

LESHOP.CH

Co-Authors: Rebecca Chung

Date: 2003

Introduction:



Research Associate Rebecca Chung prepared this case under the supervision of Professor Nirmalya Kumar as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

Since its April 1998 launch, LeShop, the first virtual supermarket in Switzerland, had established itself as the leading online grocery service in the country. It had managed to survive where many more famous and better-funded pure play online grocers in the US like Streamline and Webvan had gone bankrupt.

LeShop had outperformed the online operations of all the major supermarkets in Switzerland. However, despite the impressive 63% share of the online Swiss grocery market and anticipated net sales of CHF 13 million in 2002 (refer to *Exhibit 1*), the operations had not yet managed to break even.

Relative to other European countries, online grocery sales were underdeveloped in Switzerland by a factor of 18. Only 0.05% of the total grocery market was online (€12 million) (refer to *Exhibit 2*), compared to 0.88% in the United Kingdom (€934 million) and 0.76% in Paris (€171 million). Only 35% of Swiss adults were aware of the existence of online grocery services, compared to 96% in the UK and 94% in Paris. An impatient Christian Wanner, CEO of LeShop, observed:



Unfortunately, unlike the UK or Paris markets where key traditional players like Tesco and Carrefour heavily advertise their online service, the dominant brick and mortar supermarkets in Switzerland like Migros and Coop are not actively pushing online sales. Instead, we are fighting a lonely battle as "pure play" in trying to get the Swiss people to change their habits and shop online for groceries. If the online grocery market in Switzerland had just one-third of the development of the UK or Paris, we would already be at breakeven.

LeShop faced several challenges in its fight for profitability. How to make a greater number of potential customers aware of the benefits of online shopping and encourage them to try LeShop? How to increase retention and share of wallet of existing customers? And, finally, how to improve distribution efficiency and customer satisfaction?

Copyright © 2002 by IMD - International Institute for Management Development, Lausanne, Switzerland. Not to be used or reproduced without written permission directly from IMD.

To download this Case Study please visit ecch.cranfield.ac.uk