**Case Analysis**

**Webvan**

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**CIS410**

**Webvan**

Webvan was an internet grocery shopping with home delivery. When Webvan initially went public it had total market value more than $8 billion, on the first day of trading.

**Five Forces**

* Webvan has many competitors including: all other off-line and online grocery shops.
* Being a Grocer is a relatively easy market to enter; if one obtains groceries and a way to distribute them they can become a Grocer.
* Webvan’s high value comes from substituting the regular grocery shopping by providing it online with delivery. Many Grocery Stores that provide online shopping still require person’s to pick up the Groceries in person.
* While Webvan provides a convenient way to get Groceries, it doesn’t provide something so essential AND unique that the company has power over customers. It is the opposite; customers have many options for Grocery shopping and plenty of ways to either transport themselves to these stores, or have it delivered if necessary. If Webvan was the only viable option for a person, then in that situation Webvan has power. So for the most part Webvan must work hard to appeal to consumers.
* Webvan has power over suppliers because there are many sources for the products that they need. Webvan can also distribute foreign products more easily. A typical Grocer has limited space on their shelves. They can have many things from different places, but the space is it is limited and product must sell well in order to take up space. Webvan’s display of products is not on a physical shelf but on a website which has much more space than a shelf and can be used in the same way. If, for example, a supplier from India wants Americans to try its product but can’t work out a deal with Wal-Mart or Schnuck’s, it may want to cut a small deal with Webvan and then better deals depending on how the product does.

**Stakeholders**

* Customers

Customers are the people and restaurants who purchase groceries from Webvan's online store. Webvan promises a "Thirty-minute delivery window the next day" with competitive prices and quality products. It is Webvan’s responsibility to uphold this promise in order for the service to have high value, and appeal over competitors.

* Shareholders

Shareholders are the people who invest on the company. When Webvan became an IPO, shareholders invested in it. Webvan’s main responsibility is making money for shareholders. Shareholders need to know if Webvan is both making profits, and has a bright future.

* Employees

Employees need to know the company has a bright future as well.

**Alternatives**

1. **Alternative: Do Nothing**

If Webvan takes no action and on their current business model, they most likely will have big losses in the future. The poor income generation and loss of value will lead to bankruptcy.

**Benefit**

* There is no benefit to this alternative

**Impact on Stakeholders**

* Employee loss off benefits, less hours for part-time employees, loss of jobs
* Shareholders can sit back and watch their investment fail completely. They will either be angry at themselves or violently so to whomever told them Webvan was a good idea.
* Customers who actually liked the service will have to find other options
* Suppliers who used Webvan to get their products out there will have to find alternatives

1. **Attempt a physical grocery store with a delivery option**

The benefit of this alternative is to get the Webvan name out there. Many people who can benefit from an online store like Webvan has no idea what it is. Why? One big reason is because they may not use the internet very much. Even people who use the internet often probably had no idea what Webvan was. In order for Webvan to make a name for itself it must be advertise in someone way or go viral. If Webvan had physical locations that advertised their online service (for example a store very close to one of their warehouses) it could get the name out there and jump-start the business. The risk is the price of buying a facility, making it into a store, and hiring employees. The risk is only high if Webvan chooses to purchase many facilities. It may simply be able to buy one, or a few, then sit back and do research on its impact.

**Benefit**

* People will be able to see the Webvan name and logo on a daily basis, passing by the store. They will generate conversation about the company, and that leads to new customers.

**Impact on Stakeholders**

* More Buzz about the company should lead to shares value increasing.
* If the company does well the employees should benefit as well.
* If the company is doing good then that leads to more competitive prices, more options, faster service
* More people know about Webvan, suppliers to depend on Webvan profit.

1. **Leave the market**

If Webvan thinks that bankruptcy is a distinct possibility with no option to save the ship from sinking, then the time to get out and liquidate is now.

**Benefit**

* Minimize losses

**Impact on Stakeholders**

* Minimize shareholder losses
* Job Losses
* Customers who liked the service will have to find alternatives
* Suppliers who used Webvan to get their products out there will have to find alternatives

**My recommendation**

My recommendation is they leave the market and liquidate their assets before it will be too late. Webvan was a risk, and unfortunately the future does not look bright. The failures are in terms of marketing, research on the market (is there really a desire for online grocery shopping and who are the people who want it), research on the appeal of physical grocery stores (e.g. people who buy fruit want to see it in person, but cereal is acceptable to sell online) and providing products/services that are extremely appealing and unique. Because of these failures Webvan’s is simply an “interesting” idea that is not in high demand. Overall by calling it quits Webvan understands that it has made mistakes, Webvan learns from these mistakes, and Webvan minimizes their losses. I would like to see the company to learn from their failures and attempt another business in the future; because many successful persons had to go down that same road.

Cited

WEBVAN: REINVENTING THE MILKMAN

Porter’s five forces