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# The Internationalization Process of the E-marketplace Autocom A/S

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## Abstract

This case describes the early internationalization process and the considerations about future international expansion of an e-marketplace. The case illustrates the complexity of internationalizing an internet-based SME. The first attempt to handle the internationalization of the firm, was to have foreigners employed at the Danish headquarter in order to handle a fast and broad international expansion process with limited resources involved. It was then recognized that this structure could not satisfy the needed concentration on the current foreign markets. Then Autocom identified the most suitable entry mode to foreign markets as foreign sales offices organized by local people with industry experiences. The case raises important questions of the importance of physical presence for a dot.com firm selling digital products; products that in theory can be distributed digitally but in practice needs to be organized by real people having real face-to-face dialog.

## Introduction

Autocom A/S was founded in Denmark in 1996 by the brothers Peter and Martin Grøftehaage. Autocom A/S was an Internet success story, developing innovative IT solutions for the second-hand market for automobiles. In addition to the online car auctions, Autocom A/S has established vehicle valuation services; Bilpriser.dk (an online vehicle valuation service for private customers) and Autocom Valuation (professional vehicle valuation software). The online car auctions, that are the exclusive focus of this case, have been in operation since 1999.

Autocom developed and sold a digital product based on an Application Service Provider idea. In other words, no installation at the user premises was required. The application software resided on Autocom's server and was accessed by users through a web browser. Here private customers and companies could sell their cars to professional car dealers. Autocom was essentially a European neutral and independent e-marketplace that was functionally and technically identical in all active markets. However, the language and some few market-related issues differed from country to country. In addition to Autocom in

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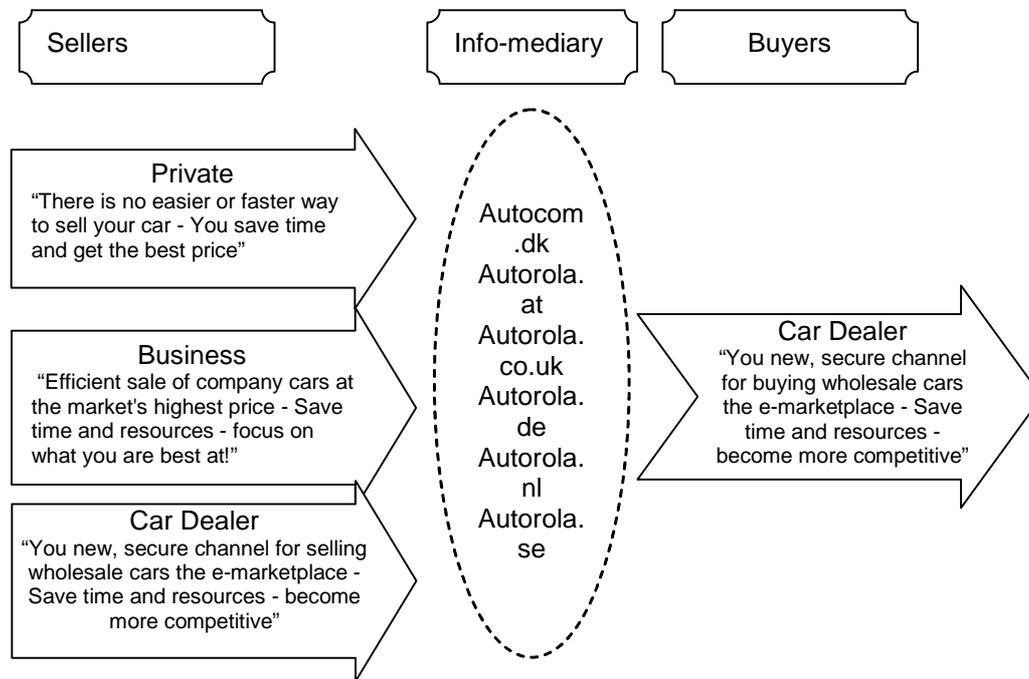
The author will like to notice that this case was made possible through the generous co-operation of Autocom A/S. The case is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of management situations.

