**Webvan Case**

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CIS-410-50

October 21, 2021

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**Mission Statement**

Webvan's goal was to deliver a safe and secure online shopping experience with roughly twice the number of products as a conventional grocery store and at comparable costs. Webvan aspired to develop a better e-grocery industry. Webvan would have to increase "speed of service, convenience, personalization, and price" to lure customers away from the existing brick and store grocery market (Kalakota).

**The Problem**

Webvan's issue is that there are a lot of competitors in their field, making it difficult to gain a significant percentage of market share. All their rivals are attempting to differentiate themselves in various ways, some of which are successful while others are not. Now that Webvan is a publicly traded company with all attention on them, they realize they need to do something for their business in order to increase market share. Webvan is uncertain on whether they should try to purchase other grocery chains in the places they want to explore, or if they should think about getting bought out by one of their competitors so that they won't have to worry about failing as "Webvan" and the Webvan name will remain in good standing? Would it be a good idea for Webvan to expand their online marketplace to include toiletries, movies, CDs, video games, video game rentals, and even basic outdoor items? It's critical that they start planning immediately, because "you can't get there without a map" (Fried).

**Stakeholders**

**The Employees at Webvan:** Employees are stakeholders because, based on the choice they make for their company, they may lose their jobs if Webvan fails. If Webvan expands, current employees may be eligible for raises or promotions, which would greatly favor them.

**Management/Executives:** Webvan executives are large stakeholders because the decision they make will determine whether they succeed or fail. Choosing one option could help them acquire market share, boost through sales and revenues, and allow them to become even bigger and better than they are now (Goldratt). On the other side, an action they take could push them deeper into debt than they already are, putting them in jeopardy of going bankrupt.

**The Shareholders of Webvan:** After spending more than $120 million in Webvan, shareholders have a personal stake in the company. Shareholders want to know that their investments will be protected and grow in tandem with Webvan's market success.

**Customers**: Customers are stakeholders because if Webvan went bankrupt, they would lose access to their way of grocery buying. On the other hand, if Webvan begins to make more money and wishes to maintain a competitive pricing in comparison to competitors, their prices may decrease.

**Generic Strategy**

Differentiation is Webvan's general business strategy. Webvan set itself apart in the online grocery sector by focusing on two key areas: operations and customer service. The operation mechanisms of Webvan were designed with efficiency and speed in mind. Each step of the grocery ordering and delivery process is automated, linked, and tracked by their own proprietary technologies. Their distribution operations have 4.5 miles of conveyor belts, temperature-specialty rooms, and the capacity to service more than 20 conventional supermarket consumers. Orders placed on the website are instantly routed to warehouse pickers. Pickers are strategically arranged throughout the distribution center, moving no more than 19.5 feet in any direction to reach about 8,000 bins of items. Refrigerated, frozen, and dry commodities are color tagged in totes or boxes to be filled. The totes are transported throughout the factory on conveyor belts until they are placed onto refrigerated trucks and sent to a docking station in the Bay region. Vans load up at the docking station, and drivers bring groceries directly to customers' residences. On a route that minimizes travel time, these delivery vans do not drive more than 10 miles in either direction.

Webvan also prioritized customer service by offering advanced capabilities that traditional food stores lacked. Webvan sought to offer customers 50,000 goods to choose from, compared to around 30,000 choices in regular grocery stores. Additionally, after a customer's first grocery order, personalized shopping lists can be generated. These shopping lists were created to assist customers on the go with quicker and efficient shopping options. Webvan's market position was to give quality-driven online groceries at affordable rates, which was even more significant in separating itself. Providing consumers with high-quality produce, meats, seafood, and baked goods was a reward that suited their lifestyles and tastes.

**Organizational Structure**

Since they operated under vertical integration, Webvan was a functional organizational structure. With operations and customer service teams. Webvan transformed your regular grocery store into an online grocery store. Perishable foods, for example, must be checked to ensure that they do not spoil, and frozen or cold items must be kept cool until the consumer receives the product (s). The performance of an organization is reliant on all functions working together in coordination, and the functional structure needs extensive information exchange among functions (Cash). They also added three new delivery services. Providing services to customers within their budget. The software they employed allowed them to carry out these operations.

