

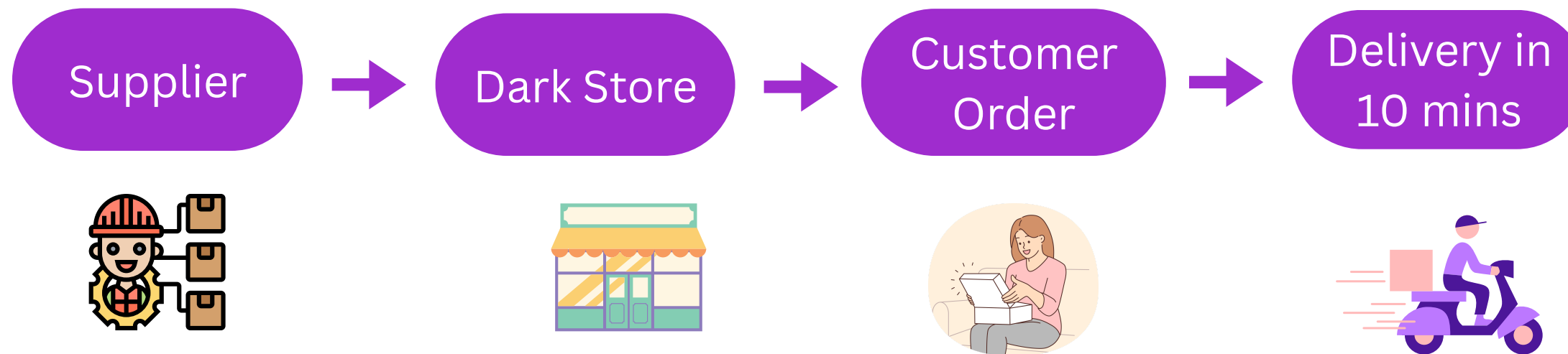


Zepto – A Case Study to Increase in Tier 2,3 Cities

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Zepto and its Business Model

Zepto is an Indian instant grocery and e-commerce delivery service that guarantees delivery within 10 minutes or less by utilizing a network of strategically located "dark stores" (micro-warehouses).



Market Scale

- Zepto operates **250 dark stores** (as of 2024) across metropolitan areas, with plans to **scale to 700+ by late 2025**.
- Plans include setting up larger dark stores for high-value categories like electronics and appliances.
- For Q2 **FY 2024-25**, Zepto had about **500 dark stores**, with ambitions to reach 1,046+ by March 2025.

Market Size Growth

- Quick commerce, in which companies deliver consumer products within **10 minutes** from neighbourhood warehouses, is popular with customers.
- Bernstein estimates India's quick commerce sector will reach **\$35 billion in 2030**, from \$200 million in 2021.
- Indian rupee terms, the market is expected to reach **₹1.5–1.7 lakh crore by 2027**

Challenges

- Despite explosive growth, the sector remains unprofitable, with high costs related to warehousing, logistics, and discounting from all players.
- Growing **discontent among gig workers** around pay—and the risk it poses to Zepto's service reliability.
- Zepto's fulfillment infrastructure—specifically its dark stores—has **faced food safety violations**.

Target Audience



Zepto mainly targets busy people living in cities who want quick grocery deliveries. Its customers include young professionals, students, and families who need things fast. The service is for people who like using technology to save time. Zepto focuses on city areas, offering a simple online shopping experience.

Why Choose Zepto ?

Speed & Convenience

User-Friendly Experience

Freshness & Product Confidence

Pricing & Offers

Real World Use Cases

- **Late-night cravings or emergencies by ordering essentials.**
- Users **bypass running to nearby stores.**
- Customers order electronics or gifts via Zepto with **competitive pricing.**
- Users appreciate fresher produce and **better packaging** than local shops.

What customers say:

“Now she just uses Zepto for instant grocery needs instead of asking family members.” - Reddit [🔗](#)

Competitor analysis

Dimension	Blinkit	Swiggy instamart	Big Basket
Core Position	Instant Convenience	Reliability and Food	Variety and Freshness
Delivery Promise	10-15 mins	15-30 mins	same day/next day
Coverage	Strong Tier-1, selective Tier-2	Tier-1 & growing Tier-2	Tier-1 + deeper Tier-2/3
Variety	Medium (4-6k)	Medium (5-7k)	Very Large (>30k)
Customer acquisition strategy	Quirky campaigns and discounts	Cross selling to swiggy food users	First order discounts and loyalty rewards
Retention Hooks	Integrated with zomato gold	Swiggy one subscription	BB star loyalty

Problem statement: Zepto has gained massive adoption in Tier-1 cities with its 10-minute delivery promise. However, user growth in Tier-2 and Tier-3 cities is slower than expected.

North Star Goal:

Ensure Zepto becomes a trusted, frequently used service in Tier-2 and Tier-3 cities—without compromising delivery speed or burning excessive cash.

Persona 1



Name: Sunitha Sharma
Age: 28
Location: Tier 2 (Indore)
Profile: Homemaker

Pain Points:

- Doesn't trust online delivery fully.
- Discounts/coupons often confusing.
- Limited local brand availability.