Denmark, Autocom was under the name Autorola also active in Austria, Germany, Holland, Sweden, and England in the beginning of 2006.

The Autocom e-marketplace assisted the sellers as well as the buyers with an auction in order to decrease the amount of time and resources involved in the transaction. The payment, warranty obligations and the handover of the car itself was organized by the seller and buyer without involving the e-marketplace that only organized the information flow. The general benefit for all three groups (Private, Business and Car dealers) of sellers was promoted as “fast and easy”. For the sellers, the e-marketplace functioned as an auction that made it possible for the seller to list the car(s) which they wanted to sell. Only professional buyers (Car dealers) submitted offers, increasing the selling price for each bid submitted. Thereby the auction increased the opportunity for higher wholesale prices and if the car was not sold, the service was free. The above-mentioned benefits are applicable for all three groups of sellers. In addition to these traditional e-market trading functions, Autocom offered a Sell Total Service concept for selling business only, where Autocom for a fixed amount per car did all the work for the firm.

The car dealer could act as seller as well as buyer. When the car dealer acted as the buyer, the e-marketplace assisted the car dealers in sourcing directly from private and company suppliers of second-hand cars. This was a very efficient way of handling the transactions so the time and costs of processing orders were decreased. Furthermore, Autocom gave access to a bigger variety of second-hand cars, which made the car dealer better able to fulfill the specific requests from the potential new car owner. Additionally, the car dealer benefited from being member of the e-marketplace when getting free sales price lists and auction catalogues.

**Figure 1: Autocom’s main marketing messages**



Sources: Autocom websites (Autocom.dk, 2006; Autorola.at, 2006; Autorola.co.uk, 2006; Autorola.de, 2006; Autorola.nl, 2006; Autorola.se, 2006)

According to the website’s marketing messages, the car dealer experienced a “new, secure channel for buying and selling wholesale cars in the e-marketplace”. For businesses where the main focus was on car fleet owners and car leasing firms, the website’s main marketing message was “Save time and resources - focus on what you are best at”.

In other words, Autocom was a process enabler that changed the established way of buying and selling second-hand cars so that the potential customer did not take a risk in using the online car auction as a replacement of their traditional procedures. For these reasons, it was important to test the online auctions in order to create trust in the online car auction and in Autocom as a trustworthy firm: “It is a new concept..., which they [car leasing firm, ed.] test. We have one of the biggest European car leasing firms in test at the moment in Germany and tests in the company’s branches in Italy, France and Spain will follow. The fact that we have a European platform makes us interesting for this company... A 50 year-old man in for example a German car leasing firm has the responsibility of selling 5-10.000 cars a year. He will be killed if he misses to sell 1000 cars a month. They have a big risk these guys. Therefore it is important for them that we have a trustworthy product, this is security. It is a mission-critical application for them” (Grøftehaug, 2006).

## Approaching the customers

The customers were consumers and businesses that wanted to sell their used car. Customers were also car dealers that acted as sellers as well as buyers at the Autocom e-marketplace.

In Denmark, the primary customers were consumers and car dealers while not many businesses were using Autocom. There were not many car leasing firms and big car fleet owners in Denmark, thus it was difficult to make them use Autocom. In Denmark Autocom used TV-ads and other marketing campaigns as well. Autocom was so fortunate that most of their press-releases were covered in the media resulting in a generally high level of brand awareness. In other words, in Denmark the marketing activities primarily focus on getting the potential customer to the company website and then make the customer start using the car auction.

In the foreign markets, the brand awareness was at a lower level than in Denmark. In Germany it was very expensive to be known among consumers: “The problem in Germany is that we cannot afford to get private customers in high numbers, yet. If we shall create a high level of brand awareness, 50 million DKK have to be spent a year. We cannot afford that yet. At the moment our strategy in Germany is a function of our financial resources” (Grøftehauge, 2006). As a consequence, in Germany as in Holland, Autocom focused on businesses – especially car fleet owners and car leasing firms.

