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Structured Demand Validation for First-Time Consumer Product Founders: A Systems Playbook for Capital-Efficient Launches

Saksham Goswami

Department of Business Administration, California State University, Fresno.

Abstract: Most first-time consumer packaged goods (CPG) founders fail because of what they make rather than because of the capital they invested prior to confirming demand. The traditional launch process of raising capital, manufacturing goods, and then seeing who will buy them puts bootstrapped founders at risk of disastrous downside. An alternative architecture is that suggested in this paper: the Pre-Order-to-Production (POP) Validation Model, which is a staged model where the demand validation process and the capital formation process are considered to be one and the same. The minimum order quantity (MOQ) of the contract manufacturer in this model is used as a natural validation gate, whereby production will not begin until the money obtained through pre-orders is equal to the minimum amount required to fund production. The paper summarizes the literature on the lean startup methodology, entrepreneurial bootstrapping, crowdfunding as demand learning, and CPG-specific operational constraints, and uses them to create a five-stage validation model which is based on capital-constrained founders. The model includes sensing of the problem, concept testing, price discovery, production authorization (MOQ-gated), and post-batch feedback loops. Practical implications for first-time founders with no institutional capital are considered, as well as how ecosystem leverage, the architecture of digital infrastructure, and behavioral growth processes can be applied to support validated demand beyond early traction.

Keywords: Demand validation, capital efficiency, consumer packaged goods, pre-order financing, lean startup, bootstrapping, minimum order quantity, contract manufacturing.

INTRODUCTION

What makes consumer packaged goods industries special is that first-time founders have a particular problem: unlike software projects, where the cost of iteration is virtually zero, in CPG products you have to actually make a product and commit capital that cannot be recovered. A founder who makes 5,000 units of a product not yet tested will have to pay storage costs, face spoilage risk, and bear sunk costs that cannot be recovered with a code update. Regardless of this, the existing paradigm of product launch in CPG entrepreneurship is a linear process: creating a product, locating funding, filling shelves, and only then finding out whether the product will be purchased by consumers (Ries, 2011; Blank and Dorf, 2012).

This is a highly perilous chain for capital-starved founders, especially students, immigrants, and first-generation businesspeople who do not have financial cushions to survive a failed run. The current body of literature on entrepreneurial bootstrapping shows that resource-constrained founders using disciplined capital strategies will have higher long-term financial performance compared to externally funded counterparts (Rosas, A. A. F., Blanco-Mesa, F., & Rodríguez, J. D. S. (2026)). Nevertheless, the literature on bootstrapping CPG projects lacks operational advice specific to CPG contexts, where the scale of production, relationships with contract manufacturers, and physical inventory constraints are all sources of friction not found in digital startups.

The basic principles of the model are drawn from the lean startup model (Blank, 2013; Ries, 2011), such as hypothesis-based experimentation, minimal viable products, and the build-measure-learn loop; yet the implementation for tangible consumer products must be modified. A minimal viable product in software can be deployed to thousands of users at marginal cost; a minimal viable product in beverages or food may require a contract manufacturer, regulatory compliance, packaging purchases, and at least a minimum order quantity (MOQ) production run, possibly 5,000 to 50,000 units per SKU.

The present paper fills this gap by suggesting the Pre-Order-to-Production (POP) Validation Model, in which the MOQ threshold of the co-packer is used as an organic validation gate. In this architecture, pre-orders are not merely a marketing strategy but a mechanism for demand validation, price discovery, and capital formation. Production does not begin until the revenue from pre-orders is sufficient to cover the manufacturing run. The consequence is a system in which no inventory is produced unless there is prior evidence of demand, and no capital is expended unless there is evidence of willingness to pay.

***Corresponding Author:** Saksham Goswami

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THEORETICAL FOUNDATIONS

Lean Startup and Customer Development

The lean startup model, created by Blank (2007) and further developed by Ries (2011), posits that startups operate under conditions of severe uncertainty and must therefore use hypothesis-based experimentation instead of executing fixed plans(McGrath and MacMillan, 1995). In their extensive review published in Entrepreneurship Theory and Practice, Shepherd and Gruber (2021) identify five key building blocks of the lean startup model: identifying a market opportunity, designing a business model (Osterwalder and Pigneur, 2010), validated learning through customer development, minimal viable product development, and persevere-or-pivot decision-making. The framework emphasizes that the unit of progress in early-stage ventures should be validated learning, defined as demonstrating that a team has discovered valuable truths about both the future and present of a venture.

