

Please note:

Business critical information, name and numbers is removed from this version.

***Company name* - Effective online debt collection**

Realizing that late and lacking payments are one of the greatest threats to startups and minor companies, we decided to look into the matter and ended up finding a solution for solving the problem at hand; small companies and startups does not have the resources to collect the money from customers who are not capable and/or willing to pay them, so we have made an easy, userfriendly, and efficient debt collection platform.

By acting as a sales funnel, targeted at small and middlesized enterprises (SME), for the largest debt collection agency in the Nordic countries, we are able to achieve great benefits for our customers which even large corporations are not capable of.

The business model is transparent either a one time fixed payment or a fixed monthly subscription fee depending on the amount of claims), which is different from the current market situation.

In order to validate the idea, we raised some initial attention to our product through various online forums and quickly gathered about 500 interested companies for initial hypothesis testing and product validation. The feedback was extremely positive, so we decided to participate in Venture Cup Idea Competition and won the category for People and Society.

The system now has been developed into a Minimum Viable Product, which is currently being tested among a selected group of betacustomers. We currently have 1189 interested companies signed up and expect to turn 30% of them into paying customers before September 2014.

We have a perfectly matched team and a bootstrapped setup which can be transferred into huge entrepreneurial success. In order to kickstart our growth rocket, we will use the Venture Startup Competition prize money for marketing and hiring additional programming resources to speed up development process and take advantage of the great support from the Venture Cup organization in order to develop our business further.

Product and service

Customer Pain

According to the Dansk Erhverv, Danish companies are losing an estimated amount of 30 billion DKK every year due to lack of payments from their customers. Nonpaying debtors is claimed to be the biggest obstacle for growth in both the Danish and the European sector. For the small companies, especially in the initial phase of a startup project, a steady cash flow is vital and one or more customers who do not pay can therefore be lethal and cause bankruptcy. On a broader scale debt loss is negatively influencing job creations, growth of businesses, and innovation in general. For SMEs it can be a difficult, costly, and cumbersome process of collecting the money and many fail to receive the money because they need to focus on running their business.

We asked the 1189 companies, who signed up online as interested in our service, about their biggest struggles in the daily management of their business and 44% answered that they have experienced slow or lost payments from customers at one or more occasions. Therefore, we started looking into which options exist for SMEs in order to collect their claims and we found that there are basically only 2 options **a) a lawyer** or **b) a debt collection agency**.

a) The lawyers will typically charge between 1.000 DKK and 2.500 DKK for just starting the case and since it is considered unprestigious work, a debt collection case is not prioritized quite high.

b) The debt collection agencies are in general more efficient and cheap compared to the lawyers, but these advantages are only possible because they can process a large number of claims and thereby benefit from economies of scale.

Because most startups and SMEs do not have the volume of claims needed to achieve agreements with the large debt collection agencies, they are forced to either use an expensive (and perhaps inefficient) lawyer or to simply drop the case.

Business idea

Our business idea is to bundle a large amount of claims in order to use economies of scale to obtain an efficient solution which is also costeffective to startups and SMEs. The solution is an online platform, which serves as communication interface between the customer and the debt collection agency and by that eliminate the hassle of dealing with many small customers, which has currently limited small SMEs from using them. The customer can easily register, login, and file a debt claim, leaving the debt collection process to specialists. By bundling a large amount of debt claims from all the SMEs on our platform, it is possible to gain great benefits from the debt collection agencies, which are currently only available to large corporations who can deliver a certain volume of claims.

We provides a cheap and easy way for companies to file claims and manage the process of debt collection online. The customer will be able to log in and easily submit their claims which is then sent to a large debt collecting agency for further processing. When the case is updated the debtor might have paid or have objection against the claim the customer will be able to monitor the whole process via an online interface. It will also be possible for the customer to communicate with the debtor through the system, eliminating the transcendent actions of contacting the debtors directly.

By removing the uncertainties and barriers for the customer, we will help SMEs collecting debt and secure the cash flow while the company owner can focus on the core business and the daily management.

Furthermore, it is possible to maintain an overview of the different cases, status of the individual claims, and decide the next steps. The system is web based, and meets all modern requirements, tablets, mobile phones and desktop. At the same time, the system is open around the clock. This gives the maximum accessibility for the modern entrepreneur who is online from many devices and around the clock.

By revolutionizing the industry of debt collection, we will have a great advantage of being firstmover in this new approach to an otherwise quite conservative industry. The entry to the market is quite steep because of the legal issues in dealing with debt collection on behalf end customers and a debt collection agency, preventing most “wantrepreneurs” from simply copying the concept.

