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Anand Jeyaraj

University of Missouri - St Louis, Jeyaraj@umsl.edu

Dubravka Cecez-Kecmanovic

dubravka@unsw.edu.au

Ville-Pekka Mäkeläine

ville-perkka.makelainen@seamk.fi

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E-GROCER STRATEGIES: A CASE STUDY

Marius Janson, University of Missouri at St. Louis, St. Louis, USA, janson@umsl.edu

Dubravka Cecez-Kecmanovic, University of New South Wales, Sydney, Australia,
dubravka@unsw.edu.au

Ville-Pekka Mäkeläinen, Seinäjoki University of Applied Sciences, Seinäjoki, Finland, ville-
perkka.makelainen@seamk.fi

ABSTRACT

The recent bankruptcy of the eGrocer Webvan demonstrates that online retailers face enormous risks and hence need well thought out business strategies (Porter, 2001). This paper presents a longitudinal study of the business strategies of two eGrocers that use physical stores to house their Internet-based grocery operations (clicks-and-bricks) and two online only (pure-play) eGrocers. Our study results in a number of recommendations for successful eGrocer strategy configuration. Even though we focus on eGrocer's strategies, we suggest that the lessons learned are of interest to other retailers planning to embark on eCommerce activities.

Keywords: Internet, Brick-and-Clicks eGrocer, Pure-Play eGrocer, Strategy.

1 INTRODUCTION

The Internet-based dot-com revolution of the 1990s motivated many grocers to embark on new ways of retailing. However, being enamored by the Internet's technological capabilities many grocers failed to consider how it could support grocery retailing. This led to the demise of pure-online supermarkets such as Webvan, Streamline, Homegrocer, Homeruns, and Shoplink (Ramus and Nielsen, 2005). These events demonstrate the need for carefully crafted online grocery strategies that exploit the Internet's potential of increasing customer value-added services and company profits (Kervenoael et al., 2006; Porter, 2001).

On the one hand, strategy formulation for pure-play stores is difficult because such companies employ business models not tried before. On the other hand, strategy formulation for clicks-and-bricks stores requires combining already existing retailing practice with new value-added Internet-enabled processes (Teo, 2002). Internet-based grocery retailing involves customer attitudes toward online shopping and buying practices, order fulfilling and delivery logistics, and development and maintenance of websites providing customers the ability to enter orders (Hong and Kim, 2004). The literature is replete with articles that in effect see eGrocery strategy formulation as a one-time occurrence taking place at the start of an eGrocery venture (Doherty and Ellis-Chadwick, 2006). We propose, however, that eCommerce strategy should be subjected to continuous change or stated differently strategy should be evolutionary in nature.

Our research project is a multi-year longitudinal case study involving four retailers that engaged in alternative approaches to eGrocer strategy formulation. Two companies are traditional groceres with decades of industry experience that became clicks-and-bricks grocers. One company is US-based and located in a major metropolitan area in the Midwest. The other company is located throughout Belgium, a densely populated West European country where it serves customers living in large metropolitan areas as well as smaller cities in the provinces. The other two companies were established in late 1990 and early 2000 and are US-based pure-play eGrocers.

As mentioned earlier our research project's insight into eGrocer strategy formulation based on actual experiences of four eGrocers. First, we seek to achieve insight into how uptake of Internet-based eGrocer relates to management orientation and prior retailing experience. Second, we aim to find relationships between the uptake of Internet-based eGrocer and entrepreneurial orientation, competitive intensity, and IT maturity.

2 RESEARCH METHODOLOGY

This article focuses on Schnucks and Colruyt that sell groceries in stores and online, and WebVan, and FreshDirect that only sell groceries online. The study of Schnucks and Colruyt uses our interview data from top and middle level managers, and company and public documents. The study of WebVan and FreshDirect lacks interview data and, instead, uses data drawn from trade journal publications and journal articles.

