Internal Resources Financial Performance and Competitive Position of Chewy

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Chewy's Resources

Chewy operates as an online e-business providing pet products. The business's website and mobile application provide information about all products and services. The two platforms are user-friendly. As an online business, Chewy does not operate through any physical sales location; rather, it uses telephone and digital mediums to operate. The website has a very large variety of products to offer. Some of the important features of the website include scheduling deliveries, finding a pet pharmacy, and getting connected with a vet. The feature of "connect with a vet" offering telehealth service led to the creation of a new customer base and increased website traffic. This feature was launched in 2020 with the COVID pandemic making it impossible for pet parents to reach out to pet health services. Chewy's CEO, in an interview recently, said that the company understands that pets/parents need not only food and toys but also health care and services that the company is obliged to bring onto their platform (Wahba, 2021).

The surge in pet adoption and the closure of pet-affiliated services during the pandemic increased website traffic. This required improvement in the technology infrastructure to meet demand. It also required increasing the capacity of the supply chain and inventory. (Hamstra, 2021). Regular customers can also use the option of "Autoship" for their frequent orders once details have been saved in the account. The business also has a live chat option where customers can get in touch with the telephone sales and support team to ask about products and services. Customer service is available 24/7 on both the telephone and website. As of January 2021, the company had approximately 18500 team members that ensured the business was running.

Considering Chewy's model of online retail business requires third-party channel networks to operate. The business has relationships with many suppliers and vendors that provide various pet products that are available to customers. The website maintains a portfolio of 45000 products. To maintain the supply of the products, they are kept in the warehouse. For distribution and delivery of the items ordered by customers, Chewy employs FedEx services. Chewy has partnered with non-profit organizations such as pet shelters and pet rescue organizations in various projects (*Chewy*, 2016).

For Chewy, customer service is the core of all its operations. The business has evolved and customized to the changing needs of pets and pet parents, especially during the pandemic. CEO Singh has also mentioned in a recent interview that "adaptability and flexibility are going to be very important." (Hamstra, 2021). Chewy provides customer care 24/7 and in the most prompt manner. It replaces any products that the customers complain about without any hassle. It provides free delivery services for orders amounting to above $45. It has been ranked as no. 1 with an overall 8.90 score on America's Best Customer Service in 2021(NEWSWEEK, 2020).

Developing a sustainable competitive advantage is necessary for survival in markets where retail giants such as Amazon lead the competition. Considering that the telehealth feature called "Connect with a Vet" is a sustainable competitive advantage, it is valuable. This feature was added to the service in the year 2020; it can be deemed valuable as pandemic restrictions made many services unavailable. This is an additional service that Chewy has merged with its main retail business; it can be considered a rare combination until it is followed by major online pet stores. The third aspect of sustainable competitive advantage is the cost to initiate, as once a relationship of trust between the vet and the pet parent is made, they will not switch to an alternate unless that trust is broken. Lastly, there is the substitution; the alternative to this is to visit a pet clinic. Pet parents are well aware of the struggles of taking their pets to physical pet clinics. Therefore, even though a pet clinic is an alternate native, the preference of receiving a quality service at home may make the alternate less tempting.

Considering Chewy's resources, it can be summarized that its technological infrastructure, website, and telephone sales team provide a platform for smooth operations. Accompanied by an extensive supply chain, logistic arrangements, and a network of warehouses, they have built a large product portfolio (*Chewy*, 2016). These strengths of the company can provide it with an opportunity to compete with retail giants.

Financials

The following section will analyze the financial ratios for the years 2019 and 2020 for Chewy (*Chewy, Inc. – Financials*, n.d.).

Net Profit Margin

Net profit margin	2019	2020
net profit/ revenue	(252370)/ 4846743 = -5.2%	(92486)/ 7146264 = -1.3%

Net profit margin represents the amount of net profit generated for every dollar of sale. As Chewy has been experiencing losses for the years 2019 and 2020, both net profit ratios show that the costs are higher than the net profit. However, for the year 2020, with increased sales, the loss for every dollar of sales has come down. (*Chewy,-Inc.-FY2020-Annual-Report.Pdf*, n.d.)

It is important to note that due to the pandemic, Chewy had to beef up its technology infrastructure;

therefore, it has losses to show during these two years. As reported in October 2021, its revenue increased by 47% (Wahba, 2021).

Current Ratio

Current ratio	2019	2020
current assets/ current liabilities	448585/ 814030 = 0.55	629789/ 1100538 = 0.57

The current ratio represents a company's liquidity to pay its short-term liabilities. For Chewy, the current ratio value is below 1 for both years 2019 and 2020. This means that its short-term debts and liabilities are greater than its available current assets. The ratios show that from the year 2019, it has increased in the year 2020, which means that the gap between current assets to cover short-term liabilities has reduced. (*NC10011622x1-CHEWY-INC._10K_2020_V2-Bookproof.Pdf*, n.d.)

Debt- Equity Ratio

The debt-to-equity ratio shows the financial picture of the business. It shows how much of business finances are raised through debt and compared to own finances. A negative debt-equity ratio represents high liabilities, as the following figures show for Chewy.

Debt equity	2019	2020
total liability/shareholders equity*	877564/ (335942) = -2.6	1336295/ (403974) = – 3.3

shareholder equity= total assets – total liabilities

*2019

541622- 877564 = (335942)

*2020

932321- 1336295 = (403974)

Total Asset Turnover

Total asset turnover	2019	2020
total revenue / total assets	4846743/ 541622 = 8.9	7146264/ 932321 = 7.7

Total asset turnover describes how efficiently the company uses its assets to convert them into revenue. The ratios show that Chewy is efficiently converting its assets into sales, as a positive value above 2.5 is considered a good indicator of efficiency.

Conclusion

Chewy is innovating the pet products and services business. It may be questioned that a company that seems to offer such a wide variety of products and services keeps showing losses. However, world businesses have faced setbacks and challenges due to the COVID-19 pandemic. It is worthwhile to note that the losses reported are mainly because of the business expansion and repositioning. The brand has a huge customer base because of its prompt response system and quick product delivery across the country.

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