

Germany newcomer sees itself as a specialty shop e-commerce company

Internetstores AG: More than bicycles

ESSLINGEN, Germany – Internetstores AG –parent company of the expanding online bike shop Fahrrad.de, among others - is increasing its business in several directions. On the one hand the German company is 'continuously studying strategic expansion possibilities in online-affine business fields'. This led to further shop expansions into the fitness, outdoor/camping and (new!) furniture business worlds.

By Jo Beckendorff

The young company expanded its current bicycle and fitness businesses in two directions. With the takeover of the more sportive Brügelmann (roadie) shop bruegelmann.de and the creation of bikeunit.de and e-ways.de Internetstores AG opened three target-group-driven virtual bike stores. And with the creation of further country bicycle and fitness online stores they are growing internationally. With fitster.at and fitster.ch the national platform fitness.de expanded into neighboring German-speaking markets. Since 2010 Fahrrad.de expanded - after the creation of bikester.at and bikester.ch

- with bikester.uk, bikester.fr and bikester.nl into further neighboring country markets. It all shows that Internetstores AG is on the move to become an international European virtual bicycle shop powerhouse. Here's the story.

Company founder René Marius Köhler has a bicycle retail family background. At 20 years he started his bicycle online shop Fahrrad.de. In his first year of business in 2003 they company had two people and total sales of €400,000. Eight years later Internetstores AG employs approximately 120 people and boasts an-

nual sales of €30 million. Last year the company sold 45,000 complete bicycles. A total of 200,000 parcels leave the warehouse per year, roughly 800 to 1,000 parcels per day including about 400 complete bikes. According to Köhler, "There are approximately 100,000 customers visiting our existing virtual stores per day." The company headquarters in Esslingen near Stuttgart is also home to a 9,000 square meter warehouse. It stores parts, accessories, apparel, and 18,000 complete bicycles. "Total capacity is 20,000 units," states international sales manager Theo-Josef Sandu, Internetstores. All in all, about two thirds of the estimated 30,000 offered products are in Esslingen on stock. When Koehler started his company he wanted to do it differently than established market players. They mainly come from the mail order business world. Moreover, they were all focused on sportive cyclists. Fahrrad.de however, started with mobility bikes (city- and trekkingbikes) for everyday people. Fahrrad.de's four private labels Ortler, Red Cycling Products (RCP in short), Serious and Vermont cover the entry level price point. Today Fahrrad.de alone has close to 500 brands to offer. According to Internetstores AG director Ralf Kindermann, Fahrrad.de is Cube's largest dealer in Germany.

Young team

Ralf Kindermann joined Internetstores AG in March 2009. The 43 year old industry vet has a 20-years management career in the bicycle business. He always has been one of the youngest executives



Based in Esslingen near Stuttgart since 2007, Internetstores AG's headquarters includes a smooth running 9,000 square meter logistics center and warehouse.

Photos Jo Beckendorff

wherever he went. At Internetstores AG he is the oldest. "Average age of our team is 27 years. That's more close to company founder and CEO René Marius Köhler. He's now 28," says Kindermann. "One reason for the team's young age is that the consumer behavior of today's under-30 years old changed radically. Our employees are close to our virtual experienced target consumer group. Many elder people haven't realized this at all." With Kindermann, Köhler hired a lot of (bicycle business) experience. As former Giant-Germany GM and Kettler's director for its toy and child division he worked within the premium brand industry. As CEO and GM at motorbike apparel and accessory maker Hein Gericke's parent company Eurobike AG and at outlet retailer Bike & Outdoor Company (B.O.C. in short) he worked also on the wholesale side. "I learned

a lot about brand management and the situation on the retail side. Retail is detail," he says. "This combination fits for a successful e-commerce business." Not to mention the good Far East contacts Kindermann built up over the years.