The interviews with Schnucks' (Marketing Manager, 2000, 2002; IT Manager, 2002; Logistics Manager, 2003) and Colruyt's (Marketing Manager, 2001; CEO Distribution, 2003; IT Manager, 2006) top and middle level managers were conducted on-site, audio taped, and transcribed. The interviews were semi-structured, thus enabling interviewees to tell their story in their own way. To ensure factual accuracy and, hence, descriptive validity the transcribed interviews were returned to the interviewees for inspection and correction (Maxwell, 2002).

While studying Schnucks' and Colruyt's interview transcripts, internal and public documents, and where available annual reports, we sought to understand how actors understood changes in the business environment arising from the introduction of the Internet. Lacking interview material from

WebVan's and FreshDirect's managerial personnel we drew from public documents our understanding of how actors conceptualized changes arising from the Internet (Brohan, 2004; Dignan, 2004; Himelstein and Khermouch, 2001; Gallagher, 2005; Weiss, 2001; Wind, J., Mittelstaedt, R., 2001). Hence, our understanding of the subjects' perceptions and actions was based on and validated against a historical background of the broader business and competitive impacts arising from the arrival of the Internet. These interpretive steps are iterative and, hence, we went through a number of hermeneutical circles to gain a proper understanding (Klein and Meyers, 1999).

Our analysis took place within the context of Porter's (2001) conceptualization of business strategy in reaction to the Internet. This made possible uncovering how the actors' lived experiences, company characteristics, and business environments played a role in Internet strategy formulation. Validity of our findings was further buttressed by studying multiple cases and interviewees, company and public documents, and data analysis by multiple authors (Denzin and Lincoln, 1994).

An important concern involves generalizability, namely, do the lessons learned apply to other comparable situations? Because of the study's focus on grocery stores we suggest that our results are significant to other grocery retailers that contemplate adopting eGrocery. Moreover, selling groceries has much in common with retailing other products. Thus, we propose that the study's results are of interest to eCommerce strategy formulation of other retailers.

3 FOUR E-GROCERY CASES

3.1 Schnucks: The Company

Schnucks is a family-owned grocery chain located in St. Louis, a large Midwestern city. Because the company does not issue annual reports, financial, operational, and information concerning Schnucks are drawn from local newspapers and trade journals (Staff, 2006).

The company was founded in 1939 as a 1,000-square-foot grocery store. Despite this modest start Schnucks today is among the fiftieth largest grocery chains in the United States with annual sales revenues and profit of \$2.1 billion and \$60 million. The company employs 16,000 individuals of whom 50 work in the IT department. Schnucks comprises 102 stores that sell groceries, ready-made pre-packaged food, personal care items, fresh baked goods, meats, fresh seafood and produce, dairy products and a wide assortment of quality Californian, French, Italian, and South American wines at each location (Staff, 2006).

The company's business strategy is to attract affluent customers and offer a wide choice of products and services, customer friendly service, and stores with an attractive ambiance. Many of the company's stores are located in super centers that feature other nonfood retailers. This arrangement attracts customers because it makes for a rich shopping environment where one can shop for groceries as well as a wide range of other non-grocery products.

The company makes extensive use of IT and other advanced technologies such as voice over Internet communication, a logistics system to locate, track and direct mobile workers with text and voice messages, a global positioning system, self-checkout stations, and electronic radio receivers placed on shopping carts to reduce loss and theft (Baran, 2005). The company's marketing manager reported that the company's web-based point-of-sales system gives management timely, accurate, and comprehensive information that is then used as input to a software package that is used for making concise operational decisions and improving customer service levels. In spite of its considerable degree of informatization the company's IT department is rather small considering that approximately 50 employees operate and maintain the IT infrastructure (Manager of IT Interview, 2003).

3.2 Colruyt

The Colruyt Company opened its first food discount store in 1965 – a revolutionary concept in Belgium at that time. In spite of its humble origins Colruyt is presently Belgium's third largest grocery chain, comprising 190 stores with annual revenue and profit of \$4.3 billion and \$240 million (Colruyt Annual Report, 2005/2006). The company employs 12,000 individuals 450 of whom work in the company's IT department (Colruyt Annual Report, 2005/2006). The Company provides its customers a wide range of high quality foods with well-known brands, each item priced below that charged by the closest competitor. Each day fifteen company employees visit competing stores and scour newspapers for competitor advertisements, write down prices which are then checked against a computerized database and when indicated Colruyt adjusts its price downward (Colruyt Annual Report, 2005/2006). The company also sells organic foods and quality wines, and non food items such as children's toys, baby supplies, clothing and electrical household supplies, electrical equipment and electronics such as stereo and TV sets.

