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DEVELOPING AN EVIDENCE-BASED SOLUTION TO BOOST EMOTIONAL
INTELLIGENCE IN DYSFUNCTIONAL GROUPS

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1. EXECUTIVE SUMMARY

“Anyone can become angry - that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way - that is not easy” - Aristotel.

Businesses need more robust solutions so that they can build highly efficient and effective teams that work towards one goal - to solve customer’s problems.

Behnam Tabrizi, a renowned expert in transformation made an interesting observation when studying 95 teams in 25 leading corporations. He found that nearly 75% of cross-functional teams are dysfunctional. Such teams usually have no clear goals (communication problem), or even if they have them, they did not meet goals specifications, schedule, or budget and were unable to achieve those goals. **[Behnam Tabrizi Research]** It is a great observation and research in general. However, the core of the problem of dysfunctional teams lies deeper than just the schedule or the budget. Dr. Travis Bradberry, a renowned expert in Emotional Intelligence, together with Dr. Jean Greaves, tested around half a million people in the last few decades, and they found that more than 80% of top performers have a high level of emotional intelligence. **[EQ 2.0]**

Daniel Goleman, the father of Emotional Intelligence, made a groundbreaking discovery. In his work on Emotional Intelligence - “Emotional Intelligence: Why It Can Matter More Than IQ”. People with the highest levels of cognitive intelligence also known as IQ outperform people with average IQs just 20% of the time, on the other hand people with average IQs outperform those with high IQs 70% of the time. The conclusion here is simple, IQ is not a source of success. Scientists realized that there must be another explanation of what drives success. Years of studies and research pointed to Emotional Intelligence as the main source of success. The great thing about Emotional Intelligence is that it’s trainable and IQ is not.

Emotional Intelligence - is the skill of the 21st century. Businesses with mindful and emotionally intelligent teams are better prepared to compete in today's highly accelerated environment.

Despite the high interest in emotional intelligence, we still observe the deficit in understanding and managing emotions in private and business life.

Dr. Travis Bradberry together with Dr. Jean Greaves, tested around 500,000 people in the last few decades and they found out that **only 36% of people that they have tested are able to identify their emotions as they happen**. That means that nearly **64% of us are typically controlled by emotions** and are not yet skilled to identify them and use them to our own benefit.

On the other hand, research at companies like Google, Aetna and Intel have shown that increasing the emotional intelligence and mindfulness of their employees can decrease stress level, while boosting focus, creativity, thoughtfulness, decision-making and overall wellbeing.

These days being able to stay calm and adapt to different circumstances with staying calm and being open-minded at the same time is definitely a competitive advantage and the skill many companies are looking for in employees.

The aim of Harmony (the product we're building) is to democratize Emotional Intelligence and help teams and organizations improve their employees' performance, happiness, and productivity. We take the snapshot of the current state of the company and the teams by assessing them and as a result, provide personalized micro-strategies that drive the positive impact inside the team and the organization.

2. INTRODUCTION

When we started to work on our initial idea - **evidence-based psychology applied in game-based, experiential learning for couples**, we came to a conclusion that this particular idea is not worth going after, because of the insights we got during our customer development process and research that was conducted in collaboration with Associate Professor at the UCU Department of Psychology and Psychotherapy Mariana Mykolaychuk.

We have surveyed more than 200 couples. [**Appendix 1**]. We interviewed around 50 couples trying to find out the common problems of why those couples are not happy in their marriages.

To give a glimpse at our research we would like to highlight several important findings:

- **Unhappy couples:**

1. Almost every couple we talked to had its own problems.
2. Every unhappy couple has pure communication in their relationships.
3. Every unhappy couple has a low level of emotional intelligence and some of them don't know what emotional intelligence is.

- **Happy couples:**

1. They talk a lot. Great communication. This is a common denominator for every happy couple.
2. They compromise a lot.
3. They support each other.

We have also analyzed the **customer problem journey** [**Appendix 2**] in an attempt to understand at what point of time we can start acquiring our potential customers. The customer problem journey in our example can be defined as a behavioral pattern of exact steps people take when facing problems in their marriages.

We got an overview of the **exact steps people usually take when facing relationship problems**. We identified several touchpoints where we can start advertising/selling our product. The most promising touchpoint is an expert/therapist.

Therapists could be a good distribution channel for our product. However, since we worked on a solution that in the future was supposed to become at a certain point a replacement for family therapists we came to a conclusion that it would be too risky to go that way.

Another reason for pivoting from the initial idea is presumably the low LTV rate for our customers (we also learned that during our customer interviews, people won't use our solution once there is no problem to address). Once they fix their relationship problems they will stop paying for our service, or in less positive scenarios, they break up and as a result - stop using our service.

However, we found a commonality between happy and unhappy couples. Happy couples on average have higher emotional intelligence than unhappy couples.

Conclusion. The first sentence of Tolstoy's novel Anna Karenina starts with this line: "Happy families are all alike; every unhappy family is unhappy in its own way". Since our core motivation is to create a product that could help millions of people around the globe we decided to focus on a smaller problem that we identified as a common denominator for those who are unhappy - **lack of emotional intelligence.**

2.1 What is Emotional Intelligence, and why is it important?

In 1995 when Emotional Intelligence (EQ) appeared to the masses, introduced in the groundbreaking work called "Emotional Intelligence: Why It Can Matter More Than IQ" by Daniel Goleman — known as the godfather of Emotional Intelligence, it served as the missing link in an exciting finding: people with average IQs outperformed people with the highest IQs 70% of the time. For almost a hundred years, many people thought that IQ defines the success of individuals. However, decades of research now point to Emotional Intelligence as the critical factor that sets top performers apart from the rest.

Emotional Intelligence is our ability to understand our and others' emotions and use this awareness to manage our behavior and relationships.

According to Dr. Travis Bradberry, EQ comprises four core skills that pair up under two primary competencies: **personal competence and social competence**.

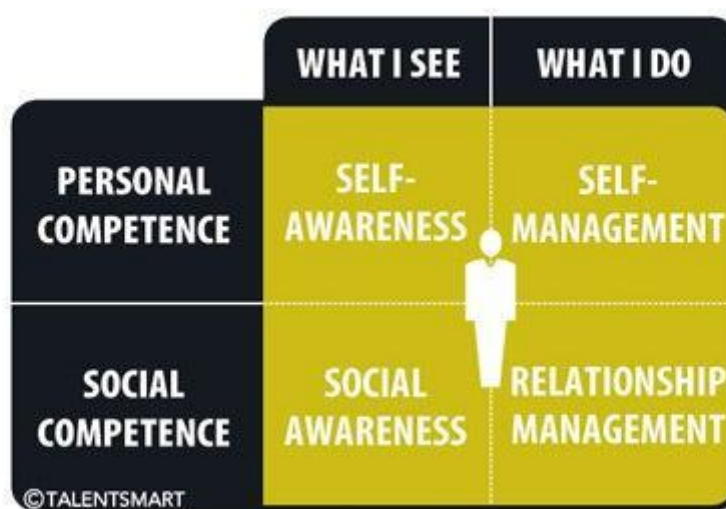


Figure 2.1 Four Components of Emotional Intelligence

Personal competence consists of two elements: *self-awareness* and *self-management* skills, focusing on our inner self to understand our emotions and manage our behavior.

- *Self-Awareness* is our ability to understand emotions once they happen.
- *Self-Management* is our ability to use awareness of our emotions to stay flexible and positively direct our behavior.

Social competence consists of two elements: *social awareness* and *relationship management* skills. In other words, we can understand other people's moods, behavior, and motives to improve our relationships' quality.

- *Social-Awareness* is our ability to understand emotions in other people.
- *Relationship Management* is our ability to use awareness of our emotions and others' emotions to manage interactions successfully.

EQ addresses a fundamental element of human behavior that is distinct from the intellect. There is no known connection between IQ and EQ. Cognitive intelligence, or IQ, is our ability to learn, and it is the same at age 15 as it is at age 50. On the other

hand, EQ is a flexible skill that is trainable, even in adults. This claim is based on a relatively new branch of science known as “neuroplasticity.” [EQ 2.0]

Neuroplasticity is the term used by neurologists to describe the brain's ability to change. Our brain grows new connections, much as the muscles of a bodybuilder that curling heavyweights five times a week. We notice the change over time since it is gradual, and the weight becomes more accessible and easier to lift. The main precondition to success is to be consistent and train regularly. Our brain cannot grow like our muscles, but instead, the brain cells develop new connections to increase the efficiency of thoughts without increasing its size. The communication between emotional and rational parts of the "brains" is the physical source of emotional intelligence.

2.2 Communication between our two brains

The route for emotional intelligence starts in the brain, at the spinal cord. Our primary sense (signal) enters here and must travel to the front of our brain before we can reason about an event that happened. However, before the signal hits the relational part of our brain, it goes through the emotional aspect of our brain called a limbic system, the place where emotions are generated. That means that we have an emotional reaction to the events before our rational brain can kick in.

High emotional intelligence requires low communication latency between our limbic system and our rational part of the brain. We can improve the latency by practicing and training **mindfulness** and adopting specific **micro-strategies**.

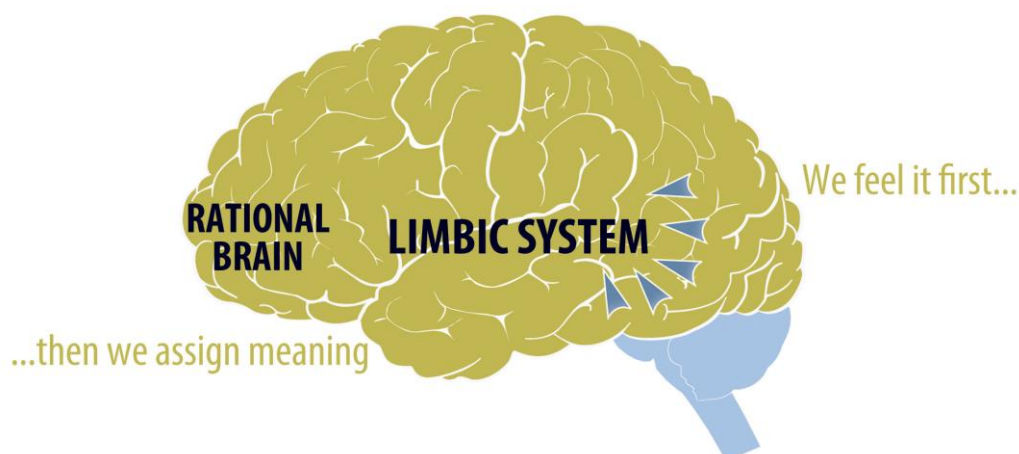


Figure 2.2 Pathway of emotional intelligence.

2.3 Emotional Intelligence proved to be a deal-breaker by research

TalentSmart is a consultancy/research firm that provides EQ assessments, training, certification, and coaching, with a client base that includes more than 75% of Fortune 500 companies conducted dozens of surveys with more than 500,000 people, and what they have discovered is mindblowing. They have tested emotional intelligence alongside 33 other essential workplace skills and found that emotional intelligence is the strongest predictor of performance, explaining a complete 58% success in all types of jobs.

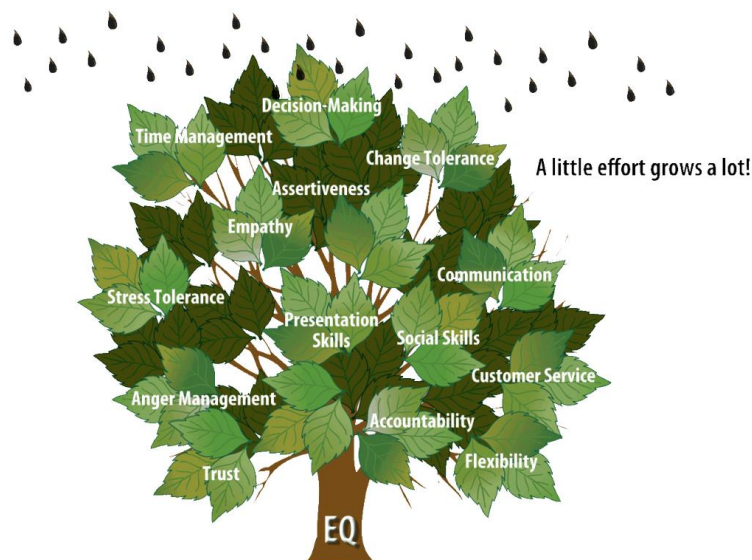


Figure 2.3 Emotional Intelligence Is a Core To Success

Of all the people TalentSmart studied at work, they have found that 90% of top performers are also high in emotional intelligence. On the flip side, only 20% of bottom performers are high in emotional intelligence.

The link between EQ and salaries is so direct that at every point of increase in EQ adds \$1,300 to an annual salary. People with a high EQ level make more money on average of \$29,000 more per year than people with a lower level of emotional intelligence. [EQ 2.0]

2.4 Mindfulness is a vital tool in developing Emotional Intelligence

How do we begin training emotional intelligence? We start by teaching attention. **Strong, stable, and wise attention that affords our calmness and clarity is the foundation upon which emotional intelligence is built.**

The first component of emotional intelligence is – *self-awareness*. As we described above, *self-awareness* is our ability to accurately understand our emotions and stay aware of them as they happen. To enable this ability, we have to learn to pay attention to ourselves and our emotions. *Self-awareness* depends on seeing ourselves objectively, and that requires the ability to understand and validate our thoughts and emotions from third-person perspectives. All this requires stable and transparent, non-judging attention.

Many tech companies, especially on the west coast, have extensive mindfulness programs. Such programs aim to increase an employee's emotional intelligence. Mindfulness is defined by Dr. Jon Kabat-Zinn as “paying attention in a particular way: on purpose, in the present moment, and non-judgmentally.” **[Jon Kabat-Zinn]**

Mindfulness is a quality of mind that all people experience and enjoy from time to time. Still, it is something that can be improved so that we can enjoy it more frequently. Once it becomes sufficiently strong, it leads to attentional calmness and clarity that forms the basis of emotional intelligence. Neuroimaging researcher Julie Brefczynski-Lewis proved that scientific evidence shows that improving the ability to regulate attention can impact how we respond to emotions. **[Julie Brefczynski-Lewis]**

Probably, the most known mindfulness program has been designed by Chade-Meng Tan. This program is called: “Search Inside Yourself,” a course at Google intended to transform the work and lives of people behind one of the most innovative, successful, and profitable businesses in the world. [Search Inside Yourself] Meng has distilled emotional intelligence into a set of practices, tools, and skills that anyone can learn and develop. More and more companies across the US and West Europe start to adopt such programs by conducting mindfulness days, inviting mindfulness and EQ experts to the offices for training their employees.

