



Bits Pilani

# Ops-Strategia

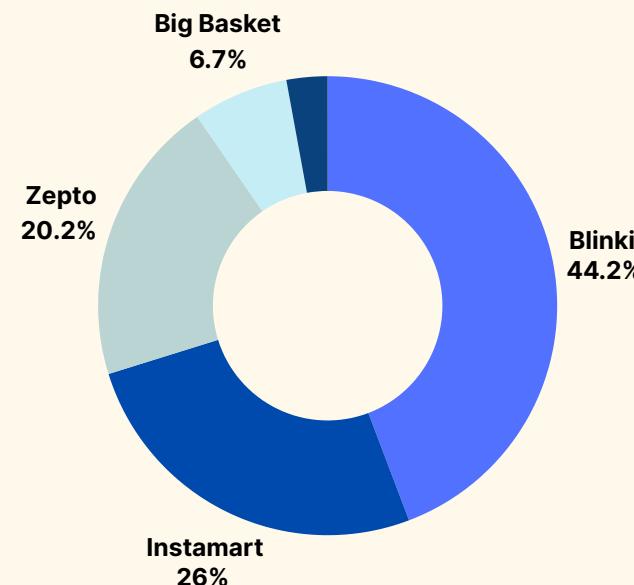
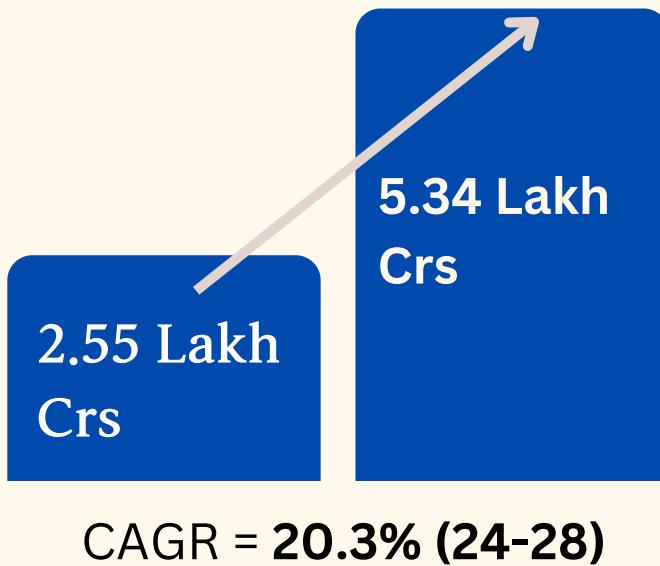
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# Executive Summary

- The Indian online grocery delivery market is projected to grow at a **CAGR of 20.34% from 2024 to 2028**, with a user base expected to reach **24.77 crores** by 2028.
- The market is dominated by key players such as Blinkit, Instamart, and Zepto, although profitability remains a challenge across the industry due to **increasing revenue coupled with significant losses**.
- Factors like **low average order value (AOV)**, **high last-mile delivery costs**, and the emergence of potential threats such as **local grocery retailers and the Open Network for Digital Commerce (ONDC)** pose challenges in the sector
- Diversifying product portfolios, bundling items, and incentivizing users to meet a minimum order value are suggested to **boost AOV**
- **Autonomous warehouse management** robots integrated with sophisticated management systems. A **strategic hiring** approach based on cost-demand optimization for delivery staff
- Careful monitoring of margin adjustments and prioritizing **profitability per dark store over expansion** is recommended to ensure long-term growth
- Implementing a **mixed-model approach** for order fulfillment, despite high initial investment costs, is expected to cater to a wider user base
- Anticipating future shifts, it is recognized that relying solely on current strategies may not suffice, potentially leading to **industry consolidation**.

# Conceptualizing an inefficient inventory management and fulfillment strategies in Hyperlocal E-Commerce services for grocery delivery.



## Indian Online Grocery Delivery Market

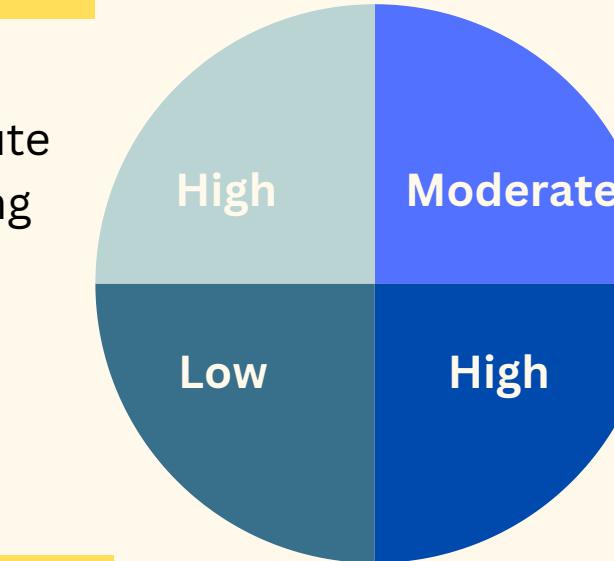
- Number of users is expected to reach 24.77 Cr users by 2028
- User penetration rate in the market ---> 11.7% in 2024

## Trends

- Increasing **internet** penetration ---> rising smartphone usage
- Shift towards **convenience** and **digital shopping**
- Consumers expecting **on-demand delivery**
- Safety** of delivery personnel

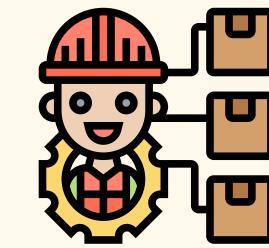
## Threats from Substitutes/Competitors

- Numerous Competitors
- Physical stores as substitute
- Price wars and no switching costs



