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Chewy Case Study Analysis

Introduction

Chewy has become one of the leading online retailers in the pet industry by focusing on convenience, customer service, and building relationships with consumers. Since its founding in 2011, the company has grown quickly by offering a large selection of pet products, services like Autoship, 24/7 customer support, and fast shipping. Rather than competing on low prices, Chewy has built a reputation for making pet owners feel valued through personalized services and a customer experience that stands apart from most retailers. These factors have helped Chewy grow into a Fortune 500 business with more than $10 billion in annual sales.

Even with this success, Chewy faces intense competition. Amazon continues to dominate online retail through scale, low prices, and fast delivery, while Walmart, PetSmart, and Petco have expanded both their online and in-store offerings. As a result, Chewy's share of the online pet market has declined from 47% in 2019 to 39% in 2022, with a projected drop to 37% by 2025. The main question this paper addresses is how Chewy can respond to growing competition without losing the customer relationships and unique strengths that made it successful. Instead of trying to beat competitors on price or size, Chewy should focus on improving the customer experience, expanding its pet care services, and growing carefully into new markets.

Competing with Amazon

Amazon is Chewy’s biggest competitor because its size, convenience, and wide range of products make it difficult for a specialized retailer to compete. Many consumers already shop on Amazon for everyday purchases, so adding pet food or supplies to an existing order is convenient. Amazon's Prime shipping and massive distribution network have also let it offer competitive prices at a scale that Chewy cannot replicate. Trying to compete with Amazon on price or shipping speed would hurt Chewy’s profits without giving the company a real advantage. Chewy would be competing in an area where Amazon is already the strongest.

Chewy’s biggest advantage is its focus on pet owners. Unlike Amazon, Chewy is built entirely around pets, allowing it to provide more specialized products and a more personalized customer experience. Chewy’s employees are trained to help with pet related questions, and services like 24/7 customer support, Autoship, Connect with a Vet, and personalized recommendations help strengthen that customer experience. Chewy has also built stronger relationships with customers through personal gestures, such as sending handwritten sympathy cards after the loss of a pet and offering free custom pet portraits. These small acts create a personal connection that Amazon’s more traditional shopping experience does not provide.

Rather than competing with Amazon on price and speed, Chewy should invest in the services that build long term customer relationships, such as veterinary care, subscriptions, and loyalty programs. By using purchase data, Chewy can also make shopping easier through automatic reorder reminders and personalized recommendations. Chewy’s goal should be to deepen its role as a trusted pet care company, not copy Amazon’s business model. The idea is to win by being the best pet company, not another Amazon

Bricks-and-Clicks Retailers

In addition to Amazon, Chewy faces competition from traditional pet retailers such as PetSmart, Petco, and Pet Supermarket. Unlike Chewy, these retailers operate both physical stores and online platforms, giving customers the choice to buy online for pickup, shop in person, or have products delivered. They also offer grooming, training, boarding, and adoption services which give customers more reasons to visit the store beyond a single purchase.

The clearest advantage bricks-and-clicks retailers have over Chewy is immediacy. When a pet owner runs out of food unexpectedly or needs same day medication, only a physical location can meet that need. In-store shopping also allows customers to see products in person and receive advice from employees, something an online retailer cannot fully provide. Despite that advantage, Chewy should not respond by opening its own stores, permanent or temporary. Physical retail is fundamentally a different business than the one Chewy has built, and pursuing it would work against Chewy rather than for it.

Opening physical stores would create new challenges for Chewy. The company would have to take on major costs like store locations, employees, and managing inventory in each location. Since PetSmart and Petco already have decades of experience operating physical stores, Chewy would be entering a market where competitors already have a strong advantage. This would push Chewy into a crowded "red ocean" where it would compete directly with established retailers instead of creating a unique advantage. Rather than fighting for market share in a space where others already have a strong position, Chewy should focus on areas where it can differentiate itself. Opening stores would also move Chewy away from what makes it successful. Chewy’s advantage is not having customers nearby, but using personalization, customer data, and strong relationships to create a better online experience. Physical stores would not make services like Autoship or vet consultations more valuable. Expanding into physical stores could hurt Chewy’s brand identity. Chewy has succeeded by being a convenient, online focused pet company that provides a personalized customer experience. Opening stores risks making Chewy look like a traditional retailer rather than a company that is redefining pet care. While it could create some attention, it would take resources away from improving areas that matter more to customers, like faster shipping and better service.

