

MoS Rapid Response Script – Sumit Singh

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[THEME MUSIC]

BOB SAFIAN: That was [Sumit Singh](#), the CEO of Chewy, the online pet-food and pet-supply retailer.

If you're one of the millions of Americans with pets – or you've adopted one amid the pandemic — you know how therapeutic having a little friend at home can be in a crisis.

But even if you're not a pet person, Sumit's experience is instructive.

On today's episode of Masters of Scale: Rapid Response, Sumit explains how his team is helping customers care for their pets while caring for each other too

Business at Chewy is booming.

At the same time, Sumit has installed infrared sensors at Chewy fulfillment centers and had to cope with team-members contracting the virus.

He's had to calibrate how much of today's growth will persist, and how customer habits might be permanently shifting.

This is Bob Safian, your host for Rapid Response. Sumit says, "We need the agility of a sprint and the endurance of a marathon." Let's hear how he's working to bring that to life.

SAFIAN: I'm Bob Safian, and I'm here with Sumit Singh, CEO of Chewy, the online pet food and pet supply platform. Like many businesses, Chewy's been dramatically impacted by the coronavirus lockdown, in their case by rising demand. Pet adoptions have soared, as people seek more sources of companionship and solace. And Chewy now has 13,000 employees, with plans to add another 6,000 to 10,000 people by the end of the year. The stock price is also up. So Sumit finds himself in the favorable but complicated position of trying to scale amid the crisis. He's coming to us today remotely from Chewy headquarters in Florida, as I ask my questions from my home in New York. Sumit, thanks for joining us.

SINGH: Hi Bob, good to be here.

SAFIAN: So I have to ask you this. Most of our guests have been interviewed from their homes where they're sheltering. You're at the office, so I'm curious is it crowded there? Is everyone keeping six feet apart? What is going on at the office there?

SINGH: I think I'm the fourth person in this office, so it's incredibly quiet. Well seven, if you consider that we've got three dogs out there. So it's seven of us – four dogs and three humans. And it is incredibly quiet. We've got two headquarters, here in Florida and Boston, and our team's been working from home for the last six weeks. So it's all good so far.

SAFIAN: How did the coronavirus first come to your attention? Was there a moment when you realized it was going to change everything in our world and your business? Was there some spark, or is it sort of gradual?

SINGH: I was in Singapore in the December/January timeframe, and as I was exiting Singapore I started hearing about, "Hey, there's something like a coronavirus that's emerged in Asia." And like most leaders, I didn't really pay attention to it. It was something to just sort of watch out for. Life resumed as normal. Then one Saturday in mid-February, I was attending my daughter's school function, and my Chief Supply Chain Officer called me and he said, "Hey, demand's starting to spike and backlog is building. We've seen this pattern now for the last four days, and we're trying to look into it, and we can't sort of explain – there's no new marketing out there, et cetera, et cetera."

So as we started looking into it, even then it didn't really hit us up until a week and a half later when the news started breaking out. So that was sort of our introduction to it. But I do remember saying two things. I said, one, "If there's something going on here, it's like the first wave of three to come."

Because living in Florida, one thing that we're used to is hurricanes. And it's kind of the pattern that we see in a hurricane, right? It's the first wave of customers who go to the grocery stores and clean out those aisles. And so we're sort of trying to correlate here what exactly is going on. And we noticed that our active customers were just, our basket sizes continued to grow over the last four or five days. And we're like, "Well, it's customers definitely stocking up in the early days." So that's really how it started.

The second thing I said was, "There's two more waves coming. And if there is something going on here, we've got to protect the supply chain for what might be a prolonged outbreak or a crisis." But honestly, I could not look back and say that we'd predicted it, nor could I say that we've actually seen it all the way through. So we've been playing a playbook that really hasn't existed so far.

SAFIAN: So what are the next two waves? The first one is sort of the core customer increasing their size of purchase. What are the next waves? Who's coming next?

SINGH: So the first wave was when this thing broke out in Washington, and folks who heard it across the coasts.

The second wave really came when stay-at-home orders started to be issued. And between the first week of March and the last week of March, we went from 40% of Americans staying at home to 93% of Americans staying at home. So the two weeks in that mid-March timeframe was the second wave.

And I think the third one we've yet to see. We've yet to see because, depending upon how long the pandemic lasts, this is going to alter not only hearts and minds, but behaviors of folks in a way that pattern changes, and the way that seasons change here. And nobody knows how this thing is going to play out. So I think there's a third wave, post what we're living in right now.

