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**Case #4: Webvan Case**

**Mission Statement:**

Webvan was founded upon the premise of providing an exceptional online grocery shopping experience with convenience.

**Introduction:**

Webvan, officially made its public debut in November 5, 1999. Borders Books founder, Louis Borders, founded Webvan to better improve online grocery shopping experience coupled with home delivery (Afuah, 2003). In the city of San Francisco, the city had over 10,000 people signed up for Webvan’s services. Borders believed that Webvan would prevail over the other online grocery competitors that they encountered. He believed this because Webvan was the first to scale was more important than first to market. The online grocery industry was growing rapidly and a lot of new entrants. This company was founded on the most ambitious e-commerce initiative to date. Webvan was projected to make a huge splash within the market based on how successful they were after having a market value over $8 Billion after the first day of trading.

Louis Borders was already very successful with his book company, Borders Books. Borders wanted to believe he could turn around and reinvent the online grocery market industry. Local businesses were taking orders from “Professional Shoppers” and these businesses would either deliver the orders or hold them at the store for pickup. Peapod entered the industry in 1990 as one of the pioneers of this new front. Peapod, started in Chicago, Illinois as a online grocery store for the city of Chicago. (Peapod, 2018) The rapid growth of internet usage caused a transformation from the traditional grocery shopper who drove to the store to an online grocery shopper who wouldn’t have to leave their home. Metropolitan areas were growing larger with distribution centers for the new entrants into the online grocery shopping. These companies believed that they could steal the market out from under the brick and mortar grocery stores.

Borders envisioned that Webvan would have large distribution centers that would service the warehouses in larger cities to ensure that the customers would receive their orders in a 30-minute window from the time they order to the time they received their order. To achieve this, Borders he signed a $1 billion agreement with Bechtel Group to build Webvan’s distribution centers and used business models from Yahoo and Amazon. (Afuah, 2003) There were a lot of people that were interested in what Webvan had to offer when they saw Webvan secured $120 million from investors such as CBS, Yahoo, and venture capital firms such as Benchmark Capital. These new investors were enough to convince Anderson Consulting’s CEO, George Shaheen, to come on board as Webvan’s new CEO. (Afuah, 2003)

**Current Situation:**

Webvan is in a growing industry that has a variety of competitors that are causing the market share to be smaller. This is causing Webvan to make a considerably small portion from each transaction after the pay all the beneficiaries within the transaction. Coupled with this, Webvan is not standing out amongst the competition. They need to set themselves apart from the competition to make more people go through Webvan for all their needs. Their marketing and management teams believe they don’t have to change their strategy to be successful in this market even though it is constantly changing.

**Porter’s Five Forcers:**

1. **Threat of New Entrants:**

The threat of new entrants into Webvan’s market is high. New Companies are entering every day with a strategy to help them separate from the competition. Webvan is having a hard task of figuring out what they need to do to show they are different from their competition since their marketing and management teams are unwilling to adapt. One example that a competitor is doing, is having same day delivery within an hour to your house if you are near one of their distribution centers.

1. **Threat of Substitutes:**

The treat of substitutes in Webvan’s market is considerably high as well. There are many substitutes that customers could choose over Webvan such as Amazon, Peapod, and other online grocery stores. Customers could choose to go back to traditional stores instead doing all their shopping through the internet. These traditional stores stay in business because people still choose them for the convivence factor and ease of mind. People want to be able to pick out certain grocery items and be able to get them right then compared to waiting for them. Webvan should be prepared because some people will return to these substitutes if these online stores fail or do not have high rates of customer satisfaction.

1. **Supplier Power:**

Supplier power influences Webvan with how they operate on a day to day basis. Suppliers are giving Webvan products to sell for them. The threat of supplier power is high because suppliers can decide to pull back at any time. Webvan is struggling to make a profit because of the competition. Their suppliers can’t continue to supply Webvan if they aren’t making a solid profit for them. Supplier power is critical to the success of the company.

1. **Power of Customers:**

The power of customers is important to Webvan. The more customers the company can gain the more money and profit that Webvan can make. Customers influence the business in profound ways. Webvan was drawing a large crowd and following because they were being endorsed by very recognizable companies and organizations such as CBS, Yahoo, Amazon, and others. Louis Borders believed that his customers from his Borders Books company would continue their loyalty and follow Webvan for their grocery shopping. A company without customers wouldn’t be successful and sustaining.