The website as marketing platform was important for both the B2C and B2B markets. The Internet created an understanding of Autocom as a big company: “Why should they talk with us? In theory we are too small for these big guys. However, they cannot see how big we are. They can only see we are big on the Internet. On the Internet it is very easy to look big” (Grøftehauge, 2006). Even though the Internet was important, face-to-face interaction was very important in the sales to business customers. The sales process was as follows: “They [Autocom sales people, ed.] make telephone calls and have meetings with PowerPoint presentations where they tell the potential customers what we can offer. If the customer is interested, the next step is an agreement about running a test which is a trial period of a few months where we run an auction every week and afterwards evaluate the process. Then the customer can experience that we are professional. We have a chance of getting to know the customer in that testing period” (Grøftehauge, 2006). According to the CEO, it was important for the sales people, to gain hands-on experiences: “Hands-on, figure it out and get dirty fingers. That is the way it works in Holland and Germany at the moment. Later when they have more experience, we expect it to become more structured” (Grøftehauge, 2006).

When it came to get access to the big customers, Autocom was very keen to put emphasis on the importance of professional networks and on creating and maintaining relationships: “Now the new key account manager for fleet owners in Germany is hired. He has a network so he is allowed to use this network and then he can try to see what he can get here. In my opinion, we need an action plan – a clear marketing strategy for the big fleet owners. Instead of letting him work on the strategy now, I prefer that he does his walks in the market. Walk out of the door, talk with the people you know and see what you can get. In this way, we may get 4-5 customers and then we can make a more clear strategy” (Grøftehauge, 2006).

The CEO of Autocom recognized the importance of relationships when doing international business and he explained how a contact to a major potential French customer evolved: “When I started to get to know this Frenchman, I looked into his eyes and he understood that he could trust me. The big parameter internationally is trust. If you have built a relationship, then we are in an extremely strong position” (Grøftehaug, 2006).

## Pricing

Both sellers and buyers paid a transaction fee when the car was sold, unless special agreements were made. Special agreements were made with some businesses (like car leasing firms) that sold a large amount of cars; the buyer should not pay a fee. Also for this type of sellers, an annual fee is negotiated instead of paying a transaction fee for each sold car.

**Table 1: Price distribution - products and markets**

	Denmark		Germany		Austria		Holland		Sweden		England	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Private Sell	214	335	200	325	200	325	200	325	201	335	143	321
Business Sell												
Self Service	174	268	160	275	160	275	160	275	177	268	114	285
Business Sell												
Total Service	509	603					460	575	606	697	471	642
Car Dealer Sell	107	107	100	100	100	100	100	100	86	86	107	107
Car Dealer Buy	174	174	160	250	160	250	160	250	161	201	114	214

The prices are in Euro based on the exchange rate was in April 2006. Private prices include tax. Sources: Autocom websites (Autocom.dk, 2006; Autorola.at, 2006; Autorola.co.uk, 2006; Autorola.de, 2006; Autorola.nl, 2006; Autorola.se, 2006)

Table 1 illustrates the standard transaction fee that is a function of the value of the car. However, the prices were limited to minimum and maximum prices as illustrated in the table. In order to understand if the prices differentiated between the markets, the minimum and maximum prices were reduced to an average price and the Danish prices were set to be index 100.

**Table 2: Variations of prices among markets. Denmark is index 100**

	Germany	Austria	Holland	Sweden	England	Average
Car Dealer Sell	93	93	93	80	100	92
Private Sell	96	96	96	98	84	94
Business Sell Self Service	98	98	98	101	90	97
Business Sell Total Service	Subject for negotiations		93	117	100	103
Car Dealer Buy	118	118	118	104	94	110
Average	101	101	100	100	94	99

Source: Table 1

Table 2 shows that the overall averages of the foreign market prices were almost equal to the Danish prices but for England where the consumer price was somewhat lower than the Danish price level. However, it seems to be the case that the selling-oriented products were a bit under the Danish price level too and that the car dealers' buying possibilities are set at a higher price than in Denmark. In general, there was very little price differentiation among the international markets.

