



**COMPANY REPORT**

**SMARTDROP**

**ATLAS**

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## Executive summary

Most people have tried it or they know someone who has: Going out for a fun evening with friends, and when time is up, you head for the cloakroom to pick up your jacket or favorite bag. You search your pocket to find the tiny, numbered paper tag that is your ticket to get your stuff. But, the tag is nowhere to find, and the staff refuses to give you your belongings, no matter how hard you argue your case.

The only thing you can do to get your jacket back is to return another day and fill out a lot of papers, because the club or bar can never be 100% sure, if the jacket or bag is actually yours.

## The problem

- 83% of club or bar guests use the cloakroom to drop off their jackets or bags.
- 51% of those who have used a wardrobe have lost their tag at least once.
- Clubs and bars estimate that about 8% of their guests lose their tags.

(the numbers come from a survey of 200 bar and disco guests in Denmark; we made the survey in march 2022)

When depositing belongings in a wardrobe, the guests receive a small tag in return. This tag is easily lost or damaged, and many people cannot find it when they need to hand it to get their belongings in return. This situation causes frustrated guests, queues lining up in front of the cloakroom services, stressed staff, and redundant work when people return to recover their items.

## Solution

To solve this problem, our company Atlas, is developing an app – SmartDrop - that makes sure you never have to worry about losing your number again. The app digitalizes cloakroom tags so that you can always retrieve it on your cell phone. The cell phone is hardly ever lost when going out. But if you do, you can access the app, your data and your ticket when you log in from another device.

Our goal for this app is to make it easier, safer, and faster to use the cloakroom - both for guests and for the cloakroom custodians through a digital solution replacing manual handling of paper pieces.

## Market and customers

The target audience is two-sided. First, we target clubs and bars that offer cloakroom services. Our solution will reduce their manual handling and improve their guests' experience. Second, we solve a pain for their guests by ensuring that their ticket to the cloakroom is never lost and always accessible.

In Denmark, there are approximately 600 bars, clubs, and discos. The average club or bar guest is estimated to be 18-35 years old. This makes the target audience big, as there is a cloakroom in almost every club and bar, and 100,000's of young people goes out partying every weekend.

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## The product

We are developing an app with the aim to make it easier and safer for clubs, bars, discos and their guests to use the cloakrooms services that are often available in these places.

We have developed this idea in our innovation classes at school, after we discovered that all of us had experienced the hassle of keeping track of a tiny piece of paper, while partying and having our minds on everything else than a paper tag.

Our solution creates value for customers in the form of giving them security and comfort, as they will no more have to worry about losing the critical tag that ties them to their personal belongings. Likewise, cloakroom handling at clubs and discos will be faster, thus reducing queues, handling time, and tensions with guests.

An app feature will enable the user, i.e. the guest, to retrace their path by logging and showing the places they have visited. In case, they have not picked up their belongings, the app enables them to see what has not been picked up yet and where to find it.

This feature makes it easier for the guests to get or trace their stuff, and the clubs and bars can also be sure that they are giving the right jacket to the right person, because the number stays in the app.

The app does not only create security and comfort, it also gives us access to essential data about who goes clubbing as well as when and where. This kind of information is important for the clubs, if they want to make targeted promotions or special offers for their club. To do so, they need to know where and who the best target audience is. Such information about guests also informs decisions about staff planning, as they can see peaks and guest habits, thus enabling them to plan more precisely for rush hours or more quiet periods.

We are currently in the process of further developing our prototype, which can be seen here. You can see our prototype if you scan the QR-code with your phone camera.



## Market and marketing strategy

Our concept and idea is primarily targeted at young people aged 18-35 years. Our vision is to streamline cloakroom options at clubs and bars, so that customers can safely and easy drop off their personal belongings.

Through a questionnaire surveying 200 people's experiences, it was confirmed that the majority of our target group (i.e. 81%) experiences difficulties in today's cloakroom-

A tiny piece of paper with a printed number can be difficult to keep track of, when dancing the night away, or if drinks get stronger.

Based on this, we see an unmet need and a significant potential within this segment. Furthermore, we live in a digitized society, where it is rare to find a young person, who does not have their phone readily at hand. Furthermore, the target audience often uses the phone for payments or for ID-purposes when entering the club or disco.

In general, our target group is also very adaptable to new technological advances that eases their daily life. Therefore, we do not expect it to become a problem for the target audience to install our app.

Currently, there are no known competitors. Present alternatives are the manual handing of numbered paper tags, or in some places, you may get a key that can be used only in those specific places and which is equally difficult to keep track of.

In Denmark, the main competitor is "Ikast label", which is the provider of the paper-bases number tags used by the large majority of clubs and discos. Internationally, our competitors are similar companies who develop these cloakroom numbers.

