



BSmart Case Study Competition

How Zepto is navigating growth and risks in QCom?

Uploaded By: Abhishek Chatterjee

Departments : MBA General, Marketing, Business Analytics, Healthcare, Finance, International Business, Digital Marketing, Human Resource Management

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Problem Statement

Zepto's emphasis on 10-minute grocery delivery through dark stores in the urban centres has given it an opportunity to be a challenger in a category with cash-rich players (like Blinkit, Swiggy Instamart, and Big Basket). This caselet analyses Zepto's competitive position in India's rapidly evolving Quick Commerce (QCom) sector in India.



It explores Zepto's key strategies, differentiators, risks, and the sustainability of its business model. By examining market dynamics, consumer habits, and the intensity of competition in the marketplace, this caselet offers valuable insights into strategically navigating a high-growth yet high-burn category.

Author : Kanika Malik

Please go through the Guiding Note attached below before diving into the case study for better understanding.

Introduction

QCom is all about delivering groceries, daily essentials, and other small-ticket items within the ten-minute mark. The segment has experienced significant growth in India since 2020, as demand for customer convenience, hygiene, and doorstep delivery of essentials increased during and after the COVID-19 pandemic. Urban India's growing digital penetration, increasing disposable income, and demands for time-saving solutions made it an ideal condition for this model to thrive. Founded in 2021 by two Stanford dropouts, Aadit Palicha & Kaivalya Vohra, Zepto introduced a 10-minute grocery delivery model based on a nimble "dark store" model that can be located anywhere in the customer's vicinity. Within just two years of operations, Zepto raised more than \$600 million, achieved unicorn status, and garnered newsworthy media coverage. However, the promise of QCom comes with inherent challenges. The sector is burdened with **thin margins, complex logistics, and high operating costs**, making scalability and profitability difficult. In such a competitive and capital-intensive environment, **effective competitive positioning** and strategic adaptability are vital for survival and long-term success.

Discussion:

Zepto's operations can be rightly called the pioneer steps as far as the concept of quick commerce is concerned. The QCom Giant's competitive advantage, positioning, differentiation and the risks associated are as follows:

1. Zepto's Competitive Advantages

Delivery Speed: Zepto's 10-minute delivery promise was a core differentiator in the early stages. Zepto has minimised last-mile delivery times by utilising dark stores located within 1.5-2 km of delivery clusters, along with advanced algorithms for route planning and optimisation.

Tech-Enabled Efficiency: With demands forecasted from data science in addition to managing real-time inventory levels and optimizing delivery routes to reduce idle time, Zepto is walking a fine line between improving convenience, speed, and delivery accuracy.

Urban Focus: By focusing on very high-density Tier 1 cities with higher income levels, as well as areas with very high housing density, Zepto has been able to ensure that fewer minutes are spent on the delivery radius while increasing the order density for each delivery executive.

Youthful Branding: Zepto has marketed itself to a very young, mass affluent generation (i.e., Generation Z), who are tech-native. The app focuses on ease of use and seamless experience, while their marketing focuses on the generation itself for brand recall.

Founder-led Agility: The founders themselves are very youthful and are savvy with media. This has allowed for a strong entrepreneurial narrative, which attracts consumers as well as investors.

2. Zepto's Market Position vs. Key Competitors

Company	Delivery Time	Core Strengths	Funding	Target Market
Zepto	10 minutes	Dark store network, speed, urban focus	\$600M+	Tier 1 cities, Gen Z/ Millennials
Blinkit (Zomato)	10–20 minutes	Integration with the Zomato app, strong delivery fleet	\$800M+	Metros + Tier 2
Swiggy Instamart	15–30 minutes	Leverages Swiggy delivery infra, loyalty via Swiggy One	\$1B+	Pan-India (Urban focus)
BigBasket BBNow	30–45 minutes	Wide SKU variety, Tata support, warehouse-backed	Tata-funded	Tier 1 + Tier 2 cities
Amazon Fresh/Flipkart Quick	1–2 hours	Low delivery charges, wider reach, and trust from parents	Billion-dollar parent	Pan-India

Table 1: Comparative tabulation of Zepto Vs Key Competitors

Source: Author's Compilation

Although Blinkit is comparable for speed of delivery, it falls short of Zepto in terms of branding and consistency of delivery. Swiggy Instamart is volume-led but is slower and SKU-led. BigBasket is larger than either of the others, but it is not quick in many pin codes, either.

3. Operational and Financial Risks

High Burn Model: Inevitably, a high-cost model is required due to the requirements of every dark store, set up, staffing, and ongoing replenishment. Even with an average price per order of ₹50-₹70, Zepto's overall contribution margins are often negative.

Customer Acquisition Cost (CAC): In a competitive environment, companies are discounting heavily to attract first-time users. Zepto's CAC is high, and customers' retention will be crucial to substantiate marketing contribution.