### Supporting the use of the product

Because the car auction was Internet-based, the support person from Autocom only needed to be online in order to help the users. The back-office administration system of the car auction made it possible for the support people to access all details of the user's usage of the product: "100% insight in all. I have an administration system, where I can see everything" (Grøftehaug, 2006).

In other words, at Autocom the support process was primary handled by interaction on a distance through the Internet. However, often the customers called Autocom and the calls were routed to the local sales offices (Austria, Holland and Germany) or to the Danish HQ if the country did not have a physical sales office (Sweden and UK). The CEO of Autocom perceived it was very important that the customer, especially the big customers as car leasing firms, could talk to the people behind the screen: "We need to treat them as kings. The good customers should have a super experience with us. They will deliver a lot of cars to us. They need our product. However, we can only get to them if we are a top professional partner. If not, they will not do business with us in the longer run" (Grøftehaug, 2006).

In Autocom, all the support people were employed as sales people in order to create an efficient organization: "Before, when I did not have so much experience, we almost had a European customer service center where 2-3 people did nothing but answering phone calls. They did not create value so they did not earn money. Today it is different. Theoretically speaking, I only employ people creating turnover. However, I am of course aware of the fact that it is important to have people that do other things, but I am very critical when I have to hire people that are not ice-cold salespeople or add to the turnover" (Grøftehaug, 2006).

### From product to market development

The co-founder and CEO of Autocom, engineer by training, Mr. Peter Grøftehaug founded Autocom together with his brother Martin Grøftehaug, an autodidact software programmer. The brothers had both been working in the car dealing industry since birth because their father was a car dealer: "We are born and bred in the second-hand car trade business. Our dad was a car dealer. Since we were kids, we have together with our dad bought in cars" (Grøftehaug, 2006). Until the formal break-up of the Autocom in the middle of 2005, Autocom had two business areas, namely the car auction and the vehicle valuation service. The reason for splitting up the firm in two was that the car auction was primarily focused on market development whereas the vehicle valuation service was under a total redesign of the concept so the market development did not have the same focus: "It is extremely difficult at the same

time to be a fiery soul for the valuation system as well as for the auction because it requires a very high mental capacity to conceive it and build it” (Grøftehauge, 2006). Then Peter Grøftehauge became CEO of the online car auction firm and Martin Grøftehauge CEO of the vehicle valuation service. The brothers co-owned both firms. (Børsen, 2005a; Rasmussen, 2005).

In 2006, the Autocom car auctions had three customer groups in six markets. Table 3 on page 8 lists the milestones in the development process. The first eight years were dedicated to product development in order to fulfill the needs of the customers and from 2003 the main focus has been on developing the export markets.

The idea of creating an online car auction was developed in 1995. The product was launched in 1997 as a non-Internet-based online system. However, it was closed down after 6 months. The customers (the car dealers) were not ready to use the auction (Asmussen, 2002; Grøftehauge, 2006; Thomsen, 2003). Through the work with the first version of the auction, Autocom recognized new needs: “We could see that there was a need for a valuation tool of the cars when they [car dealers] made bids at the auction... So we came up with the idea to make professional vehicle valuation software for car dealers. This software was sold to approximately 1000 car dealers during 1998 and we made a turnover of 2-3 million DKK.” (Grøftehauge, 2006). In order to increase the brand awareness, a downscaled Internet-based version of the professional vehicle valuation tool for car dealers - Bilpriser.dk - was launched in 1999 as a vehicle valuation tool for private car owners with the purpose to increase price transparency of the Danish second-hand car market. Autocom was again ready to look ahead: “Our enthusiasm grew higher during 1999 and decided at the end of 1999 that we would put much more serious effort in the firm and we moved into a real office – we had had no office before then... It was a very exciting process, so we employed some extra programmers because we had 3 million DKK in turnover. Our intention was not just to cash-in. So we got a good development team” (Grøftehauge, 2006). The main goal with the new product development was to make an Internet-version of Autocom’s car auction, which was launched in 2001. At first the focus was on the B2B market where companies, managers of bankruptcy estates and car leasing firms could act as sellers and the car dealers could act both as sellers and buyers (Elmose, 2001). A few months later private customers were also able to act as sellers at the car auction (Egholm, 2001; Fyens Stiftstidende, 2001; Graubæk, 2001; Høy, 2001a; Høy, 2001b; Worup, 2001). This created an invaluable PR for Autocom in terms of many newspaper articles on the subject. Approximately one year later, Autocom strengthened its focus on the B2B market by releasing a specialized version for car fleet owners that had a need of being able to sell a large amount of cars efficiently. The car fleet owners were able to handle the auction as it was their own by using a special administration interface (Høy, 2002).