What should Chewy do instead? Build the largest community in pet care. Instead of competing through physical stores, Chewy should invest in experiences, services, and relationships that create deeper connections with pet owners that bricks-and-clicks retailers cannot replicate in person or online.

- Launch the Chewy Creator Program**.** Chewy should partner with pet influencers, rescue organizations, veterinarians, and everyday customers to create content centered around real pets and real stories. Features like Pet of the Month, rescue stories, product reviews, user generated content, and creator partnerships would help shift Chewy's marketing from simply promoting products to building a community with pet owners. This strengthens the emotional connection that already sets Chewy apart through actions like handwritten sympathy cards and custom pet portraits.
- Create a "Chief Barketing Officer." Chewy could also introduce an official rescue pet as the face of its social media presence. This ambassador would create a consistent and memorable identity for campaigns, while connecting adoption stories, community content, and new product launches in a more personal way.

This community focused approach creates many of the same benefits as a pop-up or a flagship store, such as stronger engagement, greater brand awareness, and deeper customer loyalty, without the high costs and challenges of physical retail. It allows Chewy to continue building its brand around digital experiences and customer relationships rather than physical locations.

Positioning Against Walmart

Walmart creates a different challenge for Chewy because it competes mainly through low prices. Trying to match Walmart’s prices would hurt Chewy’s profits without creating a long term advantage, since Chewy cannot compete with Walmart’s size and purchasing power.

Chewy should position itself as the trusted pet care company that combines convenience with personalized service. Its pet focused services and customer relationships create a level of connection that a giant retailer like Walmart cannot replicate. Chewy’s marketing should reinforce that it is more than just a place to buy pet products, it is a partner that helps owners care for their pets.

Part of this positioning should come through expanding premium and health focused categories, including specialized diets, medications, and wellness products. Pet owners are increasingly viewing their pets as family members, so they are more willing to invest in products and services that improve their pets’ health and quality of life. By continuing to compete through expertise, trust, and customer experience rather than price, Chewy can maintain stronger margins while building the type of loyalty that price focused competitors struggle to create.

Refining the Product/Service Mix Through Technology

Chewy’s next investments should focus on strengthening the services it already offers rather than expanding into unrelated areas. Instead of trying to become a broader retailer, Chewy should continue building pet focused offerings like telehealth, pharmacy services, wellness programs, pet insurance, and premium products. These services create more reasons for customers to return and strengthen the long term relationships that set Chewy apart from competitors focused mainly on transactions.

Chewy should use technology to make its service feel more personalized. Instead of only suggesting products, AI can help Chewy better understand each pet's needs by looking at information like age, breed, health history, and buying habits. This could allow Chewy to provide helpful reminders and recommendations before customers even realize they need them.

One of Chewy's biggest challenges is shipping delays, especially for important products like medications. Since reliable delivery is a major part of the trust Chewy has built with customers, improving fulfillment should be a priority. Investing in more automated fulfillment centers, better inventory tracking, and a stronger delivery network would help Chewy provide a more consistent experience. Fixing these issues is not just an operational improvement, it helps protect the customer relationships that make Chewy different.

International Expansion

As competition in the U.S. grows, Chewy should consider international expansion carefully and focus on markets that closely match its current customer base. Before entering a new country, Chewy should evaluate factors like pet ownership, veterinary care, customer spending, and logistics to determine where its business model can succeed.

Canada is a strong candidate for Chewy's first international expansion. Around 42% of Canadian households own dogs and 34% own cats. These pet ownership rates are very similar to the U.S. Market. Combined with similar high disposable income, a well developed e-commerce market, and close proximity to the U.S., Canada gives Chewy an opportunity to grow in a familiar market while making only minor adjustments to its business model.

To reduce risk, Chewy should enter Canada through partnerships with logistics providers, local suppliers, veterinary networks, and distribution partners to see how much demand exists before spending heavily. This would allow the company to test demand before making major investments. If demand is strong, Chewy could then build dedicated fulfillment centers in Canada to improve delivery times, lower shipping costs, and support future growth. This approach lets Chewy grow while reducing the risks that come with expanding into a new country.

Conclusion

Chewy should focus on what it does best instead of trying to copy others. It cannot outscale Amazon, outprice Walmart, or outstore PetSmart and Petco. Instead, it should continue investing in personalized service, trusted relationships, and a better customer experience. The same approach should guide its investments in technology, fulfillment, and international growth. By strengthening the qualities that already set it apart, Chewy can continue growing without losing its identity.