CONTENTS

PROLOGUE

"You should write a book!" I was to hear those words many times after I left bol.com in 2015. Mostly after serving up an anecdote, prompted or unprompted, or after explaining how bol.com had grown from a start-up to become the biggest online store in Benelux in eighteen years. Many people in the Netherlands and Belgium are fascinated by bol.com's story, that's clear. And let's be honest: bol.com's amazing story deserves to be told.

In this book I explain bol.com's secret. What we experienced and how it all came about. The choices we made, and why. The difficult and the enjoyable moments. The unique culture and the talent of the staff. The times when we were unbelievably lucky, and the moments when it was us who made the difference. In short: how bol.com became successful, and how the company has managed to continue that success for eighteen years.

Rather than attempt a chronological structure (for a timeline, see p. 302), I decided to explore the principal themes behind bol.com's success—themes which re-emerge throughout bol.com's history and form a leitmotif in the company's growth. Themes which I hope may be of use to you, now or in the future.

The book finishes with a look into the future. Not just bol.com's future: the future of shopping itself. Because however huge the changes over the past eighteen years, the journey has only just begun!

Have fun reading.

Michel Schaeffer
Marketing director at bol.com, 2001-2015

Part 1

PIONEERING AT THE TURN OF THE CENTURY

1.

A WORLDWIDE DREAM

It's sunny, but cold. While the bright blue sky over Manhattan is reminiscent of summer, an icy wind testifies to the imminent triumph of winter. As the last red-brown leaves fall from the trees, the thirty-three-year-old Jeff Bezos makes his way with resolute stride toward Times Square. He's back where it all started: New York. Three years ago, he was working here for D.E. Shaw investment bank, dealing in promising technology companies. This is where he decided to branch out for himself. It seems like ages ago: since the foundation of online bookstore Amazon, his life has been on a roller-coaster ride, heading higher and higher at breakneck speed. A modest half-million-dollar turnover in 1995 had already risen spectacularly to fifteen million in 1996. With a couple of months to go, 1997 seems set to break all records. If the portents can be believed, this year's turnover may be close to a hundred and fifty million dollars. Not bad for a company that has yet to complete its third year.

As he makes his way through a bustling Times Square, he glances up almost instinctively. Neon advertisements scream at him from all sides. But he looks farther. Above all the glitter and glamour, each skyscraper vying to tower higher. In the middle of Times Square, above Virgin Megastore, he finds his destination: a forty-four-story, shiny-glass and glistening steel building. The American head office of Bertelsmann.

Carl Heinrich Bertelsmann could have had little idea that such a building was even possible in 1835. As a devout follower of the Lutheran Church, he had launched his career in the rustic German village of Gütersloh, setting up a publishing house for songbooks, religious tracts, and morally uplifting literature. By now his company had grown into a global concern with a turnover in excess of fifteen billion euros and over fifty thousand employees. Pious Lutheran texts had given way to John Grisham, Coldplay, Robbie Williams, and RTL. Nevertheless, books remain the company's core business. As the owner of publishers such as Bantam and Doubleday, Bertelsmann holds the American book market in a vice-like grip, making it one of the principal suppliers to the budding Amazon. Bezos strides confidently into the impressive lobby, feeling a slight yet healthy apprehension. "Good morning, I have an appointment with Mr. Middelhoff," Bezos says, announcing himself to the receptionist at 1540 Broadway.

Thomas Middelhoff, Bertelsmann's crown prince, is charting a new course for the media concern. While books and magazines remain its solid cash cow, Bertelsmann is on track to play a leading role in the entertainment world alongside superpowers such as Disney and Time Warner. In Gütersloh, the board is especially interested in the new internet medium. Middelhoff believes in the opportunities internet offers and lends force to his conviction by investing in various companies involved in internet. The most significant deal is reached in 1995, when Bertelsmann launches a joint venture with American internet provider America Online (AOL). It's quite simple: while AOL focuses on connecting millions of American households to internet, Bertelsmann ensures that AOL becomes successful in Europe. For fifty million dollars, Bertelsmann acquires 5 percent of AOL and half of AOL Europe.

The investment in AOL soon proves its worth—it's hugely successful. Internet is growing fast and every household wants to connect to the worldwide web. The number of subscribers is growing exponentially and AOL's valuation is going through the roof. Eventually, powered by its enormous market worth, the nascent AOL manages to take over the far larger Time Warner.[1] Together, they instantly become the world's biggest media company. For Bertelsmann—a rival of Time Warner—it's the signal to sell its shares in AOL. It is the biggest financial transaction in the company's history: the sale earns Bertelsmann close to eight billion dollars.[2]

For Bertelsmann's board, these early investments in online companies make one thing crystal clear: internet will change the world completely in the coming years. A new digital world order is coming in which huge sums of money will be earned, while old business models will be subjected to incredible pressure. Fears regarding the latter are especially relevant when it comes to the company's traditional cash cow: book clubs. Bertelsmann book clubs have tens of millions of subscribers around the world; not least in tiny Netherlands, where ECI has almost two million members. This yields a powerful position in the Dutch book market, and exceptionally handsome, stable profits. Yet, doubt is beginning to creep in. If online sales take off and publications and prices become more transparent, will consumers still need old-fashioned book clubs to guide and advise them? In the old model, regular catalogs offer a selection of the best books, while subscribers—legally bound by club rules—commit to buy at least one book every three months. For a reduced price perhaps, but is that sufficient advantage to keep the internet stores at bay? It's a question that nags at Bertelsmann's directors.