**Porter’s Five Forces Model**

1. *Threat of Substitutes (High):* Customers can shop at a variety of companies online as well as walk to the store, posing a high risk of substitutes.
2. *Supplier Power (Low):* There are many sources of food and produce.
3. *Competitive Rivalry (High):* Because of the constant battle for customers and the potential threats of new entrants, the threat of competitive rivalry is high. If your market has a common technology base... new competitors will usually find it easy to enter your market. (Porter) Because the online grocery industry is not difficult to break into, businesses must stay on top of what their competitors are doing in order to keep pace with and/or keep ahead of them.
4. *Buyer Power (High):* Because of the various grocery options available to them, buyers have a lot of buying power.
5. *Threat of New Entry (High):* Because there are so many new companies entering the market, the threat of new entrants is high. They're all attempting to accomplish the same thing. Because there are so many firms doing the same thing, it's critical that Webvan stands out from the competition in order to persuade customers to utilize Webvan for their online grocery shopping.

**Alternatives**

**Do Nothing:** Webvan's expansion into the 26 new markets will continue. Over the next two years, Webvan will invest $1 billion in the construction of distribution centers and delivery infrastructure in 26 new locations. Webvan has a duty to shareholders and a big IPO after introducing Webvan as a public business. E-commerce has the potential to be effective, but its current scope is weak. Webvan is unable to deliver goods the same day to customers, and they are not marketing to the appropriate demographic.

**Effect on Stakeholders:** Executives would need to work to ensure profits increase and customer base expands. Customers will keep receiving next-day delivery and will be able to switch to a different grocery store if necessary. More customers could be attracted by expanding into 26 other markets. Employees will keep working with a high level of professionalism. Employees will work in low-skilled jobs such as warehouses or couriers. Shareholders are seeing a huge portion of their money invested in large distribution centers and marketing to a specific consumer group. Executives would have to work hard to ensure that profits rise, and the consumer base grows.

**Acquire other grocery chains:**

Webvan could try to purchase other online grocery businesses or even physical stores in areas where they want to expand. If they wanted to expand their business, this would be a wise decision. There are many various methods to run a business, and one of them is by acquiring other companies (Morgan). It would help with the level of competition as well as bringing their name to the attention of more people who would consider switching to the online grocery market. Purchasing their competitor's company would also expand their consumer base quickly. It could be an issue when they try to merge all the companies they buy, and a lack of integration can bring even the most powerful companies down. (Kalakota)

**Effect on Stakeholders:** Acquiring other grocery stores would help Webvan grow as a company while also potentially increasing the value of the company's shareholders. This would strengthen the executives' image while also assisting staff in their career advancement. If the transaction goes smoothly, it will also result in a higher return for the stockholders.

**My Solution**

Webvan should exit the market and liquidate all its assets, in my opinion. Before Webvan's entry into the online grocery market, the market's other businesses were struggling. Industry analysts estimated online grocery sales of $156 million in 1998, less than 1 percent of the entire grocery market. Market predictions for the year 2003 ranged from $4.5 billion to $10.8 billion. With such vastly different market projections, it appeared difficult to predict which online companies would do well, if any. Additionally, of the 53.5 million people who were online in the United States, only 435,000 ever purchased food online. (Afuah). They haven't had it easy in this field. They are currently unable to generate a profit due to a lack of revenue. Any of the other possibilities would eventually lead to their bankruptcy due to the necessity for a huge sum of finances. Other than exiting the market, the only viable option is to be bought by a bigger, more stable company. The only reason I didn't go with that choice was because every force in Porter's Five Forces model had a high threat level. This indicates that the industry is not in good health and is not a favorable place to work. The primary reason they should close is the lack demand for a market in their business. Existing e-grocery companies had minor successes when they first launched, but their customer bases did not grow quickly, indicating that their service was not totally desired. To have a chance of succeeding in this market, the firm must establish an actual customer need, and the firm's relationship with the customer must be built on the medium's key feature, namely interactivity. Webvan's service failed to discover a legitimate consumer demand.

Work Cited

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