By dominating the market from the start with a firstmover approach and a “no cure, no pay” business model, the introduction to the new market will be hard for possible competitors. The big players on the debt collection market is not interested in dealing with the SMEs because they would need to segment their current customer base too much and differentiate the price, which would cannibalize their current business. Furthermore, there is quite strict restrictions on running a debt collection agency, which will refrain small competitors from simply starting as an independent debt collector.

Value proposition

The customer will have an easy solution for filing claims for money which in many cases would be considered lost. She is offered an “hasslefree” and “no cure, no pay” solution which will let her focus on developing the business instead of wasting resources on debt collection. Market and customer

Customer profile

Our typical customer will be the owner or the bookkeeper of an SME sized about 1030 employees, within a traditional segment where it is common to pay by invoice. One of our initial betacustomers

fits into this description:

* Customer's name*, CEO *Customer's name company name* ApS

Employees: 20

Branch: Sign decoration, car decoration, graphic work, etc.

Case: *Customer's name company name* ApS with an annual gross profit of 2.5 million DKK, is facing a constant number of 34 cases of bad paying customers, ranging from 5.000 DKK to 40.000 DKK per claim for completed work which the customer refuses to pay.

Customer's name company name ApS has made an agreement with a traditional debt collection agency worth 6.000 DKK in annual subscription fee and a per case fee of 2.500 DKK. They have primarily experienced an unsuccessful track record from the current debt collection agency, but they keep filing the claims in order to document that they try to retrieve their losses and thereby be able to deduct the losses in the annual accounts. Because of the per case fee of 2.500 DKK, it is only feasible for them to file cases worth >10.000 DKK since the 25% VAT they will receive must exceed the paid fee.

Since we currently have no validated data evidence of an improved or decreased track record using us compared to other providers, we can only focus on the financial aspects.

In the case of *Customer's name company name* ApS the annual benefit of using us compared to their current provider can be shown like:

Blue: Our competitors

Red: Us

Current provider

The annual subscription is 6.000 DKK, and is fixed no matter if you have 0 cases or 100 cases.

Every case cost 2.500 DKK to submit if you only have one case, your total price will be: 6000

DKK + 2.500 DKK = 8.500 DKK, as shown on the graph. The next case will still cost 2.500 DKK,

but the subscription per case will be 3.000 DKK (subscription / numbers of cases) = 6.000 DKK /

2. Case no. 2 will cost you 3.000 DKK + 2.500 DKK = 5.500 DKK per case.

Our solution

We have fixed prices to make it manageable, simple and affordable. The customer can either choose a onetime per case payment of 199 DKK or a monthly subscription of 299 DKK, depending on whether she has one or more claims.

Testing

Through online gathering of potential customers, we have gathered contact information of about 1200 persons / companies, who are interested in our service. From that group we have selected 20 companies which have currently served as nonpaying betacustomers for the last 3 months.

Our approach complies with the Lean Startup principles so when launching features and testing hypotheses, the immediate feedback from the customers are invaluable.

As we reach a stable version with a sufficient amount of features, we will invite more and more of the interested companies in to the platform. Also, we will start charging payment fees from using the system. We expect to convert 30% of the interested companies to paying customers between the launch date 1 July and 1 September, which is equivalent of 400 paying customers.

Market

In 2013 there was 300.733 registered companies in Denmark (source: SKAT.dk and Danmarks Statistik). The potential market is therefore 300.733 companies, but we are aware that not everyone has a need for debt collection and furthermore, a lot of these companies are not active, running, solvent, or is a holding company (with no activity).

After several conversations with accountants and lawyers, we have narrowed our expected market to all companies with a gross profit of more than 1.000.000 DKK, because the increased need for debt collection is higher when the company have at least this size. This market size is 65.000 companies or in other words, 20% of all companies in Denmark. From our betacustomers, we have noticed a tendency that they in average have 8 10 debt collection cases annually.

The first 3 years we expect 7.000 10.000 users based on our studies with our debt collection agency. We expect to reach many of our customers through ERP and accounting systems like economic with 70.000 users. 7.000 users will be 10% of only one accounting system.

The total amount for unpaid bills in Denmark in 2013 was 30.000.000.000 DKK (source: Dansk Erhverv) the amount has increased over the last 15 years and it is not expected to fall the next several years; according

to the same study, the total amount of uncollected debt is higher than ever and the total amount has only increased in the last 15 years, and they do not expect this to decrease over the next 5 years. Furthermore, a survey made by Kauffman Firm Survey / Gartner Group in 2012 showed that entrepreneurs report a 12% increase in late and nonpayments during the period from 2008 to 2010 and the trend is still increasing.