In keeping with its "lowest price" business policy the company keeps its store interiors sober, avoids unnecessarily high lighting levels, and places store shelving to optimize worker efficiency. Customer checkout stations are configured to ensure efficient client service and high throughput. Namely, the client presents his/her cart to the checkout clerk who, after scanning the items, places them in a second cart which the customer then takes to a payment station. This procedure frees up the checkout clerk to serve the next customer in line. In short, unnecessary luxuries are judiciously avoided, employee efficiency and effectiveness and client service optimized (Colruyt Annual Report, 2005/2006).

Colruyt's management consistently organized operations around the possibilities inherent in IT. Automated business processes include ordering store supplies at the end of the day, restocking the company's two warehouses, scheduling truck routes to resupply stores daily, and conducting online B2B electronic commerce with suppliers. Colruyt's most essential IT system, which was developed inhouse, enables knowledge management, calendaring, and eMail.

3.3 Webvan: The Company

The entrepreneurs who conceived of Webvan assumed that many consumers disliked or lacked the time to shop for groceries traditional supermarkets. They therefore conjectured that such customers would find purchase groceries online attractive and would be willing to pay a fee for home delivery. These conjectures motivated Louis Borders of the Borders bookstore chain and his brother to found Webvan, a company that would sell groceries on the Internet only. These entrepreneurs successfully raised \$1.2 billion in startup financing from, among others, Benchmark Capital and others Wharton School of Management (Knowledge@Wharton, 2001a).

Webvan planned to install highly informatized distribution centers that could complete 8,000 orders daily in twenty-six of America's largest cities. Development and installation of the distribution centers was outsourced at \$35 million each to the Bechtel Company. Webvan opened its first facility in San Francisco (CA) in June of 1999 (Whidden, 1999). Two years later in July, 2001 Webvan's executives filed for Chapter 11 bankruptcy and ceased all operations (Himmelstein and Khermouch, 2001).

The literature lists several reasons for Webvan's demise. First, top-level managers lacked first hand experience of the grocery retailing industry. Therefore, these managers did not know the percentage of customers willing to order groceries online for home delivery, how to price home delivery, and how to efficiently arrange the delivery logistics. Second, executives seemed not to appreciate the struggles the British clicks-and-bricks eGrocer Tesco went through to make Internet-based grocery selling a success (<http://www.tesco.shoppingdelivery.co.uk>). These issues as well as further mistakes led to Webvan's bankruptcy (Weiss, 2001).

3.4 FreshDirect: The Company

FreshDirect (<http://www.freshdirect.com>), a pure player operating in New York opened for business in 2002 and offers customers online grocery shopping combined with home delivery. Because companies such as HomeRuns, ShopLink, Streamline, and Webvan experienced business failure, it is especially interesting to investigate what FreshDirect learned from its predecessors, how this affected the company's business practices, and to assess the likelihood of business success (Gallagher, 2005).

FreshDirect employs 650 individuals who fulfill 3,300 customer orders daily, each at an average cost of \$100.00. FreshDirect profited from Webvan's demise by inexpensively purchasing the latter's automated order fulfillment system with a 22,000 customer capacity. The fulfillment system features a conveyor belt which moves through stations that contain steaks, bread, fruits, greens, coffees and teas, et cetera. FreshDirect uses the SAP manufacturing enterprise system which in collaboration with an Oracle database arranges the work schedules that direct fulfilling each order. Completed orders are then placed in cases which are loaded on delivery trucks for customer delivery (Dignan, 2004).

