



## CASE STUDY: COOLBLUE B.V.

[www.coolblue.nl](http://www.coolblue.nl)

<b>FACT FILE</b>				
<b>Company name</b>	<b>Coolblue B.V.</b>			
<b>Business Activity</b>	<b>Online reseller of electronic/digital products</b>			
<b>Region</b>	<b>The Netherlands</b>			
<b>Number of employees</b>	<b>13</b>			
<b>Business Range</b>	<b>Local</b>	<b>Regional</b>	<b>National</b>	<b>International</b>
	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Description of market / client /target group</b>	<b>Business people and students</b>			
<b>Description activities / products / services</b>	<b>Online sale of a full range of PDAs, mp3 devices, digital cameras and related accessories.</b>			

### CASE DESCRIPTION:

#### **The business**

In November 1999, mp3man.nl V.O.F. started an online shop specialising in portable digital audio devices. The company was doing well and expanded its business with pdashop.nl and digicamshop.nl, dealing with electronic organizers and digital cameras respectively. In 2001, the business opened their online shops in Belgium (mp3man.be, pdashop.be and digicamshop.be). A year later, the company changed its name to Coolblue B.V. ([www.coolblue.nl](http://www.coolblue.nl)).

Traditionally, the sale of consumer electronics takes place in physical shops situated at expensive A-locations in big cities. This means that companies involved in this sphere have to critically examine their product range in relation to their turnover per square meter. Unlike these physical shops, online shops are not inhibited by the size of the shop and therefore can offer a much richer product range than the physical shops.

## **Introduction of e-business**

From the establishment of mp3man.nl, the company filled a gap in the market. There were no shops, physical or virtual, for mp3 players; general electronics shops offered only a limited choice in these devices; and the medium (the Internet) fitted the mp3 format perfectly, since this format is mostly exchanged through the Internet.

As company's ambitions reached beyond being solely a shop for mp3 players/devices, the management started to look for a complementary product group. Their starting point was that the product type should appeal to the top segment of the market and should only be available to a limited degree and with a limited range of choices in physical shops.

Very soon the PDA (Personal Digital Assistant) was selected and the pdashop.nl was established. The shop offers all available PDAs, including a full range of accessories. As mentioned earlier, a separate online shop was set up for this product group. The PDA shop was targeted at business people, whereas mp3shop.nl was targeted at students. The software developed in-house remained the same for both shops, so the content could easily be maintained and the orders could be handled safely and quickly. Pdashop.nl grew at a rapid pace and soon outgrew mp3man.nl. It became one of the biggest online shops in the Netherlands.

The company's ambition did not stop here. Digicamshop.nl was established as an online shop for digital cameras and accessories. This product group was growing in popularity and still is.

The synergetic advantages on the automation side of the online shops in comparison with traditional shops are huge. The sale process hardly involves human intervention. The costs of a mature online shop are only a fraction of that of a traditional shop. Therefore it was relatively simple to open three similar online shops in Belgium.

The start-up of the company happened in a somewhat ad hoc fashion. Mp3man.nl began as a website that only offered three products. Having achieved that, the management started to work along two lines: expanding the product range and increasing the level of efficiency and automation of the business processes.

The continuous development of the backoffice-system VANESSA was important. The system registers and manages most of the operational processes from supply, purchase and sales, to financial administration and debt management for the six shops of Coolblue B.V.. VANESSA also has an important role in the collaboration with suppliers, for example Interpay and TPG. The company wanted to keep the operational processes in-house so as to be able to maintain a certain level of quality. The online shops of Coolblue B.V. have their own supplies and customer support functions. Coolblue B.V. manages its own logistics.

The program FLEUR was written to control the maintenance of content for the online shops. This application is continuously adapted and improved so as to provide the shops with new content easily. The database with product descriptions, pictures and specifications contains thousands of pages. These pages are much faster and safer to maintain than was the case in the beginning.

Customer support is also constantly being developed and becomes more efficient by the day. The employees reply to e-mails and phone calls six days a week. Their knowledge – or their ability to find answers fast – combined with good software enable them to reply to enquiries by e-mail within four hours. This way, trust is created with the customer before an order is even placed. The order form allows the customer to pick up the product ordered him or herself or to receive an e-mail when the order is received and dispatched.

The four founders are still part of Coolblue B.V. The company currently employs thirteen people. The relatively small investment required for the establishment of this company made it possible for the company to be profitable by early 2001.

After their successful entrance into the Belgian market, Coolblue B.V. is now establishing new online shops in other EU-member states. This involves other languages, new locations and new non-Dutch employees. Meanwhile, Coolblue B.V. is also expanding its Dutch product range. It is expected that the turnover of the existing shops will further increase, nurtured by market growth, growth of the shops, and the demand for product replacement.

### **Lessons Learnt**

- Starting a business with one's own capital very much encourages one to strive for profit and an efficient organisation from the very beginning.
- The very first version of software only requires the basic functions and can be improved and expanded in time together with the users of the software.
- The quality of customer content is crucial to an online shop, as another online shop is just a click away.
- Specialism radiates professionalism, for example one goes to a camera specialist to purchase a camera; the same applies to the Internet.
- Customers are looking for evidence of others' experience with a shop. This could be found on other sites, but other customers' feedback can also meet the same need.
- Good communication is vital to an online shop's existence. Mistrust is avoided by providing an address, telephone or facsimile number on the site and by providing speedy and elaborated replies to e-mail enquiries.
- Having your IT, logistics and other operational processes in-house results in efficient solutions, that can meet changing demands.