## Power of supplier

- Companies can easily switch
- Similar products available throughout the market



## Power of buyers

- No switching costs
- Brand value, unique products, quality of products and customer service can moderate bargaining power



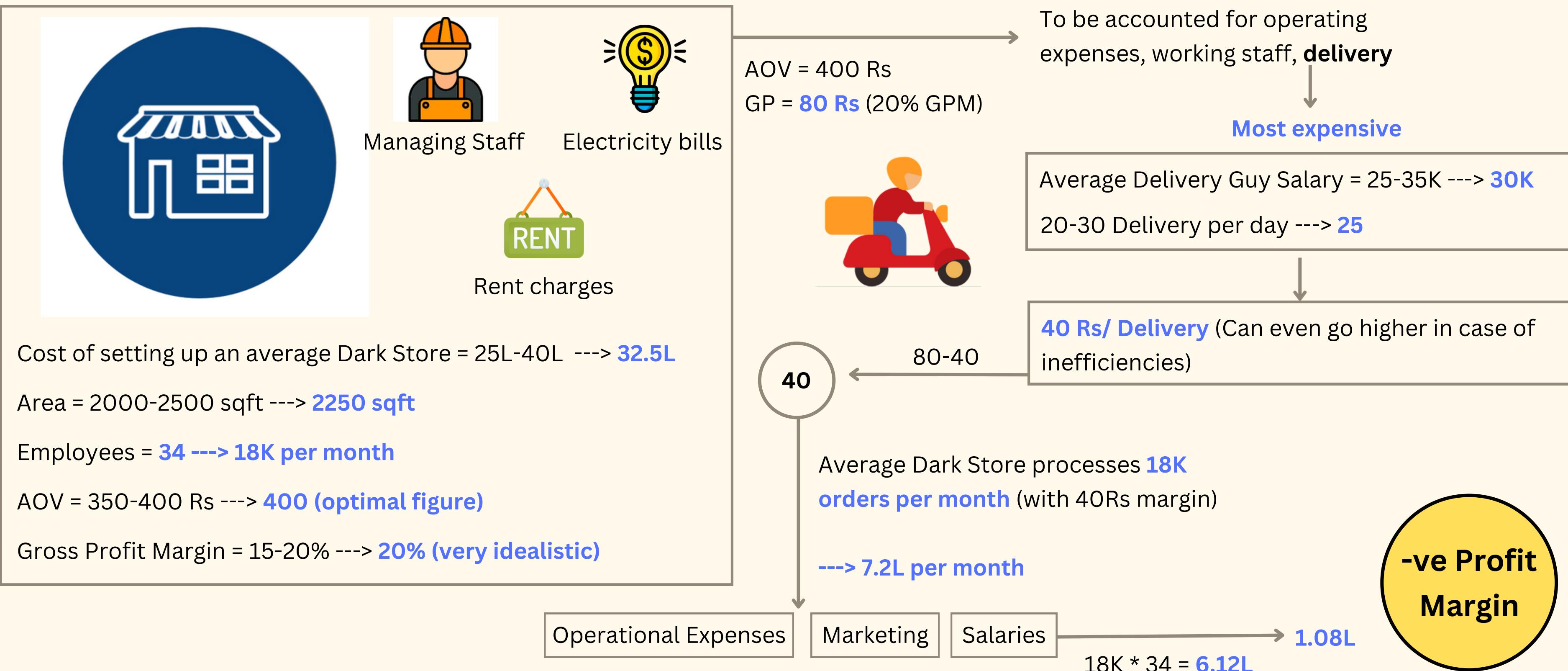
## Current Industry Outlook

- Instamart, Blinkit, Zepto ---> **Increasing revenue with significant losses**

# The multivendor model has limited logistics control, high management costs in dark store model with inventory model not meeting quick delivery demand

Multivendor platform	Dark stores model	Large Inventory Model
<b>Model</b> 	<ul style="list-style-type: none"><li>• Direct from <b>grocery stores</b></li><li>• No maintenance cost</li><li>• Less margins</li></ul> 	<ul style="list-style-type: none"><li>• <b>Fulfillment center</b> for online orders</li><li>• Strategically positioned</li><li>• <b>Structured layout</b></li></ul> 
<b>Delivery</b>  20-40 min	 10-12 min	 <b>Few hours- next day</b>
 <b>Limitations</b> <ul style="list-style-type: none"><li>• Less <b>control over logistics</b> due to store involvement</li><li>• Low <b>scope of optimization</b></li></ul>	<ul style="list-style-type: none"><li>• Complex <b>unit economics</b></li><li>• <b>Maintenance costs</b> is high</li></ul>	<ul style="list-style-type: none"><li>• <b>Small number</b> of warehouses</li><li>• <b>Large Inventory</b></li><li>• Low transportation cost</li></ul> 

# Last-mile delivery is costly, with the high management expenses of a dark store contributing to a negative profit margin.



