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Webvan Case

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**Executive Summary:**

Webvan company tried to combine between the online business and the delivery. While Webvan had operated for a mere five months in the San Francisco area, more than 10,000 people had signed up for the service—not bad considering that it has taken rival Peapod, Inc., 10 years to amass a customer base of 100,000 households. Borders was confident that Webvan could prevail over its existing online competitors by expanding aggressively (Afuah). Chairman was Louis Borders, founder of Borders Books. In the Internet economy, Borders argued that first-to-scale, not first-to-market. Even though that Ecommerce will be the beginning of ecommerce and it will save time, labor and will be safer but not in every business will the best option specially at that time (Barker’s Video). I think Borders thought that it is never mind what the company situation in the past. Managers need to concentrate on the new trends that will be in the future. (e-business)

**Problem:**

Webvan do not know what they should do next. They need to figure out how to use online system in good way to improve their profits. They also need to decide if they want or not to buy regional grocery chains in the market or if they should go with different line. Should they be growing in unpredictable market or not? Specially that this company is new in the online market. They should provide good customer services to their clients cause in the online industry there are many competitive even though that it was new industry at that time. Webvan’s 1999 sales were expected to be 11.9 million.

**Five forces IC analysis:**

* **Threat of new entries:** High, I think it is high because it is online grocery industry, and anyone can get in this industry. There is a big number of competitive in the e-commerce industry. Already there are multiple companies, and any new company can enter this industry as well.
* **Bargaining power of buyers:** It is High because of the multiple numbers of substitute that the buyer can go to. Buyers can compare the prices between all the websites that they have from different company and choose the best option for them.
* **Threat of substitutes:** It is stable like if costumer wants to buy that grocery, he still wants to buy it and not something else. But it might be competitive for the prices. Even though that it was new industry but there are different online groceries like Peapod who has 400 household in Chicago. They approximately have 100,000 customers. Another company is Streamline it is in Boston it has so many varieties of product and services. There are more which I will explain more about them in the competition analyze.
* **Bargaining power of suppliers:** It is low cause they buy in big quantity and from different sources.
* **Competition:** It is high because there are different companies like Netgrocer which they were the first online company to employ the ware housing delivery strategy. Peapod they have 400 household in Chicago area. Streamline they say that they are the complete lifestyle solution. Hannford brother it is in Boston Area they begin the online industry at the end of 1999. Peapod they have 400 household in Chicago. It also has 100,000 customers. Streamline which located in Boston has so many product and services.

**Stakeholders:**

* **Webvan Shareholders**

They want to make sure that their investment is safe after they put so much many investment. They will make sure that Webvan is growing good in the market. Investors like CBS and Yahoo. So, if the company did not do well, they will lose their money.

* **Webvan Employees**

They will be affected if Webvan got out of business. They will lose their job. On the other way if they start making more profits this is will reflect them as well. They might get benefits and salary increase. They will be directly affected by the future of Webvan.

* **Louis** **Borders**

Because he is the founder of the company, he has a huge affect on the success or fail of the company. Any success will give him more financial benefits more shareholders, more customers. And on the other hand, failing for this company will affect all the stakeholders.

* **Webvan Customers**

If Webvan start making more money this is will affect the customers. Because Webvan might start thinking of doing competitive prices so they will make the products prices less than usual. It might affect the company to get them more customers who are interested.

**Potential Alternative Solutions and the impact on the Stakeholders:**

* **Do Nothing:** Webvan will fail if they did not do anything. The shareholders will lose their money and Webvan will be out of the industry. The shareholders will lose money because of the financial status of the company. The employee might not be affected unless the start to lay off some of them due to the financial situation of the company. The managers will be making money but not that much. It will affect negatively all the stakeholders.
* **Leave the Market**

This is will affect the stakeholders. Borders will lose his job as well as all the employee. But at least they will not be losing money in the future. It might save the shareholders their money on this investment.

* **Collaborate with other company**

I think the expanding for a company that need more profit to expand is not a good option specially with a market that has other large competitors.

* **Get more products**

I think the situation of the company now is not good to try new things. They do not know how this is will be, so they do not want to lose more money. The new service might not be attractive to customers. So that might cause them to lose more money. I think it is not worth to take the risk.

* **Let another company take over.**

This is mean that another large company will buy it. This is mean that Borders will no longer be the manager and he has no decision on anything. But at least he can leave the company with good money. The employee might lose their job, or the other company can give them an opportunity and hire them. The customers will lose Webvan as it no longer exists, but they might switch to the alternative.

**Selected Option and Reason/ Recommendation for the case:**

I think Borders should consider thinking of leaving the market. I think it will be better for them. To choose other options will be not worth the risk. Their customers did not increase after they been in the e-commerce industry. So, their customers did not like the new features, and it did not attract new customers. They failed to know the needs for their customers. Since consumers are not using the service so they are not making enough money to stay in the industry. Choosing other options might cause them financial lost. I think the sooner they exit the market the less the money that they lose. I know that it is the hard option and it felt weird this time to say exit the market specially before all the cases I did not suggest that but I think for this case it is the best option to make. Cause I could not find any other good options.

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