



Dabs.com is loved by PC enthusiasts for its no-frills site that features a constantly updated stock of cutting-edge components and consumer goods. Robert Blincoe takes the lid off the online-only ordering service

Dabs.com believes it is the world's biggest internet IT reseller outside the US. It has bagged its position by earning £79.5m in unassisted online sales between April 01 and March 02. And the firm believes this level of business also put it in the Top 10 – again, outside the US – for unassisted online sales in all markets.

Although the marketing phrase 'unassisted online sales' may make you wince, the notion is key to the way Dabs does business. The internet-based firm doesn't want to receive calls from consumers or to open any high street shops. Business customers can buy over the phone if they so choose, but this incurs delivery charges; consumers, meanwhile, can only buy off the web. You cannot see the products you want to purchase online or phone to discuss them with a telesales worker. The sale is carried out entirely over the internet and any subsequent issues, such as sales tracking or product returns, are resolved online via the website or email.

Supplier profile: Dabs.com

It is this process that defines unassisted online sales and exactly why Dabs.com thinks so highly of itself on the web commerce stage.

Whereas rival Jungle.com has said it wants to be the internet company you can talk to, allowing its sales teams to sell you additional products and to build customer relationships over the phone, Dabs' founder and CEO David Atherton is heading in the opposite direction. He wants to empower customers so they can buy what they want, when they want, anywhere they want – all through the online process. The system also improves Dabs' profit margin, not least because an online selling system never forgets to ask if you want a case for your laptop or paper for your printer.

"I was running a one percent net profit mail order business for years and then the internet came along. I didn't believe the stockmarket hype but I completely believed the technology hype. Self-service, unassisted sales is the most important business improvement we have made," says Atherton.

Shake your moneymaker

The privately held firm posted pretax profits of £2.54m for the financial year April 01 to March 02 – up 237 percent on 2001's £755,000 figure. Sales advanced

11 percent to £116.5m for the period, up from 2001's £104.4m. And Atherton's salary jumped from £80,000 to a whopping £451,000. This, all from a firm committed to web trading since 2000.

Atherton started his mail order computer retail business, Dabs Direct, in 1990. This came on the back of a computer book publishing business, Dabs Press, which he'd started in April 87 with computer journalist Bruce Smith. The name Dabs comes from the combined initials of the founders.

In Dabs Direct's first year the business took £700,000. Then came steady growth until the move to internet-only sales. In 1999 the company made £500,000 profit on sales of £61m. In 2000 it made a £1.2m loss on sales of £86m due to a phone-to-internet changeover. This year Atherton says his businesses turnover will be £150m.

The change to web trading really allowed Dabs to live the web dream and slash its fixed costs. "You have to drive your costs down all the time to achieve the twin goals of cheapness and profitability," says Atherton. The firm's profit slump in 2000 was partly due to insufficient cost-slashing. "We paid for all the web startup costs but we still had all the phone stuff. We didn't bite the bullet," he explains.

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David Atherton, founder and CEO, Dabs.com

By biting the bullet, Atherton means cutting staff. In 1999 the company achieved its £61m turnover with 220 staff. This year its £150m will be achieved with 170 people – no mean saving when you realise salaries represent a third of the business' costs.

Dab hand

Dabs competes directly with Jungle.com and PC World in the consumer mail order/internet sales market. It's trying to beef up its corporate sales team, but there are already four major players in this area: Action, PC World, Microwarehouse and Systemax (owned by Simply Computers).

So why buy from Dabs over the competition? A quick poll of a selected bunch of computer journalists reveals they all rate Dabs – partly due to David Atherton's natural PR skills, but the firm is also preferred by people who like computers and who like buying via the internet. It's also known to be cheap.

Dabs has credibility with this IT-literate group that the Dixons-owned high street pachyderm PC World will never have. And Jungle's early mainstream promotion has put off specialist computer hobbyists. Dabs has sold to 700,000 people on the web and 50 percent of those have built their own PC. Atherton doubts there can be many people in the UK who have built their own PC and haven't bought anything from him.

The future for Dabs is to encourage non-techies to buy, thus pushing corporate sales. But at the moment Atherton says the business is "in the sweet spot". The customers have "high product knowledge and high web use knowledge".

When it's pointed out to him that Jungle's website is easier to navigate he



doesn't agree, but concedes it's a criticism he's heard before. Techies are known to favour things that are difficult and which exclude the mainstream user, but Atherton doesn't think that's any reason not to improve the Dabs site and he has plans to do so. "I'm not going to keep the site hard to use so that it remains a cult site."

