Pet-related Services for Cats and Dogs: Competitive Threats Acting on Digital Business

Executive summary (180 words)

The pet-sitting site Rover.com is one of the more in-demand startups in the market at the moment. Founded in the summer of 2011 by Phillip Kimmey, the company had managed to attract over 85,000 members by April 2017, attracting over $100 million in bookings in 2016 alone (Albert-Deitch, 2017). Rover operates an online marketplace where pet owners and lovers can buy and sell a wide range of pet-related services for cats and dogs, including in-home boarding, dog walking, pet sitting, and daycare (Rover, 2020). It has established itself as a marketplace with a trustworthy network of pet-sitters, offering what it refers to as 5-star pet sitters in the neighborhood, Rover offers a much-needed service whether one is traveling, going to work and would like their pet taken of or wants their dogs walked (Rover, 2020). This report will identify and analyze the competitive threats the company faces through an application of the Competitive Threats Acting on Digital Business framework. This includes an evaluation of both buy and sell-side threats. The report further presents an analysis of the business using digital business frameworks and tools.

Threat Analysis (1116 words)

The threat analysis will mainly apply the Competitive Threats Acting on Digital Business framework in evaluating the competitive state of Rover in the market. The Competitive Threats Acting on Digital Business is divided into buy-side and sell-side threats (Appendix).

Buy-Side Threats

Buy-side threats include supplier and intermediary threats, and threats that come from new digital products. This builds from the idea that buy-side is mostly about the maximization of operational efficiencies while improving quality and customer service. Buy-side e-commerce strategies generally focus on such aspects as the link between resource management systems and external purchasing systems, the automation of internal processes, and the prioritization of supplier/partner collaboration through buy-side value channels.

Buy-side threats take into account the complexity of transitioning between suppliers such as cloud storage providers and computer services but also intermediary threats such as price hikes in the acquisition of products and services and increasing costs. Buy-side threats like supplier threats, in this case, arise from the problem of soft lock-in and the associated difficulty or complexity in changing suppliers. Rover only offers a platform for pet owners and pet sitters to connect, so most of the costs are passed on to the customers and users. Rover’s main supplier of cloud networking and computer services has always been AWS (Amazon) as it was created in the cloud (1strategy, 2020). Even though Amazon is the industry preference for most online platforms like Uber, there is a wide range of cloud service providers that offer competitive rates, and most companies generally have hybrid-cloud systems with co-located facilities and multiple third-party cloud system vendors (Dignan, 2019). Supplier threats are therefore low for Rover.

Intermediary threats for Rover are medium to high mostly as a result of regulatory threats that are likely to increase costs. Digital platforms like these that offer paid work complicate the application of traditional labor regulations and employment standards (World Bank, 2015). Various states and countries have regulations in place requiring regulations and protections of employees as per the typical labor laws that see them as full-time employees and not as part-time gig workers (Stewart & Stanford, 2017 p. 420). Such regulations are likely to increase costs of service provision, which would likely be shared between Rover and the users of the platform.

For Rover, the threat of new digital products is low. Digital threats arise when digital product fulfillment can occur over the internet. In this case, Rover does not necessarily offer a concrete product but is only a marketplace where people meet to sell products. The networks and reach offered on the platform are more valuable for the users, and there is no product to be fulfilled through an alternative platform between buyer and seller.

Sell-side e-commerce is generally a channel strategy that deals with how businesses hit channel leads to convert them to sales. It deals with how to prioritize products available and audiences targeted through sales channels and how to select the most appropriate partners (Chaffey, et al., 2019, Pp. 204). Sell-side threats are mainly customer-related threats related to the knowledge to evaluate and compare prices and commoditization. The threat from consumers is high given the changing profile of the modern consumer. The modern consumer is now empowered by access to more information through social networks and various digital services (Perkins & Fenesh, 2014). For instance, at least 81% of Americans now own smartphones, up from 35% in a similar survey done in 2011 (Pew Research Center, 2019). The implication here is that their ability to access information has grown tremendously, with the internet access provided by these devices. The average consumer is therefore well-equipped to be able to do their research and receive the satisfaction they need for all their needs (Perkins & Fenesh, 2014). Consumers have enough information to compare prices and service delivery, choose better alternatives for themselves.

Intermediary risks on the sell-side come from new methods of service delivery that are powered by digital technologies. The risk here is low to medium, at least in the short to medium term, but mostly because the technology is only in its initial stages of development. AI offers serious competition to the on-demand dog-walking industry. the biggest tech companies like Google are currently working on technologies that will help robots learn how dogs walk, directly from dogs (Coldewey, 2020). Ultimately, these AI technologies can be used for dog walking through AI-powered robots.

