

Power Chips: The All Protein Snack

Value Proposition:

The problem with most snacks is that they are unhealthy and soon leave you feeling hungry all over again. And more filling snacks with high amounts of protein usually require preparation (like protein powder or meat). Power chips are the solution to these problems. They do not have any carbs or fat, so they are guilt-free and low calorie, plus they keep you full with 20 grams of protein per bag. They are the perfect product for anyone looking for a quick, healthy, and satisfying snack.

Company Overview:

Power Chips were invented by happenstance, when Zack and Nick realized that the crispy edge of an omelette was their favorite part, and tasted kind of like a chip. This got them thinking about what it would take to make chips out of eggs for a delicious, all-protein snack. They experimented with different recipes and cooking techniques, and have found a way to make a crunchy, salty, and tasty snack out of only eggs, water, salt, and seasoning.

Customer:

In talking to friends at our colleges, and adults from our neighborhood, it seems that those who have the income to pay a higher price for snacks would prefer Power Chips to potato chips (assuming they like the taste). Since practically every American adult is now informed about general health knowledge and thinks about health when choosing food, we feel it is safe to assume that nearly all American adults who can afford Power Chips would be potential consumers. It is most likely that middle to high income adults (above \$50,000 annual household income) age 18-64 will be our primary customers, because Power Chips are more expensive than comparable snacks, like potato chips, and because kids and the elderly are less likely to make health-conscious food decisions. The share of the population that fall into this target age and socioeconomic status is 30.9% (61.9% is 18-64, half of these have above \$50,000 annual household income).

Market size:

Our tangible attainable market (TAM) includes the potato chip market and protein supplements market, as Power Chips fill both these niches. The US potato chip market is \$7.5 billion (Institute of Food Technologists), and the US protein supplement market is \$5.7 billion (Grand View Research). The total of these two figures is \$13.2 billion. Since only 30.9% of the population falls within our target demographic (US Census 2010), our TAM for Power Chips is \$4.08 billion. This estimate may be excluding too much of the protein supplements market, however, since most consumers in this market are willing to pay a premium for nutritious products (it may be inaccurate to include only 30.9% of them).

Our serviceable available market (SAM) is the Chicagoland area, which is home to about 9 million people. This is 2.7% of the US population, of which 30.9% are our target demographic. So our SAM for Power Chips is \$111 million.

Our serviceable obtainable market (SOM) is the Northern suburbs of Chicago (where the founders, Nick and Zack, are from). The population of Evanston, Wilmette, Northbrook, Winnetka, Kenilworth, and Glencoe is 160,000 people (US Census 2010). The SOM for the Northern suburbs would be \$1.97 million if we used the 30.9% figure of the general population that is in our target demographic. However, since the Northern suburbs are very affluent, it is reasonable to assume that at least 75% of 18-64 year olds in this area are in our target socioeconomic demographic. Thus, our SOM for the Northern suburbs is estimated at \$3 million.

Competition:

Currently there are a few major players in the very young protein chip market, namely Quest Protein Chips, Ips Chips, and Protes. Quest, already an established protein bar producer, has a natural advantage in other protein-food markets. However, none of these brands (and especially not Quest)

shy away from using artificial ingredients to improve the taste and texture of their products, which can be a turnoff for many health-conscious consumers. Additionally, none of these companies have produced chips with exclusively protein. Quest Protein Chips get less than 70% of their calories from protein, while Protes and Ips Chips come in at just 50% and 20% respectively. We have successfully produced good-tasting chips with 100% of their calories coming from protein, and we aim to stay above 90% as we continue to iterate on our product.

Revenue Model:

Our revenue model is a production model. We will produce egg-based protein chips, and all of our revenue will be generated by the sale of these chips to food vendors (grocery stores, wholesale warehouses, gyms and health clubs, and convenience stores are all possible vendors for our product). Down the road, we may sell directly to consumers online.

Operations:

At the moment, we are able to produce 80 calories of our chips (approximately one bag's worth) for \$0.52 using grocery store-bought ingredients (cost of eggs, salt, and seasoning), and we are able to custom print bags at \$0.03 each. Our distribution cost will be however much we spend on gas while driving the chips to stores, which we anticipate to be \$0.03 per bag. So overall, it will cost \$0.58 to get a bag of Power Chips onto a store shelf. However, if we are able to scale up or outsource production and outsource distribution, we expect these costs to come down significantly. We would use the money from the College New Venture Challenge to buy better kitchen equipment, such as an industrial oven and dehydrator, as well to pay for a shelf life test from a food lab and a consultation appointment with a food scientist (to get advice on preservation and cooking).