2.5 Why do companies have to start investing in their employee's emotional intelligence?

We have already learned that behind the power of emotional intelligence and mindfulness, we have scientific evidences. **The main conclusion we can derive from it is that emotional intelligence is the number one predictor of performance at work.** Of course, we do not have to neglect the fact that we still need to have people with good cognitive abilities (IQ), but we do not aim to hire people with high IQs. It is totally fine to have people with an average IQ that ranges from 90-110.

We have conducted research in one of the largest eCommerce companies in Europe. We aimed to identify opportunities to bring emotional intelligence and mindfulness into the organization and make it a part of a culture. We will talk more about it in the next chapter. Nevertheless, we would love to give a glimpse of our findings.

We have learned that this company already runs mindfulness trainings, and those trainings have a high NPS rate among the employees. Approximately 100 employees participated in the training back in 2020 during the pandemic. Apart from that company, we also see a general trend among millennials that are actively starting to explore themselves by practicing mindfulness and boosting their emotional intelligence. One of the triggers for this positive trend is COVID-19.

What is in it for the business? A focused, engaged, and satisfied workforce will work more **effectively**, increase optimism and positivity in the day-to-day interactions, **reduce attrition** and **churn rate** in the long run. Adding a conscious, distinct view on mindfulness will **reinforce the employer brand** and **attract purpose-driven** and **values-driven** talent.

We aim to help organizations of any size adopt research-supported practices such as emotional intelligence and mindfulness **to boost their employees' productivity, purposefulness, and happiness at work.** We are going to validate the market and iteratively build a product that addresses the market needs.

3 MARKET RESEARCH

Global Wellness Institute estimates the mental wellness market at \$121B. The mental wellness market includes four sub-markets: 1) sense, space, and sleep market, estimated at \$49.5B, 2) brain-boosting nutraceuticals market, estimated at \$34.8B, 3) self-improvement market, estimated at \$33.6B, and meditation and mindfulness market, estimated at \$2.9. [Global Wellness Institute]



*Note: Numbers do not sum to total due to overlap in segments.
Source: Global Wellness Institute*

Figure 3.1 Global Mental Wellness Market

3.1 B2C Wellness Market

In the last few years, the millennial obsession with wellness and self-care led to a booming business for digital wellness apps. In 2019, the top 10 meditation apps grew revenues to \$195 million. [Sensortower] The market is showing a growth of over 20% year-over-year.

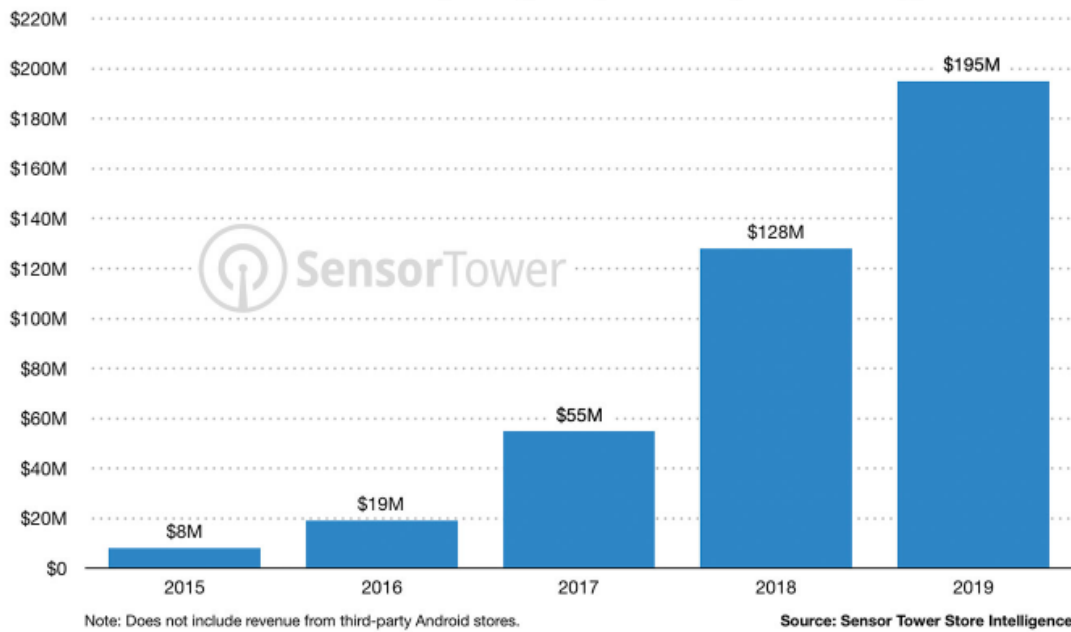


Figure 3.1.1 Global Consumer Spending in Top 10 Earning Meditation Apps.

In 2020 meditation & mindfulness market estimated at \$2.9B. [Global Wellness Institute]

Profitwell surveyed 5,391 current, former, or future customers of the top two mindfulness apps on the market: *Calm* and *Headspace*.

What they found was a breakthrough for us. The core value of these two apps is to provide a solution to manage stress. Interestingly the core value of those products has the lowest customer’s willingness to pay for the service. [Profitwell]



Figure 3.1.3 Monthly willingness to pay based on average meditation frequency.

From this data, we can also observe that Professional Performance and Athletic Performance come in with the **highest customer willingness to pay**. In the case of Professional Performance, the monthly price could go up to \$24. Managing Stress coming last and could go up only to \$8.

We observe a similar pattern when chart average willingness to pay to the feature preferences.

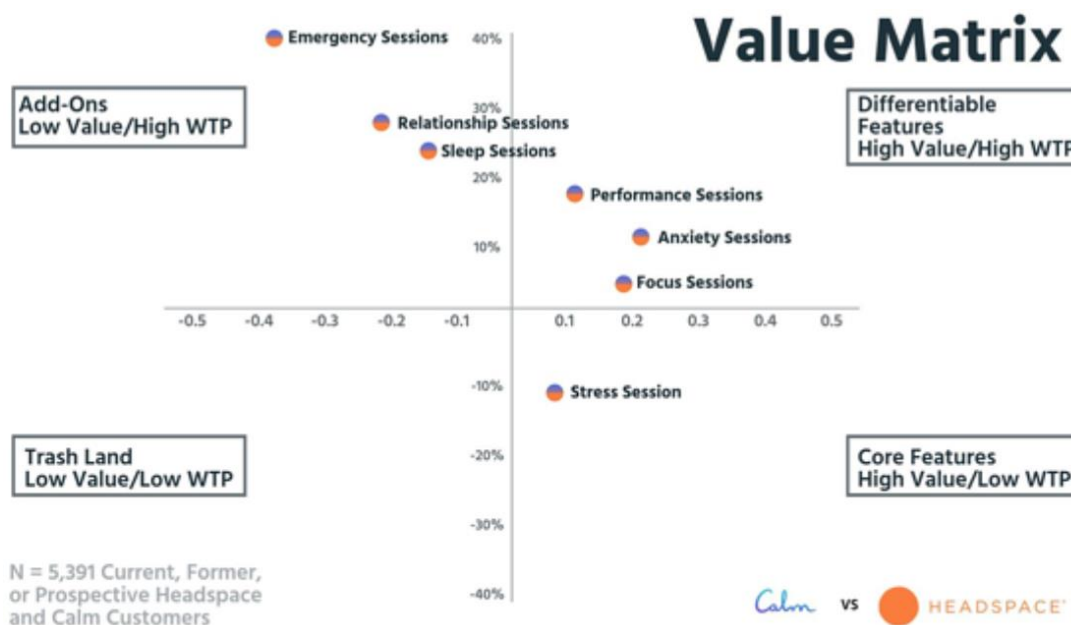


Figure 3.1.4 Average willingness to pay in relation to relative feature preference.

The upper-right quadrant demonstrates the feature set with a **high value** and a **high willingness to pay**. That is another **signal** and core **insight** for our product offering.

3.1.1 B2C Wellness Market Opportunities

Calm, Headspace, and other meditation apps are going after the general meditation market to appeal to the broadest total available market. As we can see from the survey, the core feature of these apps has the least customer willingness to pay. However, both players started to diversify their core value proposition and provided users with sleep sessions, which is a part of a different sub-market.

On the other hand, the upper-right quadrant (Differentiable Features) is not well addressed on the market yet, and we believe it is good timing to enter the market now by addressing “Performance” and “Focus” areas.

3.2 B2B Wellness Market

Large employers are investing in their employees’ emotional intelligence and well-being.

In 2020, the 11th annual “Employer-Sponsored Health & Well-Being Survey” surveyed 152 large companies by the National Business Group on Health (NBGH) and Fidelity Investments found that 85% of large employers see the connection between the importance of well-being to their overall business strategy. As we can see below, financial well-being and mental/emotional well-being are becoming a foundation of well-being efforts. [Employer-Sponsored Health & Well-Being Survey]

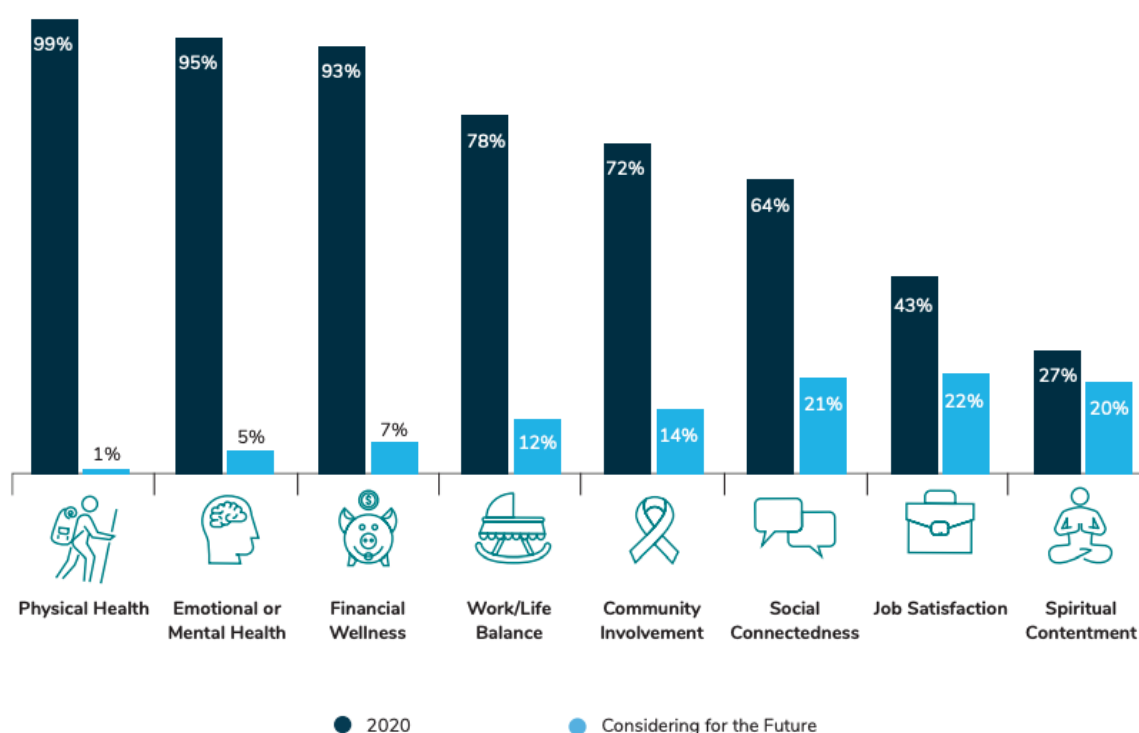


Figure 3.2.1 Elements of Global Well-being Programs

Based on the same survey result, we learned that employers spend annually around \$230 on each employee for well-being programs, and 65% of employers will expand their well-being offerings in the future [Appendix 1]

3.2.1 B2B Wellness Market Opportunities

The trend of mindfulness and emotional intelligence became a critical strategic objective for many companies and will emerge even more in post-pandemic times.

Many companies already see the positive and, most importantly, measurable impact on their business objectives by focusing on their employees' emotional intelligence. We see a gap here that has a great opportunity to be fulfilled with the right tools and solutions around mindfulness and emotional intelligence.

4 PRODUCT DEVELOPMENT

We decided to adopt the **Lean Product Development** framework to validate the market. We believe it is a reasonable choice when it comes to bootstrapping a new tech venture.

4.1 Why Lean Product Development?

Developed by Dan Olsen, The Lean Product Development framework provides step-by-step guidance to help build successful products. Below is *The Product-Market Fit Pyramid* that visualizes the core idea of this framework.

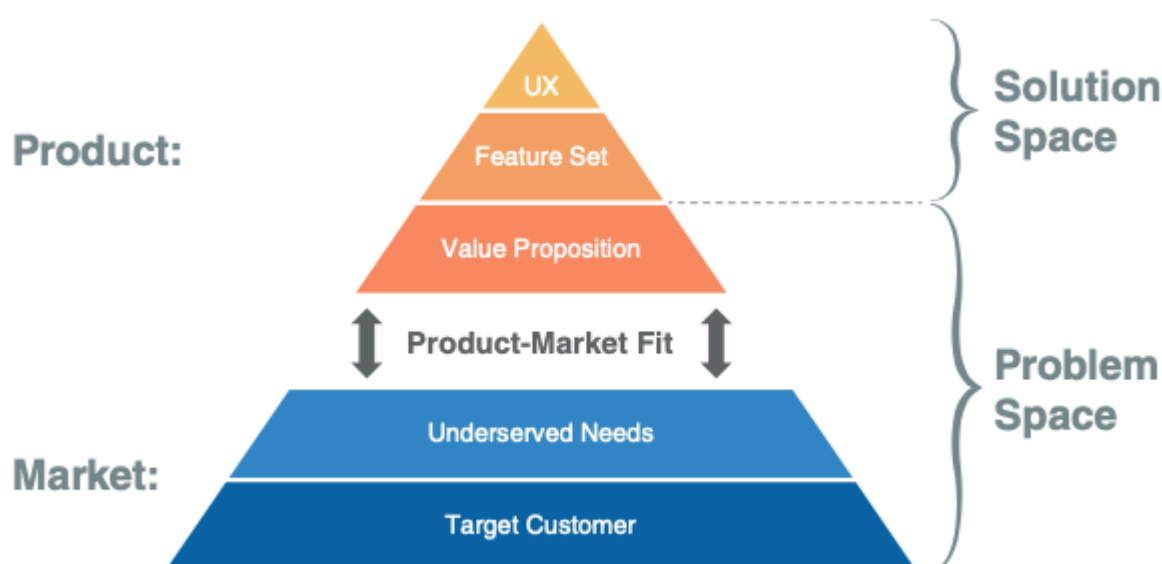


Figure 3.1.1 *The Product-Market Fit Pyramid.*

The Product-Market Fit Pyramid breaks down product-market fit into five key components: *target customer*, *customer's underserved needs*, *value proposition*, *product's feature set*, and *product's user experience (UX)*.

There is a strong hierarchical dependency within the pyramid sections. When we look into the **market section**, we have two main components: *target customers* and *underserved customer needs*. On the other hand, the **product section** of the pyramid includes *value proposition*, *feature set*, and *user experience (UX)*.