SAFIAN: And so we kind of wait to see what that becomes through the experience of it. People without pets might not necessarily think of Chewy's products as essential. Did you immediately say like, "Hey, we're essential workers here. This is part of that same strain?"

SINGH: Pets is the only category in retail where customers refer to themselves as pet parents. The only other category you do that is kids. And so the fact that pets are like family members to us, and there's 100 million households out of the 160 in the U.S. who have pets. Yes, we were fairly confident that, look, we're about to be put into a position which is going to be unprecedented, and something that we're going to have to prepare for and react very quickly to.

SAFIAN: So I'd love you to take us through the implication of the rising demand on your business. I mean, you're talking about this through February and March, and I assume it's

persisting... getting more product in, adding more people, more distribution centers, there's safety questions. How did you decide what to do, and what to do first as you were going through it?

SINGH: You know Bob, leadership or lack thereof, at least in my opinion, is most visible during a crisis like this. Why? Because pattern recognition fails in a crisis like this. And that's when the true test of leadership, or team and a leader, actually begins.

So let me explain that. So good leaders are able to look around corners and plan accordingly. They also, like a chess grandmaster, are adept at recognizing patterns and reacting to those quickly. Here in the COVID crisis, both were somewhat absent, or incredibly foggy at least. So the playbook has had to be invented along the way.

So how did we start? Coming out of that first phone call in late February, we internally immediately set up a COVID, call it a SWAT team. Ranks didn't matter on the SWAT team, only expertise did. And we assembled a team of seven people across the company who represented core communications for the company, customer service, fulfillment center, HR.

And we started saying, "Look, what are going to be the elements of the playbook that we are going to have to play out here?" And we didn't know. So the only thing that we knew was we've got to start communicating with our teams early on. And that's what we did. So that came first.

So initially we assembled our 160 leaders who are directors at Chewy, of the 13,000 people that we have. And we met with that team and we said, "Look, we're starting to hunker down. We're starting to plan for this. Here's everything that can be expected." That quickly shifted to us updating policies in our fulfillment centers and customer service sites and across corporate.

That has then evolved since into appropriately providing appreciation, wage increases or short-term bonuses for people to allow them to not only work but work a little bit more stress-free. Materially increased levels of sanitation and cleansing across our facilities. By materially, I mean visibly, materially. And the reason these kinds of steps are important is because trust is incrementally built. And so when people don't see or can't see what's coming, they've got to see you out there communicating clearly and taking the necessary actions so they can sort of trust the system, that the system would work when something bad happens. And that's essentially what we're doing.

And then finally we've been able to figure out work-from-home for our customer service teams. We're proud in the way that we've managed it. Our fulfillment centers continued to run without material disruption, and our customer service teams and corporate teams also continue to march forward.

SAFIAN: I saw in one of the news reports about infrared temperature checks in your warehouses. How does that work? What does that mean?

SINGH: Yeah, we've been mulling over this for a while and we've been watching the news, we've been following what everybody else is doing. Because again, absence of pattern recognition, what you can do is sort of learn and benchmark from each other. And there really hadn't been so far a great solution out there. So we started thinking about, "Hey, how can we create a noninvasive, non-contact distant, but also rapid temperature monitoring that'll allow us to not slow us down?". Because when a shift starts in a fulfillment center, if you're having somebody stand there and take temperatures, even if they're protected and secure, you're going to slow down that shift's start by about an hour, because you've got thousands of employees wanting to get in.

And so not only is it inconvenient, it's just not scalable. So we partnered with the right manufacturers, we've got technology that acts as a scanner and a camera that's actually positioned in two places. So there's a primary screen and a secondary screen and we've got these social distancing markers set up in the fulfillment sites. And as you're walking in, you're just walking in normally and this thing is calibrated to pick up a temperature beyond a certain range. And if it beeps, what you do is you end up going through a secondary screen process just to make sure that there are no false positives. And we started testing it about a week and a half ago. So far we've got it across half our network. And over the next week or so we expect to be fully rolled out through the rest of the network.

SAFIAN: So you feel like it's working, it's identifying the risk cases?

SINGH: We absolutely believe so. Yes.

