Chewy's Autoship Subscription Engine

Idea In Short

Chewy sells pet food, treats, toys and medication online, but the business that shows up in its financial results is closer to a subscription company than a traditional retailer. Autoship, its recurring-delivery program, generated 84.4% of net sales in the first quarter of fiscal 2026, up from about 60% when the company went public in 2019. That shift did not happen by accident. Chewy built customer service, pricing and even its veterinary clinics around keeping pet owners on autopilot rather than making them shop each week. This article traces Chewy from a jewelry business that failed to a $3.35 billion PetSmart acquisition, a 2019 initial public offering and its current push into pet health care, then breaks down how the company turns 21.5 million active customers into predictable, recurring revenue.

A failed jewelry business and a dog named Tylee

Ryan Cohen and Michael Day met in a Java programming chatroom and first went into business together selling jewelry online, investing $150,000 to build up inventory before giving up in 2011 after concluding they had no real passion for the trade. Cohen traced his idea for Chewy to his own dog, Tylee and the neighborhood pet store owner he trusted for advice and supplies.[1] Cohen and Day launched Chewy's website that same year from Dania Beach, Florida, funding the business initially from their own affiliate marketing income rather than outside capital. Investors were slow to bite. Cohen has said Silicon Valley venture firms passed on Chewy repeatedly, citing his age and the crowded online pet supplies market, before Volition Capital finally backed the company with a $15 million round in October 2013.

PetSmart pays $3.35 billion for a startup that undercut it

By 2017, Chewy had grown into a serious threat to traditional pet retailers and PetSmart responded by acquiring the company outright for $3.35 billion, the largest e-commerce acquisition on record at the time. The deal gave PetSmart an online business capable of competing with Amazon and Walmart's growing pet categories, at a price that reflected how much ground brick-and-mortar retailers had already lost to online shopping. Cohen stepped down as chief executive in 2018 and Sumit Singh, a former Amazon and Dell operations executive who had joined as Chewy's chief operating officer, took over running the company. PetSmart later separated Chewy into its own distinct corporate entity through a roughly $6 billion recapitalization led by BC Partners, the private equity firm that owned PetSmart, restructuring how debt sat across the two businesses.2

Going public while PetSmart kept control

Chewy went public in June 2019, pricing its initial public offering at $22 a share and raising just over $1 billion, valuing the company at roughly $8.8 billion, nearly three times what PetSmart paid two years earlier.3 The IPO did not hand full control to public shareholders. BC Partners retained a dominant position through Class B shares carrying ten votes apiece, giving the firm roughly 88% of total voting power even as its economic ownership share declined through subsequent stock sales, including a $500 million share repurchase in 2024 and a $1.25 billion block sale in June 2025. That structure means Chewy trades and reports like any other public company, but strategic decisions still run through a private equity sponsor rather than a dispersed shareholder base.

Autoship turns pet food into a subscription

> Autoship generated 84.4% of Chewy's net sales in the first quarter of fiscal 2026, up from roughly 60% when the pandemic first pushed pet owners to shop online

Autoship works by letting customers schedule recurring deliveries of the same products on a timeline they set, with no membership fee attached, unlike subscription programs that charge for access. Customers who enroll get a discount on their first order and typically save 5% to 10% on repeat orders, an incentive structure designed to make canceling feel like giving up value rather than saving money. Because pet food and litter are heavy, low-margin, repeat-purchase items, predictable recurring orders let Chewy plan inventory and shipping capacity more efficiently than it could serving one-off purchases, a logistics advantage that compounds as the Autoship base grows. Active customers reached 21.5 million in the first quarter of fiscal 2026, with net sales per active customer climbing to $597, evidence that existing customers are spending more rather than the company relying purely on new customer acquisition.4

Betting on vet clinics and pharmacy for margin

Chewy has pushed into pet health care as a higher-margin complement to its retail business, opening Chewy Vet Care clinics that numbered 18 locations by January 2026 and carried an average customer rating of 4.8 out of 5 stars.5 The company also runs an online pharmacy and Connect with a Vet, a telehealth service that lets Autoship customers consult a licensed veterinarian without an in-person visit. In 2022, Chewy launched CarePlus, a pet insurance and wellness plan built in partnership with Trupanion, extending its relationship with customers beyond individual purchases into ongoing coverage. These services do more than generate their own revenue:

> a customer filling a prescription or booking a vet visit through Chewy has less reason to compare prices elsewhere for food and supplies

A service culture built on handwritten notes

Chewy's customer service has become a recognizable part of its brand, built on practices such as sending bereavement flowers or a handwritten sympathy card when a customer's pet dies, gestures the company has kept even as it scaled into a multibillion-dollar business. Customer service representatives are trained to handle emotional situations, not just order and shipping issues, treating the company's relationship with pet owners as closer to a personal one than a typical e-commerce interaction. That approach supports the retention math behind Autoship: a customer who trusts Chewy's staff has less incentive to switch to a marketplace seller offering a marginally lower price. Word-of-mouth generated by these interactions has functioned as an informal, low-cost complement to Chewy's paid marketing.