The **product-market fit** here is the measure of how good our product (the top section) satisfies the market (bottom section) needs.

We are going to build our product by using this framework. In the following chapters, we will take a step-by-step approach to analyze each of the elements of the Product-Market Fit Pyramid.

As Dave McClure, CEO of 500 Startups, said: “Customer does not care about your solution. She cares about her problems.”. Therefore, it is an excellent strategy to keep problem space and solution space separately. Hence, the current framework perfectly fits this requirement and maximizes our chances of success.

We will start with the bottom of the pyramid - the market (problem space). It would help us answer three critical questions: *1) what problem are we trying to solve? 2) who is our target customer? 3) what are the underserved needs of our customers that we are going after?*

4.2 Determine Target Customer

We decided to focus on the B2B market and target mid-to-large tech product companies located in the US and EU.

When analyzing unit economics of the B2C market, in particular apps [Appendix 4], we concluded that the risks are too high. There are three main reasons behind this decision:

1. **Low retention rate.** The retention rate for apps, in general, is very low. On average, it is **2-5%**. As an example, Headspace and Calm have around 6-8% retention rate, which is above the market average. That means, potentially our **churn rate** would be approximately 95% on average.
2. **High commission.** Apple and Google cut the profits of app publishers by taking **15-30% commission** on each transaction (subscription).
3. **High marketing costs.** We have been looking into benchmarks for marketing on Facebook for the US market, Health&Fitness category. One of the main metrics on Facebook ads is **CPM (Cost per mile or cost per 1000 impressions)**. In our case, CPM for the Health&Fitness category in the US starts from \$20.

Our calculations in [Appendix 4] are telling us that it is too risky to go with the B2C market. We are going to dig into details of unit economics of the B2C market in the corresponding chapter - Financials.

Based on the above findings and unit economics calculations, we would need to invest around **\$200,000** in marketing to get **400 paying customers**, which would give us **\$35,472** in revenue. When calculating profits (marketing costs - revenue), we will end up with **-\$164,528**. We would like to note that we do not include operational and other expenses. Economically, such a business model [Appendix 4] does not look viable and it's too risky. Therefore we shifted our focus to the B2B market.

As we have mentioned at the beginning of the chapter, we decided to focus on mid-to-large product tech companies looking into ways of improving their employee's performance, motivation, and happiness at work. At the same time, we also focus on companies going through the transformation and willing to adapt to the new realities by adopting remote work. The new realities require new approaches and revisiting the status quo of how organizations will work in the future. Boosting emotional intelligence in the organization will significantly impact the success of organizations of any size. During customer development, we had a chance to interview: 5 top managers (2 executives and 3 heads of department), 10 engineering managers, and 15 individual contributors (engineers) of one large company in Europe.

4.3 Identifying Underserved Customer Needs

As we mentioned above, during those interviews we had a possibility to talk to top executives, middle-managers, and individual contributors. We discovered several insights.

Those insights are our hypotheses that we are validating at this moment. Specifically, we have identified the **top 6 customer needs**. We have prioritized those needs based on two critical parameters: **importance and satisfaction**. Basically, we tried to understand which of those needs are really important for different types of groups and how satisfied those groups are at the current moment. To illustrate this analysis we have built a two-dimensional matrix that helps us to understand which of

those needs could be addressed by our core value proposition. Below is the matrix that demonstrates importance vs. satisfaction for those identified customer needs.

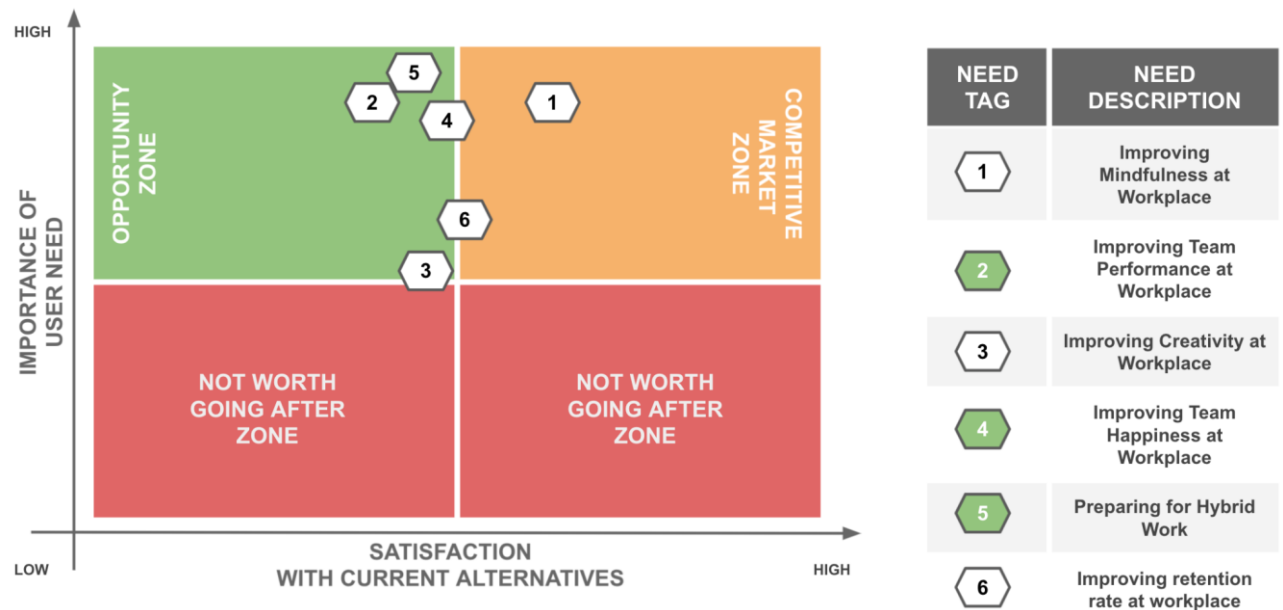


Figure 4.3.1 Importance vs. Satisfaction matrix

We identified six customer needs, namely:

1. Improving mindfulness at the workplace.
2. Improving team performance at the workplace.
3. Improving creativity at the workplace.
4. Improving team happiness at the workplace.
5. Preparing for hybrid work (post-covid initiative/opportunity).
6. Improving retention rate at the workplace.

In Figure 4.3.1 the bottom left quadrant represents **low satisfaction**, respectively the bottom right quadrant represents **high satisfaction**. The upper-left quadrant represents **high importance**, and the upper right quadrant represents **low satisfaction**.

The logic is quite simple: there is no need to focus on low importance needs regardless of the satisfaction level since those needs are not going to add value to the customers. Our idea is to focus only on those needs that will add significant value to our customers.

On the other hand, the upper-right quadrant tells us about high importance and high satisfaction level. What does that mean in terms of the market opportunity? That means that there are existing solutions on the market that solve customer problems in the best-expected way. In other words, if we want to attack this area our product should be 10x better whatever that means (10x cheaper; 10x faster;).

Our strategy for this moment would be to avoid competing with upper-right quadrant solutions/needs as well as to avoid focusing on the “not worth going after zone” in our importance vs. satisfaction matrix.

In our case we are going to focus on mainly three customer needs with high importance and mediocre satisfaction level, those needs are:

- **#2 Improving team performance at the workplace.**
- **#4 Improving team happiness at the workplace.**
- **#5 Preparing teams for hybrid work.**

These are by no means all customer needs that we have identified, but these are the common challenging areas that all tech companies are trying to address these days and the satisfaction level for those challenges have significant room for improvement.

The majority of the companies that we have researched and interviewed are dealing with those challenges in a traditional way, by giving their employees the opportunity to participate in different trainings organized by the company. Usually, they involve consultancy companies that are specializing in a particular area. The signup rate for such training is **very high**. Usually, people have to wait several months to have the opportunity to get on the list of those trainings. This creates an opportunity area for us since we can **reduce the waiting time** so that employees and managers can start improving those instantly, and most importantly continuously. The results of traditional ways (trainings) are hard to measure.

Even though companies are trying to measure the interest rate for such trainings, NPS rate, it is still hard or even impossible to attach and measure the impact from those trainings to a particular department, team and last but not least measuring the success rate for individuals that took part in those trainings.

4.4 Define Value Proposition

To better understand our customer needs and the way we would need to address them we are going to analyze our identified customer needs with the help of The Kano Model, developed by quality management expert Nariaki Kano.

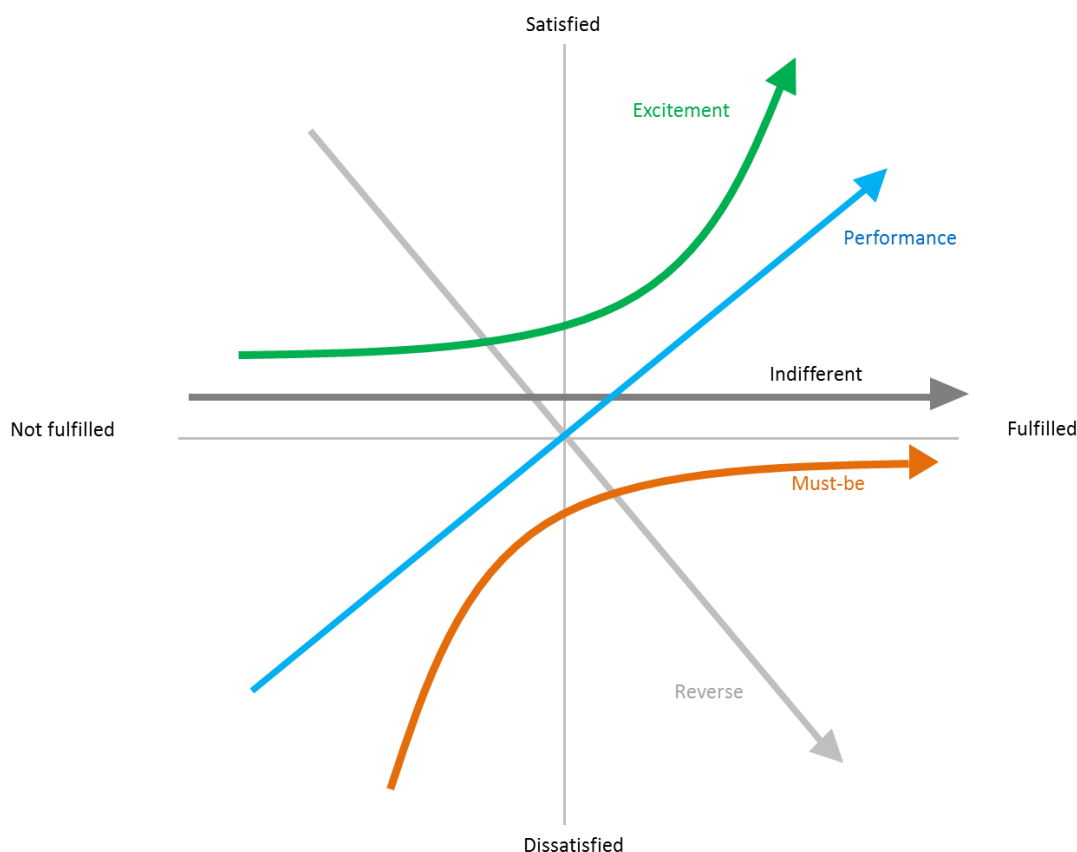


Figure 4.4.1 Kano Model

The vertical axis tells us about the satisfaction level of the customer need and the horizontal axis ranges from the customer need not being addressed at all (on the left) to the customer need being fully addressed (on the right).

The idea of the model is that it breaks customer needs into three categories, namely: *performance needs*, *must-have needs*, and *excitement needs*.

Performance needs. More is better. Once a need is fully addressed, the customer satisfaction level increases.

Must-have needs. The idea is if we do not have a specific need addressed our customer is going to be dissatisfied.

Excitement needs. These are in short our 10x features. Unexpected type of a need that exceeds our customer expectations.

The core difference here is that we are going to dive into the market competitors and the features (must-have features, performance-driven features, and excitement - **unique value proposition**).

TYPE OF NEED	DESCRIPTION OF NEED	TALENTS MART EQ	HUMU	EQ COACH	HARMONY (US)
MUST-BE NEED	SCIENCE-BASED ASSESSMENTS	Y	Y	Y	Y
PERFORMANCE NEED	INTEGRATIONS & API	LOW	HIGH	-	HIGH
PERFORMANCE NEED	DASHBOARD/ INSIGHTS	-	Y	-	Y
PERFORMANCE NEED	MOBILE-BASED UX	LOW	HIGH	-	HIGH
EXCITEMENT NEED	NUDGE-BASED INFLUENCE	-	-	-	-
EXCITEMENT NEED	HUMAN-BASED EXPERIENCE	Y	-	Y	-
EXCITEMENT NEED	PERSONALIZED MICRO-STRATEGIES	-	-	-	Y

Figure 4.4.2 Key Competitors and Value Proposition.

When doing competitor analysis based on the Kano Model we have identified *must-have, performance, and different excitement features*. Based on this we can clearly see **what we must have** and **where we should be different**.

As we can see from Figure 4.2.2 all our competitors are using science-based assessments, so do we.

If we look closer to performance needs we can identify that besides dashboards/insights, the **integrations & API** are essential for success. Since our target customers are businesses we have to provide “one-click” instant and frictionless integration to whatever communication and dashboard toolings they use.

Last but not least - excitement or unique value proposition. The idea here is to provide a similar value, but in a unique way that would increase the added value by 10x. Our unique value is **a personalized microstrategy engine that is based on emotional intelligence, proven by research**.

4.5 Minimum Viable Product (MVP)

Now that we have a clear understanding of our value proposition, the next step is to decide on a feature set for our minimum viable product. Our aim is not to start designing a new product that delivers on full value proposition, since that would take too much time and it would be too risky and expensive. We decided to be as scrappy and as lean as possible here. What we need is to identify the small feature that adds quick value to our customers and then build on top of that.

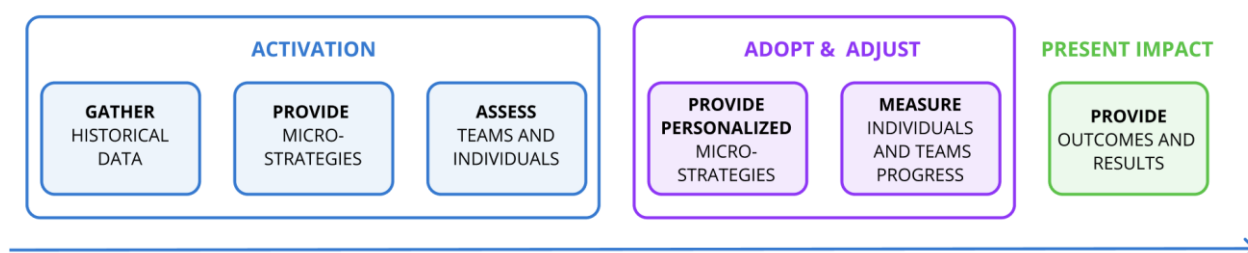


Figure 4.5.1 Full feature set and product journey.