SAFIAN: Before you were at Chewy, you spent some time at Amazon. I know Amazon has had some challenges from some folks in their fulfillment centers feeling like maybe they're being pushed beyond their limits or they're being put in uncomfortable situations. Do you get anything back from your workers about things that they wish were a little simpler for them in this time?

SINGH: Absolutely. We've gotten two kinds of feedback. And it's absolutely right to acknowledge that folks are duly stressed. I mean, it's a time of duress, and on the flip side, we acknowledge the fact that we'd rather be in this kind of stress where obviously we have to care for the wellbeing and safety of our team members. But team members also realize that we're the platform that's been deemed essential. So it's sort of, "Hey, we're lucky to be here, we're proud to be here. How do we manage that?" And that's kind of been the sentiment. Which is why the communication portion is so important, because people are afraid of what they can't comprehend. It creates transparency and creates trust. And we've been listening and adapting.

So what are the two types of listening that we've been doing? We got ahead of the curve initially when the CDC was still sort of figuring out "Are masks important or not? Are gloves important or not or should be mandatory or not?" We sort of said, "You know what, we're going to roll them out. Not on a mandatory basis, but we're going to make them available for our team members so that if you feel more safe and secure, here they are for you." And clearly we've seen in the last two weeks that masks have now become mandatory across a lot of different places. Number two, I think we heard their request for, "Hey, I don't have great daycare options." Or, "I want to be able to work overtime, but we don't have those kinds of policies laid out." "I don't want to be held for attendance during this particular time."

And so we adapted to that during this with the COVID committee which meets on a daily basis. So we've been making decisions daily, and our decisions have been employee-centric from that point of view. Has it been enough? I think it's been enough to put enough in the bank from a trust point of view. And now we're in conversations with our teams constantly. We say, "How do we continue to evolve here? How do we take care of the network when it's shut down? What are long-term policies?" I think that's where people's focus is now shifting to.

SAFIAN: Yeah, I mean the reality with this virus is there's only so much you can do with certain things. I know you did have at least one confirmed case of COVID from someone in one of your Florida facilities, right? An employee. I'm curious how you found out about that, whether you know how that employee is doing?

SINGH: Yeah, first of all, they're recovering well. And we found out about it as, this is the preemptive part of the process that we've set up and why I'm proud of the team. What we did here was, we disincentivize people from coming to work if they're sick. And the way we did that is when we updated our policies, we updated them such that if you're sick, regardless of why you're sick, stay home and don't worry about your job. Don't worry about the attendance, don't worry about the wages. So what we had here was there was an individual who actually felt sick, who registered a temperature. And it was nine days before we actually found out that they had a confirmed COVID case.

So that's kind of the timeline we're dealing with here. So nine days prior when we found out that this individual was sick, we sent them home. Not only did we send them home, we actually proactively figured out who they were in contact with and quarantined everybody else, self-quarantined. And along the way we were monitoring if anybody else felt sick – and they didn't. We were able to very transparently go back to the team and say, "Hey, here's what happened." And it allowed us to have a great communication and keep the network open.

SAFIAN: Yeah. You mentioned earlier your call centers. I know you guys have 24/7 support. That means you have call center people working all the time. Those folks didn't used to work from home. Now most of them are working from home. What changed?

SINGH: We have never worked from home across corporate or customer service. And it's just not something that we've prioritized. Look, Chewy is a nine-year-old company, and in nine years we've hit nearly \$5 billion in revenue. Looking back, there are some things we would have done differently from a business continuity point of view, but this wasn't one of them. So we had to innovate really quickly. So, now I'm on the second part of what leaders do or should do in a crisis. The first is communicate, the second is innovate. And in this case we innovated. Our product and tech teams, internally, figured out a solution.

And we created homegrown technology that we first applied to our writing portion of the team. So agents who handle chat and email. And so whatever 20-30% of the capacity we actually took them offsite. And that was the first wave. With that wave, what allowed that to do is, one, the teams were immediately enthusiastic about the fact that "You're caring for us, but now I can create space for social distancing for the rest of the agents that were on site." And that's what we did. And it bought us a little bit of time.

SAFIAN: So you could have more space between your agents that were still there?

SINGH: Exactly. Exactly. So we removed a chair between the customer service agents and created as much social distancing as we could. And now since then we've been actually able to also figure out how to send phone agents home. So at this point, over 90% of our customer service is working from home.

