



## DEVELOPMENT OF ZEPTO – CASE STUDY

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### Abstract

Zepto was founded by Kaivalya Vohra (CTO) and Aadit Palicha (CEO), two 19-year-old pals, in April 2021. After being accepted to Stanford University, where they intended to earn a Bachelor of Science in Computer Science, they decided to build Zepto. Zepto has experienced a 200 percent growth in Month-to-Month growth with 78 percent retention, while maintaining an average delivery time of 8 minutes and 47 seconds. Pricing is a key differentiator between Swiggy, Big Basket, and Grofers. Customers are looking for the finest possible deals, therefore they will go anywhere they can find them when placing a purchase. With the high potential Zepto tries to optimize the network by using artificial intelligence to track weather, traffic pattern, topography, and supply availability. Zepto has become a handy mobile app for grocery purchase.

**Keywords:** Zepto, Speed, Pricing, optimize

### Introduction

Zepto is an app that allows the customer to order food and have it delivered to the door step in as little as 10 minutes. A Zeptonian Rider will be at the door in approximately 10 minutes, and in the meanwhile, customers can browse Zepto's extensive selection of thousands of popular items, including fresh farm vegetables and fruits, groceries, dairy, and more, all at the best prices around. Zepto's pricing has increased by 200 percent in just 11 months, and the company has seen 60 percent of its customers return. Zepto was founded by Kaivalya Vohra (CTO) and Aadit Palicha (CEO), two 19-year-old pals, in April 2021. After being accepted to Stanford University, where they intended to earn a Bachelor of Science in Computer Science, they decided to instead build Zepto. Their original company name was Kiranakart (Cart of grocery). The task was similar to that of other food delivery firms in that it entailed delivering goods from local supermarkets. The time it took them to deliver items was likewise excessive, typically taking 30 minutes or more. Unsurprisingly, they saw a rise in sales frequency after switching to a faster delivery system. Also, since they also had seen the start-up trends in the US, especially for grocery delivery systems, they decided to launch a fast delivery channel. "Grocery companies promising delivery in 15 minutes or less have sprouted up in urban regions throughout the world," states a Market analysis from e-marketer. These businesses have attracted millions of dollars in funding and are transforming the retail landscape in major cities.



Fast grocery delivery start-up superheroes include Shipt, Jokr, DoorDash and Gopuff. All available evidence, from surveys to anecdotes, lent support to the concept of Zepto delivery, which was set to debut soon. A fresh business was ready and waiting for KiranKart to shut down, so they did so after only a few months of opening.

Zepto was founded with the promise of lightning-fast deliveries in less than 10 minutes.

According to the company's creator, Zepto have experienced a 200 percent growth in Month-to-Month growth with 78 percent retention while maintaining an average delivery time of 8 minutes and 47 seconds.

### **Zepto's Shareholdings**

Zepto has nine investors backing the company. Kaivalya Vohra (18.8%), Aadit Palicha (22.5%), Nexus Ventures (20.7%), eBooks Private Investors (10.4%), Y Combinator (5.1%), Rocket Internet (5.7%), and others are among Zepto's major shareholders (16.8 percent).

Glade Brook Capital Partners and Contrary are the newest backers. The company has raised a total of \$200 million, giving it a current valuation of \$900 million.

### **Zepto's Funding**

Through a Series D funding round led by Y Combinator Continuity and including existing

investors Nexus Venture Partners, Glade Brook Capital and Lachy Room, the company has

raised \$200 million at a current valuation of \$900 million. This company was hoping to reach

a valuation of \$1 billion and become a "unicorn," but it never reached that goal. It had previously raised \$100mn in December 2021, headed by YC Continuity, at a valuation of \$570mn. It wants to invest the new capital in expanding its business, hiring new staff,

developing new products, and expanding its recently launched, Zepto service. The Mumbai-based company has teamed up with businesses like Blue Tokai Coffee, Chaayos, Gurukripa snacks, and Sassy Teaspoon to provide snackable foods in only 10 minutes. There are a variety of baked goods, drinks, and coffee on offer.

### **Acquiring Fresh Talent**

The personnel recruiting department was one of the key things that went correctly for the firm. They were able to recruit a sizable number of Amazon's top brass. They have received interest from Uber, Pharmeasy, Flipkart, and Dream 11.

### **Zepto Business Model**

As stated many times, the quickness is what makes Zepto a unique grocery delivery method.

One must be familiar with the concept of a "dark store" before grasping its delivery mechanism. So, the groceries are stored in a warehouse-like facility called Dark store.

A dark store is the type of store we can't see or describe because it isn't meant for retail. To



ensure the speediest possible shipping, dark market retailers set up shop in a number of

different locations across the same city.