A man with a plan

This is Atherton's take on why Dabs works and is a good place to shop. "The back end works. We already had full mail order excellence when we sold on phones. We provide every piece of information that is possible online – current stock levels, full online returns/admin management." He goes on to cite the company's clarity of vision: "We clearly say 'No telephone customers please' and 'No, we can't do full service'. This means we can deliver what we promise." Another version of his sales line is 'we're cheap and we deliver'.

Proof of the stability of Dabs' back end systems comes with a comparison to rival Jungle (see October's Supplier profile) which has let down customers over previous festive periods. "For the past two Christmases Jungle was unable to cope. To cope takes good old-fashioned planning."

Dabs' vital signs

- Founded **1990** as **Dabs Direct**, a **PC mail order business**
- Ownership **100 percent** by founder and CEO **David Atherton**
- Finances **Turnover of £116.5m** in financial year up to **31 March 02**, generating a pretax profit of **£2.54m**
- Customers **700,000** customers have bought online. The company offers more than **34,000** products
- Customer profile **Dabs.com** only sells to consumers over the internet. This accounts for two-thirds of turnover. These buyers have high product knowledge and high web use knowledge; half of them have built their own PCs
- Number of employees **170**
- Address **Direct House, Wingates Industrial Park, Westhoughton, Bolton BL5 3XD**
- Telephone **0870 429 3220** for business customer support. **Dabs.com** doesn't sell to consumers over the phone. Returns and sales tracking systems are run online
- Website **www.dabs.com**

It's party time

One of the reasons Atherton is confident that nothing will go wrong come the festive season is that his warehouse staff are given a big party in December. "There's never any problems for anyone working late during the runup to Christmas."

Another is that he has experienced setting up and running businesses on technologies "that didn't exist five years ago". His philosophy is "overkill. Build loads of redundancy [extra capacity] into the system".

Atherton is particularly keen on providing as much online information to users as possible because it means the customer ends up doing most of the work at no expense to the firm. The customer also feels in control and avoids that call centre headache – the queue.

Atherton realised that his telesales agents were simply reading information off a screen and entering data via a keyboard. Being the early technology adopter that he is, he thought customers might as well do this themselves. It might take more effort for them, but at least they'd be able to buy when they wanted to, even if it was at five to midnight on New Years Eve.

The information flow has developed so that now Dabs customers can find out how many items of each product line it has and how many are in stock at Dabs' suppliers. This should help consumers avoid the classic ruse of being lured to a company because of the terrific prices it offers, only to discover the business doesn't have the goods available.



But Atherton cautions that the stock figures he provides should be taken with a very small pinch of salt. The supplier information is not loaded up in real time and "all it takes is for a docks strike or lorry crash" for the numbers to be wrong.

Atherton believes providing all this information makes customers trust him more. "You get salesmanship on the phone. People think 'You're not telling me the truth. You're telling me what will make me buy'. But if it's in print you think it must be true. Everyone can see what's written."

Returning problems

But a well-known down side to buying online rather than from a retail outlet has always been the returns procedure. When buying online you must send the product back. "Returns are messy," admits Atherton, "but if you buy from

me I'll pay to pick it up. You don't get your petrol money back from a PC World store."

Just five percent of Dabs products get returned, half of which have nothing wrong with them. These products can't be sold as new so Dabs sells them off as B-grade stock and depreciates them by one percent per week until they're sold.

Dabs is now flirting with internet TV and 30-second streaming video ads on the internet. Atherton has his eye on eventually selling via digital TV.

"It has not happened yet, but its time will come. In 10 years mail order will be a video with a press button to buy. Television is the best sales medium." ■



Want to read what customers say about Dabs and other PC suppliers? Register and search at www.pcadvisor.co.uk/consumerwatch

Online players: price comparison

The items selected were chosen at random, but are intended to be fairly representative. Web and mail order businesses keenly monitor their rivals' prices and know exactly what they paid for the goods. Pricing can therefore change on a daily basis. Here, PC World online is the most expensive on the products it stocks. Dabs, though dearer on the less valuable

items than Jungle, is by far the cheapest place to buy your Archos MP3 player. Delivery costs can also make a difference to the final price, so bear this in mind when comparison shopping. Dabs' top fee of £6 plus VAT for orders over £500 appears the best deal on the surface, but costs vary depending on what you buy, its value, weight and how quickly you want it.

	Dabs.com	Jungle.com	PC World online
Paint Shop Pro 7.0 10th Anniversary edition	£41.12	£34.99	£39.99
Sony Vaio FX702 notebook	£1,039	£1,029 (Includes CD Walkman)	£1,035
Archos MP3 Jukebox with 20GB hard disk	£252.62	£279	£299.99
Epson Stylus C70 inkjet printer	£104.57	£103.99	£129.99
Pack of 50 own-brand CD-R discs (700MB/80 min)	£10.57	£9.99	£12.89
Total cost	£1,447.88	£1,456.97	£1,517.97