# High Attrition rate of delivery staff & low AOV due to unplanned purchasing habit of Indian consumers

## Cost of Hiring Extra Staff

- Attrition rate of 18-20% ---> Need to hire additional delivery staff to keep up with the demand --->  
**Training cost & continuous recruitment**
- Low switching cost**, in search of better incentives



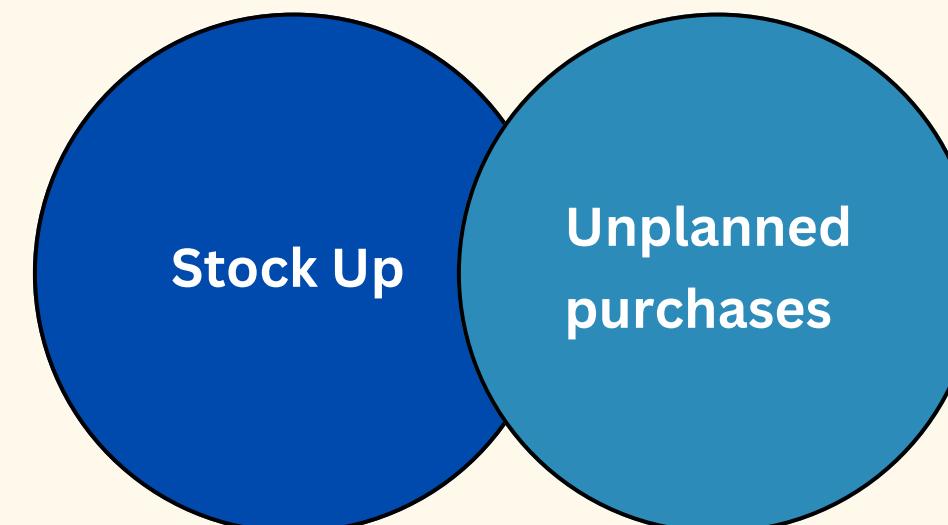
## Last-moment delivery inefficiencies

- Last-moment inefficiencies can boost the **per-delivery cost** from 40 to even 100 or above, further shrinking the margins
- Delayed Deliveries can make consumers opt for **local retailers**



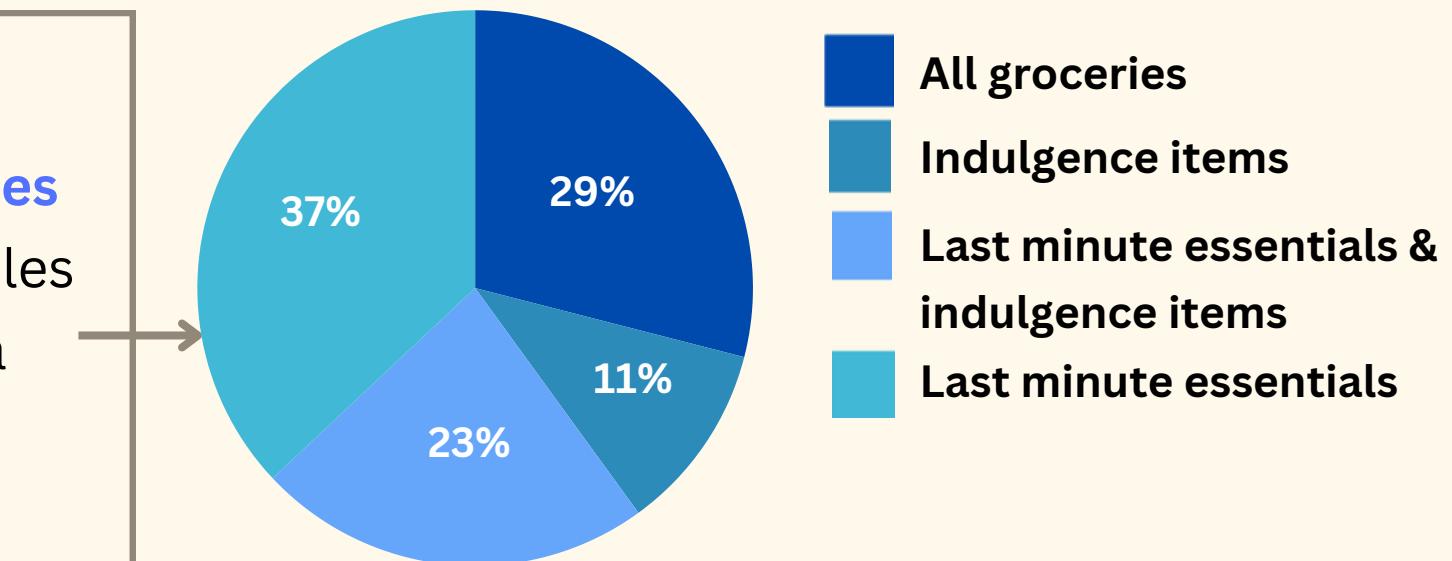
## Unplanned purchases of Indian consumers

- Bulk purchase for **long-term consumption**
- Through supermarkets, local kirana stores



*Purchasing Patterns of Indian Consumers*

- Emergency purchases** and daily consumables
- Through local kirana and q-comm



71% ---> Last minute & indulgence items

# Considering the bullish nature of the Indian govt with ONDC, QC should focus on loyalty with differentiation and carefully monitor any political changes

ONDC is evolving right now, Focus on building loyalty & strong differentiation

- Ease of price comparision for consumers ---> Focus on creating **brand loyalty** and quality services with **unique differentiation**
- Stay updated on any political changes and consumer behavior and **adapt** accordingly