**Table 3: Milestones in the development of customer focus and covered markets**

Year-Month	Milestones	Customers			Markets					
		Car Dealers	Businesses	Private	Denmark	Germany	Austria	Holland	Sweden	England
1995	Formation of the idea – an online car auction	X			X					
1997	Release of first version of the car auction for car dealers	X			X					
1997	Closure of the car auction after 6 months in operation	X			X					
1998	Autocom Valuation - a professional vehicle valuation software for car dealers	X			X					
1999	Bilpriser.dk - a vehicle valuation website for private car owners			X	X					
2001-08	Release of the internet-based car auction for businesses as sellers and car dealers as sellers and buyers	X	X		X					
2001-11	Release of the car auction for private and businesses as sellers and car dealers as sellers and buyers	X	X	X	X					
2002-08	Release of the car auction for fleet owners		X		X					
2002-10	Autobudget.de - a vehicle valuation tool for private car owners			X		X				
2003-03	Autorola.de - the same car auction as in Denmark	X	X	X		X				
2003-08	Autorola.at - the same car auction as in Denmark	X	X	X			X			
2004-03	Autorola.nl - the same car auction as in Denmark	X	X	X				X		
2004-05	Autorola.se - the same car auction as in Denmark	X	X	X					X	
2005-03	Autorola.co.uk - the same car auction as in Denmark	X	X	X						X
2005-07	Autocom was splits up in two firms; Autocom car auction and Autocom Valuation									

Sources: *Interview* with the CEO of Autocom (Grøftehaug, 2006), *Newspaper articles* (Asmussen, 2002; Beenfeldt, 2003; Børsen, 2002; Egholm, 2001; Elmoose, 2001; Elmoose, 2002; Folkeblad, 2004; Fyens Stiftstidende, 2001; Graubæk, 2001; Henriksen, 2002; Henriksen, 2004; Høy, 2001a; Høy, 2001b; Høy, 2002; Krog, 2004; Muncken, 2005; Rasmussen, 2002; Rasmussen, 2004a; Sandøe, 2002; Sørensen, 2005; Thomsen, 2003; Worup, 2001) and *Old websites* (Internet Archive, 2001)

In 2002, the vehicle valuation website Autobudget.de (an extensive version of Bilpriser.dk) that could calculate the total ownership of a car was developed to the German market (Børsen, 2002; Elmoose, 2002; Henriksen, 2002; Rasmussen, 2002; Sandøe, 2002).

This ended an era where the Autocom online car auction had primarily been focused on product development in order to fulfill the needs of their three customer groups (Car Dealers, Businesses and Private) at the local Danish market. From 2003, a shift in focus from product to market development took place and during the following years, Autocom expanded under the brand Autorola to approximately two new markets a year starting with Germany and Austria in 2003, then Holland and Sweden in 2004 and England in 2005 (Beenfeldt, 2003;

Folkeblad, 2004; Henriksen, 2004; Krog, 2004; Muncken, 2005; Rasmussen, 2004a; Sørensen, 2005).

In the start of 2006, Autocom was satisfied with the other markets: “The countries in which we run in a satisfactory manner are Denmark, Germany, Austria and Holland” (Grøftehauge, 2006) but Sweden and England still need some organizational development.

