Bringing e-Business to the World’s Largest Flower Auction: The Case of Aalsmeer

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EXECUTIVE SUMMARY

This case history takes place at the biggest flower auction of the world, the Aalsmeer Flower Auction. Directors of the Aalsmeer Flower Auction felt that the Internet might play an important role in the future of their business. They believed that an active and leading position in applying electronic networks could secure and even strengthen their dominant position and that a policy of restraint could be a threat if other parties should enter this market with electronic auctions. At the end of the 1990s, they started various e-Business initiatives. The case study describes the different e-Business initiatives and the responses from suppliers, customers, managers and other stakeholders on each of these initiatives. Readers will be challenged to analyze this material and offer advice to the management of the auction about future directions with respect to e-business.

Keywords: B2B e-commerce; e-commerce evaluation; e-commerce strategy; information technology adaptation; integrated value chain; online trading; organizational change; organizational learning; system acceptance; value chain integration

ORGANIZATIONAL BACKGROUND

History

At the beginning of the 20th century, Aalsmeer growers as a cooperative joined forces to counterbalance the power of the middlemen. This resulted in the foundation of two local auctions, both located in this little village in the west of the Netherlands, near Amsterdam Airport.

Growers in eastern Aalsmeer founded an auction named “Flowerlove”; they auctioned their export flowers in a café, where the first auction took place on the 4th of December 1911. In January 1912, the other auction, “Central Aalsmeer Auction” (CAV) in Aalsmeer Village, was started. Also in Aalsmeer Village, the first flowers were auctioned in a café.
Both auctions were thriving from the beginning, their turnovers not varying very much. In 1918, CAV was the first auction to reach a yearly turnover of 1 million guilders ($560,000). In 1971, the last year of both auctions, Flowerlove realized a turnover of 107 million guilders ($60 million). CAV achieved a turnover of 113 million guilders (almost $65 million).

After four years of preparations, Aalsmeer Flower Auction (AFA) was born when the two auctions merged on March 6, 1968. However, they continued to operate quite independently. The vast majority of the growers backed this merger, realizing that further development would only be possible in a new physical complex and on new premises with sufficient room for expansion for many years to come. The merger was accelerated by the repeal of cultivation constraints and the explosive growth of the export of flowers and plants in the 1960s. During the first three years, only cut flowers were auctioned. These included cut flowers from foreign production areas such as Spain, France and Italy. One of the first measures of the board of Aalsmeer Flower Auction was permission to import under certain conditions.

An important fact in the year 1972 was the completion of a brand new huge auctioning complex near the former building of Flowerlove. In this complex, all facilities for auctioning, storage, processing and logistics were concentrated together. A year later, a mediation agency for the trading of large uniform batches of plants was established. The cash-and-carry center “Cultra,” where wholesalers serve smaller buyers, dates from 1980.

The growth of the Aalsmeer Flower Auction was a result of the fact that, until 1985, there had only been one main flower exporting country in the world: the Netherlands (Yearbook 1985, Statistics Netherlands). This explains that almost every aspect of the world trade in flowers was controlled from auctions in this country: pricing, packaging distribution, and quality control. But around that time, the first signals for change could be picked up. New countries, including Israel, Spain, Kenya, Tanzania, Ecuador and Colombia started to produce flowers with the intention to trade these products via the Netherlands in order to gain hard currencies and to be connected with a fine-meshed distribution network. This development made the Aalsmeer Flower Auction become an international center for supply and demand of floricultural products.

Auctions

Auctions involve determination of the basis for product or service exchange between a buyer and a seller according to particular trading rules that help select the best match between the buyer and seller (Chaffey, 2004). Klein (1997) identifies different roles for the auction:

- **Price discovery** – by means of buyer gatherings in which there is a bidding for products that do not have standardized prices, auctions can help establish a realistic market price.
- **Efficient allocation mechanism** – the sale of items that are difficult to distribute through traditional channels falls into this category. Examples include “damaged
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