SAFIAN: Do you think, as you plan for the future or you look to the future, will you have more people working from home in the future? Your call centers won't be as populated? Is the model going to shift from this?

SINGH: Yeah. I think there's a lot of learning that is going to come out of this experience that all of us are collectively going through. And those dimensions of learning are going to be across engagement, morale, productivity, experience, the challenges of figuring out coordination in an environment where you have to, or are forced to, or choose to work from home. So I fully expect a great set of learnings. And at least starting with customer service, which is really recent, I wouldn't think why we wouldn't think harder to say, "Hey, this is a really plausible solution, both from an agent experience point of view and a company acumen point of view."

SAFIAN: It's interesting the things that you discover like, "We could have done this before."

SINGH: Right.

SAFIAN: But there were other priorities. I can imagine a lot of your priorities now are about supply chain. I know you guys distribute product from other folks. You also manufacture product yourself. How have you looked at and managed that side of the business?

SINGH: Yeah. So, we've done a couple of things. One, 70% of our sales are consumable products, what you would consider food, treats, and general consumables. And most of that supply chain is here in the United States. And so we've seen little disruption in the core supply chain for our suppliers. The demand shocks actually impacted everybody. And with the elevated demand shock, we haven't had chronic out-of-stocks, but we have had a certain portion of our portfolio that's been out-of-stock for a temporary period.

What we did there was we actually quickly updated our recommendation engines and essentially allowed people to self select into different brands, different sizes, different patterns. So the impact overall was muted there.

SAFIAN: Because you spread people over the product that you did have available?

SINGH: Exactly. And we offer choices and we found that people during this time were a little more experimental in picking up something because it's the need of the hour, versus totally discretionary about, "I'm going to pass that on because I just don't like it right now." And so I think the impact there has been muted.

On the hard goods side, which you would consider toys, and crates, and gear and stuff like that. There, I think the timing of the event was such that most of our supply chain is international, about 20-30% of the volume, and that was planned conjointly with the Chinese New Year. So, we got lucky and we were able to get ahead of that. So it's a combination of a bit of planning and a bit of luck that we've been able to manage it so far.

SAFIAN: Your site, I was on there yesterday, and there's a note that says, "Delivery times are longer than usual." I'm curious, who do you deliver through? How much control do you have over that? Or is that just the way that delivery system is working right now, nationally?

SINGH: Yeah, it's actually not our transportation partners who are the cause of that. It's our own fulfillment center backlog. Again, elevated demand pattern. Here's what happens. Think about the fact that in the United States, the e-commerce demand really peaks during the Q4 holiday season. Everybody knows that. Retail is really hot during the Q4, November/December timeframe. But that is a predictable search. You plan for that.

I mean, right now we're talking about demands of those levels that have actually shown up to your doorstep unannounced and you don't know how long they're going to last. So, what do you do there? Well, you react to it. You let backlog build up and you care for the team members. But at the same time you communicate with your customers as honestly as you can and expect and hope that they would understand during this time.

So, we're doing both. We're actually investing in the fulfillment center network. And that's where the comment of hiring up to 6,000 people in the fulfillment center network comes from. Because those are the hourly associates that we will bring in to help knock the backlog down. And in parallel we've been communicating with our customers. And this is an important one for us. Customers are disappointed if you surprise them. We're already disappointing them in longer deliveries. If we were to surprise them and not communicate with them, that would be worse. So at the very least, we're managing customer expectation. And what we found is customers have displayed empathy towards the brand during this unprecedented time.

SAFIAN: As you're talking about this, you also have to be in some ways thinking about what the return to normal is, right? You bring on all these folks, there's this surge in demand. How much of that demand do you know is going to stay? Are you in the risk of over-expanding? How do you calibrate that in this environment?

SINGH: Yeah. I think a couple of things are known to us. We've always known, at least for those of us who operated in the sector, that there is a secular shift that's happening from retail to online. What this crisis will do is, A, it confirms the acceleration of that shift into online. So, I do believe that there will be a genuine hearts and mind shift, a behavior shift from the consumers who were shopping retail, to those who are now trying out new services. People are trying home delivery, people are trying eCommerce services. We're even trying virtual services through content.

And all of those industries are kind of seeing the demand lift. So that part I expect to continue. Which then says, "Hey, we should definitely expect the continuation of demand patterns." The hard work here is going to be how many, depending upon how long the pandemic lasts, the permanence of behavior shift is what I think needs to be seen. It takes seven repeat occurrences to essentially institute a behavior change in a consumer's mind: Does it last that long? Does a consumer get trained this well? Does our service hold up to their expectations and standards?