Unlike Webvan's executives, who lacked any meaningful experience selling groceries or the grocery retailing industry, FreshDirect's founder, Mr. Fedele, had extensive experience planning, starting, and operating Fairway Uptown, a New York City gourmet supermarket. By locating in New York City the company serves customers living closely together which results in short distances between delivery stops, thus improving the logistic chain's efficiency and reducing delivery costs. Then, after achieving success in New York City the company's management indicated willingness to consider expanding to one or more densely populated cities such as, for example, Los Angeles and Chicago (Dignan, 2004).

4 BUSINESS STRATEGY ANALYSIS

Our research findings can be summarized in terms of managerial disposition and corporate response. The horizontal and vertical dimensions of Figure 1 characterize managerial disposition as Futuristic or Pragmatic and corporate response as Conservative, Progressive, or Radical, respectively.

4.1 Schnucks Strategy

Schnucks managers studied the potential of the Internet with the aim to offer customers new services. The marketing manager stated:

"We [did not] want to overlook anything...positive for our customers [Thus] when Prodigy in the early 90s [asked] if we were interested in being the [online] retailer for our area the [company] owners jumped at it. We did not expect much of it right away but [we assumed] the day might come when it [would] become a big deal. [Prodigy's] system generated just 75 to 100 weekly orders, but customers absolutely loved it." (Interview Marketing Manager, 2000, 2002)

This quote shows the manager's futuristic disposition towards online shopping coupled with the aim to do so in a conservative manner characterized by little risk to the company. Partnering with Prodigy was management's conservative response to online grocery shopping that kept financial risk to the company at a minimum (Figure 1). Therefore, Schnucks' strategy during the 1990 to 1995 period is defined as Conservative-Futuristic (Figure 1). In 1993, however Prodigy sought to renegotiate its contractual obligations, which in turn caused Schnucks to abandon its online shopping service.

Schnucks' management team, however, reevaluated its decision when grocers such as Jewel, Peapod, and Safeway, embraced Internet-based grocery shopping. Stated the VP for Logistics and Marketing:

"Going into the B2C market was strictly a defensive measure. At the time you had company's popping up out of the weeds on the web. ... [Our strategy was] keeping our investment reasonably small so we could keep competition from coming [into our market]... but not spending a pile of

money on a project that we knew was...going to be...marginally profitable” (Interview VP Logistics and Marketing, 2003)

