



COMPANY REPORT



2015 – 2016 | Norway

Adviser: Olav Holten | Teacher: Arne U. Hoff

EXECUTIVE SUMMARY

HidePark is a mini-company from Norway that was established at Christian Upper Secondary School Trøndelag (KVT) in 2015. The company consists of five innovative and motivated students who are currently on the Entrepreneurship and Company Development study track.

Problem

Today, garages are filled with cars. However, increased focus on the environment and the reduction of CO2 emissions has led the society to focus on car-free city centres and a reduction in the number of motorists. At the same time, the number of cyclists is increasing. More and more people are choosing to travel by bicycle rather than by car, which results in increasing parking problems because of a lack of facilities for the increasing number of cyclists. *Where do I hide my Bike?*

Solution

HidePark mini-company have therefore developed a folding bicycle rack, which makes it possible to combine car and bicycle parking by locating seven bicycle racks within a single parking space. This utilizes the space that is already allocated for parking at the garages in use today, while also providing bicycle parking in warm, dry surroundings.

Market

Our customers are public and private garages. We have calculated the Norwegian serviceable obtainable market (SOM) to be 8.75 million euros.

Value proposition

Hidepark contributes to increased value for cyclists, garages and the society.

What we have learned

Through our own mini-company, we have had a unique opportunity to get valuable insights into the "real" business life through both ups and downs. Wherever we have competed, locally, regionally and nationally, we have won several first prizes. We are very proud of the feedback from the jury have said:

HidePark focus on environmental issues in the city. In close collaboration with local people and organizations they have developed a functional and user-friendly product that convinces the jury. The jury is impressed by their passionate commitment and belief in their own product.

Finance

10 % of the market in Norway will earn HidePark a gross profit of 900 000 euros.



OVERVIEW

Business vision: HidePark contributes to a car-free city centre.

Business Concept: To provide safer, more flexible and environmentally friendly solutions in public and private garages, HidePark's business concept is to offer foldable bicycle racks so that car and bicycle parking can be combined.

Today, garages are filled with cars. However, increased focus on the environment and the reduction of CO2 emissions has led the society to focus on car-free city centres. In a few years' time, this may result in cars being forced out of city centres, leaving the garages empty. This will curb the earning potential of the car parks.

At the same time, the number of cyclists is increasing. Over the past five years the number of cyclists in the city Trondheim has increased by over 50 %, and more than 50.000 trips are now made by bicycle every day. More and more people are choosing to travel by bicycle rather than by car, which results in increasing parking problems because of a lack of facilities for the increasing number of cyclists. The market for electric bicycles has also exploded in recent years. Expensive bicycles left outside are exposed to all kinds of weather, and risk being stolen, misused or broken. The result is that they are reluctant to bring their bikes to the city; they will rather store them safely at home. Strict requirements for bicycle racks and a high rent for buildings also make it difficult to find good solutions.

HidePark mini-company have therefore developed a folding bicycle rack, which makes it possible to combine car and bicycle parking. When the cars disappear from the car parks, new opportunities become apparent. With our flexible bicycle rack, cyclists can park and lock their bicycles in a secure area, safely hidden and under surveillance.

One car parking space provides space for seven bicycles. This provides ample space for the bicycles with good availability, regardless of whether one arrives first or last. Since the rack can be folded down, the parking space will still be available for motorists when there are many cars in the city centre.

Our customers are public garages and companies with their own parking garages earmarked for customers and employees.

HidePark's folding bicycle rack makes it possible to combine car and bicycle parking. When fewer cars use car garages in the city centre, there is an opportunity for bicycles to use them. With our flexible bicycle rack cyclists can park and lock their bicycles in a secure area, safely tucked away and under surveillance.



THE PRODUCT

We decided early on to work with environmentally oriented concepts and chose increased usage of bicycles as our main "arena of interest". Through surveys about problems regarding bicycles and bicycle parking with *Trondheim municipality via the Miljøpakken environmental organisation*, we learned that a lack of space and more demanding requirements regarding bicycle rack solutions were current challenges.

We have now developed a production-ready rack that is ready for commercialisation. Together with one of our main partners and sponsors, we have started a test project, in which ten of our bicycle racks will be installed in Trondheim. At the end of the test period, we will have documented feedback which will be useful in terms of further development of the rack. We have also seen that Trondheim Parkering is the largest potential customer in the local area as it is the largest prospect in Trondheim, organizing and running more than 80 % of the city's car parking.