Following a series of strategic sessions, a major decision is taken: Bertelsmann will compete against itself. The online book business is too big an opportunity to leave to other companies. But instead of starting entirely from scratch, the concern adopts a tried and tested model: the AOL structure forms the blueprint for the plan, with hip new Amazon as designated partner. The mighty Bertelsmann will turn this promising young company into a major player in Europe, and as a shareholder it will profit from the growing market in America.

Forty minutes after arriving, Jeff Bezos is staring at an empty coffee cup. In the enormous meeting room on the forty-fourth floor, he's biting his lips. His host is not overly concerned about punctuality, or maybe he doesn't have much respect for him. Of course, from the German firm's perspective he's only a minor player; still, it's outrageous to be left to wait for so long. He gets up and walks back and forth along the meters-high windows for the sixth time. An endless succession of cars and pedestrians snakes across Times Square 220 meters below. The thick windows insulate perfectly, so the ballet below is performed almost without a sound. Only a fire engine's siren penetrates the muffled room as it tries to cut a way through the busy traffic. The silence in the meeting room is oppressive. Just as Bezos has decided to make his way home, Thomas Middelhoff storms into the room with a handful of colleagues.

Middelhoff gets to the point quickly. The Germans' message is both clear and simple: tremendous respect for the way Amazon has begun, but joining forces with Bertelsmann is crucial to be able to compete in the future. Amazon will be able to focus on the American market, while Bertelsmann will set up "Amazon Europe"—a tried and tested formula for success that will enable Amazon to develop from a national player into an international powerhouse.

Bezos isn't exactly brimming with enthusiasm. Sure, Bertelsmann is a giant in the book market. The owner of Random House and Doubleday is undoubtedly the biggest publisher in the United States, which makes it Amazon's principal supplier. But to bring his supplier onboard to do what he knows far more about himself?

And in doing so, to run the risk of this German colossus trampling all over his pristine company and wrecking its chance of success?

"Wow, thank you for your offer and for your confidence..." Bezos begins. It's a sentence that might go in any direction. "But I think I'll manage on my own." With those brief words, Bezos slams the door shut on a potential partnership. Amazon has launched incredibly fast from the starting blocks, as its fourteen-fold growth in annual turnover testifies. Clearly the start-up is on the right track. While Bezos is always looking for ways to accelerate Amazon's growth, a partnership with this lumbering multinational is not the dream scenario he has in mind.

This, however, is not what the men from Bertelsmann want to hear, and the atmosphere at the meeting flips from amicable to aggressive. The offer is actually of the Sicilian kind: an offer he can't refuse. This fifteen-billion-dollar gorilla is not about to take no for an answer from a promising yet pocket-sized start-up—especially from a start-up so dependent on the products of the Bertelsmann publishing group. It's a stark choice: become part of a shared success or be wiped from the table by a rival initiative funded from Bertelsmann's ample resources.

Still, the answer is clear. Bezos refuses to be intimidated and raises the stakes. He would rather slog it out with his biggest supplier than surrender even partial control of his precious brainchild. He declines the Sicilian offer.

"Fine," Middelhoff responds, calm and collected. Although his icy gaze and poker face tell a different story. A glacial silence follows, and after a few seconds he continues: "Have it your way." Delivered in a German accent, the sentence sounds less menacing than it was intended. His cool exterior is in sharp contrast to the rage boiling inside. He is furious at the young man's impudence and the failure of the meeting. Nevertheless, he's determined: Bertelsmann is going to be a global player in the online book market. With or without Jeff Bezos; with or without Amazon.*

His response is not long in coming. On February 25, 1998, Bertelsmann announces a global electronic bookstore under the working title Books OnLine.[3] After the success of **A**OL, it's time for **B**OL. This will be "the world's pre-eminent bookstore": the biggest and the best worldwide bookstore. "It's the first time that you'll be able to buy a book in any language, anytime, anyplace, and have it locally fulfilled," the CEO of the new entity announces. The aspiration is underscored by another Bertelsmann executive: "Our goal is not to be no. 2 or no. 3, we will try to be the best online."

A few months after the launch of the worldwide initiative, a more aggressive strategy begins to take shape aimed at Amazon's domestic market. Thomas Middelhoff—promoted to CEO on November 1, 1998—manages to persuade the world's biggest bookstore, Barnes & Noble, to join forces. On October 7, 1998, Bertelsmann acquires a 50 percent stake in Barnes & Noble's online business.[4] Bertelsmann pays out two hundred million dollars for the takeover, and along with the incumbent shareholder, the company reinforces their war chest with another hundred million dollars. It's open season on Amazon.

At the press conference, Thomas Middelhoff administers a final cut as he alludes to the changing circumstances: "I admire Amazon very much. We now have the situation, to come together to try to compete with them. I believe that is the best compliment for [Amazon.com founder and CEO] Jeff Bezos."[5] The press is not convinced this is meant as a compliment, rather that it signals the start of a deeply one-sided contest. Faced with the overwhelming

* Naturally I wasn't at the meeting, but there is good reason to suggest that it happened and that this is how it panned out.