In Figure 4.5.1 we tried to visualize the full range of our product's feature set. It starts from gathering historical data of our customers where we try to evaluate the current state of the company's challenges, it might be low NPS rate, high attrition rate, demotivated teams, having no transparency, etc. We do that so that we can start addressing particular problems right away without going through the other stages, such as: assessing teams & individuals and providing personalized micro strategies.

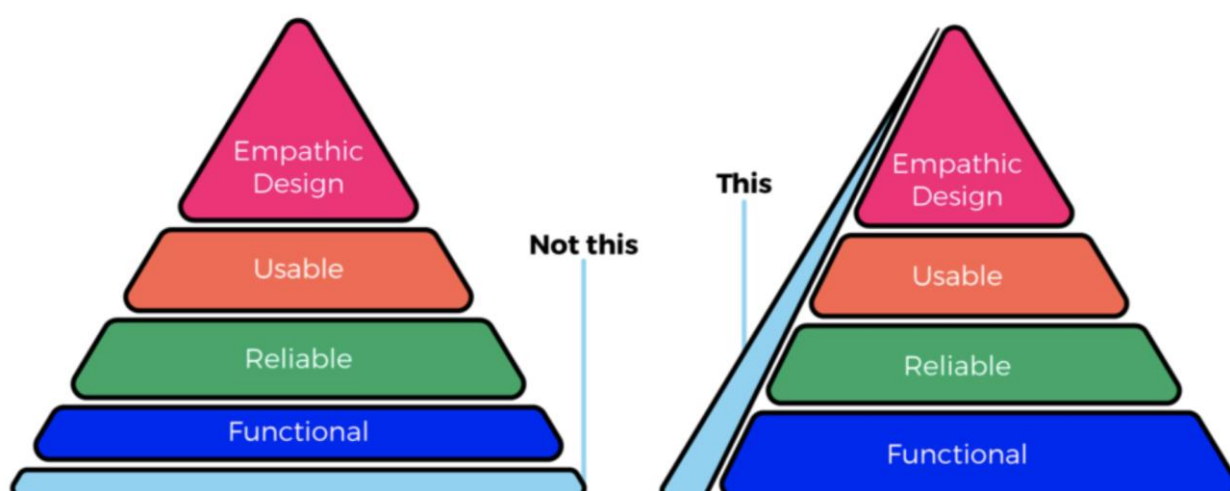


Figure 4.5.2 Minimum Viable Product.

As we have mentioned above, we don't want to start building a full product (left-hand side pyramid), instead, we want to go fast and learn, so that we can learn and adjust with a low cost and high efficiency (right-hand side pyramid). For that reason we have focused on the core feature of our product:

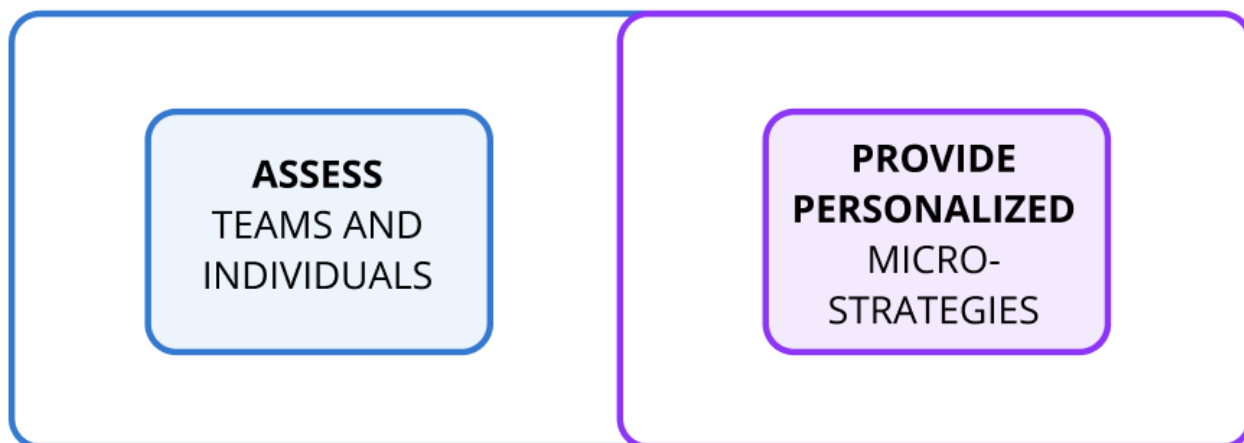


Figure 4.5.3 Harmony MVP

We decided to implement a thin part in the middle of our customer journey product. It would include the essence and the core of our product, the emotional intelligence assessment tool so that we can identify the areas for improvement and give the right micro strategies so that people can start improving them right away. So far we will assess on the individual level, since it's way easier to implement from a technical point of view.

4.6 Minimum Viable Product (MVP) - Proof of concept

Our MVP starts with a landing page where we demonstrate our Unique selling proposition. **[Harmony]**

We have built a complete assessment that could identify the user's level of emotional intelligence.

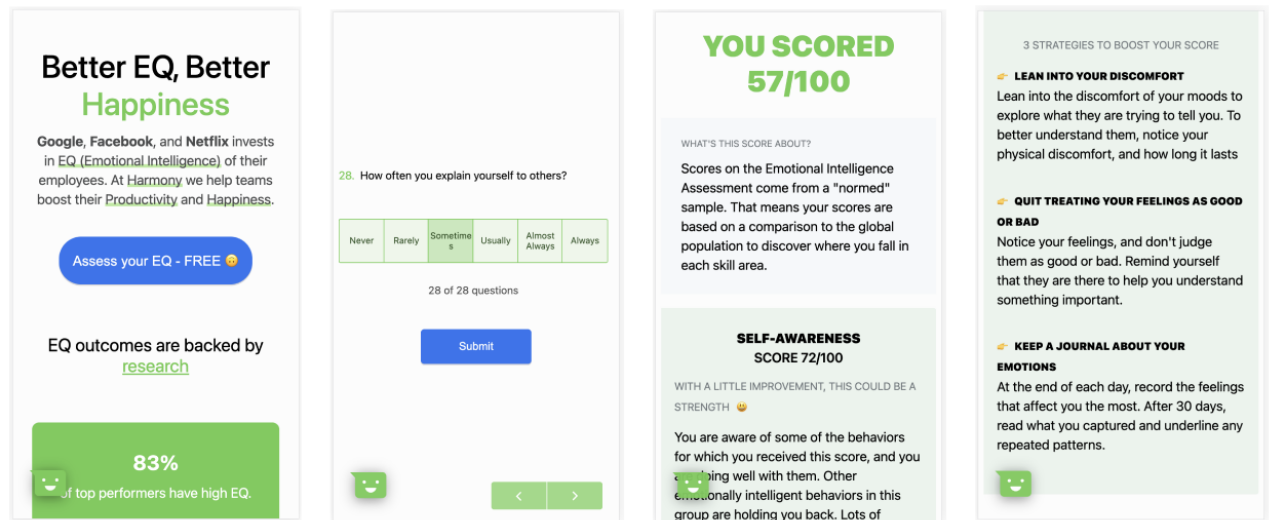


Figure 4.6.1 Harmony PoC

Our main value proposition is not the assessment tool itself, but instead a complex set of tools and techniques that we use to provide **personalized micro-strategies** in particular environments where we take into account different data points and as a result provide measurable and highly effective outcomes.

Our assessment tool provides around 15 micro-strategies per category (self-awareness, self-management, social-awareness, relationships management).

SELF-AWARENESS

SCORE 67/100

SOMETHING YOU SHOULD WORK ON 🙄

This is an area where you sometimes demonstrate emotionally intelligent behavior but not usually. You may be starting to let people down. Perhaps this is a skill area that doesn't always come naturally for you or that you don't make use of. With a little improvement in this skill, your credibility will go way up.

3 STRATEGIES TO BOOST YOUR SCORE

👉 **CHECK YOURSELF**

Make sure the look you project to the world is one you choose, not one your bad mood creates for you. Take a moment to check yourself in your mind and in the mirror.

👉 **QUIT TREATING YOUR FEELINGS AS GOOD OR BAD**

Notice your feelings, and don't judge them as good or bad. Remind yourself that they are there to help you understand something important.

👉 **SPOT YOUR EMOTIONS IN BOOKS, MOVIES, AND MUSIC**

Read a new book, watch movies, or listen to your favorite artist. Observe what resonates for you in how the characters or lyrics express emotions.

Figure 4.6.2 Self-Awareness micro-strategies.

In our MVP we give a chance to our customers to go through the short emotional intelligence assessment and as a result we provide actionable micro strategies that can be used to improve the score on certain parts of emotional intelligence.

4.7 Test Minimum Viable Product (MVP) with Customers

So far, we have more than 200 people that went through assessment and started to use micro strategies to improve their emotional intelligence. We got quite positive feedback and identified the features we are going to build and improve on.

We already got very interesting insights and feature-requests that we have put into our pipeline of development. The list of requested features are quite extensive, so we picked only those that we believe would be helpful for the majority of our potential customers. Below is the feature top three features we are currently working on:

- 1. Team assessment.** Identifying teams' emotional intelligence for each and every team member and providing personalized micro-strategies.
- 2. Sharing micro-strategies among team members.** People can share their favorite micro-strategies with their colleagues.
- 3. Integrations with already existing communication channels.** Since different companies use different communication channels, they don't want to extend the list of tooling a lot. Apart from that, they want to leverage what they already have: google chats, slack, Microsoft teams etc. Smooth integration with already existing tools would help us to onboard new clients in a matter of a few clicks.

4.8 Challenges

We have several challenges that could stop us from proceeding forward with the current product idea.

Our number one challenge is the lack of experts on the team when it comes to the psychological part of the product. For the last several weeks we have been in negotiation with one of the world-renowned experts in emotional intelligence, Dr. Travis Bradberry. We caught his interest in the product idea that we are currently building and currently discussing the way we could collaborate.

One of the conditions from Dr. Bradberry is to have a 50/50 split of the business and we are not certainly sure that it would be the right way to agree on such conditions. Hence, we are looking into a solution where we can build a team of experts in-house, instead of involving top experts with such company split conditions.

Our number two challenge is team motivation. Since we have built a team around the idea of helping couples with their relationship challenges, some of our team members are losing their motivation and enthusiasm in regards to our current pivoted idea.

Our number three challenge is money. We understand that our own fundings have its limits. On top of that, we work on this product in parallel to the main jobs that allow us to feed ourselves and our families. If we really want to succeed with this

business idea we need to focus all our efforts and assets towards this product idea. For that, we need to quit our main jobs. 60% of the current team is ready for that step, but we have another 40% of the team that would not do it because of personal reasons. That means we would need to replace that 40% if we were going to raise our first investment round.

Besides building a product we have to treat our team as a product so that we can grow together and overcome different obstacles. We would need to solve these challenges in a timely manner so that we can move the needle.

4.9 Harmony Roadmap

Our roadmap [**Roadmap**] consists of four major milestones planned in the next two years.

In the first year, we are mainly focused on two objectives: launching an MVP and piloting it with real customers.

1. Launching an MVP.

We have already achieved our first milestone by launching our first MVP [**Harmony**]

2. Pilot an MVP with our first 3 customers.

At this moment we are collecting feedback and seeking our first pilot partners.

3. Release a full-fledged version of the service.

After we collect all the feedback we are going to implement a full-fledged service that would contain all necessary features that we are going to identify together with our first customers - our early adopters.

4. Fundraising. Pre-seed round.

We have agreed to quit our jobs and start working on Harmony full-time so that we can release a full-fledged version of our service by the end of 2021. Hence, one of the objectives that we plan to reach by the end of

H1 is to raise \$200,000 USD. We would need these funds mainly for covering engineering and marketing costs.

In the second year (2022) we plan to focus our efforts mainly on two objectives - scale the product and fundraising.

1. North Star's objective is to launch and onboard 54 customers.

If we want to reach our financial KPIs, we would need to run aggressive marketing campaigns as well as building a strong salesforce team. Out of 54 customers, we are planning to onboard:

- **10% of small-to-medium sized customers**, which translates into 30 customers with a company's average size of 100 employees. Which would add to our revenue of **\$99,000 USD**.
- **10% of large-sized customers**, which translates into 11 customers with a company's average size of 2000 employees. Which would add to our revenue another **\$99,000 USD**.
- **80% of enterprise customers**, which translates into 13 customers with a company's average size of 5000 employees. Which would add to our revenue of **\$792,000 USD**.

2. Fundraising. Seed round.

Our plan is to build a sustainable revenue stream. Therefore we want to aggressively invest into our salesforce and marketing so that we can reach our financial KPIs for 2022 - reach \$1,000,000 USD in revenue. We plan to raise another \$500K USD to hire 2 additional founding engineers and build our salesforce.

5 UNIT ECONOMICS

In this chapter, we would analyze the unit economics of our product for both segments B2C and B2B.

5.1 B2C Market

We have built a *metrics tree* to better visualize what drives our costs and what drives our revenue. It is a great tool when it comes to analyzing the viability of an app-based product. Since product and marketing costs are essential for app-based products, we do not consider our operational and other costs in this model. Operational and other costs are available in P&L [Appendix 7]

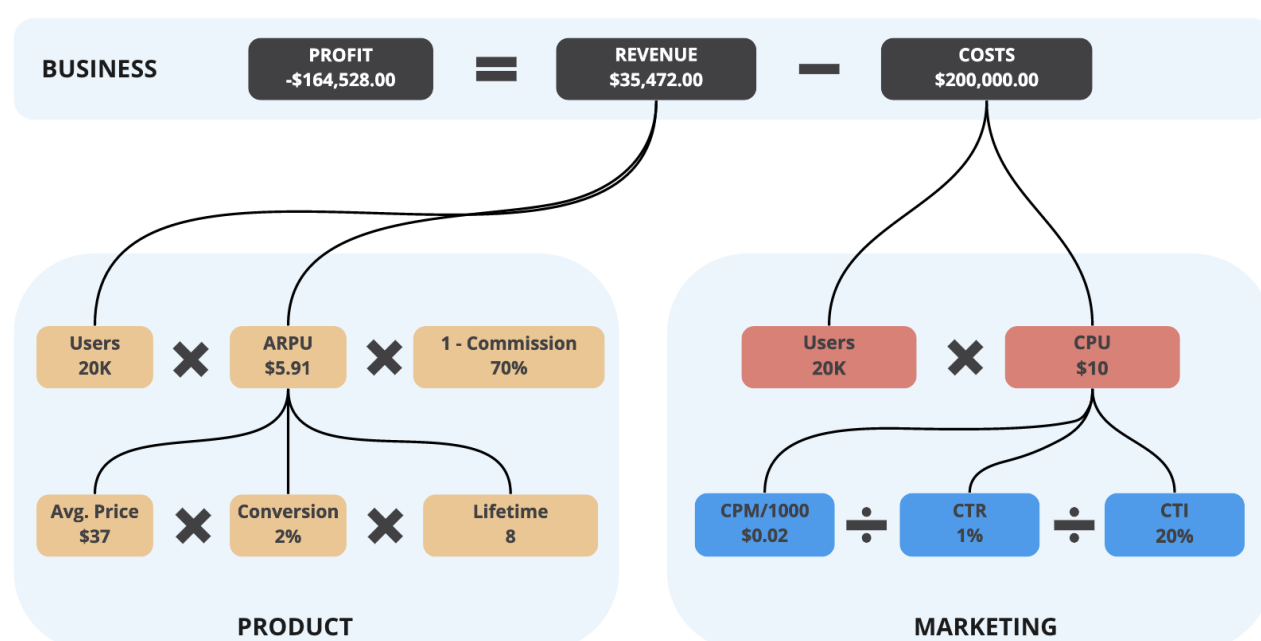


Figure 5.1.1 Metrics Tree

Our *metrics tree* consists of **product metrics** - representing our product's business model and **marketing metrics** - representing our customer acquisition cost.