Challenges for the government

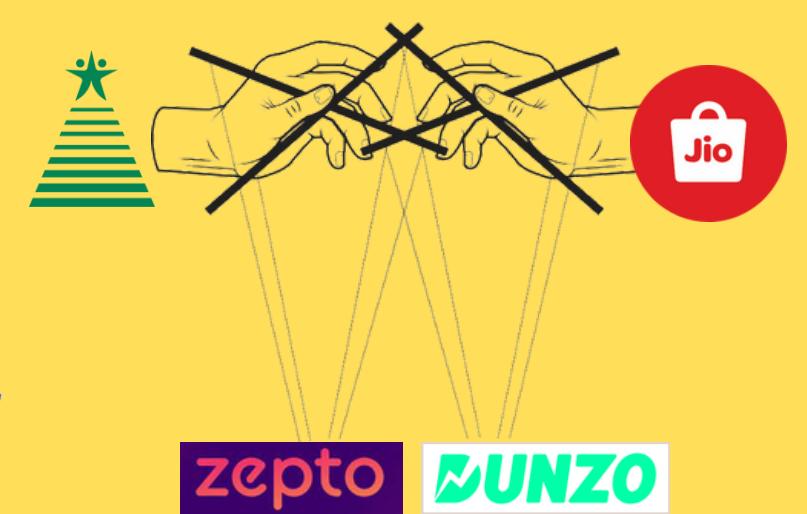
- Products in e-commerce are ranked by consumer demand, so **top sellers get priority, making equal listing ineffective.**
- Zepto, Blinkit, etc. can secure another billion in funding to **undercut its competitors**, forcing them out of business



# Relying solely on QC can be risky and many might shift towards different businesses leaving behind only a few key players in the market

Sole reliance on QC could lead to acquisition

- Large retailers can acquire QC companies in the future to bolster their delivery infrastructure if profitability becomes a challenge
- Zomato & Swiggy's diverse service portfolio makes them less prone to acquisition.
- **Relying solely on the quick commerce (QC) business model can be risky for long-term sustainability.**



Shift from instant delivery to convenience



- Many might shift towards alternative models where convenience is offered through large retail presence/ timed supply rather than instant delivery

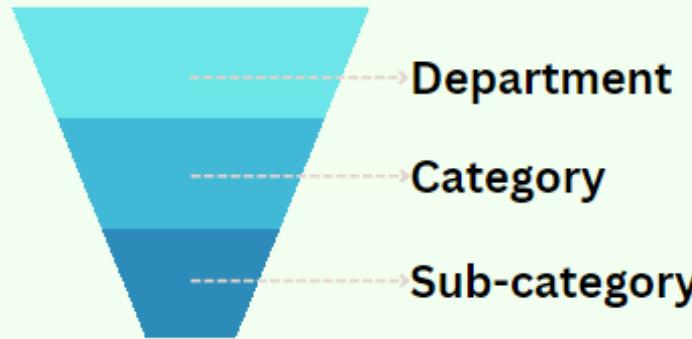
Few Dominate, others struggle

- Eventually, only a few key players will dominate the market while others struggle or exit the industry altogether.



# Autonomous mobile robots and integrated inventory MS to tackle inefficiency

## Product Classification



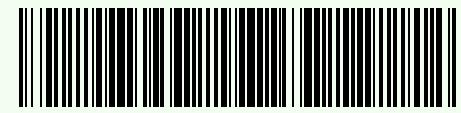
## Invest in ERP, warehouse and inventory management software

- Real-time GPS product tracking, inventory review & demand prediction, locating misplaced products, handling obsolete items.



## Barcoding

- **QR code or RFID** tracking with handheld scanner
- Enhanced stock traceability and inventory ACCuracy



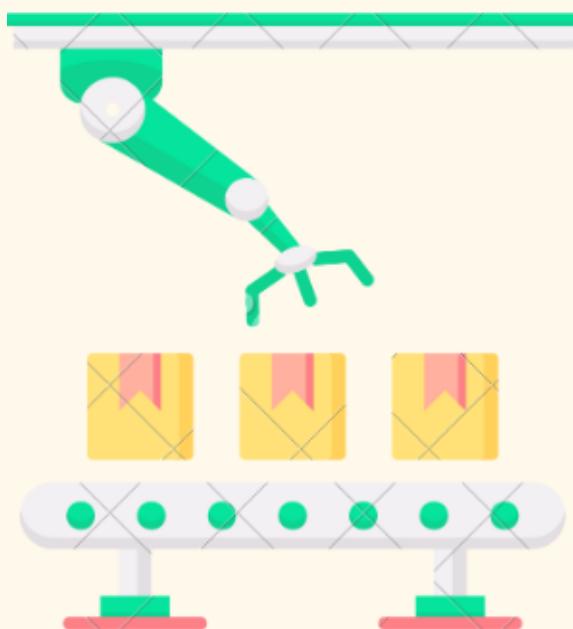
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## Integrated inventory management system

- Efficient order processing
- Closest warehouse pickup

## Automated Inventory Management

- Robotic material movement solutions such as **Automated Guided Vehicles (AGVs)**, **autonomous mobile vehicles (AMVs)** & robotic shuttle systems
- **Automatic sorting & packaging** to mechanise your warehousing operations



