

zepto

"Revolutionizing the way India shops"

STATISTICS



21%

Quick commerce
market share



13 M

Monthly active
users



2024 Cr

Revenue (FY23)



5 L

Daily orders

COMPETITORS



BUSINESS MODEL

Value Proposition

- Ultra-fast delivery within 10 minutes
- Affordable pricing
- Assured quality

Revenue Streams

- Margins on products
- Commission charges
- Product listing ads
- Subscription fees



Overview



PROBLEM SPACE

Desired Goal: Increase Zepto's **average order value** to drive better unit economics through a comprehensive solution, prioritising user needs, pain points and business goals

Assumptions: We have infinite tech bandwidth and we are solving for mobile users

WHAT IS AVERAGE ORDER VALUE?

Average order value (AOV) refers to the average amount a user spends on a transaction.

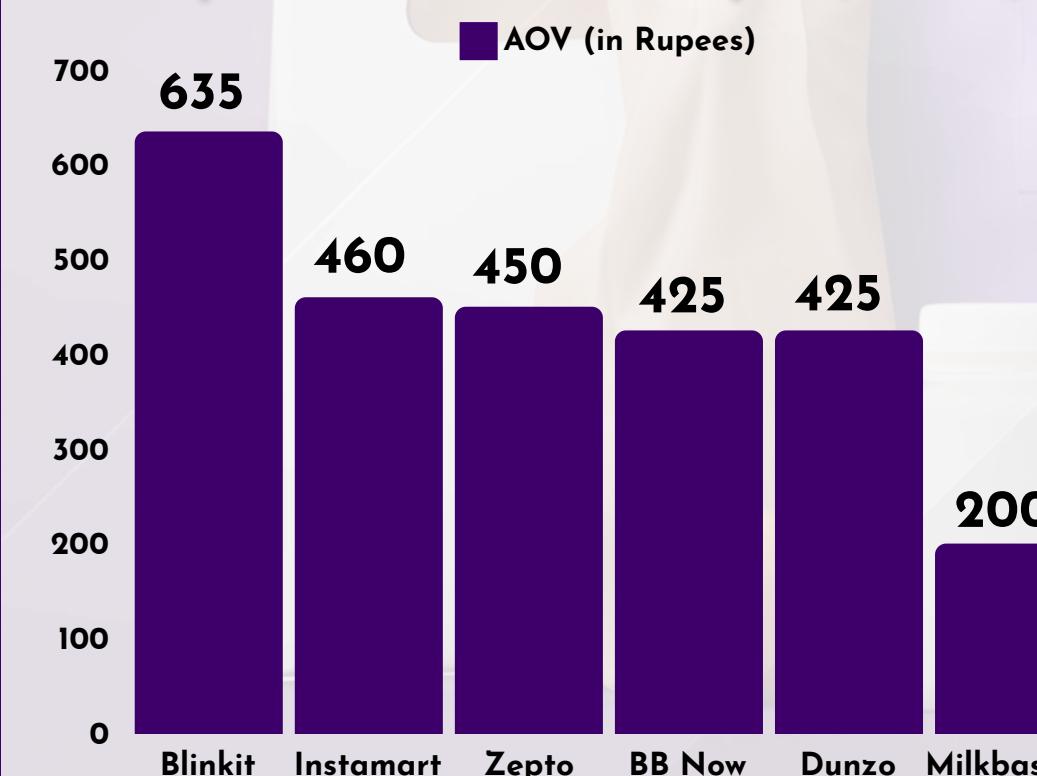
AOV = Total Revenue/ Number of orders

AOV is impacted by order frequency, price of goods, product list, customer demographic, and discounts or promotions offered.

Why is AOV important?