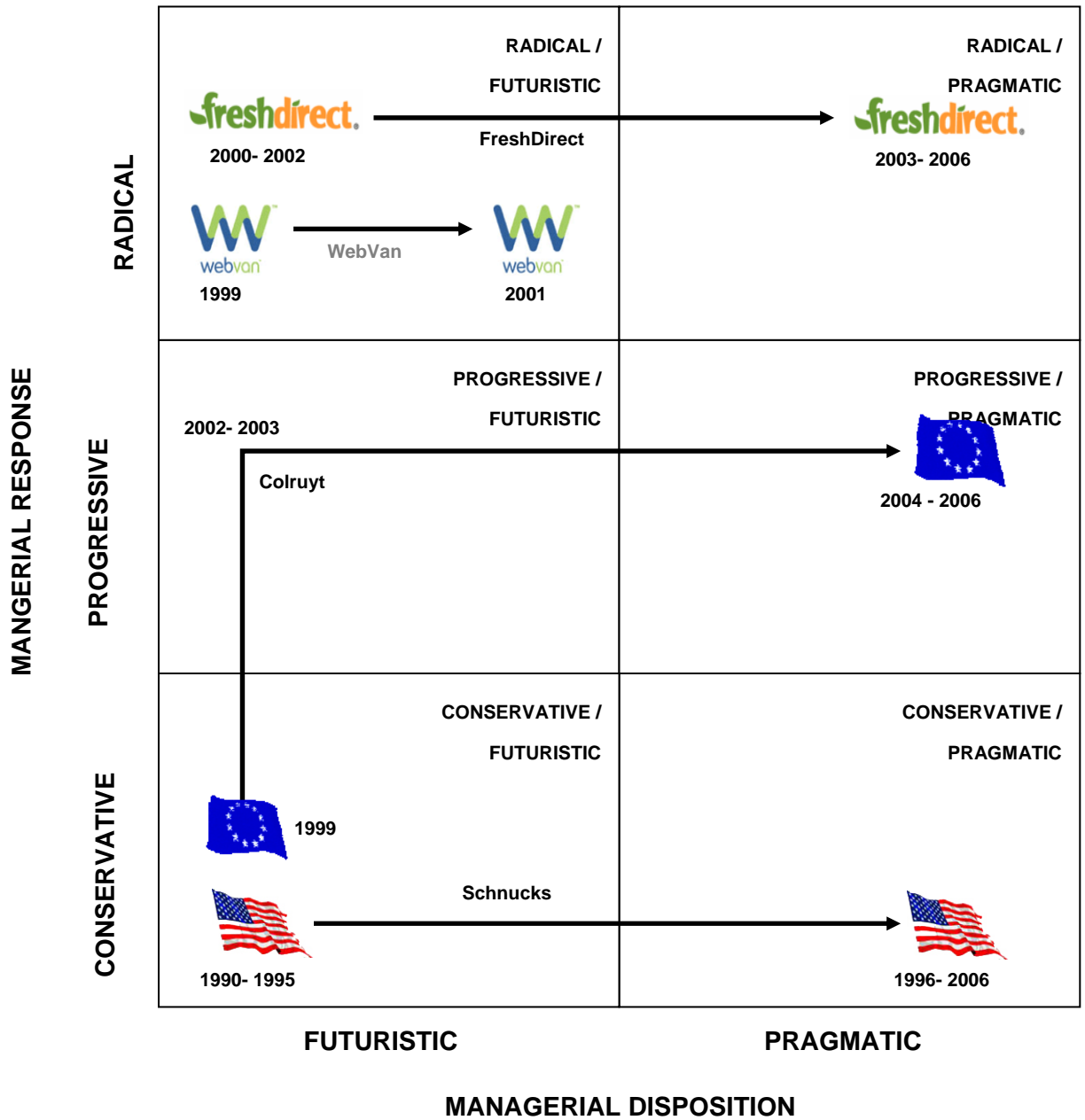


Figure 1 Strategies for Internet-based Grocery Retailing

The VP continued with:

“[Our strategy was] keeping our investment reasonably small so we could keep competition from coming in but...not spending a pile of money on a project that we knew was...going to be...marginally profitable.” [Vice President of Logistics and IT, 2003]

The two quotes show the manager’s defensive and thus practical disposition towards online shopping coupled with a conservative response to keeping the Internet-based grocery selling system development cost at a minimum. The Marketing Manager observed:

The company, in a further effort to minimize cost, housed its online grocery service in its stores which means that customer orders are prepared in already existing warehouse facilities with order fulfillment being performed by store employees. Furthermore, grocery delivery is outsourced to an independent logistics company.

Schnucks' senior management considered online shopping a success because it did succeed in keeping the competition at bay and associated Schnucks' name with progress while at the same time avoiding financial risk (Director of Logistics, 2003). That is to say, starting in 1996 Schnucks changed from a Conservative-Futuristic to a Conservative-Pragmatic Internet strategy (Figure 1).

4.2 Colruyt Strategy

Colruyt's managers expected online sales to greatly impact the retailing industry but seriously questioned the manner in which eGrocer retailing was hyped during the 1990s. The company postponed spending financial resources until there was reason to believe that Internet-based grocery retailing would be profitable. Stated the General Manager of Distribution:

“[We realized the] distribution industry was changing. Still we had our doubts [and felt] stores would not disappear – people want to see or taste the merchandise. We consulted a [consulting] company which [employed] eCommerce specialists – [they said online grocery] is technically possible but how much is the customer prepared to pay for this service – perhaps [an additional] 10% - some will but how many – 2%, 5%, 10%, or 50% [of customers] - we did not know.”
(Interview, General Manager of Distribution, 2003)

In short, Colruyt's management team was future oriented in the sense that at a future time online grocery retailing could have promise, but to what degree was an unknown during the 1990s. In keeping with this assumption the company took a wait-and-see approach and, hence, its response was of a conservative nature. In short during the 1990s the company is best described as Conservative-Futuristic (Figure 1).