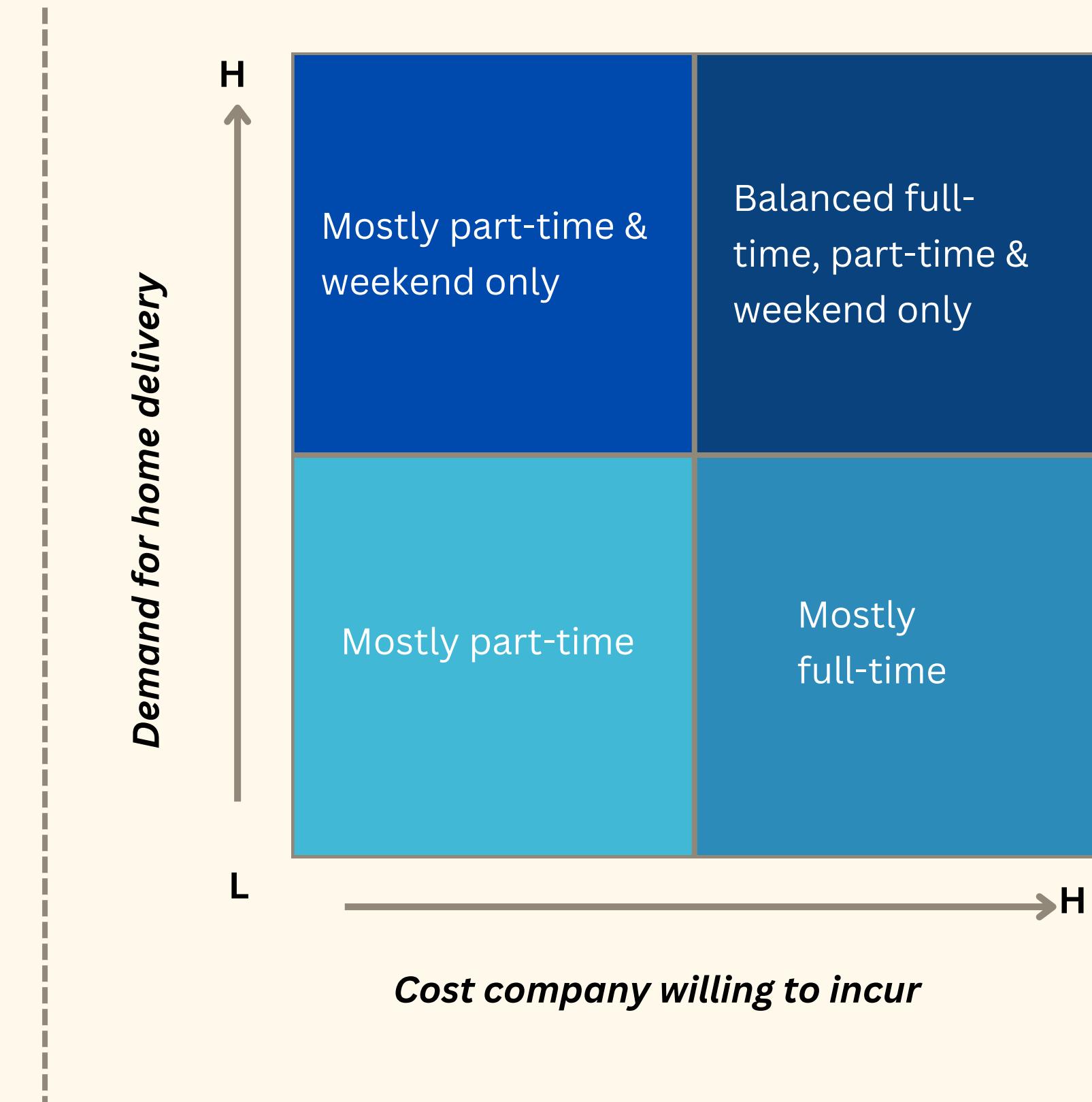
# Four-quadrant framework hiring strategy using cost-demand optimization

To account for last-moment delivery inefficiencies and the high attrition rate, the company is incurred **cost of hiring extra staff**

- High Demand --> Enough staff required
- Low Demand --> Wasted resources if too many staff is hired



- Model to determine the **optimal requirement of delivery partners** based on dynamic delivery demand.
- Adjust your hiring practices based on the demand forecasted
- For cost-cutting, hire part-time/weekends. For quality service or premium users, hire full-time.



# AOV needs to be pushed up for better margins, incentivizing users for relaxed deliveries with request-driven product onboarding feature

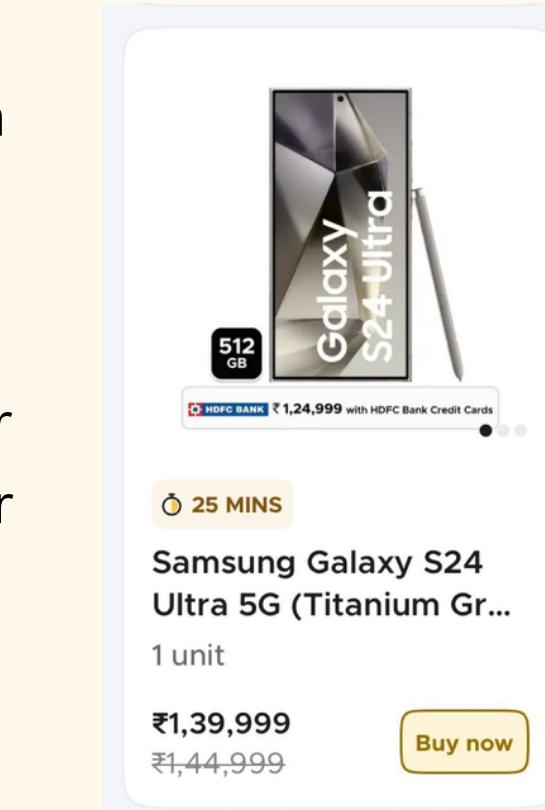
## Product Diversification for more AOV

Diversify your product portfolio --> include high value products for more AOV and better margins

Minimum order value for “free shipping” and other gifts ---> at 30% higher than AOV