- Helps understand the purchase behaviours of customers on the platform
- Positive impact on the business's profitability
- Results in Increased Customer Lifetime Value
- Helps assess existing marketing strategies and how they can be improved

Competitive Landscape (AOV)



Mapping Product Outcomes to Business Outcomes



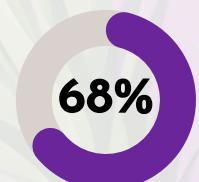
[Link to diagram and outcomes](#)



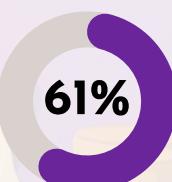
USER SURVEY

Number of respondents: 28
[Survey Link](#) [Survey Responses](#)

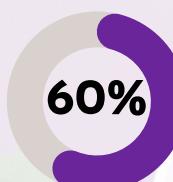
The survey's respondents are aged between **18 to 35 years** and belong to **Tier 1 and 2** cities. They are **tech-savvy, value-conscious** and seek a **right mix of convenience and affordability** while shopping



use quick commerce apps multiple times a week



respondents use **Zepto** for shopping groceries and essentials



spend less than INR 500 on their orders



faced issues with **product unavailability**

KEY TAKEAWAYS

- Majority of the respondents preferred quick commerce apps due to the faster delivery time and convenience factor
- In terms of purchase behaviour, the respondents either have the list of essentials ready before shopping, order smaller and immediate needs or make impulse purchases based on their mood
- Major challenges faced on the platforms were product unavailability and minimum order requirements
- Users are not finding many incentives for placing a larger order on Zepto (Rewards, freebies, discounts etc.)
- Users perceive Zepto as a platform that fulfils immediate needs for single items or top-ups
- Users found the platform to have a limited product selection, particularly for bulk items/ household staples, thereby making it less suitable for larger grocery hauls

INTERVIEW TAKEAWAYS

USER PERSONA

zepto

The user persona is aged between 18-35 years old, lives in a Tier 1 city and uses Zepto and other quick commerce apps multiple times a week

Rationale: The target segment (18-35 years old) is comfortable with technology and relies on smartphones for most daily tasks. Due to busy schedules, this segment seeks convenient and time-saving solutions, thereby opting for quick commerce platforms for groceries and essentials



Mohan, Graphic Designer, 28 years, Chennai

A value-conscious individual who relies on quick commerce platforms for immediate needs and convenience

Core Needs & Goals

- Convenience & Speed:** A hassle-free way to get groceries and essentials delivered to his doorstep
- Reliable Availability:** The selected items should be readily available
- Smart shopping experience:** A platform that suggests relevant products based on items browsed and previous purchases
- Value for money:** Product bundles, incentives and points that would push him to explore and shop more on the app

Challenges

- Limited product availability:** He frequently encounters out-of-stock items, leading to frustration and placing the order on another app
- Lack of Personalization:** He doesn't receive product suggestions based on purchase history and browsing trends
- Lack of value incentives:** He feels there is a lack of incentive that would push him to keep coming back to the app

Unmet Needs

- A reliable platform with consistent product availability
- A more intuitive and personalized shopping experience
- A sense of discovery through new products, recipe-based suggestions based on his purchases
- Time-saving features like pre-made product bundles, product-related recommendations

HYPOTHESIS

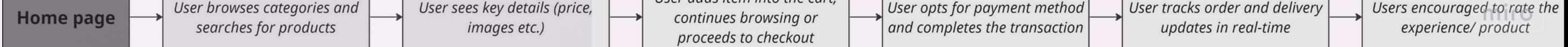
- Users primarily utilise Zepto for small, immediate needs owing to the convenience factor, avoiding larger discretionary purchases
- Users wish to see product suggestions based on their search history, purchase patterns and trends/occasions
- Users are restricted in their choices due to issues with product availability and generic recommendations
- Users would want to get rewards and incentives for frequently shopping on Zepto



Overview

Survey Insights



Customer journey -**What is the true problem?**

Despite assuring 10-minute deliveries and a convenient shopping experience, **Zepto** is facing challenges in pushing customers to increase their basket/ order size, leading to lower **average order value (AOV)**.

Reason

Because customers are only using **Zepto** for smaller, immediate needs. Even if they wish to place larger orders, they are facing availability issues and a lack of personalized recommendations based on their preferences and purchases