The HidePark bicycle rack is mounted to the concrete floor of the parking garage and can be moved up and down by use of a hydraulic damper. The cyclist lifts up the rack to a firm vertical position and locks the bike frame with her padlock to the rack. When she leaves she puts the rack down, making it possible for a car to use the parking space. When the racks are down they take up minimal space. With only a few centimeters above the ground, it is no obstacle for a car driving in and out.



Allowing Trondheim Parkering AS to purchase the racks at a lower rate in order to install them for a test period will enable us to continue to develop the racks based on the received feedback. Our partner and sponsor Frank Smed AS has made several prototype versions. This has been very helpful. Today, we have a production-ready bicycle rack for commercialization.

We have strong belief in our product and see that there is an increasing market for it. Since we have used Lean start-up as our start up method, it has been important for us to test the product so that it can be improved. Using this method has been an informative process, in which we have focused on creative thinking and team work.



Ensuring that everyone is on the same page at all times has not always been easy, but having several prototype versions to discuss has helped.

Our business objective is to sell 56 bicycle racks in 2016, and a minimum of 300 by the end of 2017. With a price of 250 euros per rack, HidePark`s gross profit will be approximately 14 000 euros in 2016 and 75 000 euros in 2017. See business model further down in this report.

We started with a suggested retail price of 250 euros plus sales tax per rack. The price was set in accordance with the principle of *competitive pricing*, based upon our market research. Similar high quality, bolted bicycle racks that locks the frame of one bicycle cost more than 300 euros. Larger orders will decrease material, shipment and production costs, enabling the manufacturer to reduce the retail price.

So far we have found no similar solution on the market. We feel that our bicycle racks are not only an innovative product for bicycle owners, but also a good idea for owners of parking space and not least for the city government, trying to cope with the need to lower car usage in the city centre. With our product, it is possible for the Municipality to combine car and bicycle parking in the same garage.

HidePark has made a claim for a patent through a local patent agency. However, as part of the activities in the mini-company during the school year, our bicycle rack has already been publicly presented many times and also covered in the press. This has prevented us from following through on this.

PRODUCTION AND DELIVERY

We have assessed various production and distribution methods for our bicycle rack. At the start, we considered two possibilities. The alternatives were to either go directly to a manufacturer, such as Frank Smed AS, or to enter into an agreement with existing distributors of bicycle parking, such as Euroskilt.no. Here, it has been necessary to look at various aspects, as well as the advantages and disadvantages of both methods, before reaching a final decision.

We have now entered into a collaborative agreement with Frank Smed AS, who will have responsibility for the production and delivery of the bicycle rack. With direct distribution from the manufacturer to the customer, we avoid unnecessary intermediaries that would result in increased costs, warrant costs and warehousing costs. The customers will also have direct access to the manufacturer, who holds the guarantee liability. This collaborative agreement with Frank Smed has helped us to develop prototypes and produce complete bicycle racks.



Frank Smed is a local blacksmith, which strengthens our environmental perspective. The company has customers across the country, and has collaborated with several large companies in Norway. With over 20 years' experience they have accrued good knowledge of blacksmithing, and are trained within both construction blacksmithing and metalwork. They are also certified in accordance with NS-EN10901:2009 and NS-ENSO 38343:2005. This collaboration also means that in the event of international deliveries, we will find another manufacturer for the racks together with Frank Smed AS, so that the racks can be manufactured in the country where the order is placed.

MARKET ASSESSMENT

Our customers are owners of public and private car garages. In Trondheim, Norway's 3rd largest city with 200.000 inhabitants, there is a capacity of 5.000 parked cars in parking garages, corresponding to a total capacity of indoor car parking to more than 50.000 in Norway. HidePark suggest that one car space equals 7 bicycle racks.

Assuming that 10 % of the space is used for our bicycle racks, the serviceable obtainable market (SOM) for our bicycle racks will be 35 000 racks, valued at 8.75 million euros. If this is the case, HidePark's gross profit will amount to 900.000 euros. HidePark intends to invest in thorough market investigation in other countries, beginning with the Nordic countries Denmark, Sweden and Finland.

Bicycle racks are not a new invention. There are several competitors in the market with two different technical solutions; bike racks that locks the frame (i.e. Royal) and simpler quality solutions that locks the front wheel of the bicycle (i.e. Koda 24). The Royal bicycle rack from Euroskilt cost 450 euros. Koda 24 is a rack for 4 bicycles and costs 160 euros.

Getting feedback from the market has been very important for us in the development process. During participation in various competitions and fairs, we have received comments that our bike rack is both innovative and also have an international market potential. This has given us confidence that there is a demand for a product like ours. Dialogue with the owners and operators of car parking facilities have accentuated the need to confirm what bicycle owners say to our solution. Our survey shows that 55% are willing to pay to park their bicycle safely under a roof in a parking garage.