## Organizational development: From an entrepreneurial and local to a professional and international setup

The development of the e-marketplace had been a hard fight with a difficult start for the firm: “We realized that we did not have the right business plan. The right set-up you could say... all went a bit into chaos: The typical entrepreneurship story.” (Grøftehauge, 2006). In spite of this, Autocom was one of the few Danish dot.coms that survived after the stock-market-driven dot.com hype. One of the reasons was that the company always had been self-financing. From the start of the Internet-based car auction until the breaking-up of the firm into the car auction company and the vehicle valuation company, the firm had developed economically sound. However in 2005, the costs of the increased international activities became visible and the year ended with a negative net profit. Table 4 additionally illustrates that Autocom was a small company with limited resources.

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**Table 4: Financial result, in million DKK**

	2001	2002	2003	2004	2005
Gross profit	2.1	2.5	4.9	9.2	10.6
Net profit	0.1	0.2	0.4	2.2	-0.4
Equity capital	0.6	0.6	0.5	2.7	1.3
Number of employees	9	10	12	18	33

Source: Financial Statements (AUTOCOM A/S, 2001; AUTOCOM A/S, 2002; AutoCom A/S, 2003; Autocom A/S, 2004; Autocom A/S, 2005)

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In the start of 2006, Autocom recognized that the expansion of international activities increased the costs when Autocom established physical location of foreign sales offices. In April 2006, 18 out of the total of 45 employees were physically located in foreign offices (Stensdal, 2006) as a result of the expansion process where the German offices were established in July 2005, followed by Holland in November 2005 and Austria in January 2006. However, this had not always been the case. Table 5 shows that in the first years, all employees were located in the Danish headquarter.

**Table 5: Milestones in the development of the market oriented organization at Autocom**

Year	Milestones	Location	Market coverage					
			Denmark	Germany	Austria	Holland	Sweden	England
1995	All have their primary job elsewhere	Peter, Martin together with their dad are working from home	X					
1997	Peter quits his primary job and Martin works as an consultant for other firms		X					
1999	First employee and more programmers are hired		Danish HQ Established	X				
2003	German Customer Center	Denmark		X	X			
2004	Dutch Customer Center					X		
	Swedish Customer Center						X	
	English Customer Center						X	
2005	Sales offices	Germany		X				
		Holland				X		
2006		Austria			X			

Sources: *Interview* with the CEO of Autocom (Grøftehaug, 2006) and *Newspaper articles* (Asmussen, 2002; Beenfeldt, 2003; Berlingske Tidende, 2004; Bertelsen, 2005; Børsen, 2003; Børsen, 2004; Børsen, 2005b; Fyens Stiftstidende, 2005; Høy & Asmussen, 2003; Muncken, 2005; Nielsen, 2005; Rasmussen, 2004a; Rasmussen, 2004b; Stensdal, 2006; Sørensen, 2005; Thomsen, 2003)

Table 5 illustrates the development in the marketing and sales organization of Autocom. Actually the organization roughly consisted of an equal number of software programmers and sales people with experiences from car dealerships (Thomsen, 2003). The organization had been through a drastic development. During the early years, the two founders were part-time working from home. In 1999, the founders started working full-time at Autocom, hired more people and established a “real” office. However, four more years went before Autocom created an international organization and in approximately two more years they established customer centers located in Denmark servicing five foreign markets. The customer centers consisted of native people from the country in focus. When hired these people moved to Denmark. This solution was very cost-effective as extra rent for foreign offices was not necessary and it implied an effective sharing of knowledge across markets. When the market was substantially penetrated, the people from the customer centers moved from Denmark to the country in focus and a foreign sales office was established. Autocom experienced that relocation of the people to their native country boosted the organization: “They are more focused now... They do not have to concentrate on getting a life in Denmark and on how we do in Denmark. Now, they are at home” (Grøftehaug, 2006).

Besides the wish to concentrate on these markets, Autocom also realized that increased sales to the big customers required being physically present at the market. To be there was also crucial for the recruitment of the right people: “The right people are people that understand the local business. Such people live locally. The right people make a difference” (Grøftehaug, 2006). These persons did not want to move to Denmark, where no social

network was established and high living expenses were a fact. Autocom found that it could be more cost-effective to have local sales offices: “You could say that the level of salary and costs in Denmark is so high that in many situations it is cheaper to have them employed locally” (Grøftehaug, 2006). The initial staffing from Sweden and England failed and it was one of the main reasons that Autocom had not managed to penetrate these markets in a manner that made it reasonable to establish sales offices in these countries.