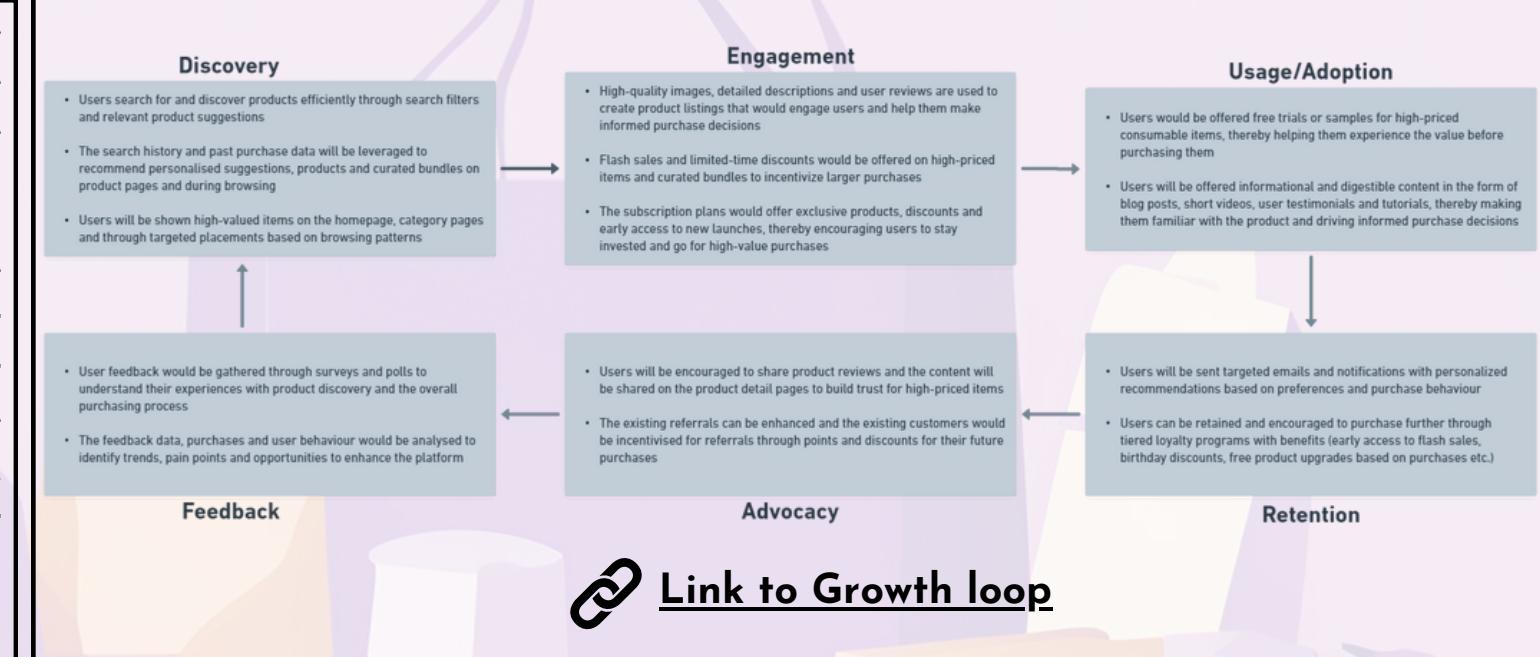
Impact

Lower AOV hinders **Zepto's** long-term sustainability and profitability owing to lower revenue per order, increased fulfilment costs, marketing spends to acquire customers

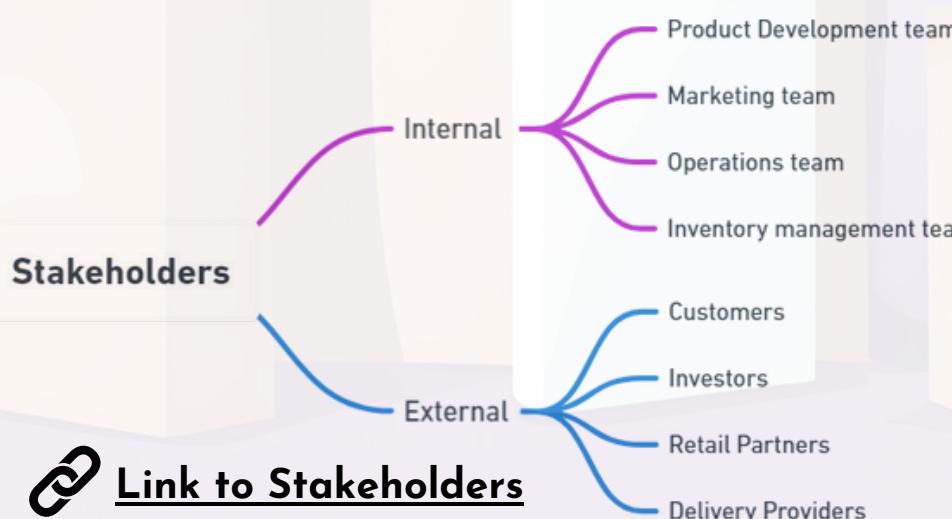
How is this a real problem?