Behaviors:

- Orders groceries weekly but compares prices with kirana shops.
- Prefers Cash on Delivery (COD); UPI adoption is slow.

Goals:

Save money while ensuring fresh, quality groceries for the family.

Persona 2



Name: Ravi Kumar
Age: 23
Location: Tier-3 city (Varanasi)
Profile: College student, hostel resident.

Behaviors:

- Orders late-night snacks, beverages, and instant meals.
- Active on Instagram/YouTube → responds well to quirky campaigns.
- UPI-savvy, avoids COD.

Goals: Convenience + speed. Doesn't want to go out at night for food.

Pain Points:

- Limited catalog for youth-oriented items.
- Delivery not reliable outside central areas.

Why to solve?

Expanding Zepto into Tier-2 and Tier-3 cities is to **drive profitable growth by increasing market reach** into underserved regions, improving unit economics through lower costs and density efficiencies, and building a more diversified, resilient operation.

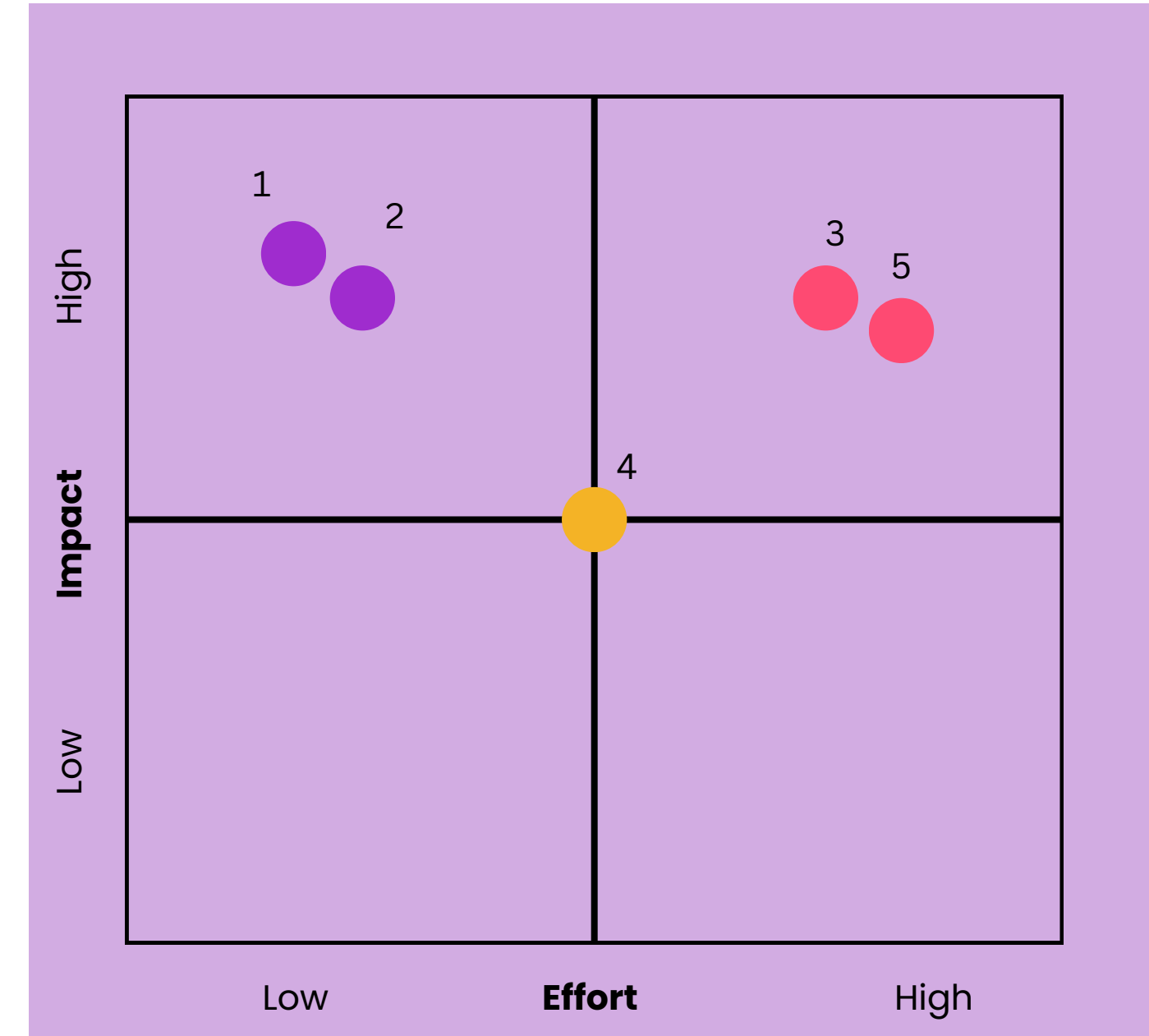
Problem and Solution Space

Identified Problem	Potential Solutions	Justification
Lower Purchasing Power & Price Sensitivity	Discounts, Coupons, Free Premium Trials	Discounts act as an entry-level hook, delighting users and encouraging them to try the platform. Once onboarded, higher frequency of usage can be driven.
Local Shopping Preference (Trust & Quality)	Expiry & Manufacturing Date Transparency	Clear labeling builds trust and assures users of freshness, replicating the confidence they feel with local kirana stores.
No Local Language Support	Local Language Search & UI	Many Tier-2/3 users struggle with English grocery names. Local language support removes this barrier, enabling seamless discovery and boosting repeat purchases.
Cultural & Behavioral Gaps (COD Preference)	Shift COD → UPI with Incentives	Users hesitant about digital payments can be nudged by UPI discounts (e.g., 10% off). This builds trust while giving them tangible financial benefits.
Small Basket Sizes (Single Basketing)	Bulk Order Option / Subscription Packs	Tier-2/3 households typically buy in bulk (e.g., 1 kg rice, monthly rations). Enabling bulk orders increases average order value and aligns with existing shopping behavior.

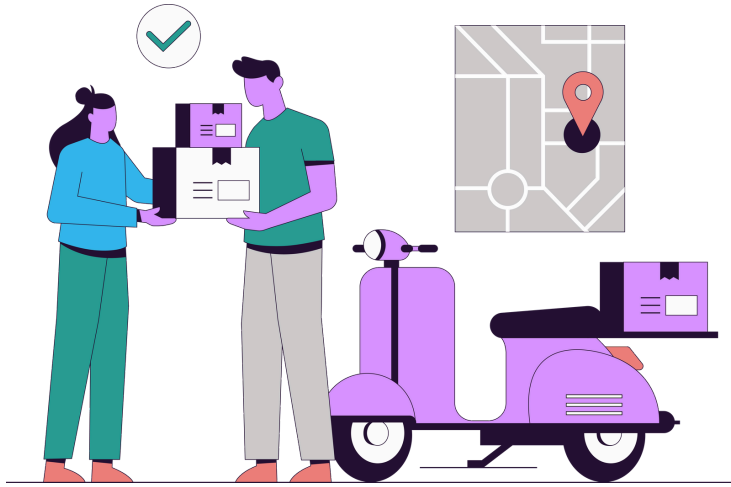
Impact - Effort Analysis

Solution	Implementation	Impact	Effort
Discounts, Coupons, Free Premium Trials	Add promo engine in checkout flow; configure entry-level coupons and premium trial banners to new users.	High	Low
Expiry & Manufacturing Date Transparency	Update product catalog UI to show expiry/manufacture dates; integrate with supplier inventory data.	High	Low