By calculating all the metrics, we can have a rough idea if our business in the app world would succeed or not. To make those calculations, we need to understand benchmarks for a specific market (in our case, we are looking into the US market).

We acquire customers by running paid marketing campaigns on Facebook and Instagram platforms. In fact, this is the most common way to acquire customers for app-based products.

Cost-Per-Mile	Click-Through Rate	Conversion Rate (Installs To Pay)	Click-To-Install	Trial-To-Paid
\$20.00	1.00%	2.00%	20.00%	20%

Figure 5.2 Facebook ads benchmarks metrics for the US market (Health&Fitness category).

Based on the benchmarks, we can now calculate our marketing and product costs. But before, let's walk into the benchmarks. Based on our marketing research, we can conclude that the best market to go with such a product is the US market.

CPM, or *cost-per-mile*, or cost we pay per 1,000 impressions, is a Facebook ad metric/price. It is a dynamic value calculated by Facebook algorithms and it is based on the full range of different criteria. Based on our research, we have learned that CPM in our case (US market, Health&Fitness category) would be around **\$20**.

CTR or *click-through rate* is a metric that tells us how many users will click on our ad. The market standard for CTR is **1%**. This metric is mainly driven by how attractive your ad is. Basically the better creatives you have the better conversion you can expect.

CTI or *click-to-install rate*. Basically, once a user sees the ad and clicks on it she ends up on the Apple Store or Google Play Store. Here the user has to click - install button. The market standard for CTI is **20%**.

When we have calculated our marketing costs and revenue [**Appendix 4**] we end up with a negative net profit of **-\$164,528**. Even though we can aim to optimize for better marketing performance and become natural or even positive in net profit, we still consider app-based products too risky, since we do not think we can do significant improvements on the left-hand side of the metrics tree - the product.

Specifically, the retention rate that impacts our CLTV (customer lifetime value). If we look at Calm and Headspace the retention rate for them is in the range between 6-10% respectively.

Last but not least, whatever product offering we can propose to our customers on their phones, we'll still compete for their attention with the top 5 apps installed on their phones. We can name a few everyone is aware of *Facebook, Instagram, TikTok, Messenger, Whatsapp, etc.* That actually explains why the retention rate of most of the apps 99% ranges from 2-5%.

5.2 B2B Market

There are a number of reasons why we decided to go with the B2B market.

1. From the business perspectives and our market research, we see high interest from the businesses in adopting solutions focused on improving their employees' performance and happiness. More and more businesses are becoming **people-centric**.
2. **Avoid paying a 30% fee** to third parties (Apple Store and Google Play Store). In this case, we significantly improve our profit margins.
3. Once our product starts to add value to the business, the customer base for a specific customer would grow organically with each new hire. In theory, we don't spend money on acquiring additional users for customers we already acquired.

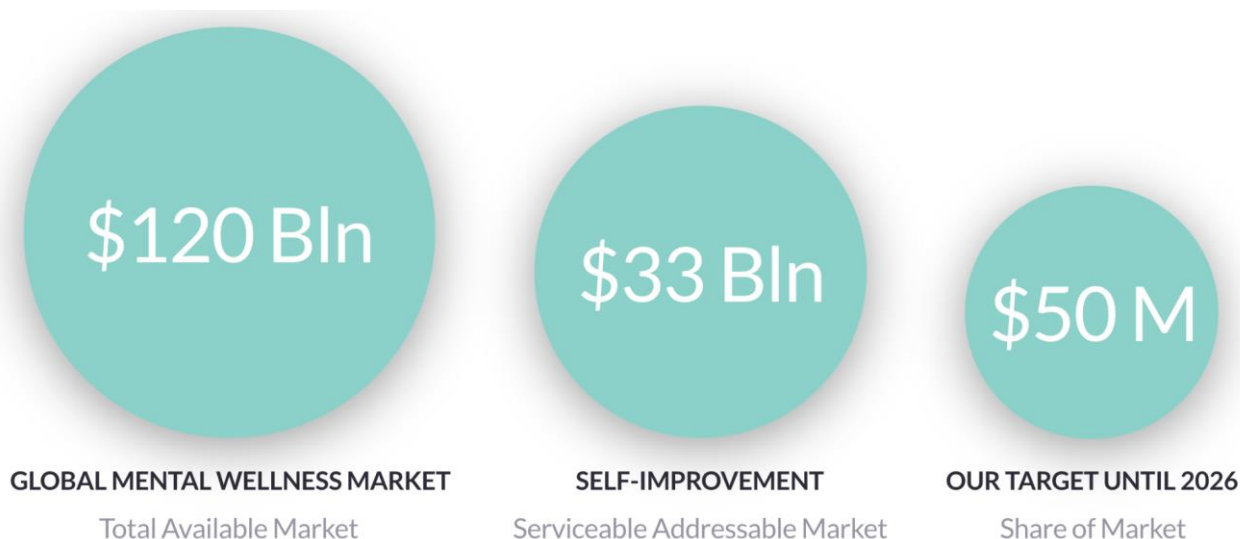


Figure 5.2.1 Market size represented for the global mental wellbeing industry as well as the segment of the market that we are going to focus on.

When looking into the global market size of the mental wellbeing industry, we see that it splits into four different segments, we already mentioned the chapter that covers market research. The segment that we are going to focus on is the Self-improvement segment that accounts for **\$33 Bln**, so this is what we call a **serviceable addressable market**. Our target share of the market is **0.15%** until 2026.

We have made a forecast for the next five years by taking into account the way we should grow so that we can be attractive to investors.

The rule of thumb for growth rate expectations at a successful SaaS company being managed for aggressive growth is 3, 3, 2, 2, 2: starting from a material baseline (e.g. over \$1 million in annual recurring revenue (ARR)), the business needs to triple annual revenues for two consecutive years and then double them for three consecutive years. A funded SaaS business that consistently grows by 20% per year early in its life is likely a failure in the eyes of its investors. **[NextBigWhat]**

When doing the forecast for the next 5 years we have a very clear plan for our year-over-year growth strategy.

2022			2023 (3X)		
\$990,000.00			\$3,300,000.00		
SMALL-MEDIUM	LARGE	ENTERPRISE	SMALL-MEDIUM	LARGE	ENTERPRISE
10%	10%	80%	10%	10%	80%
\$99,000.00	\$99,000.00	\$792,000.00	\$330,000.00	\$495,000.00	\$2,640,000.00
30/100	11/2000	13			
2024(3X)			2025(2X)		
\$9,900,000.00			\$19,800,000.00		
SMALL-MEDIUM	LARGE	ENTERPRISE	SMALL-MEDIUM	LARGE	ENTERPRISE
10%	10%	80%	10%	10%	80%
\$990,000.00	\$1,485,000.00	\$7,920,000.00	\$1,980,000.00	\$2,970,000.00	\$15,840,000.00
			2026(2X)		
			\$49,500,000.00		
			SMALL-MEDIUM	LARGE	ENTERPRISE
			10%	10%	80%
			\$4,950,000.00	\$7,425,000.00	\$39,600,000.00

Figure 5.2.2 Revenue growth strategy for the next 5 years.

The calculations are based on our main financial drivers [**Appendix 6**] which is the **number and the size of the companies, and market share** we have to acquire year-over-year. The full picture of our financial plan and forecast could be found in our P&L. [**Appendix 7**]

As we can see from Figure 5.2.2, in 2022 our plan is to have revenue of around \$1M. To get to this key result, we would need to have 80% of our customers in the enterprise segment, 10% in the large segment, and respectively 10% in the small to medium segment. The way we calculated that is based on the number of companies in each segment and the company size. We have made a sensitivity analysis for the company numbers and their size. In there we also take into consideration the pricing part of each customer segment (SMB, Large, Enterprise). Based on that we can plan how many companies from each segment it would make sense to acquire.

One of the main reasons we focus 80% of our salesforce efforts on Enterprise was based on the assumption that we would need fewer companies to acquire so that we can reach our revenue key result year-over-year. For example, if we would focus

our efforts only on SMB, to reach \$ 1M, we would need to acquire 300 companies that have 500 employees. On the other hand, if we focus our efforts only on the enterprise segment, in this case, we would only need to acquire 15 companies that have ≥ 5000 employees.

Since we don't know yet, who would be our main customer among available customer segments we would need to spend the time in the proportions we defined in our plan so that we could:

1. diversify the risks of customer acquisition by focusing on different customer segments.
2. Use our salesforce time effectively and efficiently (ideally, we plan to work with enterprise clients, so less salesforce we would need. In case we work with SMBs, more salesforce we would need to staff internally or externally).
3. Such a distribution would allow us to test hypotheses for each customer segment, once we understand which customer segment drives the majority of our revenue, we would start to shift the focus and efforts to that customer segment, so that we can squizz that particular segment as much as we could. Then we could consider going to other customer segments to maximize our revenue growth and increase our total market share.
4. Identify and build the most effective and efficient revenue stream.

We would have to follow the same growth year-over-year, otherwise, if we don't show such growth (3,3,2,2,2 rule) such a business won't attract investors. The ultimate goal for us is to become break-even in the 3rd year of running the business.

In the P&L we have included all the relevant expenses and the revenue stream growth. We take into account our stuffing plan [**Appendix 8**] and [**Appendix 9**].

In the case of our strategy on customer acquisition, our bet lies in our salesforce strategy. Since in our case we operate on a very tough market where sales timelines can be quite long and extensive we would need to build quite an aggressive

sales department that would help us to find a sustainable revenue stream. It is essential to choose the right marketing strategy that would empower our revenue growth strategy. On this note, we would like to go a bit deeper in the next chapter - go to market strategy.

6. GO TO MARKET STRATEGY

When consulting with our advisory network of experts, specifically with Mykhailo Wynnykyj, we identified that one of our top tactical objectives for the near future is to find a sustainable revenue stream that would drive our revenue in the short term and ideally in the long term. We understand that at the current stage for our team and our business it is vital to start selling by **building a sustainable revenue stream**.

Before going into the tactical details on how we plan to build our revenue stream, first, we need to understand our reality, fundamentally critical for our business and our team.

6.1 Company lifecycle model for our business.

When looking at the current stage of our organization/team we are still in a very early stage.

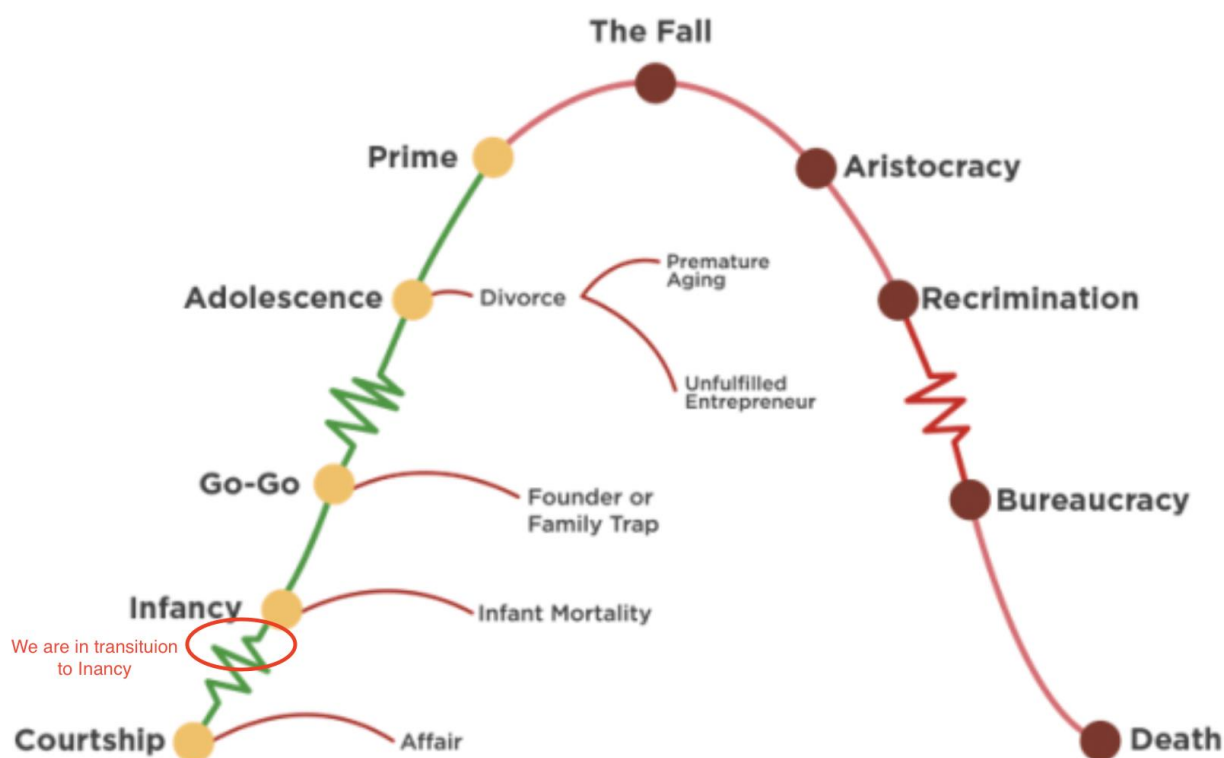


Figure 6.1.1 Our organization lifecycle stage.

Based on Adizes company lifecycle stages there is pretty much clearly defined growth of every company. At every stage of the company lifecycle, there are normal and abnormal problems. Our main objective here is very simple - at any possible cost mitigate normal problems and avoid abnormal problems.

