# The Moment Fulfillment Became the Product

Decision Files

## 30-Second Brief

The Decision: Should Chewy keep fulfillment outsourced or bring it in-house?

Why It Was Hard: Every option risked growth, cash, service quality, or board trust.

What They Chose: Chewy went all-in on owned fulfillment despite the execution risk.

Outcome: Positive in hindsight, but the path created severe transition risk.

Core Lesson: When operations carry the customer promise, they stop being backstage.

## The Case

Chewy was scaling in a category still haunted by the Pets.com collapse. The company's edge was not simply selling pet supplies online. It was making the transaction feel unusually personal: high-touch support, handwritten notes, and a service experience that borrowed from the local pet store.

That promise ran into the warehouse. Chewy's third-party logistics partner knew e-commerce, but bulky pet food, fragile goods, perishables, and prescription products made fulfillment unusually complex. The outsourced setup was straining just as the company needed to keep growing.

The board's instinct was caution: slow growth, repair the partner relationship, and improve the economics. Ryan Cohen and the founding team saw a different risk. If speed, accuracy, packaging, and reliability were part of why customers chose Chewy, then fulfillment was no longer a support function. It was a product decision.

## Signals That Mattered

Growth was real but fragile. Chewy had momentum, but limited runway and a cash-hungry inventory model.

The 3PL mismatch was structural. The partner struggled with large, varied, perishable, and regulated products.

The customer promise depended on delivery. Warm support could not compensate for late, damaged, wrong, or poorly packed orders.

Waiting could make the move harder. The larger Chewy became, the more painful a future fulfillment transition would be.

## The Options

Chewy could slow growth and stabilize the outsourced relationship. It could add another 3PL. It could start learning owned fulfillment while keeping the old partner as a safety net. Or it could make the hardest move: sever the relationship and bring fulfillment in-house.

The aggressive option created exactly the kind of pain skeptics feared. Once the existing partner learned Chewy was building its own facility, the economics worsened. But the underlying logic held: if fulfillment was core to differentiation, Chewy had to own it.

## Unknowns

The biggest unknown was whether Chewy could stand up owned fulfillment quickly enough without breaking the customer experience or running out of cash. Another unknown was whether a staged transition would have captured most of the benefits with less operational shock.

## Decision Principle

Do not ask whether an operation is core in the abstract. Ask whether failure in that operation would break the customer promise customers actually value you for.

## Analyst Counterpoint

The decision looks obvious because Chewy later became hugely valuable. That does not prove the timing was optimal. A staged owned-fulfillment path may have captured much of the learning with less transition risk.

## Questions for Operators

Which part of your operation most directly affects the customer promise?

Are you outsourcing a function because it is non-core, or because you have not admitted it is core yet?

If your partner failed during a growth spike, what would customers blame you for?

Would slowing growth protect the business or concede the category?

What staged version of ownership would reduce risk without avoiding the hard decision?

## Source Note

This Decision File was produced from public HBR/HBS source material on Chewy.com’s fulfillment decision, especially HBR On Strategy’s “A Lesson on Balancing Scaling with Stability” and the underlying Harvard Business School case discussion.