- Based on an article by **Techcrunch**, there has been a noticeable surge in the average order value among the quick commerce players, rising to **INR 650 (7.8 USD)**

- According to the user research, **67%** of the respondents spent less than **INR 500** per order on Zepto and only **7%** placed an order of **INR 1000 and above**. The majority cite not requiring groceries/essentials instantly, exploring product varieties, seeking better deals/offers and issues with availability and quality as the points of concern

Growth Loop**Link to Growth loop****Who are facing this problem?**

Customers who use **Zepto frequently (multiple times a week)** to purchase groceries, essentials, immediate needs and impulse purchases owing to quick deliveries and convenience factor. They experience issues with **product availability, limited product range, generic recommendations and lack of incentives upon frequent purchases**

Stakeholders involved**Link to Stakeholders****Why should this problem be solved now?**

- The quick commerce market in India is forecasted to generate a revenue of **3,349 million USD** in 2024 and is expected to exhibit a **CAGR of 24.33%** (2024-2029), leading to a projected market volume of **9,951 million USD** by 2029
- The quick commerce market is fiercely competitive, with **Blinkit** currently commanding a substantial market share of **45%** and having an AOV of **INR 635**
- A **low average order value** means less revenue per order, making it difficult to cover fixed and fulfilment costs, thereby resulting in losses and a drop in the platform's growth and profitability
- Hence addressing the low AOV is urgent to maintain competitiveness, meet evolving user needs, improve customer retention and gain a competitive advantage

Value generated upon solving the problem**For the users**

- Reduced basket abandonment
- Improved product discovery
- Enhanced product assortment
- Increase in promotional offers
- Targeted bundles and recommendations

For the business

- Increased revenue and profitability
- Positive brand perception
- Improved operational efficiency
- Enhanced customer lifetime value
- Reduced acquisition costs (CAC)
- Data-driven decision making



USER PAIN POINTS

PP1 - Lack of personalized recommendations
based on your previous purchases and browsing behaviour

PP2 - Lack of awareness about items back in stock, new arrivals and highlighted deals leads to the users missing out on adding more products to their carts

PP3 - Users are not being suggested product bundles, complementary items or high-value products that would improve the overall order value

The mentioned pain points can be addressed through the [Market Basket Analysis](#) approach

WHAT IS MARKET BASKET ANALYSIS?

- [Market basket analysis](#) is a modelling method used to identify the [products purchased together](#). In other words, it is like watching what people put in their baskets along with the items they already have. For example, people who buy bread also tend to buy butter, jam or spreads
- This helps platforms [understand the users' purchase habits](#) and use the knowledge to suggest products that [complement the items being purchased](#), thereby leading to a [personalized shopping experience](#) for the users, happier customers with fuller shopping carts and better business for the platform

Reference links:

[Market Basket Analysis in E-Commerce](#)

[Market Basket Analysis in Retail](#)

PROPOSED SOLUTIONS

PANTRY PULSE

A product spotlight section that showcases **back-in-stock items, dynamic product bundles and items to be restocked**

How does it work?

Upon tapping the feature, a side navigation bar will open on the main screen where the user can see the items back in stock, value deals and combos based on user purchase patterns and the items he/she would be needing to restock based on the buying cycles

How would it help?

- **Improved product discovery:** By highlighting back-in-stock items, new arrivals, deals etc., users can easily find relevant products without browsing through the entire catalog
- **Personalised Shopping:** Analysis of purchase patterns helps the users suggest relevant deals, leading to a more convenient efficient shopping experience
- **Reduced decision fatigue:** Highlighting value deals and combos saves users time and effort
- **Increased customer satisfaction:** Finding desired products quickly and efficiently and getting personalized recommendations enhanced user satisfaction and loyalty

WOULD YOU PAIR THIS?

An interactive quiz where the user is **suggested complementary item choices** based on the product selections

How does it work?

