Petsmart’s acquisition of industry-disruptor Chewy is the largest ecommerce acquisition ever. Petsmart paid a pretty penny ($3.35 billion to be exact) for Chewy, so what are they gaining?

NEW CUSTOMERS
Petsmart has a customer base nearly 8 times greater than Chewy, but stands to gain 3% more customers to their base as a result of the acquisition. Looking at shoppers who spent at least $100 at either retailer in 2016, 1010data found that 75% of Chewy shoppers already shop at Petsmart. The remaining 25% equates to 3% of Petsmart’s current base. Three percent may not seem like much, but these shoppers spend an average of $71 per trip at Chewy, which is $9 more than the average Petsmart shopper spends at Petsmart. Petsmart sales have been relatively flat for the last 3 years. A basket size increase of $9 across their customer base would result in a sales increase of 15%!

LESS BRAND-CONSCIOUS CUSTOMERS
Reverse engineering actual consumer purchases online, 1010data found a distinctly different search strategy being played out on the two sites. Chewy’s customers tend to rely more on generic terms, indicating more of a “browsing” behavior, as compared to the very targeted Petsmart shopper, who seems to be more on a “mission trip”. This also translates into Chewy.com shoppers being less brand conscious, meaning the opportunity to upsell customers is more prevalent.

HIGHER CONVERSION RATES
Chewy.com had a conversion rate of 4.2% in 2016, which means 4.2% of all products viewed on Chewy became purchases. Petsmart’s conversion rate in 2016 was 3.7%. Although it’s a narrow lead, Chewy’s higher conversion still translates to more revenue for Petsmart overall.
STRONGER SPENDING POWER

Petsmart has been losing share to Chewy since 2015. Petsmart shoppers increased their spending at Chewy fivefold in just two years. Meanwhile, Petsmart’s shoppers are spending 12% less than they did two years ago. Even Chewy shoppers who once split their dollars between Petsmart, Chewy and Petco are spending more and more at Chewy. Chewy shopper spend at Petsmart has decreased by 39% since 2015.

KEY TAKEAWAYS

- Petsmart is adding 3% more customers to their base with the potential to earn 15% more in sales each year by acquiring Chewy
- Chewy customers are less brand-conscious, giving Petsmart the opportunity to upsell their new customers
- Petsmart is gaining back the share they lost when Chewy entered the market, positioning them as the biggest pet retailer online and in-store

FOR MORE INFORMATION

To learn more about the pet care industry, contact 1010data at marketinsights@1010data.com.