Each iteration is a mini-project

With iteration, you take the steps you'd follow to build the entire project, and put those steps into each iteration. In fact, each iteration is a mini-project, with its own requirements, design, coding, testing, etc., built right in. So you're not showing your customer junk... you're showing them well-developed bits of the final software.

Think about how most software is developed: You gather requirements (what your customer wants), build a design for the entire project, code for a long time, and then test everything. It looks a bit like this:

Each iteration is QUALITY software

But suppose you didn't look at iteration as just a way to write big software. Think of iteration as little cycles, where you're gathering requirements, designing, writing code, and testing. Each cycle produces working, quality software: