Penetration of The French E-Commerce Pet Store Market

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Country Analysis

E-Commerce Market

France is already a market that most would consider to not be an emerging market but from an e-commerce point of view France still has a large amount of growth to cover. France has increased their e-commerce sales to 81.7 billion euros in 2017 that is equivalent to about 90.42 billion dollars (French E-commerce Report 2017, 2018). In the United States in 2017 e-commerce sales came in at 453.5 billion dollars (Cordero & Levy, 2018) This is a difference of 363.08 billion dollars showing that the French e-commerce market is an emerging market in todays economy. France is known for being a hot spot for fashion and luxury goods. Many people travel there year round to see the beauty of the city and the amazing fashion that they have to present. On top of that France is also known for its high exports of industrial machinery, motor vehicles, metals, oil, and pharmaceuticals (United Kingdom: Trade Statistics, 2018). Many of those markets are sold more on a business to business scale rather then a business to customer sale. This is where e-commerce growth in France could improve foreign business to customer sales.

Government factor

France has a Monarchy government that currently has a low political risk.This is important for the economy because when a country is not in political stability it can cause the economy to crash with it (United Kingdom: Government, 2018). This type of government is different from America and with that comes different laws and regulations when it comes to business. When opening a new e-commerce in France it is important to know their laws on imports. As most know European countries are known for regulations on ingredients that can be

put in products and soften of the things we consume. When importing items into France it is important to makes sure all products follow these regulations. On top of that it is important to get registered as a business in France to be able to open an online site and ship products in easier. Another issue that is faced with e-commerce is the privacy of customer information which must be followed to French guidelines.

Development, Culture, and Trade

France is considered a develop country with a high income (United Kingdom: Economy, 2018). This influences their business interactions and customs. By having these expectations of high quality products with good in-store interactions impressing the French customer can be hard. It is important in their culture to shop at their local stores and live, breathe, eat French culture. This can make it difficult for a new country to enter their market. One of the few things that makes France an outlier is their refusal to be apart of the Mercosur farming deal. The main reason for this being is concerns about climate change. President Emmanuel Macron does not believe that the climate change is being brought to the highest amount of importance (Overstraeten, 2019). This is extremely important when discussing the French culture as they believe in high quality products that do not harm us or the environment. The French believe in this so much that they are unwilling to sign this deal just because that issue is not being stressed enough. This extremes on good products for the customer and the environment plays into their regulations with imported products. This does make importing American goods much more difficult because American regulations on ingredients in food and the affect on the environment are much more lenient.

Major Market Trends

As stated above it has been a trend that French products to be free of harsh chemicals and ingredients that could harm the customer or the environment. The focus on eco-friendly cars, the lack of spraying farming crops with chemicals, and many other measures they take to ensure a healthy life. With this trend is also the trend of e-commerce also mentioned above. The French have increased their e-commerce by 20.5% in 2017 (French E-commerce Report 2017, 2018). This is very important for them to continue to expand their market. This trend is pushing France more toward the consumption ways of Americans just at a much slower rate. Before this increase the French it was more common for the French to purchase things from local shops and a few large retailers. This increase in online shopping is allowing their consumer to purchase goods from mass retailers located outside of their country. With this change though it is becoming more and more important for the consumer to see that their product was made in France creating a barrier with in this newer way of consuming goods.

Market Analysis

Current Business In American

America there is a great market for pet stores. This could be the local pet store, the chain pet store, or even the online only pet store. Either way it is extremely easy to get access to pet supplies and food. Chewy is an e-commerce site in America that allows customers to get weekly, monthly, and so on shipments of pet food, toys and more. It also allows customers to do one time purchases as well (Chewy, n.d.). This is like the Amazon store for all things pets. They promise \quick shipping and offer free shipping after spending a certain amount of money. On top of that Chewy also promises to have the cheapest prices for their products (Chewy, n.d.). This helps

customers save money from the up-charge of their local pet stores. This allows customers to not have to worry about running the the pet store frequently and wondering if they could be saving any money. Currently Chewy only ships in America where it is competing against a large number of local, chain, and online stores (Chewy: Shipping, n.d.). It is time for Chewy to expand their e-commerce to an international location.

Current Business In France

Many international places do not own pets in the same frequency as Americans. This is a new trend that is starting to become popular for foreigners. Specifically France being the European county that has the largest number of house hold pets (French Spend, 2017). With France holding that title their pet store market should be booming. Unlike America though they only have one major pet store called MaxiZoo. With MaxiZoo there are many smaller local stores as well. The main issues with these stores is they do not have the option of purchasing online like most of American pet store companies do. The French do have access to other online stores like amazon and Zooplus which is a German pet store where they can order online. This may seem like a market that is already full but with online shopping in France increasing by 20.5% in 2017 it is time for there to be a much larger option available (French E-commerce Report 2017, 2018).