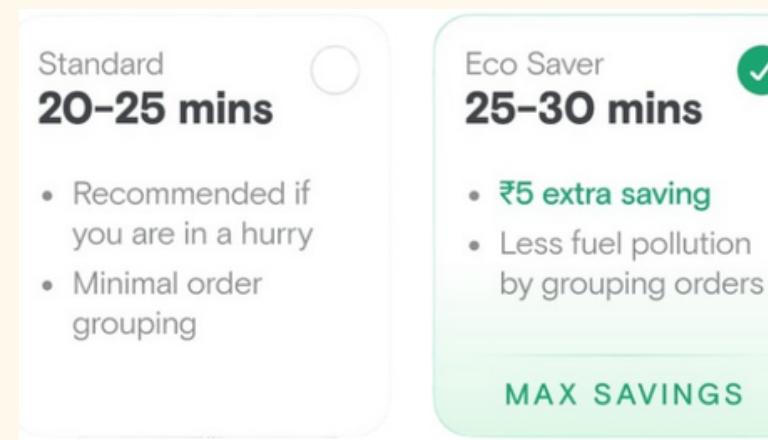
## Product Bundling

- Recipe based bundling, with edit feature
- Create your own bundle feature



## Incentivize customers for relaxed deliveries

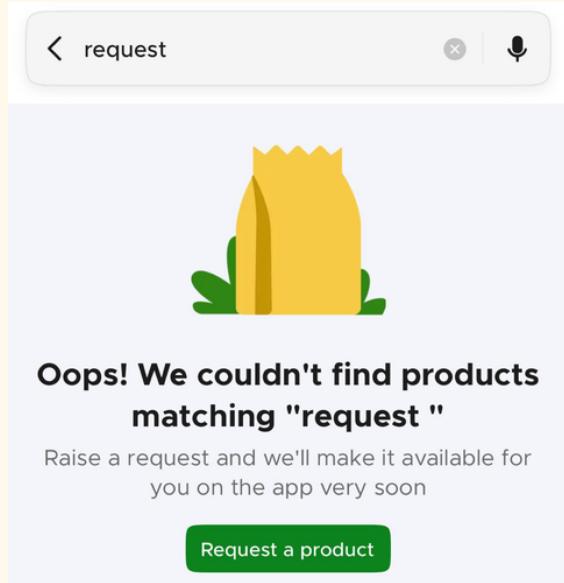
- Allow users to opt for a **group order** with other users in their nearby area



- Reduced delivery cost per order, saving on **fuel and driver time**

## Request-driven product onboarding

- General method of product onboarding relies on utilizing the end-user data
- When a product is not available, Allow users to **request the onboarding** of new products.
- The platform will use the data to onboard items in high demand.



## Look out for price-hike opportunities

- See if your users can bear a **small price hike**, either via platform fees, delivery charges ---> to improve margins --> user behavior needs to be tracked

# Strategic shift towards the model of crowd shipping & prioritizing profit sustainability over expansion by focussing on the consuming class of India

## Potential of Crowdshipping in India

- Utilize **independent delivery personnel to cut costs and improve customer experience.**
- For example, Swiggy and Rapido strategic partnership



## Implementation with crowdshipping in India

- Roll out services where you can assure reliability and efficiency, considering the **potential threat of object damage, stealing, etc.**
- Integrate your order management system with a **strict onboarding** process

## Profit sustainability over expansion

### Per-store profitability

- Prioritize profitability per dark store over blanketing new areas with **no material impact on revenue**
- Low **cash drain** and boosting **investor's confidence**, making it easier to secure funding in future

### Explained: Why is Blinkit shutting down some dark stores?

Blinkit is learnt to have shuttered 50 of its dark stores across the country, resulting in hundreds from its workforce losing their jobs. Why is Blinkit facing a cash crunch?