Much of the literature on lean startups has been developed in the context of technology startups, where the cost of iteration is low and digital distribution enables rapid feedback loops. These principles must be adapted for physical consumer goods, particularly given the irreversibility of production decisions and the capital intensity of manufacturing.

Crowdfunding as Simultaneous Validation and Financing

Other researchers have concluded that there are two functions of pre-sale mechanisms, namely: raising capital to create products and informing about market demand (Chemla and Tinn, 2020; Belleflamme, Lambert, and Schwienbacher, 2014). To investigate the parameters of loss aversion in analyzing production and demand uncertainties, Xu and Lyu (2025) found that crowdfunding thresholds can be used by entrepreneurs to avoid low-demand risk, while pre-sale mechanisms can be used to mitigate production risk. Their model shows that the use of pre-sale mechanisms is more suitable as a risk management strategy when the cost of production is high and the value of the product cannot be forecast, such as in first-time CPG ventures.

A similar finding was reported by Belleflamme, Lambert, and Schwienbacher (2014), who indicated that pre-ordering mechanisms are adopted by entrepreneurs when the initial capital requirement is low relative to market size, which aligns well with bootstrapped CPG ventures, where co-packer MOQs are a major capital constraint. This pre-order model generates what they describe as community benefits: additional utility to early adopters from participating in venture formation, which lowers the cost of capital for the entrepreneur compared to equity funding.

Entrepreneurial Bootstrapping in Consumer Ventures

The bootstrapping literature indicates that capital constraints, when applied systematically, can be competitive advantages rather than limitations (Vanacker *et al*., 2011). Harrison *et al*. (2004) found that bootstrapped ventures can be more productive, as discipline is created by the scarcity of resources. In a systematic bibliometric review, researchers from PMC (2022) found that bootstrapping has a positive correlation with venture financial performance, mediated by strategic improvisation; that is, the advantages of bootstrapping are enhanced through the use of structured frameworks for resource-constrained decision-making.

Bootstrapping in the context of CPG ventures, in particular, overlaps with operational realities that the broader entrepreneurship literature often disregards. Contract manufacturing imposes minimum order quantities, ingredient suppliers impose lead times, and packaging procurement incurs setup costs that are step-function capital requirements rather than continuous cost curves, as seen in most startup models. This operational structure implies that capital allocation in bootstrapped CPG ventures needs to be organized around distinct production gates rather than continuous iteration cycles.

THE PRE-ORDER-TO-PRODUCTION (POP) VALIDATION MODEL

The main contribution of the paper is the Pre-Order-to-Production (POP) Validation Model, which is a five-stage model describing how demand validation ought to be implemented among capital-constrained CPG founders. The primary assumption of the model is that demand validation and capital formation become a single stream of activity, with the minimum order quantity of the contract manufacturer serving as the natural validation gate between exploration and production.

In contrast to the traditional CPG launch process, where validation and production are two distinct processes funded by separate sources of capital, the POP model treats pre-order revenue both as a demand signal and as a source of production

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funding. Within this architecture, it is no longer possible to distinguish between what consumers are believed to want and what can be afforded to produce; the two are made logically equivalent.

Stage 1: Problem Sensing

The initial stage is geared toward establishing an unmet consumer need through direct observation and informal discovery. There should be no capital expenditure incurred at this stage, or only minimal expenditure. The founder's objective is to articulate a recurring problem statement—a consumer pain point that can be consistently identified across multiple discussions and contexts. Problem sensing in CPG settings contrasts with software customer discovery, as consumer products relate to habitual behaviors rather than workflow inefficiencies. Confirmation of this issue is not derived solely from customer complaints during interviews, but from the spontaneous manifestation of such behaviors under natural conditions. To illustrate, consumers who visit fitness centers are often willing to purchase protein shakes despite expressing dissatisfaction with taste, consistency, or convenience; this indicates a behavioral opportunity that survey data alone may fail to capture.