Competitors

MaxiZoo has locations throughout all of Europe but only around 180 locations in France (Animarlerie, n.d.). In France MaxiZoo has a profit of about 150 million euros which is about 165 U.S. Dollars (Maxi Zoo France Profile, n.d.). Although MaxiZoo only has 180 stores with in

France they have close to 1,200 stores throughout 11 countries (Animarlerie, n.d.). With the constant growth of house hold pets with in European countries MaxiZoo France plans to operate 230 stores by 2020 throughout different European countries (Animarlerie, n.d.). As stated above European countries have different regulations on products that are being sold. One product that is offered as a “famous brand” is Royal Canin which is also offered in America. MaxiZoo also offers onsite workshops to educate customers more on nutrition and care of the pets. This weight on the importance of the pets health and lively hood fits with their slogan, “a happy animal makes his master happy!” (Animarlerie, n.d.). All of these traits show why MaxiZoo has been elected “French Favorite store for animal products” for three years. In 2019 the company was awarded second prize though with an increase of customers that were surveyed (Animarlerie, n.d.). All these things show how strong of a competitor that MaziZoo will be to Chewy even with the lack of an e-commerce presence.

Specific Market Trends

Out of all other European markets the French market it the easiest to enter. As stated above this is because the French have more pets than all other European markets. The French similar to Americans see their pets as part of the family and as a whole spend about three billion euros (3.2 billion U.S. dollars) on pets each year (French Spend, 2017). When opening a pet store in France it is important to pay attention to what kinds of pets the French have. Fish rank in at number one with 36 million as house hold pets. This means that Chewy would need to increase their focus on fish to compare well with other animals on the site. Cats rank in second at 10.7 million as house hold pets and dogs at 7.8 million (French Spend, 2017). To put it in to prospective Americans own about 77 million dogs (Woien, 2019). This difference between

America and France means that Chewy would need to change their main focus on their site, the way they market, and the amounts of products they offer for each pet.

Market Strategy

Executive Overview

Chewy is an American e-commerce site that plans to enter the France market. As the France pet market grows the market share that Chewy can dominate becomes larger. More and more French people are buying house hold pets and focusing on the importance of healthy, premium products for them. Top competitors like MaxiZoo currently dominate the market for pet stores with grocery stores declining as top market share holder. These competitors do not offer online shopping giving Chewy a huge advantage over them. By gathering data from the French people through local surveys Chewy will be able to fully understand the market in France before entering it. It is important that Chewy understands their customer to the fullest amount before selling to them. Once Chewy has gathered information about their customer it is important that they differentiate them selfs from current competition. This means offering products that local stores are not able to offer including, even healthier pet food and dog tags with location devices attached. By branding them selfs as an easy, healthy, affectionate pet store brand Chewy will be able to gain the respect of the French consumer. On top of that a high focus on social media marketing will also help Chewy get the most interaction with customers with the least amount of money invested. Chewy will need to make sure that their growth kicks off strong at the start before it because constant. By making sure to grow the company with the growth of the pet store market Chewy will be sure to succeed.

Company Profile

Chewy opened up its e-commerce store in 2011 and was acquired by PetSmart in May of 2017. With this change came the decision of the company going public in June of 2019. The company had amazing success with their first stock being sold at 64% higher then the initial public offering. The company continues to grow as online shopping becomes more and more popular. With a 68% increase in revenue from 2017 to 2018 the company looks toward a future of growth. On top of this net sales per active customer in 2018 was 334 dollars this is up almost 8% from the following year (Kilgore, 2019). This high net sales number is important for the status of Chewy as an e-commerce. Chewy also offers a subscription to their site. This allows you to get bags of food, treats, toys and other products on an auto-ship to customer. Doing this offers the customer a percentage off and free shipping. This auto-ship represents about 66% of their total sales in 2018 (Kilgore, 2019). With this percentage growing each year it shows how the convince of this auto-ship will incise customers to use this service and be drawn to it. Chewy also finds importance of being honest with customer for products, services, and business information and financials. On their website all Financial reports, investor information, press information, ingredient information, and safety information is provided at easy for the customer to find (Chewy, n.d.). This will sit well with the French culture when introducing the company.

Market Overview

The pet store market is increasing every year do to the increase of pets the French own. This is causing room for the market to grow. With this growth comes a better idea of what the typical shopper is looking for and a good definition of the market. As stated above the French care about what ingredients and chemicals are being used in their products. This creates one

constraint when entering the market. Each product must be well labeled and easily understood with products that are approved by the government (France Pet Food, n.d.). This cost extra money that Chewy would need to make sure was accounted for when rolling out their new site. On top of this the market is focused on premium brands as organic brans tend to be more expensive (France Pet Food, n.d.). By opting for a premium brand the customer can purchase at a cheaper price while still getting a good quality product. With the importance of pet food ingredients also comes the importance of toys and care products. Just like food each product must be made free of harmful chemicals and must be safe for the pet. This allows creates the importance of extra labeling to notify the customer of what is in the product. Although pet food is the largest part of the market pet toys, treats, care, and more still make an impact on the market as well.

Segment Demographics

Pet stores have many different segments as they sell a large variety of products. It is important that Chewy sticks to the guidelines of what grabs the attention of each customer shopping in each separate segment. Each customer is shopping for a different need creating each category of segments; product type, pricing, bread/ type of pet, and sales channel (France Pet Food, n.d.). For example fish food may be a larger segment in the market than cat food due to the large volume of pet fish in France. Also the importance of healthy ingredients in all food plays into which products have a larger segment. This involves strict labeling of all products so customers can see exactly what their pets are consuming. Dry food that is well labeled with ingredients consisting of real food hold the largest market share. On top of this the pricing segment also changes what type of food and products owners may buy. Organic food tends to

come at a higher price discouraging owners to purchase this creating the larger dry food market share (France Pet Food, n.d.). With the increase of incomes with in each house hold the demand for these premium pet food brands is increasing. This is causing how large each segment in the pet market to change. When Chewy enters the France market it is important they follow this trend of well priced, well listed ingredients, and types of pets per house to penetrate the market.

Market Survey (Example)

Before opening the e-commerce site in France it is important to find out the most information about what the customers want. There are two ways for the company to go about this. The first way is to set up a local marketing research teams to go through out France and collect information from the people themselves. The best locations to do this at are different pet shows like the World Dog Show and animal conventions like the Expo Zoo which bring together retailers for all different kinds of animals (Bvent, n.d.). By talking to locals the company can find out first hand what customers are looking for, brands that they respect, and how much they are willing to spend on pets. On top of this Chewy can also release surveys online questioning the same things from above. To get access to the French populations Chewy can enter different pet groups on Facebook from France. Large amounts of people join these groups and it can allow chewy to talk straight to the consumer from America. These two strategies will allow Chewy to fully understand the customers needs and preferences when it comes to their pets.

Estimated Market Share/ Penetration

Between the growth of online shopping and the pet store market in France there is a growing amount of room in the market for a new company to enter. By the end of 2025 the pet food market in France alone is expected to total up to five billion U.S. dollar (Markets, R., 2019).

This growth is only for pet food and does not include the growth of pets owned, pet toys, pet care, and so on. With this two million dollar growth in just this one department of pets Chewy needs to take advantage of the opening in the Market. Currently grocery stores hold the highest percentage of the sales channel (France Pet Food, n.d.). This is because the ease of only making one stop when grocery shopping for the house and low priced products. With online shopping growing though grocery stores are starting to lose their market share. This increase in online shopping, healthy ingredients, and good products is causing the market to shift to a need for online shopping and speciality shops for pets. Chewy can fit both of those aspects by selling top premium pet food brands like Nestle, Mars, Affinity, P&G, and Agrolimen (France Pet Food, n.d.). Being able to partner up with these brands and offer them to the consumer online with ease will help Chewy dominate the market.

Leading Innovation

The best way for Chewy to stand out is for the brand to keep up with the chaining times in the pet market. To do that it is important for Chewy to offer the top pet products and food that will top what the French already have access to. With Chewy’s resources from being such a successful business it is up to the company to test and create products that are healthier for pets than what is currently out there. By creating a new product that will spark interest to the French they will be able to bring consumers to their site. On top of that as stated before the French still use dog tags as their main source to find their pets rather than an inserted chip. Since this may not be the best option for the French pet owners Chewy can offer dog tags with a tracking chip in them. This will allow the best of both worlds and offer something that the French currently do

not have at their local pet stores. By offering these specialty products to Chewy’s online shop it will differentiate them from the current competitors in France.

Competitor Profiling

Since MaxiZoo is based in another country it is hard to pull up information about net sales per customer, net operating income, and sales. What the company does allow for American viewing as stated above is a revenue that is around 150 million euros about 165 U.S. dollars (Maxi Zoo France Profile, n.d.). More information regarding the companies plans for growth can be found above under the “Competitors” section . MaxiZoo does have Instagram and Facebook for every country they have stores in. MaxiZoo France currently has a following of 10.8k followers compared to Chewy at 377k followers. With MaxiZoo only having 211 posts on their page and only posting every couple of days their social media presence is not strong (Instagram n.d.). This is a down fall for the company as they are missing a large opportunity for free marketing. On top of that their social media seems to be only focused on the adoption of pets with-in France. This is great for a pet store to do but should be mixed with marketing to bring in a larger crowd. On top of that MaxiZoo’s website offers special services like getting a collar engraved with their name and owners address to easily return a lost animal (Animalerie, n.d.). This service is now outdated compared to the ability to insert a chip in your dog to tract their location if they get lost. This could be against ethics for the French people but they could offer a dog tag that has a tracing chip in it instead. This is where an American company would be able to offer new ideas and items to the French population.

Product and Product Mix

Having the right product based on the customer is extremely important for Chewy’s success. Since the French differ in the types of products used and animals in a house hold it is important to change the products offered between America and France. The products that are selected need to fit the standards of ingredients allowed, chemicals that are used to produce, and the affect on the environment that the products have. The best way to stay on track for this difference is for Chewy to partner with brands that are already sold in France and fit those guide lines. This would be on top of the few American brands that Chewy will also offer. It is also important for Chewy to increase the inventory supplied for fish. Since this is such a popular animal for the French it is important to offer a large selection of products as well. By having a mix of French and American brands Chewy will be able to not only offer the type of products the French like and are used to but also open them up to the American Market and offer choices that were never there.

Branding

All of the information provided thus far will lay out how the Chewy needs to be branded in France. Since France is extremely focused on healthy, environmentally friendly, all natural products it is important to include those things with in the brand image. By selecting products that fit these outlines Chewy can promote its self as a brand that cares about all of those qualities.On top of that Chewy will focus on the idea of pets being apart of the family. This is something that they are not stressing in America as a part of their brand. Instead their website stresses more the importance of customer service. It is important for Chewy to add a section on their page about the relationships between owner and pet. This will allow the French customers

to relate to the Chewy brand. Lastly it is important for Chewy to continue to stress the convince of their company and how pricing may compare to other companies that are currently used. By creating this easy as Amazon feel the e-commerce French customer will want to try the companies products.

Market Testing & Validation Plan

The most important thing for Chewy is to make sure the proper amount of market testing is done before rolling out new products and launching the brand. If this is not done correct Chewy could lose potential customers. To start as stated above in the Market Survey Example, Chewy will send out surveys to the customer to help them understand more what the typical consumer is looking for. After a large amount of data is analyzed Chewy can then focus on collecting data about each competitor, their market share, average price for products, most bought products and much more. This will help them narrow down what products are most important to sell and what price they should offer it at. This allows Chewy to enter the market at a competing prices. This testing will continue on with the launch of Chewy’s site with a promotion if the customer fills out the survey. This will incise the customer to give Chewy even more feed back to keep on track with market trends and customer satisfaction.

Social Media

Social media has become a huge help when it comes to marketing. People are more likely to interact with an advertisement on social media compared to other advertisement platforms. This also allows a most cost efficient way to introduce the company to the new market. Chewy will focus on creating a ChewyXFrance page. This will include all advertisement in French to appeal to the main demographic. On top of that there will be a stronger focus on Fish compared

to America where the main focus is on dogs. To introduce the new page to the French Chewy will pay Instagram and Facebook to place advertisements on users feed and in-between stories. By insuring an interaction with customers to start Chewy can then stop paying for advertisement as more people hear about the company and naturally look for their page. Social media will also be a platform for customers to ask questions and get fast responses about orders, products, and other customer issues. Having a strong social media presence will separate Chewy from local pet stores.

Pricing and Financial Forecast

Finding the pricing for pet stores in France and MaxiZoo France is hard to do without actually being in the country. What is available is numbers for pet food as a whole. During 2019 per person revenues for dog food was around 68 U.S. dollars (in relation to total population) (Pet Food, n.d.). This number can help Chewy gage how much their consumer is willing to spend per purchase. It is important to make sure that the pricing of each product is in comparison with other French pet stores to make sure that Chewy is not an outlier for pricing. On top of making sure pricing is in comparison with other French brands it is important for Chewy to understand where the market for pet food is heading. Between 2019-2023 the pet food market is said to grow 2.2 percent (Pet Food, n.d.). This is just for pet food not for pet stores as a whole. This means that Chewy if marketed and priced right should be able to see an upward slope in growth after opening their e-commerce site in France. In America Chewy is currently expected to grow at an annual growth rate of 4.2 percent until 2022 (Kilgore, 2019). After Chewy goes through its accelerated growth period after opening and running for a few years it will be the companies goal to match this growth rate in France.

In Summary

Chewy has the chance to grow the pet food market more than any current company has been able to do in France. With the ability to offer every product online will give Chewy a huge advantage. France is starting to come in to the new era of online shopping as more and more customers are opting for the ease of companies like Amazon. With current pet store companies being behind this trend Chewy has the opportunity to take a large portion of the market share. By keeping on trend with premium, healthy, safe, and well priced products Chewy will be able to also compete with the competitors once they make it to the e-commerce world as well. Proper testing of the French consumer will help Chewy understand the best products to release and new products to come up with. With the focus of marketing being on social media Chewy will be able to reach all of France with low costs. All of these factors insure the success of Chewy following their financial forecast and finding success in this new market.

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