Apart from these threats, the business also faced competitive threats from new entrants into the industry. With growing tech complexity, the competitive threat from new entrants is high. New entrants into the industry offer the potential for more advanced technological offerings, like the use of machine learning, AI, and even blockchain technology, enabling better monitoring and tracking of the dog-walking journey (Louise, 2019). Threats from new entrants arise when there is a low entry barrier and new entrants can easily become leaders in terms of marketing and consumer service.

The unique combination of factors in the industry at the moment makes this a reality. Growing technologies enable companies to solve some of the biggest issues that current market leaders face. One of the biggest points of differentiation that Rover seeks is to present 5-star dog-walkers in the neighborhood, with the company claiming up to 90% of their sitters have the

5-star rating. One of the parameters along which these sitters are reviewed is their background and security. Further, Rover also offers additional protections through the Rover Guarantee program. The Rover Guarantee program offers protection for pet owners in case anything goes wrong, but is subject to a minimum contribution of $250 by the claimant (Rover, 2020). As comprehensive as these protections are, they are not adequate, judging from the events that have befallen dogs under the care of Rover sitters. Horror stories of accidents and even deaths of pets under the care of sitters from Rover are common (CBS, 2019). New technologies offer new companies the opportunity to solve safety and trust issues (Louise, 2019). They provide clients with ways of keeping track of every single step their dogs and sitters take, from the point of entry into the house until the dog is returned.

There is a medium risk from existing competitors in the market. Rover is one of the biggest players in the market and has had its power grow with the various acquisitions and rounds of funding over the years. It, however, faces stiff competition from Wag Labs Inc., which has also been on an upward trajectory over the past few years (Winkler, 2018). The market in the US continues to flourish but is effectively a duopoly with these two competing for the largest market share.

Recommendations (552 words)

Given the threat profile outlined above, the following recommendations will be useful to Rover. Recommendations will be divided into operational management based and digital management based.

Operational Management

To improve and streamline operations, Rover must focus on minimizing the risk from new entrants. Larger companies like Rover are generally slow and vision-challenged, often in a comfort zone because of the market share and brand visibility (Faktor, 2016). Rover must break out of this cycle if it is to reduce the risk of disruption from new entrants. To do this, Rover must commit to technological improvement and advancement in its service offerings, and a focus on supply chain integration to offer better value to its customers (Konsti – Laako, et al., 2012, pp. 94). Rover can embrace better technologies to improve the tracking and surveillance of its users and pet sitters. This will especially be useful considering the average age group of pet owners in the US. According to the American Pet Products Association, almost 85 million households have a pet, with over 62% of these being younger millennial generation owners (Kestenbaum, 2018). Technologies include the installation of cameras and tracking bracelets on pet sitters to keep track of their activities and their dogs. This can be combined with machine learning technologies on mobile applications and other new-age tech systems like blockchain to revolutionize its traditional service offerings.

Tech does not stand alone though, and must depend on accompanying changes in the firm environment (Adner & Kapoor, 2010, p.306). The use of these tech offerings means Rover will have to enter into the product market. This calls for collaboration with dog-related product manufacturers. Rover can leverage its market position into a partnership with the top pet accessory and tracking system manufacturers to offer greater value to their dog owners and sitters.

Digital Marketing

Various digital business frameworks and tools are available for the potential improvement of Rover's business position and the minimization of the threats. In the modern business environment, it is important to optimize the use of marketing analytics to optimize performance and return on investment (Iacobucci, et al., 2019. Pp. 155). The focus here will be on combining both ad impressions to earn people's attention and a content strategy that delivers real value to the readers.

Rover can make use of the consumer barometer as a guide to their digital advertisement strategy. The consumer barometer offers useful tools like the audience stories, which provides deeper insights into key demographic groups. This can be useful in understanding the motivations and behavioral trends of the millennial population, which has now become the majority in pet ownership in the US (Kestenbaum, 2018). The consumer barometer also enables companies to understand where their target market typically researches purchases and sources product recommendations. This will be useful in tailoring the digital ad placement strategy.

To improve the content strategy, the digital marketing recommendation is to Google trends to streamline the targeted content marketing strategy. At face value, Google trends will offer information on the most popular search terms and keywords, which enables Rover to tailor its content towards meeting these needs. Google trends tools like Google Correlate, Explore Trends, Top Charts, and Hot Searches will enable Rover to not only design a long-term content strategy but to also take advantage of short-term trends that affect their customer content search habits (Wedel & Kannan, 2016. pp. 97). Rover's content, including blogs, videos, photos, and vlogs, can be tailored to meet the demands of the target market while communicating the essence of the Rover brand.

Conclusion

The pet services industry is huge and growing. Over the past few years, there has been an exponential rise in the number of people who own pets and need them cared for. The culture around pets is growing, and most modern pet owners are younger (Kestenbaum, 2018). Rover remains one of the major players in the US pet industry, and as an industry leader faces threats from a wide range of sources and competitors in the industry. This paper outlines the threats the company faces through the Competitive Threats Acting on Digital Business framework. It also provides recommendations for the company on how to overcome these threats.

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