Local Language Search & UI	Enable multi-language catalog tagging; implement language toggle in settings with vernacular search support.	High	High
Shift COD → UPI with Incentives	Modify checkout UI to highlight "Pay via UPI & Save 10%"; apply instant discount logic for UPI option.	High	Medium
Bulk Order Option / Subscription Packs	Add "bulk buy" SKUs (e.g., 5kg rice) and bundle packs in catalog; create subscription module for recurring orders.	High	High

Matrix



Discounts, Coupons, Free Premium Trials
Add promo engine in checkout flow; configure entry-level coupons and premium trial banners to new users.



Risks & Tradeoff

- Heavy reliance on discounts may **hurt profitability if not controlled**.
- The success of this lever depends on **high user conversion and repeat orders** outweighing the cost of discounts.
- Users may become discount-driven and churn once offers are reduced.
- **Need to cap discounts**, track CAC vs. LTV, and ensure promotions align with long-term business sustainability.

Value for Business

- Attract new customers in Tier-2/3 cities by addressing trust, pricing, and accessibility gaps.
- Encourage repeat orders by offering value comparable to local kirana stores.
- Strengthen Zepto's footprint beyond Tier-1 metros and capture underserved markets.
- Increase order frequency and average basket size, driving sustainable profitability.

Mitigation

- Set budget caps for promotions, limit discounts to specific SKUs or first orders, and phase out over time.
- Gradually transition users to value-based hooks (speed, reliability, bulk packs, subscription).
- Run time-bound or city-specific offers to test capacity before scaling.

Value for Users

- Prices aligned with local kirana stores, supported by selective discounts.
- Assurance of fresh, good-quality products at reasonable cost.
- Clear product details (expiry, manufacturing date) to build confidence.
- Reliable quick delivery that saves time and effort.

Success Metrics

- **% Conversion Rate from Discounts & Coupons** - Share of new users converted through promotional offers.
- **% Increase in Repeat Customers** - Growth in users placing multiple orders after initial discount-driven purchase.
- **Order Frequency per User** - Average number of orders placed per user in a given time period.
- **Coupon & Discount Utilization Rate** - % of users actively redeeming available offers.
- **Average Order Value (AOV) Growth** - If users start adding more items per basket after initial promotions.
- **Referral or Word-of-Mouth Growth** - How many new users join via referrals after initial promotional adoption.

Thank you !