And we hope so. And if not, then I think the teams stand ready to deploy a set of go-to-market actions to be able to turn these customers who we're acquiring now to become long-term, sticky customers.

SAFIAN: Well, the investment markets certainly seem to be with you on this. Your stock is up about close to 50% this year. And there's an irony in expanding when other folks are

contracting. I know your company has donated \$4 million in products to relief efforts, including \$1 million last week to the Humane Society. But I'm curious how you manage this emotional trade-off. That these are good times, even boom times in some ways. "Yeah, let's ride it, let's enjoy, let's take advantage of it." And at the same time, "Whoa, people are getting sick, even, even on your own team." How do you temper all of those things together?

SINGH: Now more so than ever, it's important to remember your purpose for existence. Our purpose is to be the most convenient, trusted destination for pet parents and partners everywhere. During this time the difference in emotion inside the company is, we're not excited to be here. We're proud to be here. The difference there is that there is a tone of optimism which is essentially going to carry the company through this time of duress. And we empathize, sympathize, and we are there for our customers as much as we are there for our partners. Our participation with the shelter community is a proof point of that. We're happy and proud that we are able to service that community.

SAFIAN: One of my colleagues asked me, "Do you think they have any survivor's guilt at these places that are doing so well?" Are there moments where you get waves of that, or is that something that you just have to deal with the reality of where you're at?

SINGH: I think you just have to deal with the reality. Internally in the company, it's not easy to keep your rational mind away from your emotional mind. I mean, it's unprecedented times. We've got people who are working from home while homeschooling their kids. We've got folks who are coming to work because they're afraid, because they need the money. We've got younger team members who are hearing all of these news about furloughs and layoffs, and they are worried for their own future. I think there is appropriate stress in the environment, which is why the optimism is important, but you really got to live it on a day-to-day basis.

SAFIAN: Yeah. You sound very calm, even though you're using the word stress. Are you stressed? What do you do to manage your own stress?

SINGH: I'm not stressed. I'm optimistic. What I do to manage my stress is, I take a walk in the morning. I'm an early riser, and I essentially get my exercise in, get my walk in, spend a lot of time with my family, and really leaning on the team at this time. It's been great to see the camaraderie and the team spirit that has come through during this time of crisis. I think we draw our strength from each other – from our families, from our team members, from our colleagues, and from all of those customers who are out there cheering and rooting for our brand to kind of pull through during this time. I think that provides a lot of strength and helps you manage the stress.

SAFIAN: You mentioned your family. I know you have a four-year-old child at home. I have to ask: Do you have any pets?

SINGH: Yeah. I have a four-year-old child and a five-year-old Shih Tzu. So I have two kids, and I think out of this environment, kids under five or six years old and dogs likely are going to come out the happiest. Because they're getting so much attention and mom and dad are working from home, so it's great.

SAFIAN: Well, before we wrap up I wanted to ask, is there anything that I didn't ask you about that you wanted to touch on?

SINGH: I think a reflection on, we're now in week number seven or eight. Even though there was no playbook, I think when I look back, our playbook has been a combination of three things in my mind. One is communication. Number two is innovation, because nothing innovates like a crisis. And third is perseverance. We've needed the agility of a sprint and the endurance of a marathon, and I think that's going to be important as we continue to navigate through this pandemic.

SAFIAN: It is hard in environments where things are moving quickly to be creative. People sometimes get tighter and pull back. Have you seen particular bursts of creativity from places in your organization?

SINGH: Oh my goodness. It's all over the place. I mean, our customer service and product teams came together, and over a weekend, launched 13 customer-facing innovations that are allowing customers to self-service themselves better at this point, so that they don't have to wait in line to speak to an agent during this time. Our marketing teams have taken a completely new approach to communication with customers. It's switched from, "Hey, pets are happy. This is a happy and healthy world," to "We're here for you, and find moments of comfort with your pet during this time." Really relevant innovations during the time. It's been incredible seeing the camaraderie and the innovation spirit across the company.

SAFIAN: Well Sumit, thank you for sharing your thoughts with us today, and your time. We really appreciate it. I'm Bob Safian, and thanks everybody for listening.

SINGH: Thank you.