* through email and US mail campaigns which occasionally offers discounts on multiple purchases, loyalty discount programs, incentives to pool supply stores to offer promotions, etc.

I assume I know how I will grow the customer, providing for future sales revenues, *which is* by offering deals on related third party pool products and hoses, offering a future "improved" or "higher efficiency" unit (which has already been designed), providing strong customer service to make sure they can buy the high-margin hose connection when it breaks (and it's designed to break occasionally), etc.