During the late 1990s the company tested the commercial viability of Internet-based retailing by placing its wine catalog online. Customers would, after first downloading a wine order form from, fax their order to the store and then visit the store to pickup the completed order.

“[The] start of [online sales] was visionary – after that it was continuing what [we] started step-by-step. [In the process] one becomes less afraid because there already is a basis [on which to proceed]. One has to add online features carefully; because ones started it is impossible to retreat without harming the company's image.” (Interview, General Manager of Distribution, 2003)

The strategy was very conservative, in that it built on prior experience with traditional wine catalog sales by enabling customers to download order forms instead of picking these up at the store. Hence, during the late 1990s Colruyt's strategy is best described as Conservative/Futuristic (Figure 1).

Experience with the online wine catalog indicated considerable customer interest in online shopping and in 2001 Colruyt progressed to online ordering of groceries and classic wines. The customer would order online but visit a store for pickup of the completed orders (2000/2001 Annual Report). If a sufficient number of customers showed interest in ordering groceries online the company envisioned expanding its website to include other services and products. Thus, during the early twenty-first century the company's strategy is best described as Progressive/Futuristic (Figure 1).

4.3 Webvan Strategy

Webvan's embarked on a strategy in the sense that no company done so before and, hence, the company aimed to reinvent grocery retailing by offering Internet-based grocery shopping. Webvan's radical approach is further supported by Kaplan, President of Equity Analytics:

“They [i.e., Webvan] are melding the latest in Internet retailing with the latest in retail distribution. They are redefining the entire retail sales process over the Internet.” (Whidden, 1999)

Management planned a presence in twenty-six major cities and contracted with the Bechtel Corporation to build fulfillment centers at a price of \$38 million each (Knowledge@Wharton, 2001b). When it filed for bankruptcy Webvan operated in Chicago, Los Angeles, Orange County, Portland (OR), San Diego, San Francisco, and Seattle.

Webvan’s business strategy focused on relieving people from having to visit stores to purchase groceries and bypass bricks-and-clicks stores. To increase operational efficiency Webvan invested in motorized carousels and robotic product picking machines that were not standard but needed to be newly developed at great cost. This strategy relied on a mistaken assumption that sufficient numbers of customers disliked in-store shopping enough to switch to online buying. The aforementioned issues combined into a complex problem involving business processes, IS, and logistics which Webvan failed to master resulting in its ultimate demise.

Webvan was among the earliest companies to create a pure play Internet store, that is, to sell groceries entirely online rather than in a bricks-and-clicks format. Because the company’s approach to retailing was totally new and differed drastically from industry practice at the time, Webvan’s strategy is *Radical/Futuristic*. Unfortunately, the time of its 2001 bankruptcy filing Webvan failed to progress to the *Radical/Practical* stage (Figure 1).

4.4 FreshDirect Strategy

FreshDirect’s business plan was developed during the 2000 to 2002 period and the company subsequently fine commenced operations, implemented IT systems, and established a customer base. FreshDirect and WebVan are similar to the extent that both companies enable customers to buy groceries online only. The two companies differ significantly with respect to products sold and type of customer. First, whereas WebVan focused primarily on Internet as a technology, FreshDirect assigned the Internet a supporting role. Second, whereas Webvan served a public living in low population density areas, FreshDirect focuses on individuals living in high population density areas, i.e., Manhattan, NY, with demanding culinary tastes. Webvan operated in multiple cities whereas FreshDirect operates in a single city. FreshDirect, uses the Internet to deliver customers a value-added buying experience and to avoid the expenses of owning and maintaining shelf space, and thus reducing transaction cost taking and fulfilling customer orders (Kirkpatrick, 2002). Hence, based on these observations during the 2000 to 2002 period FreshDirect’s strategy is best described as *Radical/Futuristic* (Figure 1).