SALES AND PROMOTION

HidePark has a website with online booking. We have used social media to spread the news about prototypes and products. We have had several meetings with owners of parking garages and with the Trondheim municipality. As a mini-company we have had the chance to show the bicycle rack at various other venues. In this way, we not only reached out to the garages, but also to the bicycle owners. This is important, considering that it is they who are will use our bicycle rack.



During the school year, we have mostly focused on the market in our hometown. Yet we see that our product has great potential both nationally and internationally. HidePark is now in close contact with a potential agent in Oslo who is willing to resell our product both within Norway and in Scandinavia.

HidePark has focused on coming into direct contact with potential buyers. We have therefore held various customer meetings, and see that this is an important method for driving sales. This is because we wish to show our commitment, and establish and maintain good contact with our customers.

We also see that these meetings have provided useful suggestions regarding how we can best convey our message to potential buyers. We have considered these suggestions in order to be even clearer regarding the benefits of our product.

We have sold 18 bicycle racks so far.

ENVIRONMENT

Integrating our bicycle rack in parking garages not only improves conditions for cyclists, but also helps to make a positive difference for the environment. Just one car parking space provides space for seven foldable bicycle racks. This means that the space previously reserved for a single car now provides space for seven cyclists. If our bicycle rack was installed in just seven parking spaces, this would provide parking for 56 cyclists, i.e. 56 fewer cars driving in queues into the city, which will again result in less airborne dust during the winter and reduced CO₂ emissions.

Take Ola as an example; he lives just outside Trondheim city centre. In order to get to work he drives a distance of around six kilometres each way. During the day, this totals 12 kilometres. His car generates CO₂ emissions of 0.01 kg per kilometre. Since Ola works five days per week and has a usual number of holiday days, we can assume he works on 232 days per year. Ola's CO₂ emissions are therefore 308 kg per year. When our parking solutions are filled, the planet is saved 67 kg of CO₂ per day, which is equivalent to 17 tonnes of CO₂ per year. That is, eight car parking spaces that can also be used as bicycle parking can save the planet 17 tonnes of CO₂ per year.



MANAGEMENT



Leonora Skorpen

Leonora Skorpen:

CEO

- Follow-up of the team
- Setting of targets



Kristian Moa

Kristian Moa:

Chairman & Human Resources

- Motivation
- Cooperation



Emilie Hangerhagen

Emilie Hangerhagen:

Marketing Manager

- Marketing Plan
- Strategy Network



Daniel Hansen

Daniel Hansen:

Finance Manager

- Accounts and Budget
- Interim reporting and bookkeeping.



Oscar Holten

Oscar Holten:

Product Manager

- Contact with manufacturer
- Prototype and Design

EXPERIENCES

It is very important to understand each other's strengths, challenges and preferences when it comes to communication skills. To know more about how a team develops, and increased understanding of each other, has helped us a lot. Our sponsor Volo AS has recommended that we use Everything DiSC® - Workplace (developed by Wiley) to develop us as individuals, and a winning team.

We have experienced that the operation of our business requires significantly more time than our schedule allows. Both as individuals and as a team we have therefore spent much of our free time on ensuring that the targets we have set can be achieved.

The path from sketch and idea to the finished product was difficult. Early in the product development phase we experienced varying levels of engagement within the team. After market analyses and dialogues with potential customers and users, etc. the need for and quality of our rack was confirmed. The meetings with Frank Smed increased our motivation and commitment and helped in the division of tasks. We have gained a great understanding of each individual's strengths and weaknesses.

The job as general manager is incredibly exciting and informative. It is a position that requires a lot of work, not only in terms of all the tasks that must be done, but also in



terms of the responsibility for the rest of the employees in the company, customer and partners/sponsors. We have learned many things concerning leadership and communication.

Establishing and operating our own company has given us a unique opportunity to gain insight into business life. We see that there is much to be learned, and the theory we have studied has provided us with valuable support. With regard to product development, we established a mentor relationship early on.

In running our company we always go after the best deals and reach for the top management in possible sponsorship- and partner companies to get the best results. This has paid off. Throughout the year, we have seen that networking is highly important. This is not necessarily just about the product in isolation, but also about being able to develop ourselves within all areas involved in operating a company. Our network today consist of the Norwegian bicycle organization, Trondheim Municipality, owner of parking garages, banks, software developers and media (newspaper), and is much larger now than before.