Upon adding a product (bread, pasta etc.), the 'Would you pair this?' quiz will be triggered and two complementary options will be shown for the products being added. Once the quiz is done, the user will be directed to the cart page where he can find the selections made.

How would it help?

- **Increased engagement:** The quiz format adds a fun and interactive element to the shopping experience
- **Personalised recommendations:** By gathering and analysing user choices, the recommendations can be tweaked accordingly for future purchases
- **Improved conversion rate:** Highlighting relevant pairings can incentivize users to add more items in the cart, thereby improving discovery and the average order value

SMART BASKET CHALLENGES

What is the feature?

Smart basket challenges will comprise either time-bound or recurring challenges with diverse themes to appeal to a broader user base.

Examples:

- "Build a balanced lunch basket"
- "Healthy breakfast builder"
- "Movie night munchies challenge"

The smart basket would suggest the products from specific categories to be added for the challenges accordingly.

Upon completing the challenge, the user would be rewarded with points that can be levied on future purchases and freebies on their next orders.

How would it help?

- **Increased engagement:** The quiz format adds a fun and interactive element to the shopping experience
- **Product discovery:** Challenges encourage users to try new products through the smart basket suggestions, helping users expand their shopping horizons



SOLUTION PRIORITIZATION

[Link to detailed solution prioritization](#)



Solution	Reach	Impact	Confidence	Effort*	RICE Score <small>(Reach * Impact * Confidence) / Effort</small>
Pantry Pulse	4	4	4	1	64
Would you pair this?	3	3	3	1	27
Smart Basket Challenges	2	3	2	1	12

*Given infinite tech bandwidth, uniform effort would be assumed for the proposed solutions and the value would be considered as 1

Based on the RICE scores, **Pantry Pulse** would be the feature of focus for improving Zepto's AOV

HOW WOULD PANTRY PULSE ADD VALUE?

For the users

- Improved convenience in terms of accessing previously out-of-stock products, complementary products and frequently repurchased goods
- Tailored suggestions based on past purchases, search behaviour and trends leading to a personalized shopping experience
- Improved decision-making through value deals and suggested bundles that would aid user discovery

For the business

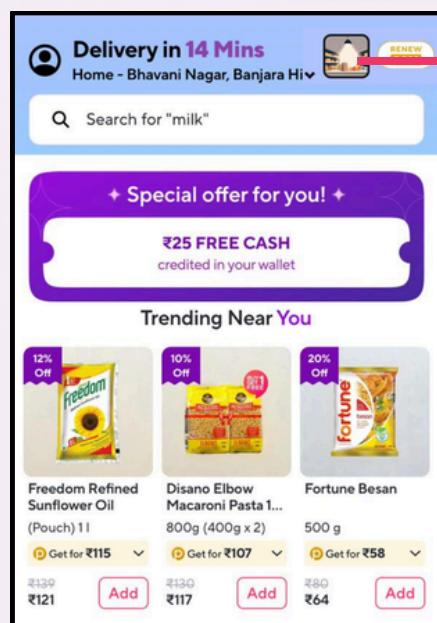
- Increased sales
- Improved Customer retention
- Data-driven insights
- Reduced cart abandonment rates
- Increased customer lifetime value (CLTV)
- Strategic cross-selling and upselling opportunities

HOW WOULD PANTRY PULSE IMPLEMENT MARKET BASKET ANALYSIS?

- Identifying frequent items:** Market basket analysis helps identify products frequently bought together. **Pantry Pulse** would leverage this data to suggest complementary items alongside the products users are interested in. For example, when the user views the back-in-stock notification for bread, upon going to the product detail page, he can also see the results for butter, spreads, eggs etc.
- Dynamic Product Bundles:** Based on the real-time data of what is selling well or running low on stock, user purchase patterns and search behaviours, **Pantry Pulse** can create dynamic bundles with high-demand items alongside complementary products. For example, as the weekend approaches and the ice cream sales are surging, Pantry Pulse can suggest a 'Movie night bundle' with ice cream, popcorn/chips and drinks
- Restocking recommendations:** Based on past purchases, the system will analyse frequently bought items on Zepto and the purchase intervals. **Pantry Pulse** will utilise this data to send restock reminders, display the products in the section and allow the users to add them with a single click