The disadvantage of the company "Ikast label's" product is that the cloakroom numbers are immediately wasted after use, they cannot be recycled, and therefore they are resource-intensive.

In this perspective, an app-based digital solution with reusable QR-tags on the hangers is found to be a better and a more competitive alternative, as it is more efficient and more sustainable.

## Sales/promotion

We will promote our app through social media as the solution appeals to a target group which generally spends a lot of time on various social media.

Our head of social media, Julie, is currently building a presence at Instagram and LinkedIn so our growing community of followers can follow us on our journey and get inspired to try out the solution.

Accordingly, when a club or disco joins our concept, they can advertise this service to their followers. Then, our concept will gradually spread to the right audience.

However, we anticipate that it will take targeted marketing and cold canvas to open the first doors to clubs or discos and get the first reference customers. The first, initial steps have already been taken, as we have met with a handful of clubs across Denmark and introduced the concept. Their immediate response has been positive, and they volunteered to be among the first to introduce the solution.

Accordingly, we have also reached out to a few theatres to assess if the solution would be equally attractive to other segments providing cloakroom services like theatres, conference facilities, hotels, and restaurants, and the first responses have been very positive.

Similar sales efforts are planned for the coming months as the app is being developed.

## Management and team

We are very young compared to classical management teams. Yet, we have some foundational skills and competencies, that supports our ambition to take this solution as far as possible.

We have used a Belbin Test to support our collaboration and knowledge of each other's abilities and preferences. Gradually, we have come to know each other very well, and we have overcome

several tough discussion and choices already. Overall, the five of us work incredibly well together, and we find it a strength to be so many and so diverse. Furthermore, our teachers, our families and their network of professional relations have proven an invaluable resource to our project.

Since presenting the idea at the first local competition, we have received advice from professional business partners of all sorts, and this has helped our team to further develop our idea. Some initial ideas were abandoned, because the market potential was contested, meanwhile other gradually took form, as we prepared for the regional championships and validated our ideas with clubs and discos.

One of the group's weaknesses is that we are all incredibly committed to this project. This means that we can at times be very stubborn about our individual ideas, and forget to look at the bigger picture.

However, this is counter-balanced by a stronger side, which is a foundational respect between group members and the fact that we are willing to listen and give each other space; even though we are stubborn, we are also willing to let go of our individual ideas, for the sake of the group and to the benefit of the company. Together, we are very committed and engaged.

Right now, we have split into five roles. Nikoline is CEO and one of the two communications officers. Anna is the Director of communication. Julie is our Marketing and Social Media Director. Johanne and Lukas are Directors for Sales.

## Economy

Taking an idea from scratch to a product on a micro-budget is a steep learning curve that requires many tough choices, because of limited funding and resources. Still, we have managed to build a low-cost prototype, and we have planned for the next steps as displayed in the budget below. Please note that all budgets below are in euro.

### The start-up budget

It is in the start-up phase that we have the most expenses. The development of the app amounts to € 27,000 and is the most costly expense.

On the other hand, we travel light with very limited capacity costs, as we do not have inventories or premises costs.

<b>Office fixtures;:</b>	
Furniture	0
EDB (Printer, network etc.)	5.405
Other: Mobilephones etc.	
	5.405
<b>Investment</b>	
App development	27.000
	27.000
<b>Supervisors:</b>	
Legal Hero	676
Auditor	1.351
Insurance	5.000
	7.027
<b>Marketing:</b>	
Business cards	0
Brochure	0
Ads	6.757
	6.757
<b>Costs in total:</b>	<b>46.189</b>

Raising capital for go-to-market phase

After the start-up budget, we have to raise additional funding needed to accelerate the development of our company. We have made a budget showing how much capital we have, required external financing to start this.

Each team member is able to contribute with € 1,400 to this project. Furthermore, we will add € 4,000, which was price for winning the Danish championships.

<b>Financing budget</b>	
Equity	11.000
Bank loan	35.189
Liquidity primo	46.189

## Profitability

Return of investment is difficult to calculate precisely, as we have no actual results or reference data. Furthermore, the company is not yet registered and in financial operation. However, the business model offers a rough indication of the ROI: the service will be provided to clubs and



discos at a cost of 5% of the price of the cloakroom service asked from the guests. Guest prices for cloakroom services range from €3-7 depending on the size and nature of the club/bar, and whether it resides in a rural or urban area.

A possible expansion to other geographical markets or to other business segments may provide the company with a greater turnover, and a greater profit if we succeed at scaling the solution effectively. Planning for the first year, we have developed a likely operating budget, which can be seen below:

## Operating budget

In the First quarter, we are expecting to be implemented at around 7 clubs/discos. In the 2. Quarter SmartDrop has expanded to further 10 clubs, in 3. Quarter to 15 and in 4. Quarter to 25 clubs/discos.