Online marketing

Another Internetstores strategy is "just different": While other German bicycle internet platforms such as Rose or H&S Bike-Discount are concentrating on avid cyclists and spend their marketing budget mainly on special interest magazines, Internetstores AG is concentrating on online-marketing. This virtual business field is still in the hands of company founder and online 'nerd' Marius René Köhler. With this kind of marketing Köhler and his team are definitely targeting everyday people rather than avid cyclists. After his father's death Köhler took over his Stuttgart-based bicycle store Roko. "But this is more due to history," explains Köhler. "The stationary business isn't what we are looking for. We are a pure web shop player." Unlike what most industry observers believe, Internetstores AG isn't seeing itself strictly a bicycle or sports world retailer. "Our business strategy is not concentrating on these fields," says Kindermann. "We started with bicycles and expanded into fitness, outdoor and camping. Our latest newcomer Livingo.de is for example a virtual furniture store and started in December 2010."

Strategic cooperations

Nevertheless, the bicycle business is still Internetstores AG's major field. Due to strategic cooperations with multi merchant online and mail-order suppliers such as Amazon, Neckermann, Quelle and Otto Group (editor's note: the assets of Quelle were taken over by competitor Otto) the Esslingen-based company was able to double its yearly turnover twice. The reason why these multi players rely on Internetstores AG? "For all of them bicycle products are a most attractive seasonal business they don't want to miss. But because detailed know-how is missing margins are low. Especially mail-order suppliers are more and more counting on these kinds of cooperations in business fields next to their core competence. I believe that they received a lot of pressure from Amazon," states Kindermann. A larger part of the bicycle product line offered by these multi merchant partners comes out of Internetstores AG's experienced warehouse and logistics center. Ordered products are delivered by them directly to consumers. At the present time Internetstore AG's bicycle business can be divided into 60% to 65% complete bike sales and 35% to 40% bicycle parts, accessories and apparel sales. With an eye on the future Kindermann wants to reach a 50/50 balance. According to several studies, today's online sales in Germany are reaching a seven percent stake of the entire sales pie, and can be expanded to at least ten percent but no more. "We don't share the IBD's e-commerce fear," says Kin-

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dermann. "This market is limited. That's why we concentrate on further target group stores such as our Brügelmann shop and on international expansion."

Core competence: Assortment and warehouse

Ralf Kindermann believes that the success of e-commerce isn't (as sometimes heard in Germany) rooted in non-satisfying service out of the stationary business world. "The topics are a high level of inventory and assortment. An IBD for example can present perhaps 15 models of a supplier in his store. But this supplier has a full range of let's say 100 models. Different to IBD's with their stationary business we have them all on stock and can deliver within a couple of days. Means it's all a question of width and depth within the assortment. Today's consumer wants to have it all." Since 2009 – and under the leadership of international sales manager Theo-Josef Sandu – Internetstores AG is expanding with online bicycle shops into neighboring core country markets. Under the artificial name "Bikes-



Guiding the specialty stores running under the Internetstore AG roof (from left to right): International sales manager Theo-Josef Sandu, company founder, CEO and online marketing expert René Marius Köhler and director Ralf Kindermann.

ter" a virtual store was opened in Austria, Switzerland and UK. Last year bikester.fr and bikester.nl followed. According to Sandu each store is running individually. "Each store is under leadership of native-speaking country managers," he says. "They are responsible for each shop's emotions and prices."

Individual country-specific stores

Sandu underlines that they don't believe in a "one shop fits all" philosophy such as UK's online giant Chain Reaction Cycles. "We want country-specific shops," Köhler adds that unlike Chain Reaction, "We don't damage any suppliers' suggested price points". That might be also the reason that apart from some premium brands such as Cannondale, Scott, Specialized and Trek, Internetstores AG is having – as Köhler calls it – "free access to many international top brands".

Target group oriented stores

As well as the creation of foreign online bicycle shops, AG created some national target group-oriented bike shops. Last year the company not only took over the assets of the sportive German (roadie) mail order pioneer Brügelmann, but created also bikeunit.de (targeting hardcore dual, downhill, dirt- and BMX) and e-ways.de. According to Ralf Kindermann, E-Ways is the first e-bike only virtual online store in the world. "This is a clear investment into the future. E-Ways offers a

Internetshops Discredited by Spanish Dealers

ALICANTE, Spain – Through a Facebook group and an open letter to the bicycle industry a group of Spanish dealers called upon renowned brands to stop supplying the Irish web shop Chainreaction. "We are not fighting online sales. Despite that it is rapidly growing, we are aware of the fact that it also provides additional business to many retailers. We want to fight the price erosion inflicted by the large internet stores that have global distribution," says Christian Tidow, initiator of the campaign and owner of Promobis located near the Spanish city Alicante.