Team:

Nick Hamburger and Zack Schreier, *Co-CEOs*:

We thought of the idea for Power Chips after finding that we liked the crispy edge of omelettes more than the omelette itself. We thought it tasted kind of like a chip... and the rest is history! We both have an interest in fitness and nutrition, which grounds our passion for Power Chips. We also have been interested in entrepreneurship for many years. When we were in middle school, we sold Ramuné, a Japanese soda, to our peers in the cafeteria (for double what it cost in the grocery store!). Of course, we are limited in our knowledge of the food industry, and will look to consult with a food scientist to ensure the safety of our product. Also, Andy will be an important guide to distributors and manufacturers when we look to scale distribution and production.

Andy Friedman, *Advisor*:

Andy is the founder of Skinny Pop, which grew to become Amplify Snack Brands after several acquisitions. He has many years of experience in the snack foods industry after building a nationally popular brand from the ground up.

Sidney Slover, *Advisor*:

Sidney founded LearnItLive in 2009. The company does online wellness, fitness, and nutrition education for the employees of large corporations and hospital systems. Sidney also helped to found a successful donut business in a town in Honduras during his time there working for the Peace Corps. His knowledge of start ups, the food industry, and nutrition are very helpful to our work at Power Chips.

Progress to Date:

We have experimented with different recipes and cooking processes over the course of the last two summers. Currently, we use eggs, water, salt, and seasoning to make a thin and crispy chip. It comes out pretty similar in thickness to seaweed snacks. These are light and airy and it would take many of them to provide a 20 gram serving of protein (80 calories). This could be a good mindless and

addictive snack like seaweed, where one eats a large quantity of chips over a long time, but we would like to develop a recipe for a thicker chip as well. We have done some iteration on thicker chips but still need to perfect the recipe.

We have also experimented with a few different natural preservatives, and have batches stored in the pantry at Nick's house. We used rosemary extract and soy lecithin as preservatives, and also tried vacuum sealing to remove air and using silica gel to remove moisture. We will open them 4 months after we made them, around Christmas, to see how they held up. Ideally, we will take the samples to a food lab in the area to test them in a legitimate way for microorganisms.

Also, we talked to Whole Foods and they were compelled by the idea of Power Chips, because their shoppers are usually quite health conscious. They said they like to sell local products, so if we could impress them with the taste of the chips, it seems quite possible that we could get into their Chicago stores.

Intellectual Property:

Recipes can be patented, but that provides little protection from copy cats, as they can just change the recipe slightly. Once we are selling Power Chips and competitors can see what ingredients we use, there will be nothing we can do to keep them from trying to copy us. Luckily, our cooking process is creative and not as easy to copy. But, like any successful consumer product, our success will have to come from building a brand that people trust and love. We will need to get people to enjoy Power Chips enough to continually buy them, even if there are similar products next to them on the store shelf.

Business Risks:

Competitors:

Competition from other protein chips is a risk of Power Chips. We may not be able to beat out the other brands in this market. Quest Protein Chips is our biggest worry, because their chips taste good and have appealing nutrition facts (though not quite as good as ours). But it is possible that the few existing brands will do a good job distributing and gaining recognition, making it hard for Power Chips to gain traction.

Consumer:

Consumers may not like the taste of Power Chips enough to incorporate them into their regular snack diet. And grocery stores may not want to stock Power Chips. They may think that the product will not sell at their store, or they may not enjoy the sample we give them.

Operations:

Preserving the chips for at least 4 months will be a difficult task. We think that we will need a food lab to analyze the chips after 4 months to confirm that they are still safe to eat. Obviously, if this process went awry and someone got sick from the chips, it would be a huge issue. In addition to working on preservation, we are planning to buy pasteurized eggs to limit the chance of foodborne illness.

We may not be able to develop a recipe for thick Power Chips. While we have gotten close, we do not yet have a good enough recipe. Also, there may not be a way to scale the cooking process to make larger quantities. We have a thin chip recipe that works in our kitchen, but it could be that it is not possible to make big batches.

Business Analogues:

A very close analogue to Power Chips is Halo Top, the low-calorie ice cream. Halo Top tastes pretty rich and creamy, yet has about a fourth of the calories of conventional brands like Ben & Jerry's. It also has better proportions of protein, fat, and sugar than conventional ice cream. Due to its taste and incredible nutritional composition, it has taken a 10% share of US take-home ice cream market within

5 years of its inception in 2012. This shows the power of superior nutrition to drive a new food brand to the top of its sector, quickly. Right now, many Americans are quite health conscious and will sacrifice a little bit of taste (few will contend that Halo Top tastes better than Ben & Jerry's) for a healthier product. This is also exemplified by another analogue with a recent surge in popularity, which is La Croix. La Croix is flavored, carbonated water that tastes worse than soda and juice but does not contain any calories. It has done very well in the last five years.