FreshDirect’s business strategy consists of selling high quality food items and fresh produce reasonably priced, using automated warehouse equipment where possible, directing operations with enterprise resource management software (SAP), and using the Internet to increase overall efficiency in a market characterized by high population density and thus short delivery routes (Brohan, 2004). During the 2003 to 2007 period FreshDirect further extended its customer offerings to include kosher foods, expanded its customer base, and became profitable (Schoenberger, 2006). FreshDirect became an ongoing company and, hence, the company’s strategy progressed from radical/visionary to radical/pragmatic (Figure 1).

5 DISCUSSION

This section relates success or failure of the four eGrocer strategies in terms of the developmental stages Pre-Internet/eGrocery, No Website/No eGrocery, Website/No eGrocery, and Website/eGrocery (Table 1).

5.1 Schnucks

During the Pre-Internet/eGrocer period Schnucks obtained valuable knowledge concerning eGrocer by using Prodigy's network to sell groceries online (Table 1). Next, Prodigy's demise caused Schnucks to progress to the No-Website/No-eGrocer stage during which it tracked competitors' response to the technical developments in the grocery retailing industry. In these efforts the company achieved great benefit from the commercial and technical strengths of its retailing and IT departments. An analysis of aforementioned information motivated Schnucks to implement a realistic eGrocer strategy and progressed directly to the Website/eGrocer stage (Table 1). The company developed and implemented a basic yet functional eGrocer website that provided customers eGrocer services. Schnucks minimized cost by fully integrating eGrocer operational costs with its bricks-and-clicks operation.

Stage	Schnucks	Colruyt	WebVan	Fresh Direct
Pre-Internet eGrocery	<ul style="list-style-type: none"> •Learning & Planning •Partnership with Prodigy 	<ul style="list-style-type: none"> •Catalog Sales Non-Food Items. •Learning & Planning. 		
No Website & No eGrocery	<ul style="list-style-type: none"> •Observe Industry Transformation •Observe Competitor Initiatives •Experience-Based Strategy Formation •Learning & Planning 	<ul style="list-style-type: none"> •Observe Industry Transformation •Learning & Planning. •IT Group encouraging Food Distribution Group to initiate eGrocery •Experience-Based Strategy Formation 		<ul style="list-style-type: none"> •Observe Industry Transformation •Learning & Planning •Experience-Based Strategy Formation
Website & No eGrocery		<ul style="list-style-type: none"> •Strategy Execution •Wine Catalog Website •Customer Downloads Order Form, and Faxes His/Her Order to Store for Pickup •Learning & Planning •Strategy Formulation 		
Website & eGrocery	<ul style="list-style-type: none"> •Strategy Execution •Internet Grocery Sales Integrated with Brick-and-Clicks Store •Ongoing Website Adaptation •Learning & Planning 	<ul style="list-style-type: none"> •Strategy Execution •Internet Wine Sales •Internet Wine/Grocery/Non-Food Sales •Integrated with Brick-and-Clicks Store •Two-way Company/Customer Communication & Marketing •Ongoing Website Adaptation •Learning & Planning 	<ul style="list-style-type: none"> •Strategy Formulation •Strategy Execution •Ongoing Website Adaptation •Learning & Planning •Geographic Expansion •Bankruptcy 	<ul style="list-style-type: none"> •Strategy Execution •Fine-tuning operations •Expanding Customer Services •Learning & Planning

Table 1 eCommerce Strategy Developmental Stages

It is important to point out that Schnucks embraced the eGrocery concept to fend off competitors from entering its market with eGrocer services, a strategy which ultimately proved successful. However, when customers came to depend on online grocery buying Schnucks was forced to maintain its online

service but refrained from developing the service to its fullest potential. Figure 1 shows Schnucks' business strategy evolving from Conservative/Futuristic to a Conservative/Pragmatic.

5.2 Colruyt

In the Pre-Internet eGrocery period stage Colruyt gained valuable experience and knowledge concerning off-line catalog sales of non-food products and specialty wines (Table 1). Customers would visit a company bricks-and-clicks store use a computer terminal to place orders which customers would either pickup the completed order at the store or have them home delivered. This operation provided Colruyt important information concerning customers' proclivity towards eGrocer and about home delivery logistics.