FUTURE POTENTIAL

HidePark has big plans for the future, and has already established a limited liability company that we will transfer the company to when the mini-company is terminated. Throughout the year, we have seen that an increasing market exists both nationally and abroad. We wish to reach this market now. It will therefore be important to continue to develop the product in the times ahead.

We are currently working to develop a payment solution that can be connected to mobile phones. An app on the mobile will connect to the rack electronically. When the app is started and connected to the rack, the rack will be unlocked and able to be used. When the cyclist is done, he puts the rack down, and a transaction between the app and a bank will be completed. This is one way of using new technology and connecting it to our bicycle rack. In order to develop and finance this solution we have already contacted several potential partners; APX and SpareBank1.

Future costs will mostly consist of salaries and costs linked to market research and product development. The market is growing. We are confident that our focus on customer needs and product development will give us excellent opportunities to continue our business many years ahead. We have been earning money from sponsors and several prizes in mini-company competitions. We will use our earnings for promotion of the product and further market research.

Maximum revenue in a mini-company is 14 500 euros. If the mini-company earns more than this, it has to pay taxes. With a relatively expensive product, we cannot sell many



units before we reach the limit. Early on we saw that we could reach the revenue limit. We solved this by entering into an agreement with our producer, making sure we only get an agreed upon margin per each unit sold. We get payments quarterly to give us, and the manufacturer, less paperwork.

Our costs will not be much affected by an expansion. Due to the business model, profits will be reduced per unit, but revenue will grow because of more units sold. The price will go down as part of our price strategy. We started with a high price, so that we can give discounts to early adaptors and agents.

ANALYSIS OF OVERALL BUSINESS PERFORMANCE AND PROFITABILITY

In our business model HidePark will have very few expenses. Below is an overview of price and cost per unit.

euros per unit excl VAT		
Purchases	€ 75,00	
Production wages	€ 40,00	€ 115,00
Gross Margin Frank Smed = 30 % of production cost		€ 35,00
Production cost and profits, Frank Smed		€ 150,00

Units of bicycle racks sold *)	1-49	50-299	> 300
Suggested retail price	€ 250,00	€ 250,00	€ 250,00
Discount / Sales Commission		10,0 %	30,0 %
Cost of sales		€ 25,00	€ 75,00
Gross Margin, HidePark	€ 100,00	€ 75,00	€ 25,00

Frank Smed AS will be responsible for billing the customer. The first 50 bicycle racks delivered will give HidePark a gross margin of 100 euros per unit. These are racks sold by the students. The money is paid to HidePark when the customers have paid Frank Smed. Since we are students, sales of more than 50 units will necessitate the use of sales agents. They will be offered a 10 % discount for the first 250 units and 30 % discount for additional units. This model will earn HidePark 75 euros per unit up to 300 units and 25 euros per unit after that.



ANALYSIS OF FINANCIALS

Profit and loss account		EUR
A	Sales	950
B	Purchases	400
C	Production wages	0
D	Closing stock	400
E	Cost of sales	0
	Gross profit	950
F	Salaries, commissions and Bonuses	0
G	Stationery	0
H	Rent and hire	0
I	Miscellaneous Expenditure	934
J	Registration fee	570
	Total Expenses	1 504
K	Gross Profit Less Total Expenses	
	Operation Profit	-554
L	Miscellaneous Income	11 350
M	Net Profit	10 796
N	Corporation Tax payable	0
O	Profit after tax	10 796
P	Appropriations of Profit (Q + R + S)	
Q	Dividends	
R	Donations	
S	Other	
	Balance (O- P)	10 796

Balance Sheet		EUR
Current Assets:		
	Stock	400
	Debtors	10 950
	Cash at bank	416
	Cash in hand	0
	(A) TOTAL CURRENT ASSETS	11 766
Less:		
Current Liabilities:		
	Bank Overdraft	0
	Loans	0
	Creditors	970
	Corporation Tax Payable	0
	VAT Due	0
	(B) TOTAL CURRENT LIABILITIES	970
	(C) BALANCE (A - B)	10 796

Represented by:

Daniel Hansen	Arne U. Hoff
Finance Manager	Teacher

The Profit and Loss account is per June 15th 2016. The numbers are commented below.

A. Sales consist of commissions from sales of 15 bicycle racks.

B. Delivery of 4 units of the last version of racks to be used for demonstration.

I. Travel cost, web-side, flyers, business cards, exhibition, etc.

J. Registration of mini-company plus registration fee of Limited company.

L. Prizes (600) and money from Sponsors (10.750).

T. Value of demo racks in stock.

U. Debtors: Sponsors (10.000) and producer Frank Smed (950).

Z. Debt to Frank Smed (400) for demonstration units plus registration fee debt (570).