In addition to finding the right people to handle the sales and support process, Autocom was very focused on having the right front- and back-office IT infrastructure.

Because all of the Autocom car auctions in all countries were based on web-servers placed at the Danish headquarter, the employees could work regardless of physical location. This made the relocation of the customer services centers from the Danish headquarter to the foreign locations easier. However, it also made the stability of the IT infrastructure a very important strategic issue. Additionally, it was very central in the sense that it was impossible to run an Internet-based car auction if the customers could not login. These stability issues made Autocom switch from Microsoft to Linux servers (Just, 2005).

In July 2005, a severe critical event took place; Autocom implemented a new ERP-system (Axapta, now called Microsoft Dynamics AX): “I can say it very clearly. Actually I can tell you, it was a disaster” (Grøftehaug, 2006). This very critical event forced Autocom to consider how important data is for a digital product provider; who is the right man to be in charge of administrative processes; and how important it is to have a focus on the financial situation. This forced Autocom to stop up because they wanted to make sure that the organization and its procedures were in place before they expanded further internationally.

After implementing the new EPR-system, the picture of the financial situation was blurred and made it difficult for Autocom to know what capacity they had in order to develop the market: “Now it starts to be operational. First now [ultimo January 2006] I have got the half-yearly results. I did not know my balance sheet for the last six month. I was aware of my sales figures because I could instantaneously see them in the administration module of the car auction but that was all. However, I could also see my cash-flow following my bank account, so I could see if I had cash in the box or not... I did not know if we had one million surplus or deficit. I tried to be in control and put so much pressure on the market development as I had the courage to but I held back on the spending” (Grøftehaug, 2006). This crisis came together with the process of establishing foreign sales offices and made the planned international expansion slower than expected and forced Autocom to focus on internal processes: “There are many dimensions at one time you should be aware of when you move abroad. It requires not only a local but also an international set-up. If we do not have full insight in our figures then forget about everything. At the moment, we are basically working on making stabile business processes. The product works well. Now the focus is on getting the factory running efficiently - from a process perspective. When we have reached that point, we are ready to look at the strategies of the future” (Grøftehaug, 2006).

The implementation of the new ERP-system made it clear that there was a need to focus on the administrative procedures, and this has been a very healthy process for Autocom. The former focus had been on product development: “Another thing we have done totally wrong is

our total focus on the product and the product development. I have had some very bad administrative managers. I have not been willing to spend money in that direction. However, now I have a good financial controller and the former chief of product development is now director for finance, development and operations. This takes the load off me so I can focus on the markets” (Grøftehaug, 2006). The change in management made Autocom realize what was important for a software firm. In the opinion of the CEO of Autocom, the future for development people will be that they will gain a lot of power because they have deeper insight knowledge about the essential issues for a software firm: “In reality we are data only. The workflow is data. It is too bad I did not change the management a year ago. I was thinking too traditional. My thoughts were that a chief of product development can not be the director of finance but in reality he is the director of our processes. He is the process-boss... In the future, you need somebody that is strong in workflows and processes and have competencies in automation. The stronger you are in IT, the better you are to automate and to understand the reason for automation. A chief of finance with no software experiences can tell anybody to automate this or that but he will not ever get the deep insight knowledge that is required” (Grøftehaug, 2006). Because of the implementation of the new ERP-system, Autocom learned that they had been too product oriented and that they needed to be more market oriented with a strong focus on the importance on having a suitable organizational set-up: “We have had focus on the administrative procedures in the last year... One or two years ago the focus was exclusively on making the product function. Now we are getting the [international, ed.] structures in place. Now it is time for more organizational development” (Grøftehaug, 2006).