Competing against Amazon, Walmart and Petco on the same shelf

Chewy competes directly against retailers with far larger scale and broader catalogs, including Amazon, which offers automatic pet product refills and same-day delivery to Prime members and Walmart, which has built out its own pet insurance, sitting and grooming services. Petco and PetSmart remain the closest specialty competitors, combining physical stores, in-store veterinary services and their own loyalty programs against Chewy's online-only model. Target and other general retailers sell pet products at competitive prices without matching Chewy's product breadth or its investment in vet care and pharmacy services. Chewy's answer to that competition has been depth rather than breadth:

> a wider assortment of pet-specific brands, a subscription model competitors have been slower to replicate at scale and health services that extend the relationship beyond a single transaction

Key Partners

Chewy relies on vendor and manufacturing partners across pet food, treats, medication and supplies, sourcing products it resells through its website and app. Third-party delivery and logistics providers move orders from Chewy's distribution centers to customers, supporting the delivery speed the Autoship program depends on. Trupanion partners with Chewy on the CarePlus insurance and wellness product, extending Chewy's offering into a category it does not underwrite directly. Animal shelters, rescue organizations and other nonprofit partners work with Chewy on donation drives and community initiatives tied to the company's pet-focused brand identity.

Key Activities

Chewy's core activity is operating its e-commerce platform, from inventory management and fulfillment to the customer service operations that support both routine orders and emotionally sensitive interactions. Running and growing Autoship, including managing recurring order logistics and encouraging enrollment, has become as central to daily operations as processing one-time purchases. Operating Chewy Vet Care clinics and pharmacy services requires staffing licensed veterinarians and pharmacists, activities distinct from Chewy's retail origins. Marketing and customer acquisition remain ongoing activities, particularly as Chewy competes for new pet owners against larger, better-resourced retailers.

Key Resources

Chewy's distribution and fulfillment network, built to handle bulky, low-margin pet products efficiently, functions as a core operational resource competitors have struggled to match. Its customer service team and the reputation built around it serve as a resource that supports retention in ways a lower price alone cannot. The Autoship customer base itself, now generating the large majority of net sales, is arguably Chewy's most valuable asset, since it converts one-time buyers into predictable, recurring revenue. Licensed veterinary and pharmacy staff support the newer Chewy Health business line, a resource that took years of hiring and regulatory work to build.

Value Propositions

Chewy offers pet owners a wide assortment of food, treats, toys and supplies delivered on a schedule they control, removing the need for regular store trips. Autoship customers get discounted pricing and one-to-two-day shipping on qualifying orders, converting a routine purchase into an automated, lower-cost habit. The company's customer service, including 24/7 phone and chat support and a hassle-free return policy, reduces the friction and risk of buying pet products online rather than in person. Access to Chewy Vet Care, telehealth consultations and pet insurance through CarePlus gives customers a single destination for both products and pet health care.

Customer Relationships

Chewy maintains relationships through personalized customer service, including handwritten notes, pet portraits and bereavement gestures that go beyond standard order support. The Autoship program itself functions as an ongoing relationship, since customers set preferences once and interact with the company primarily through periodic order adjustments rather than repeat shopping trips. Connect with a Vet gives customers direct, ongoing access to licensed veterinarians, reinforcing Chewy's role as a health resource rather than only a retailer. Loyalty built through consistent service has made Chewy customers less price-sensitive than typical online shoppers, according to the company's own repeat purchase data.

Channels

Chewy sells primarily through its own website and mobile app, without operating physical retail stores. Phone-based customer service supplements the online experience for customers who prefer speaking with a representative over chat or email. Chewy Vet Care clinics provide a physical, in-person channel for veterinary services, a departure from the company's historically online-only model. Email and app notifications support the Autoship program by reminding customers of upcoming deliveries and offering opportunities to adjust orders.

Customer Segments

Individual pet owners across dogs, cats and smaller categories such as fish, birds and reptiles make up Chewy's core customer base. Autoship subscribers, who now represent the large majority of active customers, form a distinct segment the company prioritizes through retention-focused service and pricing. Customers seeking veterinary care and pharmacy services represent a growing segment engaging with Chewy beyond product purchases. Price-conscious shoppers comparing Chewy against Amazon, Walmart and Petco continue to represent a segment the company competes for on service and selection rather than price alone.

Cost Structure

Cost of goods sold for pet food, supplies and medication represents Chewy's largest expense, given the company's role as a reseller of branded products. Fulfillment and shipping costs are significant given the bulky, low-margin nature of pet food and litter, requiring an efficient distribution network to protect margins. Technology and platform costs support the e-commerce site, mobile app and the systems managing Autoship scheduling and inventory. Personnel costs, including customer service staff and the licensed veterinarians and pharmacists staffing Chewy Health, add a labor-intensive cost layer beyond typical online retail.

Revenue Streams

Autoship subscription sales generate the large majority of Chewy's revenue, covering recurring orders of pet food, treats and supplies. Non-Autoship e-commerce sales from one-time purchases contribute a smaller but still material share of total revenue. Chewy Health, including pharmacy sales, veterinary clinic services and CarePlus insurance and wellness plans, represents a growing, higher-margin revenue stream layered on top of the core retail business.

- 1Chewy founder Ryan Cohen on starting the company
- 2Chewy and PetSmart separated into distinct entities
- 3Chewy IPO prices above expected range
- 4Chewy's Autoship subscription drives customer growth
- 5Chewy expands veterinary clinics and pet health services

Summary

Chewy's advantage was never obvious from the outside. It sells the same brands of dog food and cat litter that Amazon, Walmart and Petco also carry, often at similar prices, in a category with thin margins and heavy shipping costs on bulky, low-value items. What Chewy built instead was a habit: autoshipped orders that customers rarely cancel, a customer service team known for sending handwritten notes and bereavement flowers and a pharmacy and vet clinic business that keeps pet owners inside the same ecosystem for prescriptions and checkups, not just kibble. That combination has let Chewy grow revenue past $12.5 billion while competing against companies with far larger balance sheets. Whether Chewy Vet Care and its pharmacy business can scale into a meaningfully larger profit contributor, rather than a retention tool for the autoship business, will determine how much further the model can expand.