Dansk Erhverv believes that the amount is so high, because the barrier to the existing solutions (lawyer and debt collection agency) are too high (difficult to get an agreement), the price is too high, and in general there is too much hassle. In the initial phase we will focus on the Danish market, but once established we will focus on the Nordic markets; our debt collection collaborator is represented in all Nordic countries so we will have the basic setup in place for expanding into those markets.

Next step will be the other European countries, but we will need to look at the legislation for every specific market; e.g. German laws enables the government to withhold parts of a person's salary if she has a registered and acknowledged claim registered against her. Therefore, debt collection on the German market might not seem profitable.

Industry and competition

Competition

Our primary competitors will be lawyers and traditional debt collection agencies. Also, an existing online provider, ViaBill, is considered as a direct competitor. However, their business model is similar to the existing agencies. The market share is unknown, but it is expected that the traditional debt collection agencies represent about 60% of the market while lawyers represent the remaining 40%.

By providing a competitive approach to the industry, we will segment us from the existing players on the market.

Competitive advantages

By revolutionizing the industry of debt collection, we will have a great advantage of being firstmover in this new approach to an otherwise quite conservative industry. We benefit from being a small and flexible organization which can easily adapt to external changes in relation to competition, legislation, etc. Also, we are independent from the existing providers of online systems so we can integrate our system with the various accounting and ERP systems.

Strategic partners

The core philosophy behind us is to make a hassle-free and effective debt collection system for SMEs. Our focus is on the customers and the process of submitting, handling, and administering the claims. Collecting the claims from the customers is out of scope with our competencies and resources. Therefore, the most important strategic partner for us is *company name*, which is the largest debt collection agency in The Nordic countries. They will be handling the debt collection cases and through integration with their internal system, the customers in us can monitor the progress of their cases from their web login in our system.

People and organization

Founding team

Morten Holst Henriksen, CEO – Cand. Merc, Aud. (AAU)

Is responsible for sales, business development, Search Engine Optimization, and customer contact (preferably key accounts). Morten has been involved in several successful IT startups, including a web design consult company, an app for gathering discounts for students (40.000+ members) and an app development company with several large governmental customers (Forsvaret, Moderniseringsstyrelsen, etc.).

Christoffer Baadsgaard, CTO – Cand. Scient. Medialogy (AAU)

Is responsible for development of the system. With a background in Computer Science from Aalborg University, Christoffer is an experienced programmer in PHP, Python, C++, Java, HTML, and Javascript. Previously, he has developed a modularbased CMSplatform for his former company, which currently generates several hundred thousands DKK a year.

Furthermore, he has been involved in several successful ITstartups, including a camerabased helping tool for physiotherapists, a hosted CMSplatform, and also an acquisition of an English football club through a company with 500 shareholders.

Money and feasibility

Business model

Company name is a online platform for simplifying the management of debt collection for SMEs. The income stream will basically consist of 2 different payment models a onetime per case payment and a monthly subscription service with the possibility of filing an unlimited amount of claims.

The price for onetime payments should be at a level where customers are encouraged to sign up for a monthly subscription plan if they have several claims. We expect the one time fee to be 199 DKK and a monthly subscription fee to be 299 DKK.

In both cases, the customer must register her credit card before being able to file the cases, which will secure the payment and prevent us from filing our own customers into the system!

Because the service is “no cure, no pay”, we will only make a socalled “authorize”, where the credit card is checked for the available amount but no money is deducted until the case has been resolved.

The 2 basic payment models will be altered and combined when we team up with various partners, like accounting software, bookkeepers, etc. and our low cost business model allows for great discounts if a partner can deliver a certain critical mass of customers.

The debt collection cases will be handled by *Company name* A/S. The charges for sending out payment reminders will paid to them, securing the customer the whole amount of the principal.

E.g. if a customer files a case for 10.000 DKK in *company name* and *company name* sends out 2 payment reminders, the customer will receive 10.000 DKK (minus either the onetime payment or the

monthly subscription fee), *Company name* will earn 200 DKK, while we will be paid either the onetime fee or the monthly subscription fee.

Economies of scale

Being hosted in the datacenter of Amazon Elastic Cloud (which also holds some of the world's largest IT companies like Dropbox, Netflix, Spotify, Nokia, Adobe, NASA, etc.) we are secured a very stable and cost efficient hosting environment, where we are able to scale the amount of computer power needed according to the number of customers we have. Because the data processing of a single customer is very low (typically limited to registering, logging in, filing a claim, synchronizing simple data, and viewing case statuses), adding additional customers costs "marginal close to zero"; the income of every 2 new customers on a monthly payment subscription will cover server expenses for about 2.500 customers. Therefore, the business model is extremely scalable and geared for high growth.