## International experiences and future challenges

Since the early start of Autocom, the goal had been to build a neutral and independent European e-marketplace for the second-hand car market: “I do have an ambition of building a European car auction. We had the ambition from the start and we still have it” (Grøftehaug, 2006). In other words, even though it took almost eight years from the initial idea to go abroad, the international focus has always been there. It only took two years from the launch of the Internet-based car auction to enter the foreign markets. The international focus was even stronger when Autocom looked into the future: “The European car market evolves to be more and more pan-European in line with the EU enlargement and the cross-border trade increases. So we need to build the European platform now so we are well positioned in ten years when the society has developed in that direction. But it is of course also because it is fun. And yes, also because there is money to collect if we do it right. And also because we are small compared to the general competitors we have” (Grøftehaug, 2006). However, in the category “European online car auctions”, Autocom was a dominant player compared to more generic online auctions as eBay or compared to the big local car e-marketplaces as Mobile in Germany: “At the moment, I believe we are the biggest European player because we are the only one that have a European platform” (Grøftehaug, 2006).

The international market selection was based upon two objective criteria: The total size of the second-hand car market and the level of Internet-penetration in the current country

when Autocom was approaching the near-markets. Germany was a natural choice; Holland was similar to Denmark and Autocom thought that this was also the case with Sweden: “Germany is Europe’s car country number one. It is an international car market. A lot of cars are exported from Germany. Then we went into Holland because I had visited the country and I had a feeling that Holland with a high population density was highly developed with Internet and they are very similar to Danes...Then we chose Sweden because of the high Internet-penetration. Sweden is still not working. I think it is because we employed the wrong people... In Sweden they have larger geographical distances and maybe therefore they have a bit different behavior but the central issue was that we did not have the right organization. We underestimated the importance of this issue in the start. If they could speak Swedish, it was fine” (Grøftehaug, 2006).

More distant markets were also in focus. This was because Autocom had employees servicing other markets than their home country. The more distant markets as Austria and the future plan of Belgium came into focus through already hired people coming from these countries: “We started in Austria because we have a super talented guy that works for the German team. Essentially, Germany and Austria are very similar. Actually he has just started in the new Austrian sales office. He has a very good understanding of the market and he also has a good network too. Actually we will do it in the same way with Belgium. I have one Belgian on the Dutch team. He is also very good and his dad used to have a big car dealership. He has a good network. We go to Belgium for this reason only. He is the right man, so the risk of doing it, is minimal” (Grøftehaug, 2006). In other words, finding the right people was very essential for Autocom in order to make the international organization working. The problems with the English market can be illustrated with this issue: “In England, until a few months ago, we had a team of 2-3 Englishmen but something organizational went wrong with the young guys coming from England, they were not satisfied with living in Denmark. Now my strategy for England is that we will open an office and hire the right people. The right people, who can handle the big customers, live locally” (Grøftehaug, 2006).

The international experiential learning at Autocom reached the level where Autocom could specify the ideal sales man. The right people had industry experiences: “They have been working in the car industry as car salesman and similar jobs in the last 10-15 years. If they just have the market experiences, we can teach them the rest” (Grøftehaug, 2006). In spite of the fact that Autocom was an Internet-based firm, experiences with e-business was not a requirement. Even though Autocom in theory was totally independent as to time and as to space, it was the experience of Autocom that the geographical location of the foreign sales offices was very important too. Hamburg in Germany and Utrecht in Holland were both cities where the car business was big and that was the place where the right people live. Being physical present in the market was crucial for Autocom: “We very much considered the importance of being physically present, and we have experienced that it is easier to capture the tendencies in the market when you have a physical office in the country you are working in” (Grøftehaug, 2006).

A continuous challenge for Autocom is their ability to hire the right employees with the experiences from the local market and with a already established personal network. The challenge is very big in Germany: “If we shall do some serious work in Germany, we need 30-50 people in three years in order to achieve a strong competitive positioning” (Grøftehaug, 2006). All in all, the future challenge for Autocom is to make sure that the organizational and financial capacity for further international expansion is in place: “It is to establish the organizations in the countries and it is to find the right people and instruct them properly so quickly as possible. It is the financial resources – are they sufficient? We need to discuss where we are going. If we seriously want a European platform that wins at the European level, then our yearly turnover should be one billion. We need to invest” (Grøftehaug, 2006).

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