Low Basket Size: Unlike a typical monthly grocery shop, QCom orders typically have low average order values - ₹300 to ₹400 - making logistics costs difficult to meet on a per transaction basis.

Logistics Complexity: Operations are severely challenged in managing real-time inventory of hundreds of dark stores, providing last-mile delivery on time and managing spoiled inventory.

Gig Worker Dependence: Delivery model relies on gig workers (delivery partners) for efficiency and convenience; there are challenges with regulation, reliability, demand, and attrition.

Regulatory Risks: Authorities (in different forms) have raised concerns around compliance of dark store operations (zoning laws), labor rights of delivery partners, and the carbon emissions caused by associating customer demands with 10-minute delivery.

4.Zepto's Sustainability and Growth Outlook

Profitability Pathway

Private Labels: Zepto is launching its own branded essentials (cleaners, snacks, etc) with a 20-30% better margin.

Increase Basket Size: Bundled discounts and curated combos can increase the average order value

Subscription Plans: Zepto Pass (free delivery + offers for a monthly fee) can increase user loyalty and decrease CAC

Targeted Promotions: Data analytics can help personalize offers, increasing conversion rate and decreasing ad spend.

Measured Expansion : Zepto is focusing on making profits in existing Tier 1 cities rather than going pan-India. Zepto will be operating in cities like Tier 2/3. City expansion will be slow because the infrastructure is weaker, and there is less order density.

Investor Confidence: Investors like Nexus Venture Partners and Glade Brook Capital remain bullish but are increasingly demanding a path to profitability. Zepto recently announced it aims to be EBITDA-positive by 2026.

Tech Integration: AI-based demand prediction, dynamic pricing, and real-time replenishment optimization can drastically reduce wastage and improve margins.

5.Strategic Recommendations for Zepto

Sustainable Operations: Switch to EV fleets and biodegradable packaging to fulfill ESG commitments and target consumers who are environmentally conscious

Customer Engagement: Gamify aspects of your app with daily deals, milestones, and rewards to improve user stickiness.

Hyperlocal Marketing: Communicate with partners from local brands, Kirana stores, or cloud kitchens to enhance regional relevance and increase stocking frequency.

Loyalty & Tiers: Offer frequent buyers cash back, exclusive product launches, and additional discounts through your loyalty program.

Automate Operations: Utilize robotics to automate order picking in dark stores, handling high volumes to eliminate human error and increase efficiency.

Diversification: Investigate adjacent segments, such as 24/7 pharmacy delivery, gifting solutions, and prepared food, to increase the average wallet share per customer.

Employee Welfare: Proactively address the concerns of your delivery partners to minimize attrition, enhance efficiency, and ensure compliance with upcoming labour laws.

Conclusion

Zepto has played a significant role in India's QCom revolution, combining unmatched delivery speed, urban saturation, and tech-enabled operations. The brand's youthful image, agile team, and a deep-pocketed investor ecosystem provide strong armor in a rapidly evolving environment. However, to grow from a growth-stage start-up to a sustainable business, the contours of Zepto's business and delivery will change from growth at any cost to efficient consolidation. It will need to focus on firm unit economics, improved operations, and consumer retention. With Amazon, Flipkart, and Tata very much in the fray, the long-term winners will be companies that can combine speed, scale, and sustainability. Where Zepto goes from here will depend on how quickly or smartly it can grow.

(Contributed by Global Risk Management Institute)

Attachments:

- https://s3.ap-south-1.amazonaws.com/stcontent.bslearning.in/global/case_study/523/Howis_ZeptonavigatinggrowthandrisksinQCom.pdf
- https://s3.ap-south-1.amazonaws.com/stcontent.bslearning.in/global/case_study/523/Zepto_GuidingNotesdocxGoogleDocs.pdf

Questions:

Question 1: What are the major competitive advantages of Zepto in India's Q-commerce market?(10 Marks)

Teachers Input:

Delivery Speed, Tech-Enabled Efficiency, Urban Focus, Youthful Branding, and Founder-led Agility are the major competitive advantages of Zepto

Question 2: What are the operational and financial risks, if any, in Zepto's business model?(10 Marks)

Teachers Input:

High burn model, Customer acquisition cost, Low basket size, Logistics complexity, Gig worker dependence, Regulatory risks are some of the operational and functional risks

Question 3: What strategies may lead to an enhanced market position and growth for Zepto?(10 Marks)

Teachers Input:

Sustainable Operations, Customer Engagement, Hyperlocal Marketing, Loyalty & Tiers, Automate Operations, Diversification, Employee Welfare are some strategies that may lead to enhanced market position for Zepto

Question 4: How can Zepto improve long-term sustainability and profitability?(10 Marks)

Teachers Input:

Private Labels, Increase Basket Size, Subscription Plans, Targeted Promotions, Measured Expansion, Investor Confidence are some of the points that can improve the long-term sustainability and profitability of Zepto