### Focus on the consuming class of India

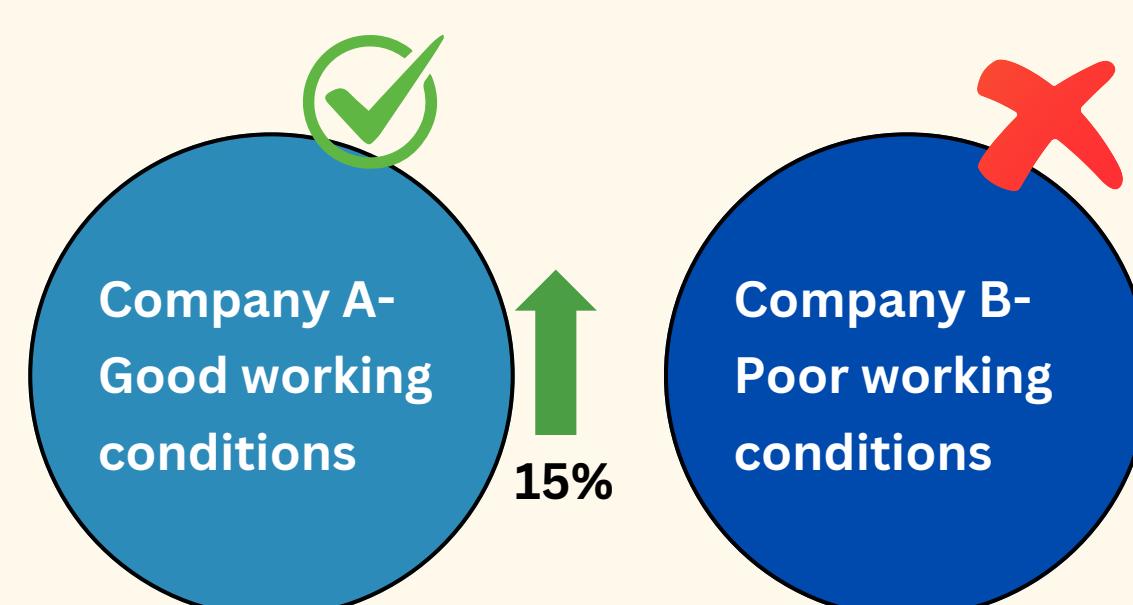
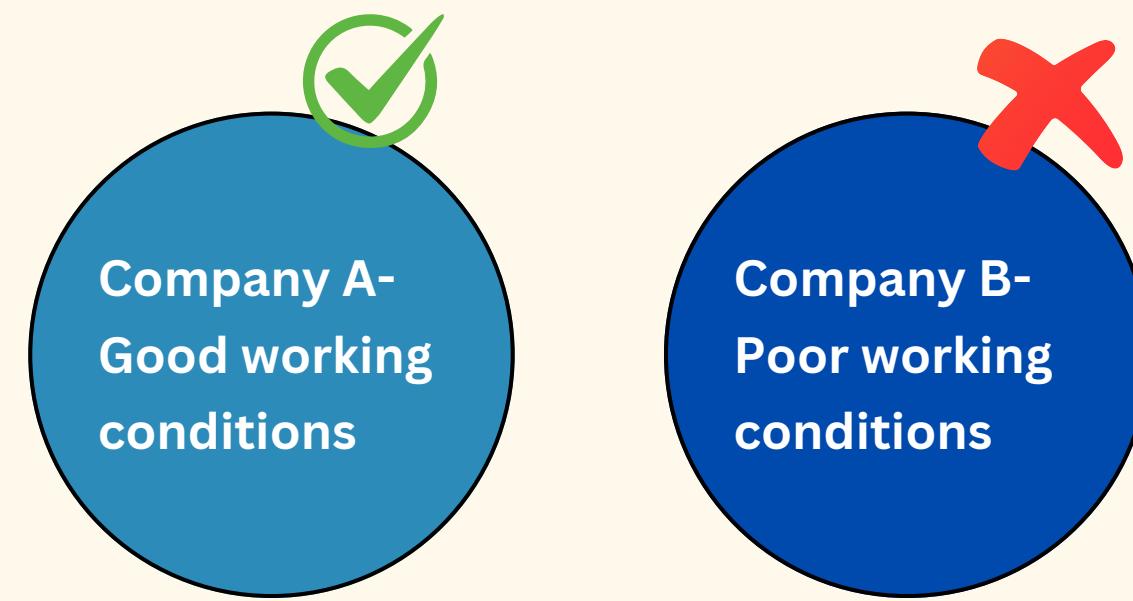
- The **consuming class** ( $\sim 30M$  Households --->  **$\sim 9.83\%$  of the total market**) effectively constitutes the market for most companies
- Focus on the consumer class in India who can make frequent purchases with a good average order value.



# CHPP- Communicating, highlighting & price premium strategy for brand loyalty

## Mehrabian & Russel's Stimulus-Organism-Response (SOR) Model

- Consumers attach **more goodwill & trust to the company with better working conditions** in both the scenarios
- Thus, better working conditions helps you build brand loyalty