Stage 2: Concept Testing

Upon identifying a problem, the inventor develops the bare bones of the proposed solution, which are tested directly with consumers without intermediaries. In CPG contexts, this can take the form of sample testing, prototype packaging displays, or concept descriptions at campus events, gyms, local markets, or community events. At this stage, it is not sufficient for consumers to simply state that they favor the product; rather, validation comes from observable actions such as asking where to buy it, requesting to be contacted upon its release, or sharing the idea with others. Information obtained through stated preferences is often unreliable in consumer research (Blank, 2013), whereas preference data revealed through behavior is less contentious.

The amount of capital allocated at this stage should be limited to sample production costs and basic marketing materials. The founder must resist the temptation to invest in professional branding, commercial-level packaging, or retail distribution partnerships until the price discovery process is complete.

Stage 3: Price Discovery

The POP model uses a live pre-order process for price discovery instead of relying on hypothetical willingness-to-pay surveys. The founder develops a direct-to-consumer pre-order system that includes an informative product description, delivery dates, and a real payment mechanism. This process generates three parallel streams of data: (1) conversion rate data, indicating how many interested consumers are willing to spend real money; (2) price sensitivity data, derived from experimenting with different pricing levels or bundle structures; and (3) actual revenue accumulation toward the MOQ funding threshold.

The pre-order site functions both as a demand validation tool and a capital formation mechanism. Each pre-order immediately signals a consumer's willingness to pay the proposed price while simultaneously contributing capital toward production costs. This dual purpose distinguishes the POP model from traditional lean startup validation, as the validation activity and the financing activity are structurally integrated.

Stage 4: MOQ Validation Gate

The fourth stage is the structurally defining aspect of the model. The contract manufacturer sets a minimum order quantity that imposes an external limit which the founder cannot surpass, whether through optimism or self-deception. Production will not proceed until pre-order revenue is at least equal to the total cost of the manufacturing run, including ingredients, packaging, co-packer fees, and initial fulfillment logistics.

This gate creates a binary decision point that removes the ambiguity present in most validation frameworks. Whether sufficient traction has been achieved is often a subjective question and prone to founder overconfidence; however, whether enough pre-order revenue has been raised to fund production is not. If the answer is no, the founder can extend the pre-order period, adjust pricing, reposition the product, or conclude that demand is insufficient at the current price. If the answer is yes, production proceeds with zero inventory risk, as all units produced already have buyers.

This process also addresses the issue of overinvestment identified in research on crowdfunding. Chu, Wei, and Zhou (2020) demonstrate that all-or-nothing thresholds in pre-sale crowdfunding help mitigate demand uncertainty, overinvestment, and inefficient pricing. The MOQ threshold in the POP model is analogous to the all-or-nothing funding goal in crowdfunding, except that instead of a financial target, it is based on a production constraint (the minimum quantity required by the co-packer).

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Stage 5: Post-Batch Feedback and Repeat Signal

Once the initial production cycle is completed and pre-order customers have received their products, the founder enters a feedback-gathering stage to assess whether initial demand can be converted into long-term purchasing behavior. Key success measures at this stage include repeat purchase intent, net promoter score, referral behavior, and qualitative feedback on the product experience. Repeat purchase behavior is the critical distinction between initial demand and sustainable demand: a pre-order reflects an intention to try the product, whereas a repeat purchase indicates an intention to incorporate it into regular consumption. Before the founder begins to consider scaling production volumes, expanding distribution channels, or investing in brand infrastructure, these repeat purchase signals must be positive.

Staged Validation Framework Summary

Table 1: The POP Validation Model: Five Stages of Capital-Efficient Demand Validation for CPG Founders

1. Problem Sensing	Community observation, informal conversations, behavioral pattern identification	Repeatable problem articulation across multiple contexts	$0 expenditure	Founder can describe unmet need in one sentence with consistent consumer resonance
2. Concept Testing	Sample tastings, campus events, pop-up interactions, prototype exposure	Behavioral action beyond stated preference (asks where to buy, shares with others)	Sample production costs only	Observable consumer actions indicate interest beyond politeness
3. Price Discovery	Live pre-order page with real payment transactions at proposed price point	Conversion rate, price sensitivity data, revenue accumulation rate	Landing page and payment infrastructure only	Pre-order conversion rate exceeds baseline threshold; revenue trajectory projects toward MOQ
4. MOQ Validation Gate	Accumulated pre-order revenue compared against copacker production cost threshold	Binary: pre-order revenue ≥ total production run cost	No production capital deployed until gate is passed	Revenue equals or exceeds MOQ + packaging + fulfillment costs; production authorized
5. Post-Batch Feedback	Fulfill pre-orders, collect usage feedback, measure repeat purchase intent	Repeat purchase rate, NPS, referral ratio, qualitative product feedback	Fulfillment logistics only; no scale investment	Positive repeat purchase signals justify second production run and expanded distribution

Figure 1 shows how first-time CPG founders move from problem sensing to production only after pre-order revenue clears the MOQ gate, with post-batch feedback determining whether to repeat or scale.

