Strategic Analysis of Chewy

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Introduction

All businesses strive to retain their customers as this is the lifeline to their survival and profits. Growing markets, changing economies, and uncountable options to switch have made it essential for a business to add value to its product or service. It is this added value that can help in building an emotional bond between the business and the customers. The business needs to understand what the customer considers as "value." To create an advantage for the business, this "value" has to meet multiple objectives for the organization, society, and the customers. The challenge is to have a thorough insight into these evolving markets and customer demands to design the operational functions and decision-making highly effective to create strategic benefit for the business (Smith & Colgate, 2007). The benefit of such value creation leads to a competitive advantage for a business that enables it to outperform its competitors.

As an online business that deals in pet products, Chewy has repositioned itself to create a competitive advantage in a highly volatile scenario of the COVID-19 pandemic. This research paper will discuss the internal and external factors and changes that have helped Chewy create its competitive advantage.

Competitive Strategy

In the year 2018, Sumit Singh became the CEO of Chewy. The company, in the same year, expanded its product category by introducing pet pharmacies along with pet food, litter, and accessories. The company had always had a customer-centered focus which was carried on by the new CEO. However, even with high customer satisfaction and customer care, Chewy had not been able to grow and earn profits. The COVID pandemic has been characterized by layoffs, lockdowns, and business closure, but Chewy has done quite the opposite. The cornerstone of Chewy is its customer care and focus; in an interview in 2020, Singh commented that Chewy does not have automated telephone lines; every time a customer calls, "we" pick up the phone. This can not be overlooked as an insignificant detail to the business. The company has not only invested in monetary terms to ensure the availability of customer care 24/7 with a team of over 2000 agents, but it has also considered that this is an important touchpoint for its business. As an online business, their customers majorly come in contact with them through their telephone and online platforms (Hiebert, 2020). The company also maintains a personal touch with its customers by sending personalized pet portraits to its loyal customers. Even during the pandemic, the company sends out more than 1000 portraits in a week. Not only does this add value to the customer experience with a surprise, but they also support local artists through this venture (Pincombe, 2021).

The COVID pandemic forced people to stay at home due to restrictions, which led to an increased pet adoption rate and also people spending more time with their pets. Foreseeing this increased trend, Chewy used its market strategies with a purpose of capturing these new pet parents as their customers. These are historical results from the pandemic period: Chewy reported a 37.9% year-over-year increase in customers in the first quarter of fiscal 2020, 16.6 million active customers at that time, and 45% sales growth in the third quarter of fiscal 2020. For a current benchmark, Chewy reported 21.3 million active customers and $12.6 billion in net sales for fiscal 2025. Keep in view the company's value proposition of door-step delivery Chewy, was able to deliver products even when Covid made things impossible.

Another aspect that Chewy was able to capitalize on during the pandemic was showing a thorough and deep understanding of customer needs. The company has used its competitive advantage of customer care by identifying the upcoming trends and getting ahead of them. Realizing that pet services such as grooming and health were becoming unavailable due to imposed closures, they first increased their inventory of grooming items. Pets around the world are treated as part of the family, and even when a pet owner is trying to budget their spending, the pet items would be the last on their list to be rationed. Pets are highly adored, and with people spending more time with them, more toys and accessories were purchased during the pandemic. Given this vital insight idea of how stressful it is for a pet parent when their pet falls ill, combined with pandemic-related limitations, Chewy has addressed the functional and emotional needs of its customers (Repko, 2020).

The company used a vertical expansion strategy by bringing onboard pet health services on its website. The telehealth feature named "connect with a vet" was introduced in 2020. This enabled pet parents to connect with a vet through Chewy's website and application. This service has provided pet parents access to licensed veterinarians. They could ask questions regarding the health and wellness of their pets and get a referral to a local vet clinic. This service is not just handy with the pandemic and lockdown; pet parents are well aware of the challenges of taking their pet to a vet clinic. Therefore, this vertical expansion, although generated from the external factor of COVID restrictions, is at the very heart of both the pets and their owners' needs. The service is available free of cost to the customers who are using the "Autoship" feature.

Launching in 35 states in 2020, the service has been well-perceived and praised by customers. This has led to its expansion to 47 states and adding on additional services such as video consultation, a feature to schedule the video consultation, extending the service hours, and making it available over the weekends as well. These features have created an unparalleled customer experience with access and affordability (*Chewy*, 2021).

With this to be the customer-end, on the other hand, Chewy has created a B2B relationship with the vets by creating a virtual platform for the name Practice Hub. This e-commerce platform enables veterinarians to benefit from the reliable services of Chewy. The vets can use features such as price setting and pre-approved prescriptions and earn revenue when customers order their prescriptions through Chewy. Practice- Hub has created a hassle-free environment for the vets and their customers via Chewy. The pre-approved vet food and prescription can be purchased from Chewy's website and delivered by them. It has also reduced overhead costs for the clinics by excluding the need to of keeping an inventory (Pelkey & Hass, 2021).

Conclusion

Chewy has focused on customer care and meeting customer needs as its competitive advantage and has strategized to create a platform that brings related products and services together. Over the past two years, where every business has faced challenges, they have risen against the odds. They have managed to reduce their loss margin and increase their revenue; however, future share performance cannot be treated as a factual outcome, and investment returns remain uncertain. Understanding what creates value for the customer, not only leads to a competitive advantage for the business but also creates customer loyalty that is the backbone of survival in this ever-changing business world.

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