1. **Degree of Rivalry:**

Rivalries can strengthen and weaken companies. The rivals can help the ups and downs of business. Webvan has rivals such as Peapod, Netgrocer.com, eGrocer.com, and others. Their rivals make them stronger by showing why customers chose the other rivals. These rivals can weaken Webvan if they are gaining more customers than Webvan.

**Stakeholders:**

According to Business Dictionary, a stakeholder is “a person, group or organization that has interest or concern in an organization” (Business Dictionary 2018). Webvan has a couple of stakeholders when it comes to their company and below, are a few of their stakeholders and why they are categorized as one.

The first stake holder is Louis Borders. Louis founded Webvan on the idea that this business will be one of the biggest e-commerce initiatives to date. Borders wanted to reinvent the grocery shopping industry based on his success in the book selling business (Bloomberg, 2018). He has believed in his company since day one and his company will change the way we conduct grocery shopping. Louis will help make all the decisions that will impact Webvan on a day to day basis whether good or bad.

The second stake holder is George Shaheen. Shaheen is Webvan’s CEO. He came to Webvan after spending 32 years with Andersen Consulting. (Bloomberg, 2018). Andersen Consulting is a consulting company that focuses on giving management advice to up and coming companies. George wants to make sure that Webvan continues to grow in a positive direction. Shaheen will be leading Webvan into the new era of online grocery shopping industry. At the end of the day, he will make the business decisions that will make or break Webvan.

The third stakeholder for Webvan are its employees. Employees should always be considered as stakeholders because they invest their time and labor into the company as well as any interests or concerns that arise within the company can have a profound effect (Chron 2018). Employees can affect Webvan in a positive or negative impact on a day to day operations.

The fourth stakeholder regarding Webvan is their competition. Webvan’s competition is considered a stakeholder because they have interest and concern for what Webvan does for the market when it comes to providing online grocery shopping. Webvan has been growing and expanding which can lead to an increase in the competition. Their competition will be just as invested to see what Webvan does as well as their customers just so they can get a leg up on Webvan.

The last stakeholder for Webvan are their customers. Webvan’s customers are foundational to how the company can either succeed or fail. Sam Walton, who is a part of the Walton family that owns Walmart and Sam’s Club said, “There is only one boss. The customer. and he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else” (Dizon 2018). Customers’ decisions can make a company a successful or falter when it comes to what goes on in and outside of the company. Webvan’s customers, like the others mentioned above, are stakeholders because they meet and exemplify the definition of what are stakeholders.

**Possible Solutions:**

There are many different solutions that Webvan can do to fix their current problem which is, they are struggling to find a way to differentiate themselves from the competition. They can fix these issues with a few possible solutions that are listed below.

The first possible solution that Webvan can benefit from is hiring a marketing consulting company to devise a market strategy. This marketing company will help show Louis Borders, George Shaheen, and Webvan’s marketing team that they can separate themselves from the competition. Sometimes a well devised market strategy can help a company to succeed and get people on board with their company. So, hiring a marketing company to devise a market strategy could jump start the company.

The next possible solution is joining another company to help them take down other competitors in the online grocery shopping industry. Webvan has already started to create different distribution centers and warehouses for their products. These distribution centers and warehouses could help them get a competitor to join them to reach out to more people gaining new customers by allowing them use Webvan’s warehouses. eBay Director & CEO, Scott D. Cook said, “Instead of focusing on the competition, focus on the customer.” (Cook, 2018) This quote is true we should focus on what is best for our customers because they are very vital to our business.

Another possible solution that Webvan could consider is doing nothing. Most companies believe doing nothing is best course of action to any problem because the issues will work out on their own. Webvan founder, Louis Borders, believed that his company has what it takes to be successful in this online grocery shopping industry. He would assume that Webvan should just sit back and continue running business as normal with little to no interruptions. Webvan is taking off very quickly, it is I only a matter of time before they can’t continue to sit back and nothing.

**Recommendation:**

After looking over the case and the different exhibits the recommendation in the case readings. I have determined that Webvan should join forces with another competitor. I believe Webvan needs something to show they are different from their competition and joining forces with another competitor can help combine ideas to develop a plan to be unique and appealing. Webvan needs to change themselves before it is too late and they can’t dig themselves out of a whole that is too deep. They can change and become the top choice in online grocery shopping for Americans.

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