**Consumers still preferred A**

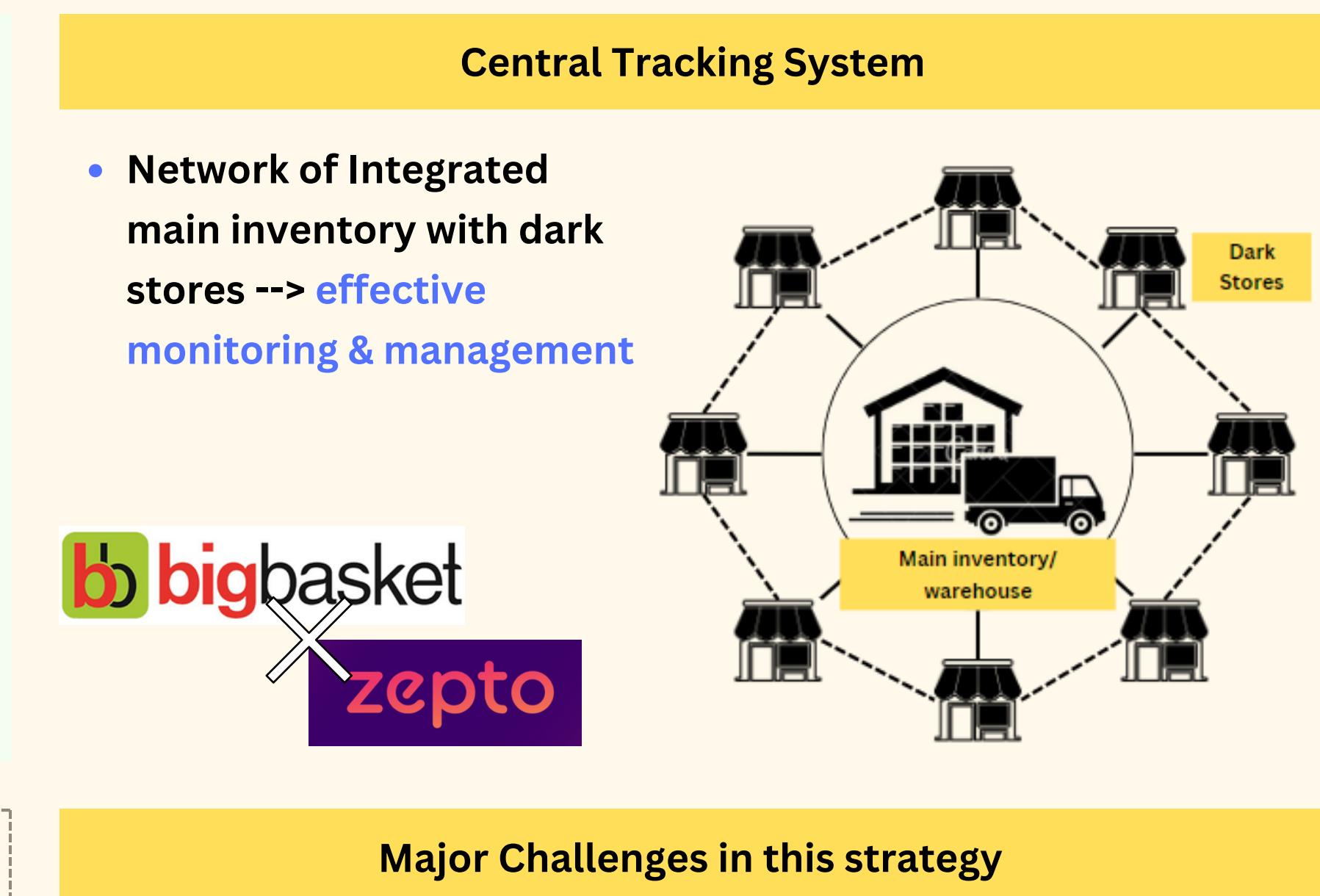
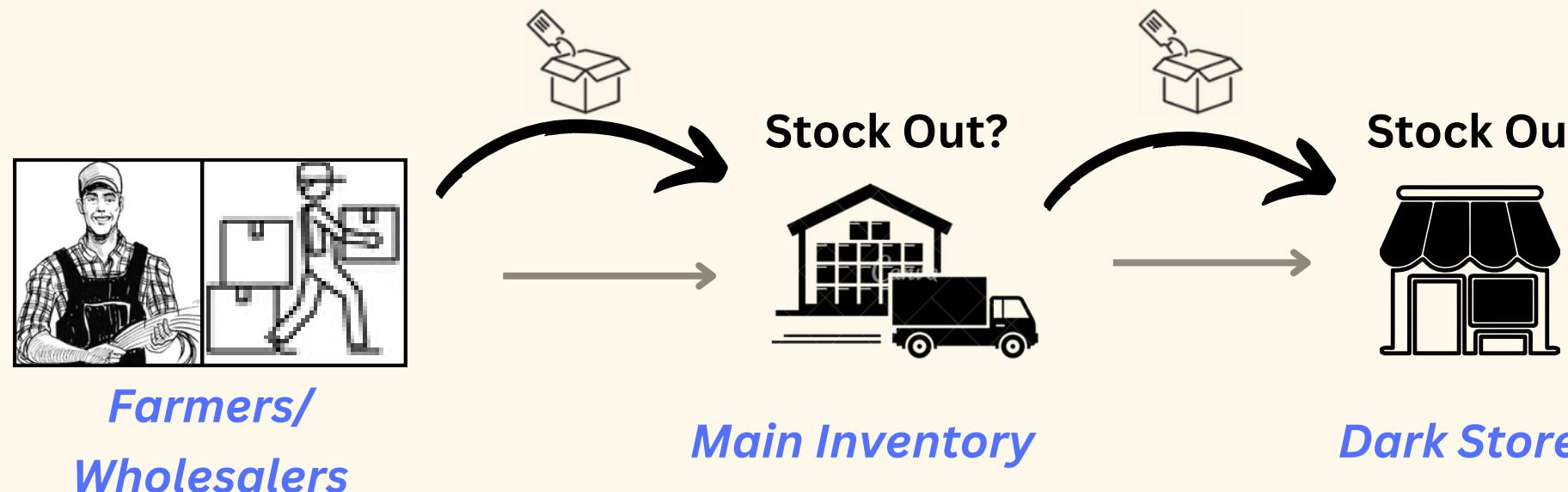
- **Communicate** your commitment & efforts towards ethical delivery practices clearly
- **Highlight** initiatives taken to improve their well-being
- Consider a small **price premium** to offset the cost of improved working conditions
- Communicate how this price increase is benefitting delivery partners

## Metrics to track

- CAC & retention rates
- Brand sentiment monitoring via social media & customer reviews

# Mixed-model approach to order fulfillment on the network of integrated inventory & stores to reach wider range of userbase

- **Mixed-model approach** to order fulfillment ---> Choice between quicker (10-20 min) & convenient (hours-next day) deliveries.
- You can still maintain your image as a quick delivery by focusing on those who need it.
- **Wider range of customers**: People who used to switch to more convenient delivery methods in search of better incentives will eventually order from a single platform.



- ### Major Challenges in this strategy
- Very **cost heavy** ---> Managing multiple delivery options, inventory maintenance
  - Managing both quick & convenient delivery options adds **complexity to the logistics**
  - Might **confuse** some users ---> dissatisfaction

# THANK YOU

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# Appendix

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[Quick commerce market faces some fast facts](#)

[Study on Emerging Business Trend: Quick Commerce](#)

[The Hyperlocal Conundrum: Kiranas Vs Dark Stores In India's Retail Market Post-Covid](#)

[Quick Commerce – An Analysis of Superfast grocery delivery services in Europe](#)

[Rise of Quick Commerce in India: Business Models and Infrastructure Requirements](#)

[Dunzo, Blinkit, Swiggy, Zepto & The Quick Commerce Bubble](#)

[6 warehouse robots that are reshaping the industry](#)

[Why Dunzo's DOWNFALL Should Worry You!](#)

[How Is Zomato Profitable when Swiggy and Dunzo are Burning Money?](#)

[India's Quick Commerce Race: Blinkit On Top After 2023; Can Rivals Catch Up?](#)

[Last Mile Delivery Costs – Challenges and Solutions](#)