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**Webvan Case**

**Problem:**

The Problem for the Webvan organization is they don’t know how much to invest into the company. They also do not know what to invest into. They are contemplating if it will be a good idea to acquire physical supermarkets along with their distribution centers. Webvan is facing losses every year which is another problem. They are not making money and do not know which direction to go to make a profit.

**Competitive Analysis**

**What:**

The value Webvan has is in their convenience for their customers. Webvan provides a grocery service that will deliver groceries to a person’s house. This distinguishes Webvan from most of the grocery providers that currently dominate the market.

**Who:**

Webvan provides groceries for people in various major cities throughout the United States. Their customer base is anyone who can afford groceries ad has access to the internet. They appeal more to people who do not necessarily have the time to go to the grocery or simply just do not enjoy shopping for groceries.

**How:**

Webvan appeals to this market of customers by differentiation. Webvan offers double the products of the average supermarket. They also offer these products online which is different from the normal brick and mortar grocery store.

**Five Forces**

**Competition:**

The grocery industry has extremely high competition due to the wide variety of grocery stores. Their competitors range from massive chains such as Walmart and Kroger to online grocery stores that do not have a brick and Mortar such as PeaPod.com, streamline.com, shoplink.com, etc.

**New entrants:**

The threat of new entrants is also decently high. This is because with differentiation, shops can open up and appeal to different segments of the market. People will also pay more for convenience which allows stores to gain customers by their location or different services.

**Suppliers:**

The suppliers have a small amount of power because there’s so many different types of products Webvan can offer and many different brands that offer these products. The products are offered by so many different suppliers that it really lowers their power.

**Customers:**

The customers have a large amount of power because there is a lot of competition within the grocery industry. If a customer does not want to shop at a certain store then they are likely to have many alternatives nearby or alternatives online.

**Substitute Products:**

Substitutes to grocery store are at a medium level. Customers can choose to go to a grocery store instead of buying their groceries online. They can also choose to grow their own produce and hunt animals for food. Customers can also try to purchase foods directly from farmers or pick fruit from trees and bushes.

**Stakeholders:**

1. Customers
2. Suppliers
3. Webvan organization

**Alternatives:**

1. Do nothing
2. Close their organization
3. Buy a physical store

**Impact of alternatives on stakeholders:**

1. **Impact on customers**

The first alternative would immediately have a positive effect on customers because they could continue to shop with Webvan. This would start to go downward as Webvan continues to go money and their prices would have to go up until they finally go under as a company and their customers must find an alternative grocery store.

**Impact on suppliers**

The suppliers would also start off happy because they would still have Webvan’s business. The suppliers would remain happy until Webvan eventually goes bankrupt in 2001 according to SFGATE [3].

**Impact on Webvan organization**

The organization will continue to lose money until it goes under and should shut down ending in a loss of $830 million and 2,000 workers losing their jobs according to SFGATE [3].

1. **Impact on customers**

The customers would be affected negatively because they would lose their grocery supplier and must find a new one. This would not be too hard considering all the alternatives.

**Impact on suppliers**

The suppliers would lose the business of Webvan and therefore lose the money Webvan was bringing them in.

**Impact on Webvan organization**

The second alternative of closing the organization will result in them not losing as much money. Webvan reported a net loss of $217 million in the first quarter of 2001 according to wired [4].

1. **Impact on customers**

The customers gain the attraction of a physical store. This way they could go to a storefront to check out the products and then decide if they want to shop with this store and could continue shopping in the store or switch to purchasing their groceries online.

**Impact on suppliers**

The suppliers would likely get more service from Webvan because they would have to supply the stores with products. This would put them at a better position with Webvan and could possibly lead them to offering lower prices.

**Impact on Webvan organization**

Acquiring a physical store would likely bring in more revenue for the store but could also lead to more losses. With the amount of losses, they have already obtained, I don’t think they need to risk losing more money. The only thing this would guarantee would be the rise of inventory, and since it doesn’t necessarily lead to more profit, it would lower throughput according to Goldratt [2].

**Best alternative:**

The best alternative is closing their business. Webvan can liquidate all their assets and not accumulate any more debt on top of the mountain of debt they have already acquired. When Webvan completed their IPO, they found out that they were going to lose $35 million dollars soon. This should be a good sign that they are not doing well enough to survive and should get out of the market before they lose more than they already have. The stakeholders of the company would benefit from this by not having to invest any more money into this sinkhole. The only people who would be negatively affected would be the suppliers and customers which would happen inevitably when they go under according to SFGATE [3].

**Sources**

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