Tidow has created a website, www.anti-chainreaction.com, which explains in four languages- the objectives of his newly created platform. On this website he says the renowned brand names' direct involvement with web shops, especially Chainreaction, is destroying the dealers' way of doing business. "The brands, who are well aware of distributor's and IBD's effort to sell their products on the local markets, should never allow to sell their products in a low-cost online shop as this type of shop makes a

profit from the hard work of smaller shops. This is unacceptable and we can't allow it to go on in any way," says Christian Tidow. "The only reason why this big low-cost online shop can be successful on foreign markets is that they are offering products at a lower price than through the official distributors and with free delivery and customer service in the local language."

Tidow continues, "The local distributor can't match the prices from this online shop as it has to pay the costs of stocking, distributing, promoting and advertising as well as a commercial margin for the IBDs. In the same way that a brand doesn't allow a shop to buy its products at a foreign distributor, the brand shouldn't allow a shop from other country to enter into a territory where there is already an established distributor." Tidow wants to have full commitment from suppliers and asks them to stop delivering their products to this low-cost online shop and also to check if their products are no longer available at Chainreaction. In the end he wants to publish a 'white list' of brands committed to retailers.

JWVS



Internetstore AG's customer care center employs 16 people. They only answer consumer questions. International customers are handled by native speakers. Each international shop has its own native-speaking country manager.

total of 1,200 products with a high level of fashion bike apparel from approximately 50 brands." At present time this store, started in May 2010 is concentrating on electric two wheelers. But as the name says this could be changed and expanded to embrace three and four-wheel e-mobility products. Internetstores AG is watching carefully each 'electrifying' market trend. With fitness.de the German newcomer introduced the first non-bicycle online shop in 2006. With fitster.at and fitster.ch this business field is also making its first steps into other (German-

speaking) country markets. Last year the Esslingen-based company also founded the outdoor and camping online shop campz.de and (in December) the furniture store livingo.de. While the step into the outdoor and camping world can somehow count on synergies, the move into the furniture business is something completely new. "Outdoor and camping is a very promising business field. And with Fahrrad.de we have already several apparel brands such as Jack Wolfskin, The North Face and Mammut on board," states Kindermann.

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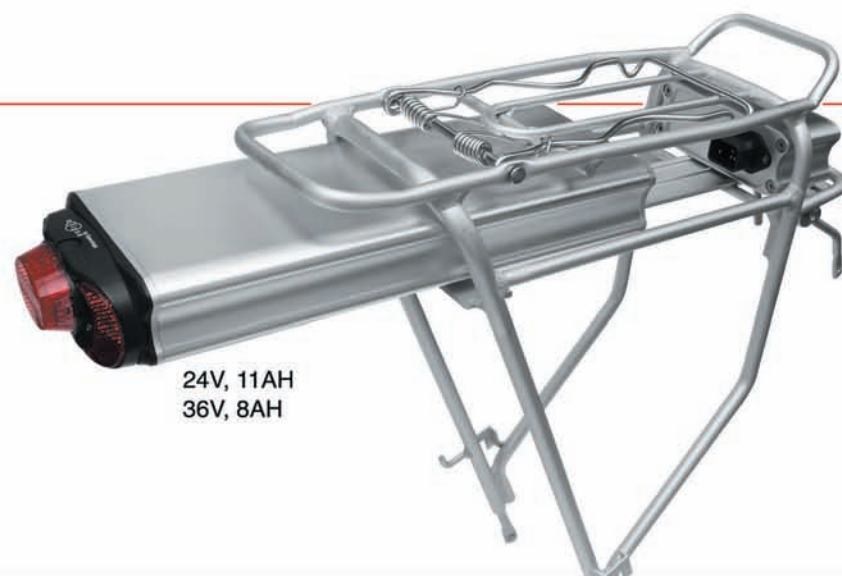
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