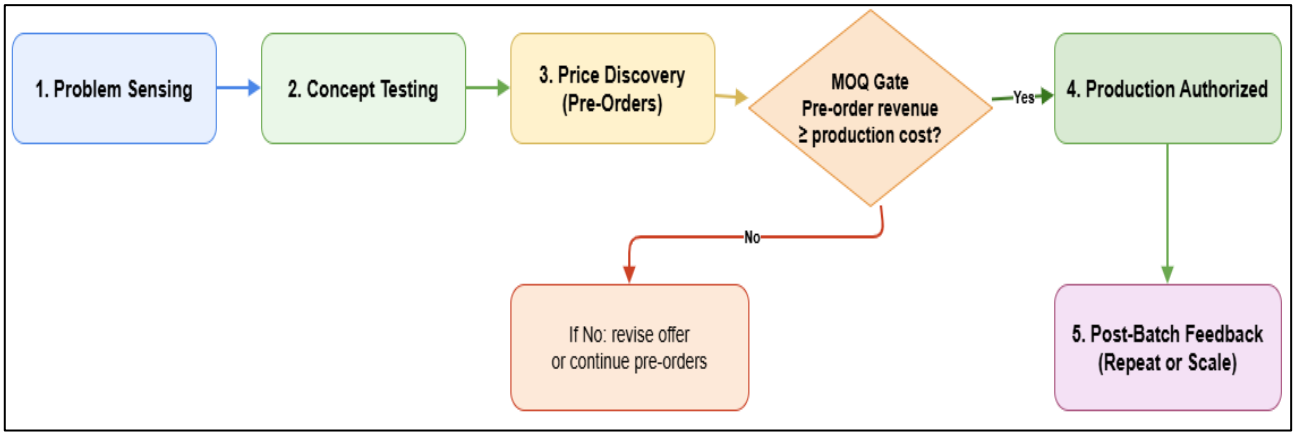

Figure 1: The Pre-Order-to-Production (POP) Validation Model for Capital-Efficient CPG Launches

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ECOSYSTEM LEVERAGE FOR CAPITAL-CONSTRAINED FOUNDERS

Founders who are capital-constrained do not operate in a vacuum. The existence of university startup ecosystems demonstrates that the costs of testing can be reduced through institutional relationships, which can also serve as signals of legitimacy to accelerate market entry (Stokvis, Srivastava, and Tyll, 2026). For CPG founders who are part of a university, the campus environment functions as an intrinsic testing ecosystem: a concentrated demographic of potential consumers, event infrastructure for piloting ideas, and institutional credibility that can enhance early brand perception.

A particularly effective form of ecosystem leverage is participation in pitch competitions. Involvement in such competitions generates three concurrent benefits: formal feedback on the business model from experienced evaluators, social validation that serves as proof for future customers and investors, and potentially valuable prize capital that does not require equity dilution. Within this model, pitch competitions are not merely a fundraising mechanism but also a validation exercise that stress-tests the founder's articulation of the problem, solution, and market opportunity.

Beyond universities, first-time CPG founders can engage with industry ecosystems such as startup accelerators, food and beverage incubators, and community organizations that provide shared infrastructure for product development and testing. Crucially, ecosystem engagement should be viewed as a contribution to validation rather than a distraction from it. Every interaction within the ecosystem—whether a pitch, tasting session, or mentor discussion—should generate data that feeds into the next stage of the POP model.

DIGITAL INFRASTRUCTURE FOR LEAN VALIDATION

There is minimal yet purposeful digital infrastructure in the POP model. The price discovery stage requires the founder to have a landing page with pre-order payment capability, customer relationship management (CRM) systems that can identify pre-order buyers and manage communication channels within the order flow, and basic analytics to track conversion rates and traffic sources. This technological investment must be cost-effective: founders should use modular and scalable tools that expand only as validation occurs, rather than investing in a fully developed platform before validation.