It is clear that a larger dark store means a more efficient distribution system. Instead of spending money on large, single warehouses for all of its locations, Zepto spread its inventory across a large number of smaller facilities across the country. As a result of which, zepto delivery guys don't encounter more trouble owing to small dark store size and better availability, consequently they deliver more fast than their competitors. Zepto is focusing on the India's most populous areas, or Tier 1 cities, where the concept of online grocery shopping is already well established. Currently, Zepto serves the metropolitan areas of Mumbai, Delhi, Chennai, and Bangalore, and there have been rumors of an impending expansion to the cities of Pune and Kolkata. A lack of reliable distribution network and self-disciplined work force could spell doom for Zepto. Consequently, rather than expanding into new locations, the company is currently emphasizing the establishment of a regulated corporate culture and an efficient distribution system. Zepto is focusing on the India's most populous areas, or Tier 1 cities, where the concept of online grocery shopping is already well established. Currently, Zepto serves the metropolitan areas of Mumbai, Delhi, Chennai, and Bangalore, and there have been rumors of an impending expansion to the cities of Pune and Kolkata. A lack of a reliable distribution network and a self-disciplined work force could spell doom for Zepto. Consequently, rather than expanding into new locations, the company is currently emphasizing the establishment of a regulated corporate culture and an efficient distribution system.

A large portion of the company's income comes from sales of existing stock, i.e. it uses inventory based model.

As was previously mentioned, zepto's dark store concept prevents it from accepting

commission from brick-and-mortar stores for delivery. For instance, Grofers made a blunder

by banking on commissions to make money from its service of delivering groceries from

local businesses to its customers. This strategy backfired since Grofers lacked the ability to

ensure consistent supply and high quality for its customers. Instead of making the same

mistake again by forming partnerships with small businesses, Zepto relies on its own network

of "dark stores" and "micro-warehouses," where it maintains complete control over product quality and availability. Hence, Zepto replaced local stores from its local dark stores with a

blend of technology to overcome the challenges which grofers faced previously.

Here are a handful of Zepto's most effective business strategies for eliminating the

competition. However, Zepto never made growth a priority. They didn't try to expand, but rather to cover only a select number of cities and remove the competitors there. Zepto, in contrast to Instamart and Grofers, has never prioritised discounts and cash-back offers as a means of

attracting and retaining customers. Customers choose Zepto because of unmatched speed,

dependability, and efficiency. (In reality, they are offering some discounts and cashback, but just in the beginning stages.) The dark store they construct is smaller than existing

competitors; and uses cutting-edge processing technology.

These are the three most important features that set Zepto apart and allow it to be a lightning-



fast startup. The success of the “Dark store” model can be attributed in large part to Zepto’s PPB formula.

First of all, picking is a breeze at any Zepto store. Every worker in their “Dark stores” is equipped with a tablet, and orders are routed through a centralized hub before being

distributed to individual workers; these individuals know exactly where to put each item on the shelf thanks to the information displayed on their tablets. As a second step, we pack

everything up as quickly as possible after we’ve gathered everything. Third, the bagger leaves

the warehouse as soon as the order is received. Zepto’s three processes—selection, packaging,

and bagging—each need an extra 60 seconds of preparation time. All of these features are

easily replicable by already established market players like Swiggy and Big basket. Is Zepto

Prepared to Take on These Giant Corporations?

The secret to this question lies in Zepto’s huge strategy, Hyper Focus.

Pricing is a key differentiator between Swiggy, Big Basket, and Grofers. Customers are looking for the finest possible deals, therefore they will go anywhere they can find them when placing a purchase. However, Zepto has a serious speed problem. Zepto takes a different approach to acquiring customers than these other companies.

### Difficulties Zepto Faces

First with Retaining customers because most of these companies already have sizable

retainers, it becomes more challenging for Zepto to acquire and keep them as customers.

Second, keep in mind that fast shipping might be quite pricey if you don’t factor in additional

costs for handling and delivery. Maintaining both low pricing and high speeds is a formidable

challenge that calls for substantial resources.

Third, “Economies of Scale” (which relates to income economies) Swiggy, Big Basket, and Grofers have been provided with capital in addition to their expected high daily revenue. As a result, they will have more money available than Zepto.

### Conclusion

Zepto plans to increase the number of Dark Stores in the future in an effort to increase sales.

As soon as they are able to keep customers, they plan to begin charging convenience fees. It’s

astonishing that two 19-year-old boys can leap and disrupt the foundations of large

organizations like Big Basket and Blinkit. With the high potential Zepto tries to optimize the

network by using artificial intelligence to track weather, traffic pattern, topography, and

supply availability. In the next two to three years, the company may also reveal plans to go

public.

### Reference

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