

**VSN Publishing**

Suite 20, 361 Post Road West, Westport, CT 06880
Tel: 203-847-1115 Fax: 203-847-1105
<http://vstorenews.com> publisher@vstorenews.com

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CONTACTS: Elizabeth Scanlon, Scanlon Corporate Communications, 312-787-5277
James Tenser, VSN Publishing

Chains Will Prevail in Online Grocery, Says VSN Founder

WESTPORT, CT (March 19, 1999) — Grocery may be lagging versus some other major retail sectors when it comes to realizing its on-line potential, but its role as a primary driver of virtual store retailing is all but assured.

The key factor is the entry of powerhouse supermarket chains like Albertsons, Whole Foods Market, Hannaford Bros., and even Wal-Mart, says James Tenser, President and founder of **VSN Strategies, Inc.**

“These companies and their competitors have the brand equity, the consumer relationships, the infrastructure, the financial capital, and most importantly, the will to persist in their current roles as primary providers of consumer needs,” Tenser says.

In short, the major supermarket chains have too much too lose and too much history of survival to sit by idly while pure Internet retailers siphon away their most profitable customers. While there will be some casualties among the brick and mortar chains, the industry as a whole will adapt to virtual reality, transforming itself into a hybrid “bits and mortar” industry.

Tenser recently summarized this analysis in an article in the April 1999 issue of *Business 2.0*, entitled “Net Grocers: Damaged Goods”, written by Dale Buss.

“Streamline and Peapod may have initiated the market and started the fight,” the article quotes Tenser as saying. “But the big chains are going to finish it.”

Recent media coverage of the virtual store phenomenon has focused on innovative online-only players in relatively small product categories, such as Amazon.com in books, CDnow in music, and Reel.com in videos. Such “pure play” Vstore operators have limited experience in operating at scale. And because of the high costs of customer acquisition and creating infrastructure, none of them expect to show a profit in the foreseeable future.

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Tenser believes many existing supermarket operators have the intellectual capital, determination and “battle-hardening” to meet the challenge. Many will choose to widen their “retailing bandwidth” to encompass both bits and mortar.

“Complexity is the big challenge in this. Due to order size and perishability, fulfillment for online supermarkets is far more difficult than it is for books or CDs,” Tenser says. “But the supermarket business has never been simple.”

As for big grocery's upstart all-virtual competitors, he adds, “They have a lot to learn too. They can start by learning about the risks involved in inventory investment.”

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Note To Editors: *VStoreNews*[™] and **VStoreNews.com** are productions of **VSN Strategies, Inc.**, a new media and consulting company led by James Tenser, a business journalist-turned-entrepreneur. He launched *VStoreNews*, an email business periodical covering online retailing, in July, 1998 after more than 19 years covering the retailing and marketing of branded products.

Tenser is available for interviews on all aspects of online retailing. Permission granted to quote from this release with attribution.

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