In the making of this budget we have taken a starting point by saying there comes around 200 people in average at a club/disco, and 75% of these people purchase their cloakroom through us - this will be 150 people. By taking 5% of the cloakroom turnover, then we will make roughly €0.30, for each person using our app.

<b>Operating budget - 2023</b>					
For the time period 1/1 2023 to 31/12 2023	<b>1. quarter</b>	<b>2. quarter</b>	<b>3. quarter</b>	<b>4. quarter</b>	<b>12 months in total</b>
Calculated to Euro (€)					
<b>Revenue</b>					
Sale of wardrobe numbers	7.621	10.800	16.200	27.000	61.621
<b>Total turnover:</b>	<b>7.621</b>	<b>10.800</b>	<b>16.200</b>	<b>27.000</b>	<b>61.621</b>
<b>Variable costs</b>					
Labour costs	24	24	24	24	94
Other expenses	0	0	0	0	0
<b>Variable costs in total:</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>94</b>
<b>Margin</b>	<b>7.597</b>	<b>10.776</b>	<b>16.176</b>	<b>26.976</b>	<b>61.527</b>
<b>Fixed costs</b>					
Qr-codes	242	0	0	0	242
Marketing/advertising/ads	1.344	1.344	1.344	1.344	5.376
Insurance	269	269	269	269	1.075
Auditor	403	403	403	403	1.613
Legal Hero	806	806	806	806	3.226
Unforeseen costs 5% of the fixed costs	153	141	141	141	577
<b>Fixed costs in total:</b>	<b>3.218</b>	<b>2.964</b>	<b>2.964</b>	<b>2.964</b>	<b>12.109</b>
<b>Resultat before interest and depreciation;</b>	<b>4.380</b>	<b>7.813</b>	<b>13.213</b>	<b>-24.013</b>	<b>49.418</b>
<b>Cost of capital + total interest and depreciation</b>	<b>3.218</b>	<b>2.964</b>	<b>2.964</b>	<b>2.964</b>	<b>12.109</b>
<b>Net profit</b>	<b>4.380</b>	<b>7.813</b>	<b>13.213</b>	<b>24.013</b>	<b>49.418</b>

The expected cash flow is displayed below:

<b>Cash flow budget - 2023</b>					
For the time period 1/1 2023 to 31/12 2023	1. quarter	2. quarter	3. quarter	4. quarter	12 months in total:
Calculated to Euro (€)					
<b>Liquidity primo</b>	46.189	4.379	12.190	25.402	88.160
<b>Incomming payments - incl. VAT</b>					
Profit from the app	7.621	10.800	16.200	27.000	61.621
<b>Incomming payments in total:</b>	<b>7.621</b>	<b>10.800</b>	<b>16.200</b>	<b>27.000</b>	<b>61.621</b>
<b>Outgoing payments - incl. VAT</b>					
<b>Fixed costs</b>					
Qr-codes	242	0	0	0	242
Labour costs	24	24	24	24	94
Insurance	269	269	269	269	1.075
Marketing/advertising/ads	1.344	1.344	1.344	1.344	5.376
Auditor	403	403	403	403	1.613
Legal Hero	806	806	806	806	3.226
Unforeseen costs 5% of the fixed costs	154	142	142	142	581
Establishment costs	46.189	0	0	0	46.189
<b>Total payouts:</b>	<b>49.432</b>	<b>2.988</b>	<b>2.988</b>	<b>2.988</b>	<b>58.396</b>
<b>Change</b>	<b>-41.811</b>	<b>7.812</b>	<b>13.212</b>	<b>24.012</b>	<b>3.224</b>
Cash and cash primo	46.189	4.379	12.190	25.402	46.189
<b>Liquidity ultimo</b>	<b>4.379</b>	<b>12.190</b>	<b>25.402</b>	<b>49.414</b>	<b>49.414</b>

## Future potential

The future potential of ATLAS' is to extend our business focus from clubs, bars, and discos to theaters, fairs and conferences, where there is also a big use of cloakrooms.

In our process, we have contacted a club owner in Køge, near Copenhagen, who has helped us by giving some ideas as to how our app can be further improved in the longer term. Accordingly, we received some ideas on financial possibilities, e.g. that we could partner with beverage companies like Carlsberg, Faxe Kondi, RedBull or similar and allow them to promote their products to users of the app.

For example, when you use our app to buy a cloakroom number, you are offered a discount on a (soft) drink, which can enable e.g. Faxe Kondi to make money from the use of the app, as guests make use of the offers.

Such partnerships can make the app more attractive, not least for the guests, but also e.g. clubs, theaters, etc., as this will nudge the guests to buy drinks or food.

The above measures all help to make the app popular, and a service used by almost everyone, who buys cloakroom services. Many young people go out several times every month, and some even several times a week.