The company remained in the No Website/No eGrocery stage while all the time observing developments in the grocery industry especially with respect to Internet development. After becoming convinced that online grocery sales had promise Colruyt progressed to the Website/No-eGrocer (Table 1) by creating a website from which customers would download forms for ordering wines. The knowledge gained during the Website/No-eGrocer stage became the foundation for developing a cogent eGrocery strategy and thus leading to the company being placed in the conservative/visionary cell (Figure 1).

Colruyt then progressed to the Website/eGrocery stage by implementing a full-featured website that enabled customers to order wine and groceries for store pickup or home delivery (Table 1), thus placing the company in the progressive/visionary cell (Figure 1). The company's eGrocer service was fully integrated with existing food distribution operations as orders were processed at bricks-and-clicks outlets for either customer pickup or home delivery. When the online grocery service was adopted by a sufficiently large number of customers and proved profitable, Colruyt extended the concept into eCommerce by creating online stores offering bio-foods and fresh meats, and non-food items such as small electrical household appliances and baby clothes. Figure 1 shows Colruyt's business strategy evolving from Conservative/Futuristic through Progressive/Futuristic to Progressive/Pragmatic.

We point out that Colruyt embraced eGrocery because top level managers grasped the commercial viability of and customers' interest in the concept. In its efforts the company relied heavily on the strengths of its commercial and IT departments.

5.3 WebVan

Unlike Schnucks and Colruyt, which gathered knowledge by traversing pre-Internet stages, Webvan's launched its eGrocery operation by entering Website/eGrocery stage (Table 1), thus characterizing the company's business strategy as Radical/Futuristic (Figure 1). However, WebVan's executives lacked any experience in the grocery retailing industry and focused entirely on the Internet's technological aspects. The combination of the two factors combined with faulty planning and unrealistic customer demand expectations led to WebVan's demise while stuck in the radical/visionary cell (Figure1).

5.4 FreshDirect

FreshDirect progressed through only two stages, namely, No-Website/No-eGrocery and Website/eGrocery (Table 1). The chief executive had in-depth knowledge of grocery retailing arising from previously having been store manager. He augmented this knowledge by studying the causes of WebVan's demise and profited from it by purchasing its mechanical order-picking hardware. Therefore, during the No-Website/No-eGrocer stage FreshDirect's executive constructed the company's eGrocery strategy, which was implemented in the Website/eGrocer stage (Table 1). After overcoming startup difficulties the company became an ongoing profitable concern and FreshDirect's business strategy evolved from Radical/Futuristic to Radical/Pragmatic (Figure 1).

5.5 Lessons Learned

First, WebVan's experience demonstrates that relying on technological hubris by managers lacking in industry experience is highly risk prone and ultimately led to the company's bankruptcy.

Second, FreshDirect's did learn from WebVan's mistakes because the company emphasizes creating customer value-added, operating in a high density market, controlling cost. Today FreshDirect is a successful and profit online grocer.

Third, even though Schnucks offers its customers value-added services, the company's initial enthusiasm receded and the company's primary goal became defending its market against potential threats by a major competitor. After achieving this goal, Schnucks needed to continue a business activity of little interest to the company because its customers expected eGrocer to continue.

6 CONCLUSION

Drawing on our research of the four cases, but especially Colruyt, Schnucks, and FreshDirect we suggest that a successful eCommerce strategy requires – 1) Deciding reasons for embracing eGrocery, namely, either defensive or offensive purposes, 2) Gathering industry specific knowledge and turning it into a basis for constructing realistic eCommerce strategies, 3) Recognizing knowledge as the basis for innovative ideas to be transformed into realistic eCommerce strategies, which in turn can be executed in the context of the larger organizational whole, 4) Testing the practicality of new ideas by building and testing small and inexpensive pilot programs that, when proved successful, are the basis for full scale implementation, 5) Exchanging, questioning, and testing ideas by individuals who are drawn from the company's business and IT communities, 5) Developing IT-based eGrocery systems to be enlarged when needed to accommodate business growth arising from increased customer demand for expanded services, and 7) Developing Internet-based systems that not only enable customers to order electronically but which also enable two-way communication between the company and clients.

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