




MEMORANDUM

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
☎ 517 335 5884
☎ 517 335 2521

CUSTOMER ASSISTANCE
☎ 517 373 9808

www.michigan.org

DATE: December 21, 1999
TO: Michigan Economic Growth Authority
FROM: Dawn Baetsen, Managing Director
Global Business Development 
SUBJECT: Briefing Memo - Webvan Group, Inc.

COMPANY NAME:

Webvan Group, Inc.
1241 E. Hillsdale Blvd., Suite 210
Foster City, California 94404

HISTORY OF COMPANY:

Webvan is an e-commerce, internet company offering same-day delivery of food products and general merchandise. The company was incorporated in December 1996 and became a publicly-traded company in November 1999.

PROJECT DESCRIPTION:

Webvan is siting a distribution center to serve the Detroit and Toledo metropolitan markets. The company is considering either southeast Michigan or Toledo, Ohio. Investment is estimated at \$47 million, which includes a 300,000 square foot building and machinery and equipment. Employment at the center would reach 900 within a 4-year time period. Average weekly wages will be \$550 (roughly \$13.75 per hour) and a benefit package worth approximately 25% of wages.

BENEFIT TO STATE:

According to the economic analysis done by the University Michigan, we estimate this facility will generate a total of 1,198 jobs in the state by the year 2015.

Governor John Engler
GENERAL CHAIR

Doug Rothwell
PRESIDENT & CEO

Briefing Memo
Webvan Group, Inc.
December 21, 1999
Page Two

Total state government revenues through the year 2015, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$27,336,000 (1999 dollars) due to the of presence of the Webvan Group, Inc. facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Ohio and Michigan. Based on figures obtained from the company, the cost disadvantage for Webvan Group, Inc., to establish its distribution facility in Michigan rather than Ohio ranges from approximately \$1.5 to \$4.6 million annually over the term of the incentive. The cost differential is primarily attributable to wages and taxes. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Ohio.

OTHER STATE AND LOCAL ASSISTANCE:

The city of Livonia will waive building permit and inspection fees.

BUT FOR:

Without the assistance offered by the MEGA program, Webvan would not locate its new facility in Michigan due to the large cost differential which might jeopardize the company's position in the highly competitive arena of internet grocery sales. A distribution facility can serve a fairly wide geographical area, so it is very appropriate for the company to be looking at northern Ohio to accommodate both the Ohio and Southeast Michigan target markets. Although we are unable to fill the gap entirely, the company feels that putting the project in Michigan makes sense from a marketing standpoint. A Michigan location will be better able to serve southeast Michigan which the company projects being a prime market for their service.