If the majority of them starts using this app, this will become a significant source of earning as we will earn 5% of the cloakroom turnover from each club using our system.

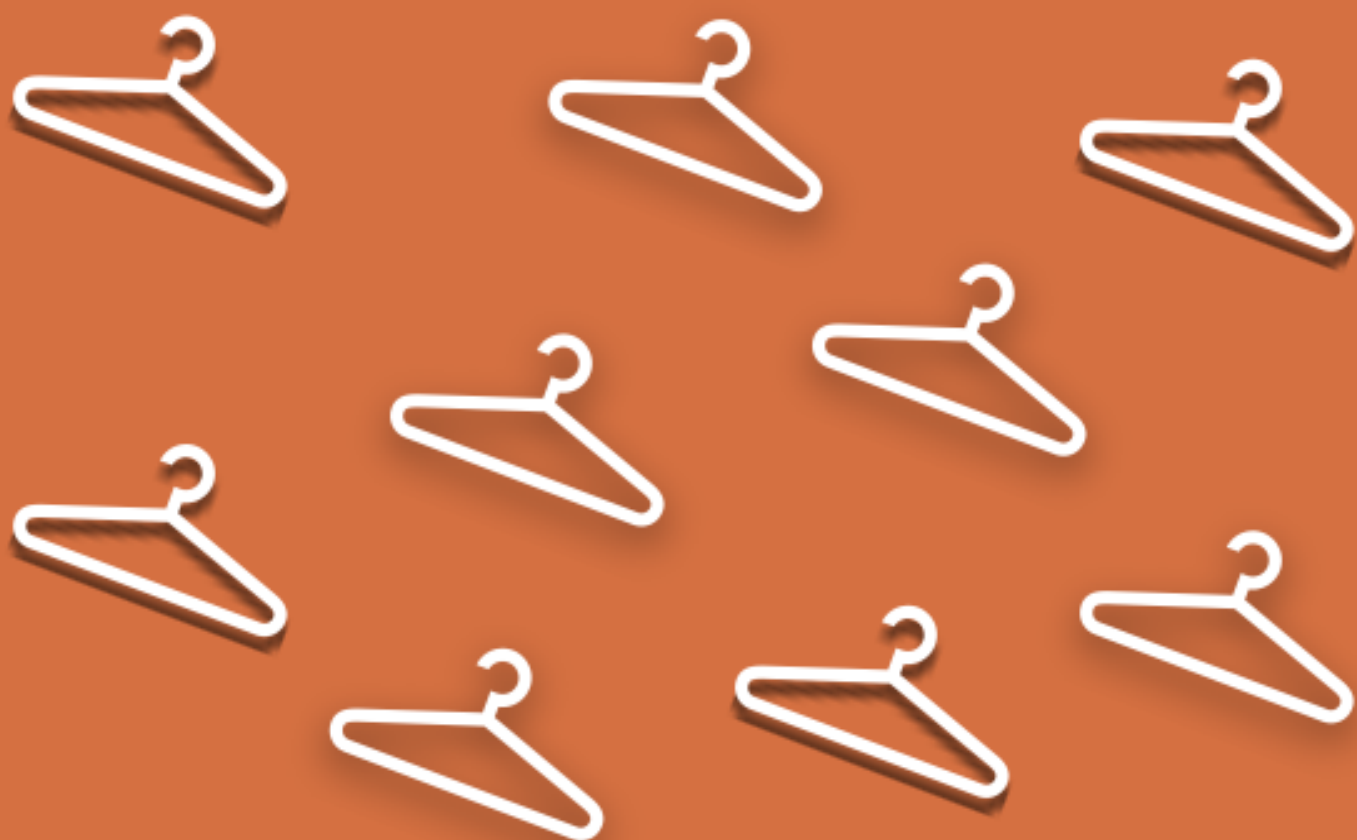
Likewise, through an business expansion to fairs, conference centers, theaters and other venues, we can address a larger and more diverse audience, since e.g. the audience for conferences during the day is different from the audience going to clubs and bars at night.

The app could be developed further to include customized, localized offers depending on where and how often you use the app, so if it's used in a theater, then you get offered a coffee instead of a soda. If you are a frequent guest, you may receive every fifth coffee for free.

Such additional services may generate more use of the app, thus contributing to making our solution more known and widespread.

At a later stage, SmartDrop may include features making it easier to navigate at large concert/festival venues. Here is the idea that 10-20 cloakrooms could be installed in different areas of the festival/concert to distribute people more and avoid long queues and frustrated customers. Each cloakroom could have unique ID's, so that the consumer can identify whether the cloak room is the right one and/or the app can lead you to the right one.

For example, each cloakroom could be named after an animal or it could have a particular color or number, which must also be graphically displayed in the app. It should be easy and simple for the consumer to find out where they have left their belongings.



S m a t D r p