Our company is in the transition to Infancy stage. Based on Adizes definition for this stage: infancy begins the moment financial risk has been undertaken and the Founder quits her paying job. [Adizes Institute] As mentioned above, at this and any other stage of the company lifecycle we have normal and abnormal problems:

Our normal problems by Adizes:

1. **Customers experience problems with the product or service.**
2. Struggle to complete product or service.
3. **Chasing sales to generate cash that is not related to core business.**

Our abnormal problems by Adizes:

1. **The product or service is rushed into the market before it is ready.**
2. **Caught up an “excess perfection” syndrome making endless product improvements without market validation.**
3. **Unable to close reference accounts and obtain key footholds in the marketplace.**

These are all relevant problems for our current stage. We highlighted the top four problems we do have right now. But, the core problem as discussed with our advisor Mychailo Wynnyckyj - is our revenue stream. Hence, we should add up an additional “vitamin” to our company’s mindset. Adizes vitamins describe the nature of the management team, at each stage we need different combinations of “vitamins” in our team.

When starting a business it is important to have 100% focus on entrepreneurship. This ability is a core for the business to succeed in the long run. That's what we were 6 months ago. Our willpower to “change the world” was the main driver for the whole team to get where we are right now.

If we can visualize the state of our team up to this moment we are mainly driven by this feeling of changing the world. But, the reality is that we need to think tactically as soon as possible to survive.

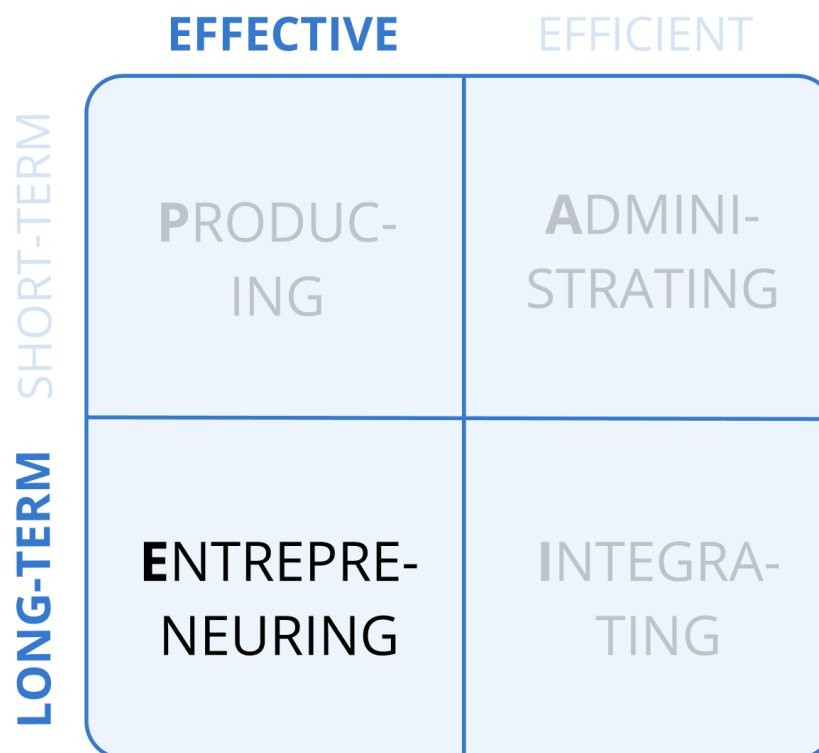


Figure 6.1.2 Our company mindset in terms of Adizes Vitamins in the past

As we can see from Figure 6.1.2 our team has one important state of mind that gives us the power to move forward in the long-term - **Entrepreneuring**, but what we are missing is short-term abilities that would help us to implement short-term tactics, specifically we are missing **Producing** part of the company's mindset.

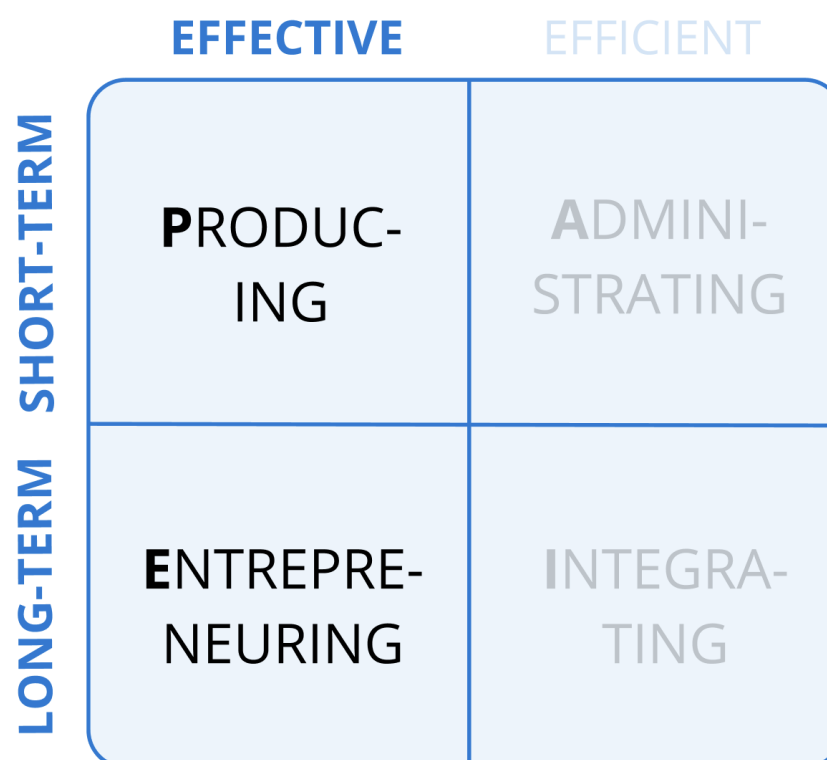


Figure 6.1.3 Our company mindset in terms of Adizes Vitamins in the near future.

Right now it is time for us to focus on **Producing**, in particular producing short-term tactics that would help us to move the needle. As we have mentioned several times it is the right time for us to focus on the revenue streams. How are we going to build this strategy, we'll discuss this in the next sub-chapter.

6.2 Building revenue stream.

According to Gabriel Weinberg and his book “Traction: A Startup Guide to Getting Customers”, most of the startups are failing not because they don't have the right product, but because they do not have the right traction channel. In this book, Gabriel Weinberg gives a framework called The Bullseye Framework [**Appendix 9**]. We adopted this framework and spent 50% of our time exploring the traction channels that work for us. Other 50% we spent on product development.

This framework helps founders find the marketing channel that will be key to unlocking the next stage of growth. [**Traction**]

According to The Bullseye Framework, we have to pick three main traction channels that we are going to focus on in the first place and additional traction channels that we are going to test right after it, once we test the main traction channels we identified as the most promised.

In our case we have chosen the following three main traction channels we are focusing on at this particular moment:

- 1. Community Building.**
- 2. Target Market Blogs.**
- 3. Direct Sales.**

The other, secondary traction channels we have illustrated in The Bullseye Framework [**Appendix 9**].

When it comes to Community building, what we have already been doing are:

1. Giving presentations on topics, such as *emotional intelligence*, *mindfulness*, and *nudge theory* at internal chapters organized by few companies in Berlin. During these presentations, we also gave our audience the chance to try our PoC, so that they can identify their level of emotional intelligence and leverage from the micro-strategies we give as a result of taking our assessment.
2. We leverage internal communication channels to raise awareness of the importance of emotional intelligence and mindfulness at the companies we work at. Enterprise and small-to-medium level companies.

When it comes to Target Market Blogs, we plan to start publishing blog posts on the emotional intelligence of the teams in product development organizations. To drive more traffic to our product page. That would be our upper funnel. From there we would convert visitors into our potential customers.

When it comes to Direct Sales, we have two prospect leads (product companies in Berlin) that would like to pilot our product, once we adopt our PoC to teams and would provide a dashboard so that the team can start measuring the impact our product brings to these teams. We plan to do an A/B test with several teams (those who use our product, and those who do not) in the same organization to

measure certain KPIs, that would give us and organizations the result that would **either** show the positive impact from using our product **or** we will get some insights why it did not work out. Right now we are identifying key metrics that we are going to track during piloting the product. Direct sales in general is an essential part of the success equation in our business. Hence, we would like to build a strong team of salesforce.

7 CONCLUSION

By all counts and with the proven results we can confidently say that we are on the right way to success. However, we understand that we are at the very beginning of our journey, and there is so much work to be done in the upcoming months and hopefully years.

7.1 How business school made us think differently.

1. **Taught by Scott Sehlhorst, Product Management.** During this course, we learned a lot about product development, competitive analysis, customer development, and many other useful tools and techniques. In our example, we heavily used Lean Product Development Framework. The framework itself gave us a very clear path and steps that any startup can use to maximize chances to succeed. In the nutshell, it is a six step plan. Each step solves a particular problem and enables you to move forward to the next step.
2. **Taught by Yuri Zayarny and Mark Shuper, Financial Decision Making and Corporate Finances.** We believe that this set of courses played a key role in our product development process and market analysis. We were able to make our financial assumptions and represent them in a very clear and reasonable way, by plotting all our financial data points in P&L (profit and loss statement). It enabled us to use sensitivity analysis that helped us to understand on a very granular level pros. and cons. of our business assumptions and build unit economics as a result of such analysis. We started to reason about our product and business assumptions based on financial drivers and by this our confidence level about any decision that we have taken was at the highest level possible. Without this critically important knowledge - understanding the math of the business it is impossible to build a successful and sustainable business. Since our main goal is to build a sustainable and scalable business, this set of courses gave us fundamental knowledge without which we cannot move forward.

3. **Taught by Vsevolod Onyshkevych, Jack Henneman, Howard Nelson, and Joseph Studholme, New Technological Entrepreneurship.** One of the very first courses that gave us a very clear understanding of how VCs evaluate startups, how to pitch the startup idea, what are the standard ways of pitching, templates used, etc. The most useful knowledge that could have been taken from this course: cap table (capitalization table), M&A (merge and acquisitions), reasoning about business and unit economics, understanding how investors think and what they are paying attention to. This knowledge would be extremely useful in the near future when it comes to raising capital. Knowing this we can mitigate the future risks when raising the capital for our next business idea.
4. **Taught by Krzysztof Obloy, Business Strategy.** This course gave us a lot of different perspectives and alternative ways of thinking when it comes to business strategy. The most powerful framework we have learned and used is John Porter's 5 Competitive Forces - it helps to determine the five forces of competitive intensity. Hence it gives a great sense of feeling if a particular industry is attractive in terms of profitability. We have learned a lot from different use cases taught during the course. We are definitely going to use some of the frameworks and techniques once we release our product and would think how to scale it.
5. **Taught by Mykhailo Wynnyckyj, Business as a System.** It is a game changing knowledge. It was crucial to understand what sort of combination of talents we have to have at a certain point of time of the company lifecycle. This course gave us a general understanding of how we should make managerial decisions taking into account the processes of both strategic and tactical level. We have learned to think in different paradigms. The core concept that we have adopted from this course was to take a critical look at our own decision-making processes. As we have described in chapter 6, we have made a critical decision to transform the team (company) and take it to the next level of the company lifecycle at the same time minimizing risks that are common for

companies when they are just getting started. Bringing the right people at the right time is the key ingredient to success and without knowing that we would have been stuck and died already several times. It was such a critical knowledge to gain.

Without the knowledge that we gained at LvBS, we would have probably taken a different trajectory, and not necessarily the right one. Throughout the last six months, our team worked and used different methodologies and frameworks that we have learned at LvBS.

7.2 Reflections and actions.

The main lesson that we have learned is to not fall in love with your idea. When we started with our initial idea of building *a solution that could help couples to overcome marriage challenges*, we were really inspired and motivated by the idea of making an impact on a high scale that could affect millions of couples all around the globe. It was a really great idea and we still believe it is. However, when looking objectively and analyzing all data points we have been able to collect we took a different approach.

The problem needs to be addressed holistically. Falling in love with an idea limits the ability to look at the problem in a holistic way. At some point, after conducting user interviews and going through the whole process of customer development we came to a conclusion that with all of our knowledge, research results and market reaction the value proposition that we are trying to build is not worth going after and it is a good time to reflect on our findings and derive conclusions.

That is why we decided to make a pivot and explore different challenges but for different customer segments and different problems. It was and still is a hard mental problem when you need to make such a shift.

The right articulation of the pivot is a challenging task for any organization and the leadership of this organization. Even our small product team can be analyzed through the prism of the change that is fundamental for any size of the organization.

It is essential for everyone to understand that change does not necessarily mean something bad. In fact we can observe changes happening consistently in all successful organizations that grow their revenue and increase their presents on the market.

Innovations require changes all the time and in most of the cases without a change we can not move forward. It is critical for any leader to implement the change in a way that everyone in her organization would believe that this change needs to happen.

John Kotter gave us a very useful model - “8 step change model”, that we adopted even at such a small scale of our organization/team that enabled us to accept the change and move forward towards the direction of the customer's needs.

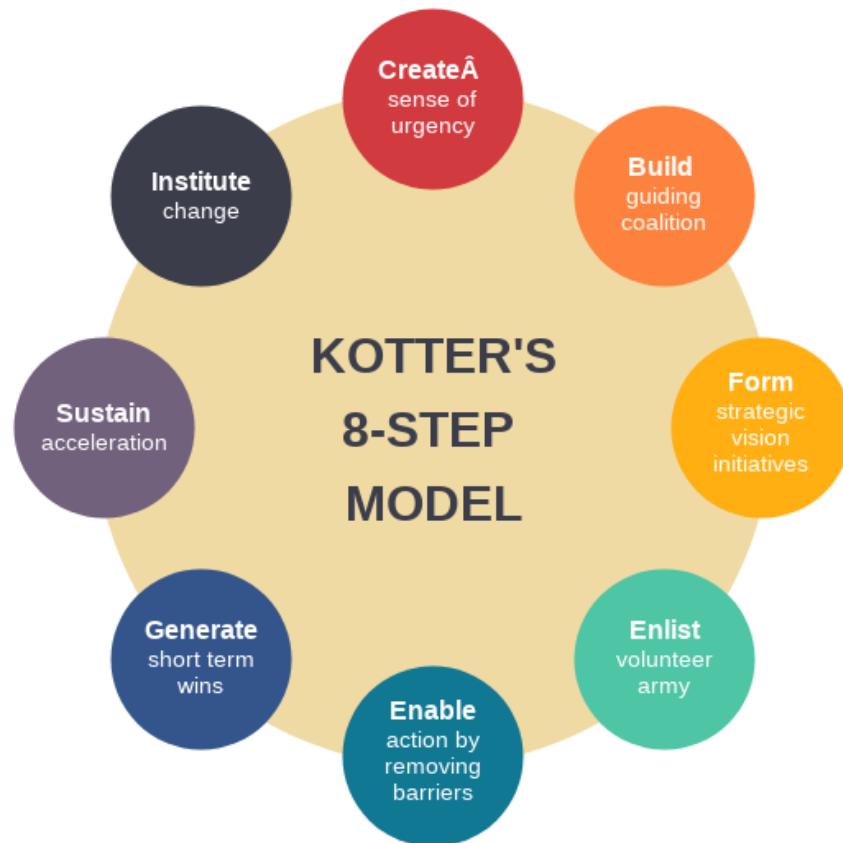


Figure 7.2.1 Kotter's 8 step change model

For any new venture it is important to keep in mind that pivoting is an inevitable event that would happen at some point. Usually when we start building new products there are so many unknowns. Our main idea is to uncover those

unknowns and answer the main hypothesis around a particular problem that we are trying to solve. But, before pivoting we have to understand what is the right time to do that.

We came to a genuine understanding that the reason for us to pivot has three essential reasons:

1. We realized that the customer need we are trying to address has been successfully addressed by our main competitor - family therapists.
2. Painkiller. It is important to understand what type of product we are building: vitamin or painkiller. We all agree that to build a sustainable business we need to provide painkiller types of product.
3. Follow the cash. Cash is good, but recurring cash is even better. Hence, we need to find a business model that can be scaled and predictable in terms of retention and customer lifetime value.

We believe that success can be defined by a very simple, but yet powerful principle that can be written in a form of mathematical equation:

$$\text{Success} = \text{Consistency} + \text{Passion}$$

This is a universal law of success. In order to build innovative businesses we have to keep trying to do that by going through ups and downs until we succeed or decide to pivot to something more opportunistic.

One of the main learnings we could conclude so far is that there is no easy way to succeed. It's always painful, it is always hard, tremendously hard and because of that it is always easy to give up and that's what majority of people do - they give up too early.

8. LITERATURE

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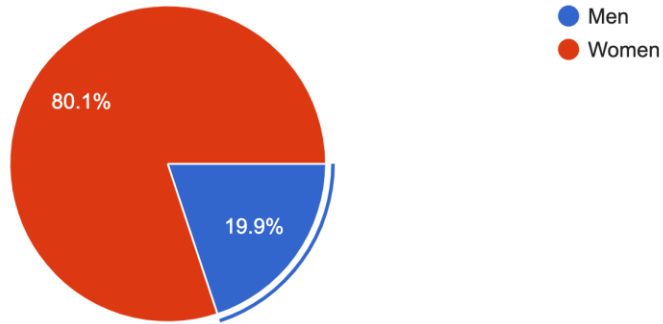
[**Traction**] Traction: A Startup Guide to Getting Customers by Gabriel Weinberg and Justin Mares, 2014.

[**Harmony**] <https://www.harmony.so>

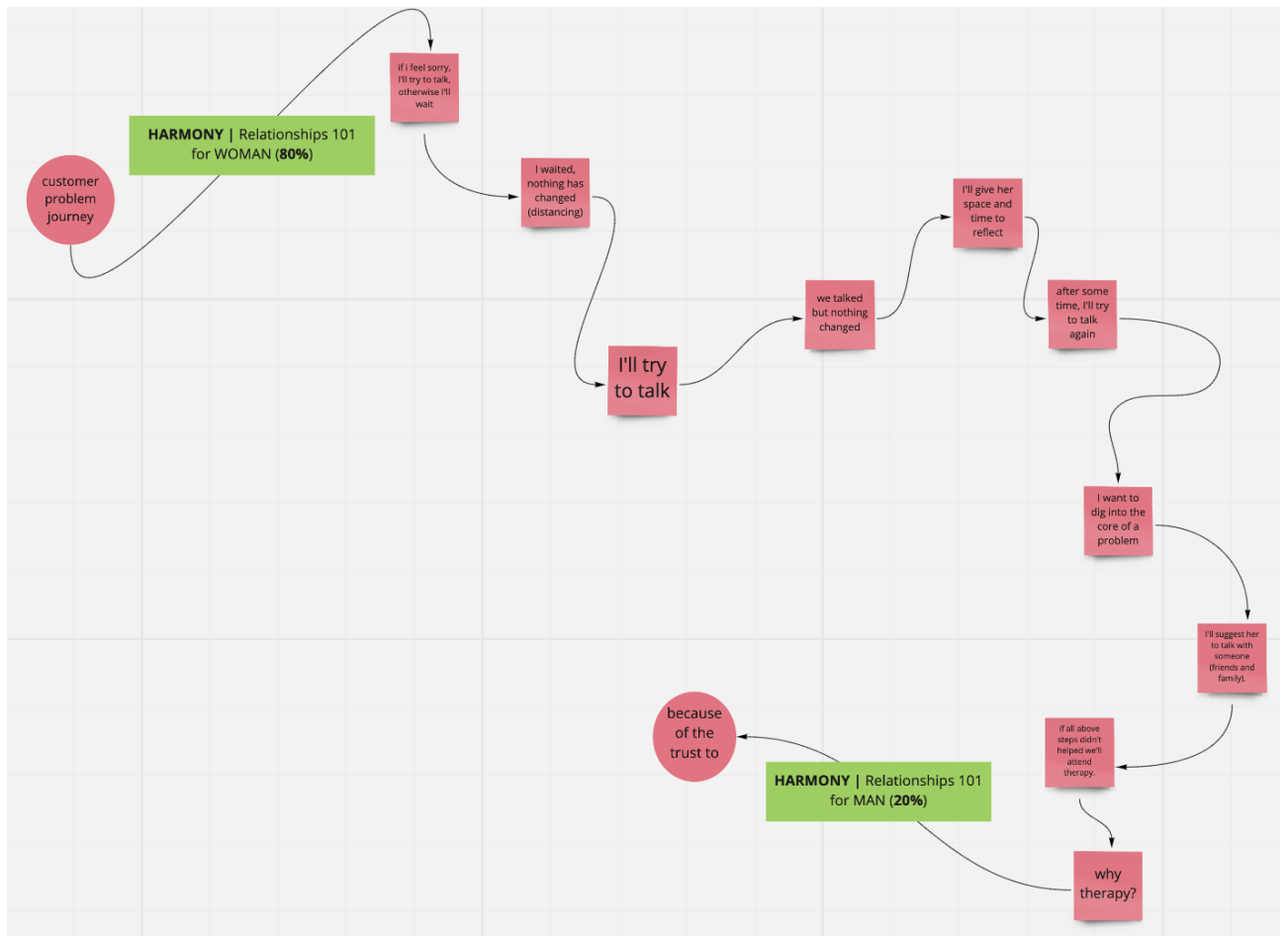
Appendix 1

Gender distribution of respondents we have surveyed.

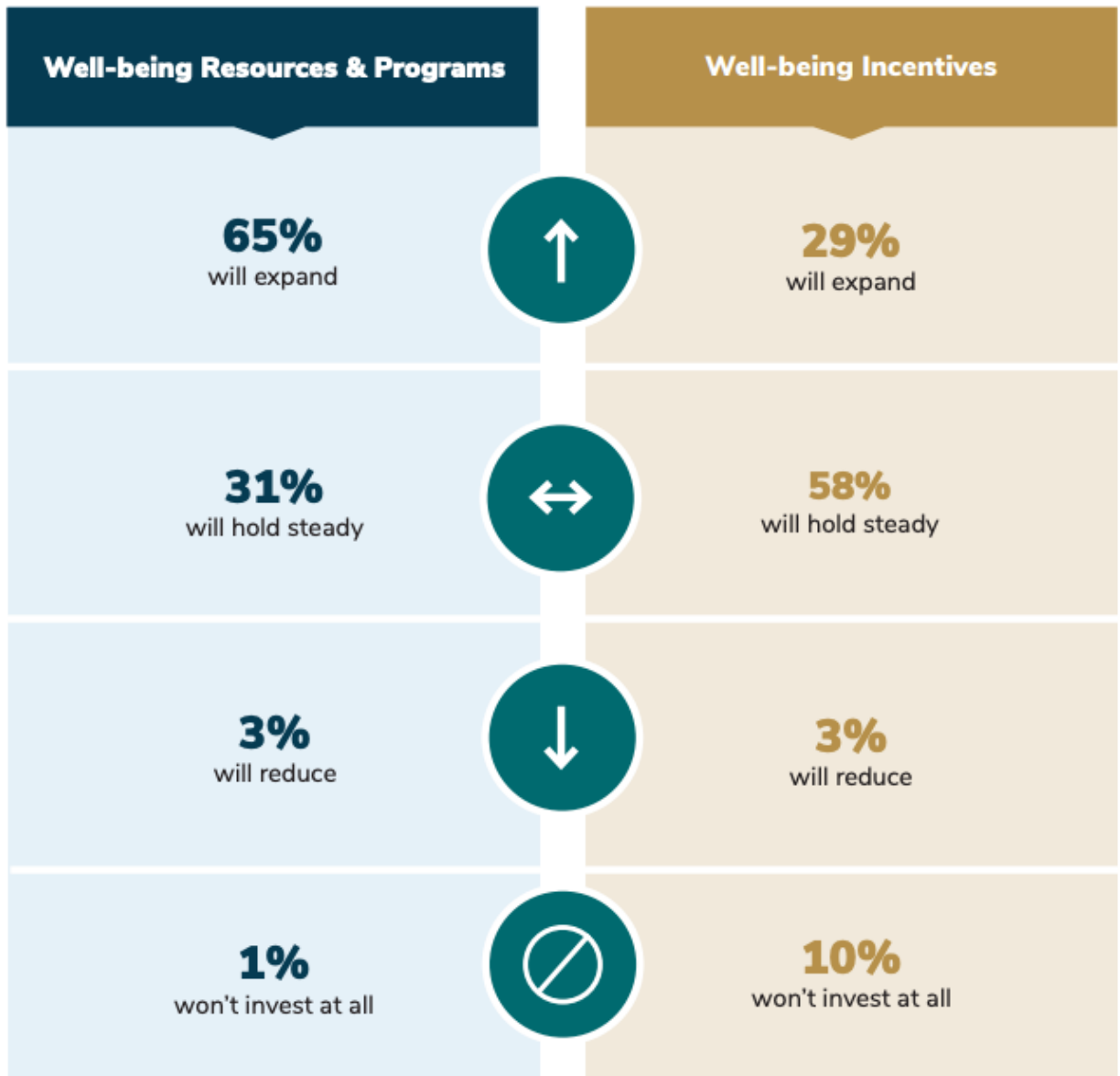
Gender
211 responses



Appendix 2



Appendix 3



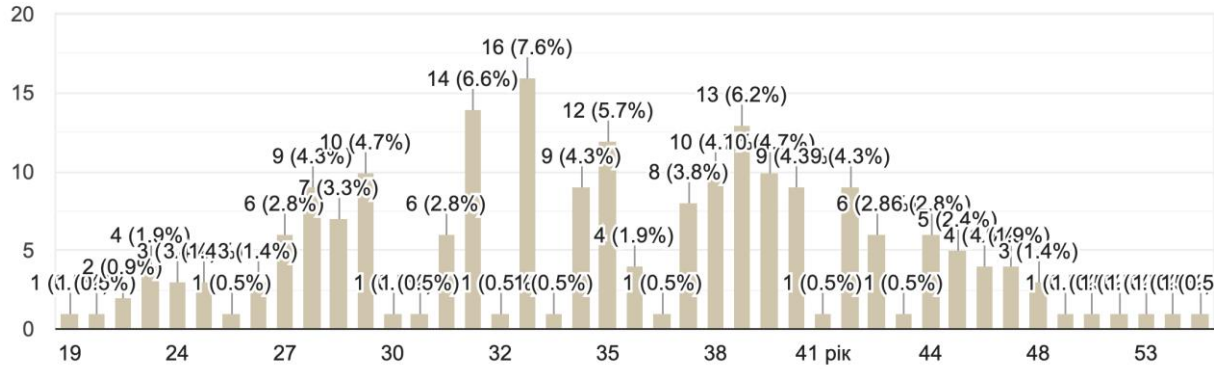
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Appendix 4

Age distribution of respondents we have surveyed.

Age

211 responses



Appendix 5

B2C - Subscription-based business model. Unit economics.

Monthly Subscription Price	Monthly Churn Rate	Annual Subscription Price	Annual Churn Rate	Commission	Monthly Subscription Share	Annual Subscription Share	Gross Margin
\$14.95	15%	\$69.95	60%	30%	60%	40%	50%
Cost-Per-Mile	Click-Through Rate	Conversion Rate (Installs To Pay)	Click-To-Install	Trial-To-Paid			
\$20.00	1.00%	2.00%	20.00%	20.00%			
Impressions	Ads Clicked	I2T	I2P				
10,000,000.00	100000	20,000.00	400				
Product Revenue Total				Marketing Costs		Profit	
\$35,472.00				\$200,000.00		-\$164,528.00	
Users	ARPU	Commission	Users	CPU			
20,000.00	\$5.91	70.00%	20,000.00	\$10.00			
Avg. Price	CR	Avg. Lifetime	CPM	CTR	CTI		
\$36.95	2.00%	8.0	\$0.02	1.00%	20.00%		

Appendix 6

Unit economics sensitive analysis. LTV:CAC ratio analysis.