Financing

Since our team includes the competencies for developing large scale web systems, we have no need for financing in the pre seed phase until we step out of the beta stage; when the Minimum Viable Product has proven its success, we will need financing for hiring a development team, which will speed up the process of developing new features. However, our plan is to keep the company bootstrapped and minimize the cash burn rate by limiting all expenses and finance the team expansion by revenue from the system, so we do not expect a need for external financing before a future growth phase.

Risk analysis

The biggest risks for the system is hacking and/or jamming the service by web attacks. History has shown that no system is invincible for hackers, but many countermeasures can be made in order to prevent data loss. In order to mitigate the risk of intruders accessing the system unauthorized, all data on our platform is encrypted with a 256 bit encryption, which is twice as strong as the traditional 128 bit encryption standard for all Danish banks. Furthermore, all critical data is salted with a 256 bit SHA1 encryption key, which will prevent lost data in being decrypted and thereby accessed by hackers.

Since debt collection is an everlasting issue for almost every company, the economical risks are quite low; even a new economic crisis that will cause many companies into bad solvency, will only enhance the need for debt collection for the companies who suffers lack of payments.

Regarding legislation, there do not seem to be any risks regarding data handling, debt collection or any similar issues.

Regarding our partnership with *company name*, we are also facing the risk that they will refuse to collaborate with us for certain reasons; they might want to create a similar system themselves, they do not find the arrangement profitable, they change focus in their business, etc. We will avoid that risk by making a solid contract and constantly try to deliver good results. We have skilled resources both amongst the founders and in our advisory board for dealing with complex contracts. However, we are also aware that we could be forced to substitute *Company name* with another debt collection agency if we fail to

maintain the collaboration, so in order to reduce that risk, we are focused on that we do not limit the possibilities for changing the debt collection partner.

Implementation plan

Marketing and sales

In the initial phase in the Fall 2013, we have used online entrepreneur forums like Amino.dk in order to validate the idea and concept. By marketing the idea on these various forums, we gathered about 500 interested companies on an email list, who we have used for initial validation of the concept during Christmas 2013. At the moment we have about 1200 interested companies listed where 20 of them has been selected as betacustomers to test the prototype in Spring / Summer 2014. We expect to convert 30% of them (approximately 400) into paying customers before September 2014.

We are able to reach the stage for a Minimum Viable Product with initial customer interaction and tiny revenues without external financing, since our setup is bootstrapped and we have all necessary competencies in our team. However, we will need financing for the next phase in order to dedicate more resources to the development and to enhance our marketing campaign.

The marketing strategy will be divided into 2 sub strategies an online part with focus on search engine optimization (SEO) and search engine marketing (SEM) and an offline part with focus on telemarketing, direct mail, conferences, etc.

Right now our SEO strategy has paid off, and now we rank as no. 1 on the search phrase for "online inkasso". Monthly we have 550 visitors on our homepage, 74 % of this traffic is directly from Google so right now we see, that a lot of our traffic will come from Google.

Since we mainly want to focus on the online aspect ourselves which fits our competencies in our team team, we have teamed up with an external sales agency, *company name*, on a "no cure, no pay" commission agreement. The sales agency have great experience in working with traditional customer acquisition through e.g. canvas marketing, conferences, a large business network, etc.

Furthermore, we are working on establishing partner agreements with the accounting systems, economic A/S (70.000 active customers in Denmark) and Billys Billing ApS (5.000 active customers in Denmark), where we will offer our services as an integrated part of their systems.

By that, their customers will be able to file claims of unpaid invoices in the systems respectively by just clicking a button.

Budget

The budgets are based on Year 1 and Year 4. Year 1 shows a bootstrapped setup with 400 customers in total, where we will not pay salaries, since we are currently running the project besides our studies and jobs. In year 4 we have added 3 full time employees.

We do not have a fixed price for our solution, since some of our customers will come from our accounting and ERP systems partners with special price agreements and commissions, and some directly from our

marketing (both online and offline). From the “one time payment”, we expect at least 50 DKK from every case, so we will use that figure.

The budget is based on our wellknown costs for server, hosting, and SSLcertificate, which is scalable according to the number of customers. We expect 10.000 paying users in Year 4, and we have an indication from initial testing that every user will have 8 - 10 cases annually. Therefore, we count on a total amount of 80.000 cases in year 4.