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Will Net grocery shopping ever take off?

By [George Anders](#)

The Wall Street Journal Online

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FOSTER CITY, Calif. -- Louis Borders is a little nervous. The 50-year-old former chairman of Borders Books is about to open a new store, something he has done dozens of times in his career. But there has never been a shop quite like the one Borders is masterminding this time.

His latest project is Webvan Group Inc., an Internet megastore that wants to sell \$300 million a year of groceries from a single giant warehouse in Oakland, Calif. If it thrives, or even if it doesn't, Borders plans to open another enormous grocery warehouse in Atlanta a few months later. Down the road are plans for at least 20 more such facilities throughout the U.S. in practically every city big enough to support a major-league sports team.

Net groceries: Nothing but trouble?

Webvan won't open its Web site for at least a month. But it has already attracted \$120 million in funding -- a huge amount for a start-up - - from such high-profile backers as CBS Inc., Knight-Ridder Co., Softbank Corp. of Japan and two of Silicon Valley's top venture-capital firms. Nearly half that money has been spent already, much of it on the Oakland warehouse, a 330,000-square-foot behemoth adorned with five miles of conveyor belts and \$3 million of electrical wiring.

As a result, Silicon Valley and the grocery business are buzzing about Webvan's prospects. If the startup succeeds, venture capitalists say, it could become the biggest consumer company in cyberspace. If it stumbles, it could become the Internet era's equivalent of "Waterworld" or the Hindenberg dirigible: a disaster so epic that it becomes an American legend.

Even so, the Internet's elite is being drawn to the grocery business. This week, reports surfaced that Amazon.com Inc. is preparing to invest in HomeGrocer.com Inc., a small Seattle online supermarket. Both Amazon and HomeGrocer called the reports "speculative" but didn't deny that they are in talks.

Webvan officials acknowledge they are roaring into an industry that has been nothing but trouble for Internet entrepreneurs. In other markets, ranging from computers to books, selling online can be cheaper and easier than running traditional stores. Not so in the grocery business. Online merchants must pack shopping carts with customers' orders and then run a private delivery service -- two big costs that don't exist for traditional supermarkets.

What's more, moving food shoppers online is a "massive uphill battle," says Kate Delhagen,

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an analyst at Forrester Research Inc., Cambridge, Mass. Most people don't want to pay surcharges to support online grocery delivery, she says. The handful of rich, on-the-go shoppers who don't mind paying extra have maddeningly high service standards. And in the grocery business, one poorly packed fish delivery is enough to lose a customer forever.

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