No-code CRM software and cloud-based landing page builders allow founders to create a functional pre-order system for less than $100 per month. At this stage, additional sophistication does not necessarily add value. A key criterion for evaluating the digital stack is whether it provides the information necessary to make the MOQ gate decision. If a tool does not contribute to conversion tracking, revenue accumulation, or customer communication, its adoption can be deferred until after validation.

BEHAVIORAL GROWTH MECHANISMS AND SUSTAINABLE DEMAND

The process of demand validation does not end with the first purchase. Post-trial adoption and retention are influenced by psychological antecedents such as social proof, identity congruence, perceived scarcity, and narrative fit, as highlighted in consumer psychology research (Hodge, 2026). For CPG founders, this implies that after batch validation, behavioral experiments should be conducted not only to test product-market fit but also to assess the resonance of the brand narrative and its ability to align with consumer identity. Additionally, founders should evaluate whether organic growth mechanisms—such as referrals, community building, and user-generated content—can reduce long-term customer acquisition costs.

Referral-driven community building is particularly beneficial for bootstrapped CPG ventures, as it creates organic acquisition pathways that reduce reliance on paid advertising. When incorporated into the post-batch feedback stage, referral behavior can serve as evidence of scalable demand that is not dependent on marketing expenditure. The demand profile of a product driven by word-of-mouth differs significantly from one sustained primarily through continuous paid promotion.

DISCUSSION

The POP Validation Model bridges a gap in the entrepreneurship literature: there are few operational models for understanding demand validation in tangible consumer goods that account for production constraints, capital irreversibility, and the idiosyncrasies of bootstrapped founders. Although the concept is theorized within CPG ventures, it is grounded in the lean startup model (Ries, 2011; Blank, 2013) as its foundational

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context. Similarly, the crowdfunding literature (Belleflamme *et al*., 2014; Xu and Lyu, 2025) has established the dual role of pre-sale mechanisms, but has not extended these insights to founders operating outside crowdfunding platforms, particularly those using direct-to-consumer pre-order systems.

The key advancement of the model is that it unifies demand validation and capital formation into a single activity. This is not merely a tactic but an architectural principle: the justification of demand is, in structural terms, the justification of production through actual payment. This eliminates the time and information gap between knowing that consumers want a product and having the resources to produce it, a gap that creates risk in traditional CPG launch cycles.

The MOQ validation gate establishes an external decision criterion that reduces the impact of founder overconfidence, a well-documented cognitive bias in entrepreneurship (Shepherd and Gruber, 2021). Because the gate is based on the production requirements of the co-packer rather than the founder's subjective perception of traction, it provides a structural safeguard against premature scaling.

This framework is limited by several factors. It is primarily applicable to direct-to-consumer CPG launches rather than retail-first distribution strategies; founders may lack the capability to build effective pre-order infrastructure; and co-packer MOQs can vary significantly across product categories and manufacturing partners. Future research should empirically test the model across different types of CPG ventures and founder demographics to assess its generalizability and identify its boundary conditions.

CONCLUSION

The underlying sequencing issue for first-time consumer product founders is that they are forced to invest in production before fully understanding demand, yet they lack the financial reserves to absorb the consequences of poor demand forecasts. The Pre-Order-to-Production (POP) Validation Model proposed in this paper offers a way to address this challenge by reorganizing the product launch sequence so that demand validation and capital formation occur simultaneously through a pre-order system governed by the minimum order quantity set by the contract manufacturer.

The model integrates established concepts from lean startup methodology, crowdfunding research, and entrepreneurial bootstrapping theory into a five-stage process: problem sensing, concept testing, price discovery, MOQ validation gate, and post-batch feedback. These stages are designed to generate actionable validation signals with minimal capital outlay, ensuring that no production occurs without evidence of demand and no capital is committed without demonstrated willingness to pay.

The model also incorporates ecosystem leverage, lean digital infrastructure, and behavioral growth principles into its validation architecture, enabling capital-constrained founders to use it as a practical systems-based playbook. The outcome is not merely a set of strategies but a coherent approach to venture creation, where capital efficiency is transformed into deliberate system design rather than simple austerity. This structure provides an alternative pathway for founders launching consumer products without external funding, allowing them to move from idea to validated production while preserving optionality, minimizing downside risk, and retaining control.

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