Metrics	CPI	I2P	Monthly Subscription Price	Monthly Churn Rate	Annual Subscription Price	Annual Churn Rate	Commission	Monthly Subscription Share	Annual Subscription Share
min	\$1.50	2.00%	\$12.95	13%	\$59.95	60%	15%	70%	30%
max	\$3.00	3.00%	\$14.95	20%	\$69.95	70%			
ROI	CAC				LTV:CAC				
	\$50.00	\$100.00	\$75.00	\$150.00	\$50.00	\$100.00	\$75.00	\$150.00	
LTV	\$60.37	20.73%	-39.63%	-19.51%	-59.76%	1.21	0.6	0.00	0.00
	\$64.01	28.01%	-36.00%	-14.66%	-57.33%	1.28	0.6	0.00	0.00
	\$66.32	32.63%	-33.68%	-11.58%	-55.79%	1.33	0.7	0.00	0.00
	\$81.11	62.22%	-18.89%	8.15%	-45.93%	1.62	0.8	0.01	0.00
	\$69.96	39.91%	-30.05%	-6.73%	-53.36%	1.40	0.7	0.01	0.00
	\$84.75	69.50%	-15.25%	13.00%	-43.50%	1.69	0.8	0.01	0.00
	\$90.26	80.53%	-9.74%	20.35%	-39.82%	1.81	0.9	0.01	0.00
	\$64.01	28.02%	-35.99%	-14.66%	-57.33%	1.28	0.6	0.00	0.00
	\$93.90	87.81%	-6.10%	25.21%	-37.40%	1.88	0.9	0.01	0.00
	\$69.96	39.92%	-30.04%	-6.72%	-53.36%	1.40	0.7	0.01	0.00
	\$84.75	69.51%	-15.25%	13.00%	-43.50%	1.70	0.8	0.01	0.00
	\$68.26	36.51%	-31.75%	-8.99%	-54.50%	1.37	0.7	0.00	0.00
	\$74.21	48.41%	-25.80%	-1.06%	-50.53%	1.48	0.7	0.01	0.00
	\$93.91	87.81%	-6.09%	25.21%	-37.40%	1.88	0.9	0.01	0.00
	\$89.00	78.00%	-11.00%	18.67%	-40.67%	1.78	0.9	0.01	0.00
\$98.15	96.31%	-1.85%	30.87%	-34.56%	1.96	1.0	0.01	0.00	

Appendix 7

Unit economics

Org. size (#) Customers (#)	SMALL-MEDIUM			LARGE			ENTERPRISE	
	\$6.67			\$8.50			\$12.50	
	\$ per active user	ARR	500	\$ per active user	ARR	2000	\$ per active user	5000
1.00	\$333.50	\$1,000.50	\$3,335.00	\$8,500.00	\$12,750.00	\$17,000.00	\$21,250.00	\$62,500.00
2.00	\$667.00	\$2,001.00	\$6,670.00	\$17,000.00	\$25,500.00	\$34,000.00	\$42,500.00	\$125,000.00
3.00	\$1,000.50	\$3,001.50	\$10,005.00	\$25,500.00	\$38,250.00	\$51,000.00	\$63,750.00	\$187,500.00
4.00	\$1,334.00	\$4,002.00	\$13,340.00	\$34,000.00	\$51,000.00	\$68,000.00	\$85,000.00	\$250,000.00
5.00	\$1,667.50	\$5,002.50	\$16,675.00	\$42,500.00	\$63,750.00	\$85,000.00	\$106,250.00	\$312,500.00
6.00	\$2,001.00	\$6,003.00	\$20,010.00	\$51,000.00	\$76,500.00	\$102,000.00	\$127,500.00	\$375,000.00
7.00	\$2,334.50	\$7,003.50	\$23,345.00	\$59,500.00	\$89,250.00	\$119,000.00	\$148,750.00	\$437,500.00
8.00	\$2,668.00	\$8,004.00	\$26,680.00	\$68,000.00	\$102,000.00	\$136,000.00	\$170,000.00	\$500,000.00
9.00	\$3,001.50	\$9,004.50	\$30,015.00	\$76,500.00	\$114,750.00	\$153,000.00	\$191,250.00	\$562,500.00
10.00	\$3,335.00	\$10,005.00	\$33,350.00	\$85,000.00	\$127,500.00	\$170,000.00	\$212,500.00	\$625,000.00
13.00	\$4,335.50	\$13,006.50	\$43,355.00	\$110,500.00	\$165,750.00	\$221,000.00	\$276,250.00	\$812,500.00
15.00	\$5,002.50	\$15,007.50	\$50,025.00	\$127,500.00	\$191,250.00	\$255,000.00	\$318,750.00	\$937,500.00
20.00	\$6,670.00	\$20,010.00	\$66,700.00	\$170,000.00	\$255,000.00	\$340,000.00	\$425,000.00	\$1,250,000.00
30.00	\$10,005.00	\$30,015.00	\$100,050.00	\$255,000.00	\$382,500.00	\$510,000.00	\$637,500.00	\$1,875,000.00
40.00	\$13,340.00	\$40,020.00	\$133,400.00	\$340,000.00	\$510,000.00	\$680,000.00	\$850,000.00	\$2,500,000.00
50.00	\$16,675.00	\$50,025.00	\$166,750.00	\$425,000.00	\$637,500.00	\$850,000.00	\$1,062,500.00	\$3,125,000.00
60.00	\$20,010.00	\$60,030.00	\$200,100.00	\$510,000.00	\$765,000.00	\$1,020,000.00	\$1,275,000.00	\$3,750,000.00
70.00	\$23,345.00	\$70,035.00	\$233,450.00	\$595,000.00	\$892,500.00	\$1,190,000.00	\$1,487,500.00	\$4,375,000.00
80.00	\$26,680.00	\$80,040.00	\$266,800.00	\$680,000.00	\$1,020,000.00	\$1,360,000.00	\$1,700,000.00	\$5,000,000.00
90.00	\$30,015.00	\$90,045.00	\$300,150.00	\$765,000.00	\$1,147,500.00	\$1,530,000.00	\$1,912,500.00	\$5,625,000.00
100.00	\$33,350.00	\$100,050.00	\$333,500.00	\$850,000.00	\$1,275,000.00	\$1,700,000.00	\$2,125,000.00	\$6,250,000.00
200.00	\$66,700.00	\$200,100.00	\$667,000.00	\$1,700,000.00	\$2,550,000.00	\$3,400,000.00	\$4,250,000.00	\$12,500,000.00
300.00	\$100,050.00	\$300,150.00	\$1,000,500.00	\$2,550,000.00	\$3,825,000.00	\$5,100,000.00	\$6,375,000.00	\$18,750,000.00
400.00	\$133,400.00	\$400,200.00	\$1,334,000.00	\$3,400,000.00	\$5,100,000.00	\$6,800,000.00	\$8,500,000.00	\$25,000,000.00
500.00	\$166,750.00	\$500,250.00	\$1,667,500.00	\$4,250,000.00	\$6,375,000.00	\$8,500,000.00	\$10,625,000.00	\$31,250,000.00
1000.00	\$333,500.00	\$1,000,500.00	\$3,335,000.00	\$8,500,000.00	\$12,750,000.00	\$17,000,000.00	\$21,250,000.00	\$62,500,000.00
2000.00	\$667,000.00	\$2,001,000.00	\$6,670,000.00	\$17,000,000.00	\$25,500,000.00	\$34,000,000.00	\$42,500,000.00	\$125,000,000.00
3000.00	\$1,000,500.00	\$3,001,500.00	\$10,005,000.00	\$25,500,000.00	\$38,250,000.00	\$51,000,000.00	\$63,750,000.00	\$187,500,000.00
4000.00	\$1,334,000.00	\$4,002,000.00	\$13,340,000.00	\$34,000,000.00	\$51,000,000.00	\$68,000,000.00	\$85,000,000.00	\$250,000,000.00
5000.00	\$1,667,500.00	\$5,002,500.00	\$16,675,000.00	\$42,500,000.00	\$63,750,000.00	\$85,000,000.00	\$106,250,000.00	\$312,500,000.00

Appendix 8

P&L

Growth 3 3 2 2 2 rule	3			2	
	2022	2023	2024	2025	2026
Market Share	0.003%	0.01%	0.03%	0.06%	0.15%
Revenue	\$ 990,000.00	\$ 3,300,000.00	\$ 9,900,000.00	\$ 19,800,000.00	\$ 49,500,000.00
COGS/COS (Cost of Sales)	\$ 594,000.00	\$ 1,980,000.00	\$ 5,940,000.00	\$ 11,880,000.00	\$ 29,700,000.00
Gross Profit	\$ 396,000.00	\$ 1,320,000.00	\$ 3,960,000.00	\$ 7,920,000.00	\$ 19,800,000.00
Operating Expenses					
Marketing Costs	\$ 495,000.00	\$ 1,650,000.00	\$ 4,950,000.00	\$ 3,960,000.00	\$ 9,900,000.00
Sales & Marketing	\$ 60,000.00	\$ 186,000.00	\$ 246,000.00	\$ 246,000.00	\$ 306,000.00
Engineering	\$ 120,000.00	\$ 160,800.00	\$ 285,600.00	\$ 309,600.00	\$ 309,600.00
General & Administrative	\$ 36,000.00	\$ 105,240.00	\$ 105,240.00	\$ 105,240.00	\$ 109,680.00
Others	\$ 500.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Total Operating Expenses	\$ 711,500.00	\$ 2,103,040.00	\$ 5,587,840.00	\$ 4,621,840.00	\$ 10,626,280.00
EBIT	\$(315,500.00)	\$(783,040.00)	\$(1,627,840.00)	\$ 3,298,160.00	\$ 9,173,720.00
Depreciation and amortisation	\$ (800.00)	\$ (2,300.00)	\$ (5,050.00)	\$ (8,050.00)	\$ (11,050.00)
EBITDA	\$(316,300.00)	\$(785,340.00)	\$(1,632,890.00)	\$ 3,290,110.00	\$ 9,162,670.00
EBIT Margin %	-31.95%	-23.80%	-16.49%	16.62%	18.51%
Tax	\$ -	\$ -	\$ -	\$ 658,022.00	\$ 1,832,534.00
Net Income	\$(316,300.00)	\$(785,340.00)	\$(1,632,890.00)	\$ 2,632,088.00	\$ 7,330,136.00

Appendix 9

Staffing plan YoY.

		2022	2023	2024	2025	2026
Eng/Product						
	Backend Eng.	2	2	3	3	3
	Fullstack Eng.	2	2	3	3	3
	Data Science	0	1	2	2	2
	Product Manager	0	0	1	2	2
	UX Designer	0	1	2	2	2
	Total Eng/Product	4	6	11	12	12
Sales		0	1	2	2	2
	Sales Manager	1	3	4	4	5
	Total Sales	1	3	4	4	5
Marketing						
	SEO Manager	0	1	1	1	1
	Total Marketing	0	1	1	1	1
General & Admin.						
	Accounting	0	1	1	2	2
	Customer Service	0	1	2	3	4
	Managing Director	1	1	1	1	1
	CTO	0	1	1	1	1
	Total G&A.	1	4	5	7	8

Appendix 9

Budgeting YoY.

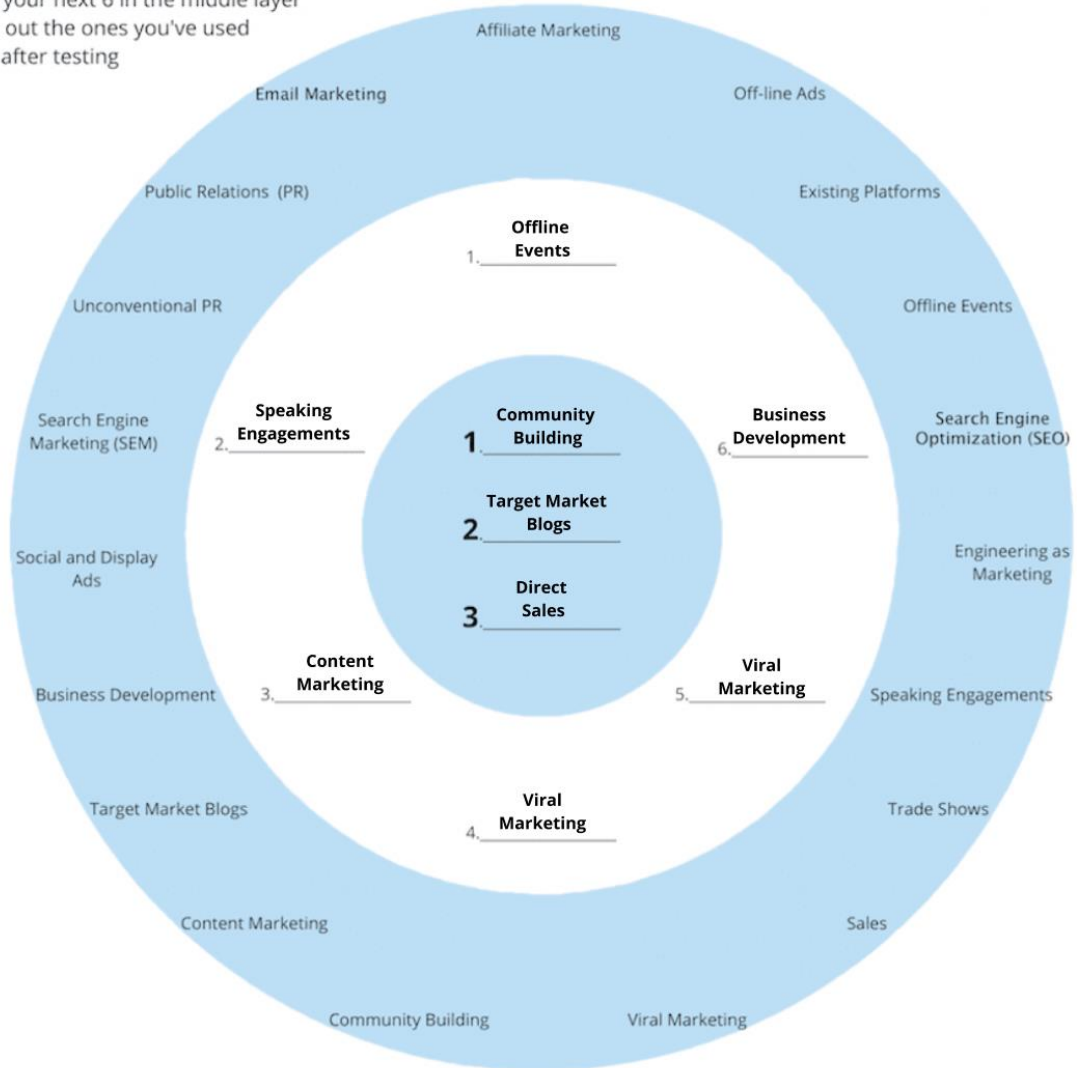
		Annual Salary	2022	2023	2024	2025	2026
Eng/Product							
	Backend Eng.	\$30,000.00	\$60,000.00	\$60,000.00	\$90,000.00	\$90,000.00	\$90,000.00
	Fullstack Eng.	\$30,000.00	\$60,000.00	\$60,000.00	\$90,000.00	\$90,000.00	\$90,000.00
	Data Science	\$26,400.00	\$0.00	\$26,400.00	\$52,800.00	\$52,800.00	\$52,800.00
	Product Manager	\$24,000.00	\$0.00	\$0.00	\$24,000.00	\$48,000.00	\$48,000.00
	UX Designer	\$14,400.00	\$0.00	\$14,400.00	\$28,800.00	\$28,800.00	\$28,800.00
	Total. Eng/Product		\$120,000.00	\$160,800.00	\$285,600.00	\$309,600.00	\$309,600.00
Sales							
	Sales Manager	\$60,000.00	\$60,000.00	\$180,000.00	\$240,000.00	\$240,000.00	\$300,000.00
	Total Sales		\$60,000.00	\$180,000.00	\$240,000.00	\$240,000.00	\$300,000.00
Marketing							
	SEO Manager	\$6,000.00	\$0.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
	Total Marketing		\$0.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
General & Admin.							
	Accounting	\$4,440.00	\$0.00	\$4,440.00	\$4,440.00	\$8,880.00	\$8,880.00
	Customer Service	\$4,800.00	\$0.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00
	Managing Director	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00	\$36,000.00
	CTO	\$60,000.00	\$0.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00
	Total G&A		\$36,000.00	\$105,240.00	\$105,240.00	\$109,680.00	\$109,680.00

Appendix 10

The Bullseye Framework to find a traction channel.

The Bullseye Framework For finding the best traction channels

- 1) Read Traction by Gabriel Weinberg & Justin Mares
- 2) Select your top 3 & write them in the center
- 3) Write your next 6 in the middle layer
- 4) Cross out the ones you've used
- 5) Redo after testing



Appendix 11

Roadmap