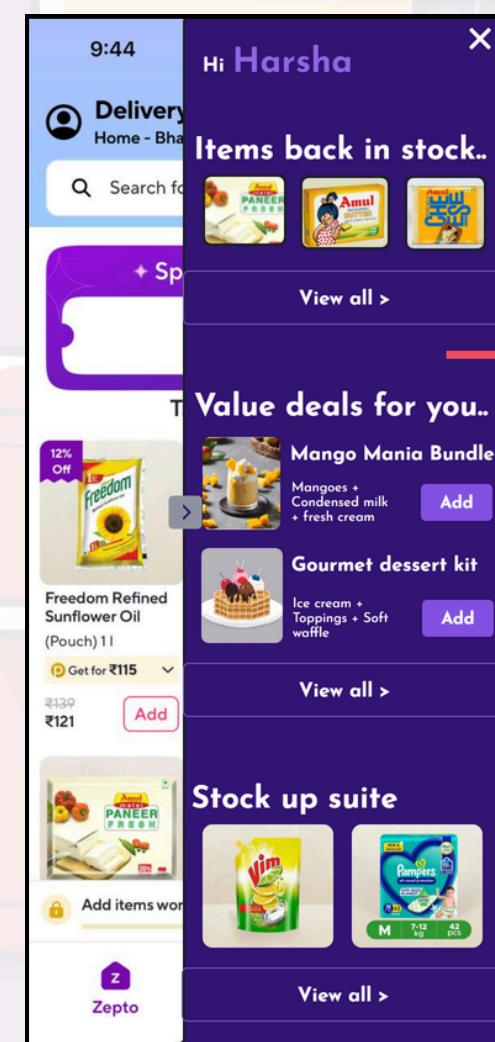


APP MAIN SCREEN



The 'Pantry Pulse' feature is placed next to 'Renew Pass' on the top right corner of the main app screen. The user is communicated about the feature through a brief walkthrough as soon as the app is opened.

PANTRY PULSE SCREEN

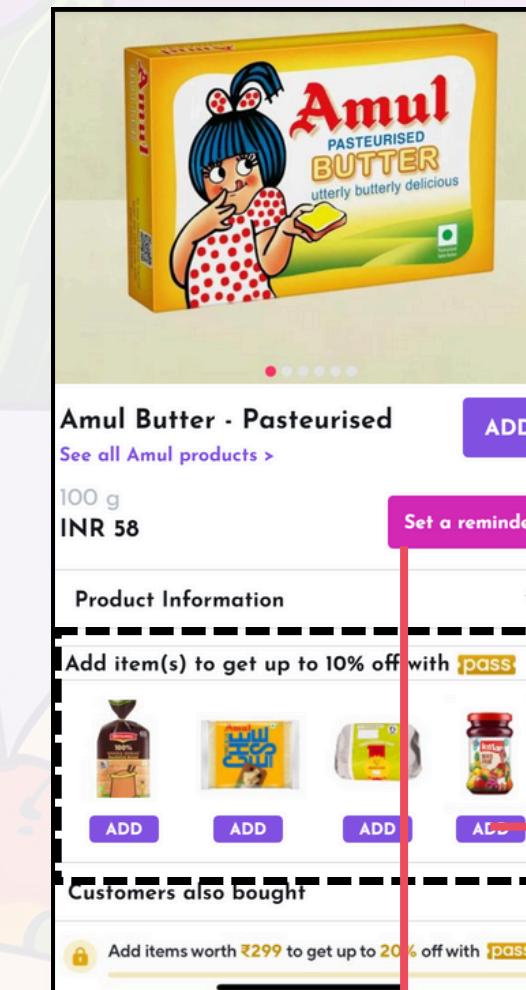


Upon tapping Pantry Pulse, a side navigation bar opens up and the user can access the following:

- Items back in stock:** Products that are out of stock and the user wishes to be notified about
- Deals:** User is shown product bundles/ deals based on past purchases, search behaviour and trends (top-selling products, region-wise, occasions etc.)
- Stock-up suite:** User is shown products to be restocked based on the reminders set by analysing the previous purchase cycles/ patterns

The user can either tap on the product tiles and be navigated to the product page or can long press and add it directly into the cart (**ease of usage**)

BACK IN STOCK PRODUCT PAGE



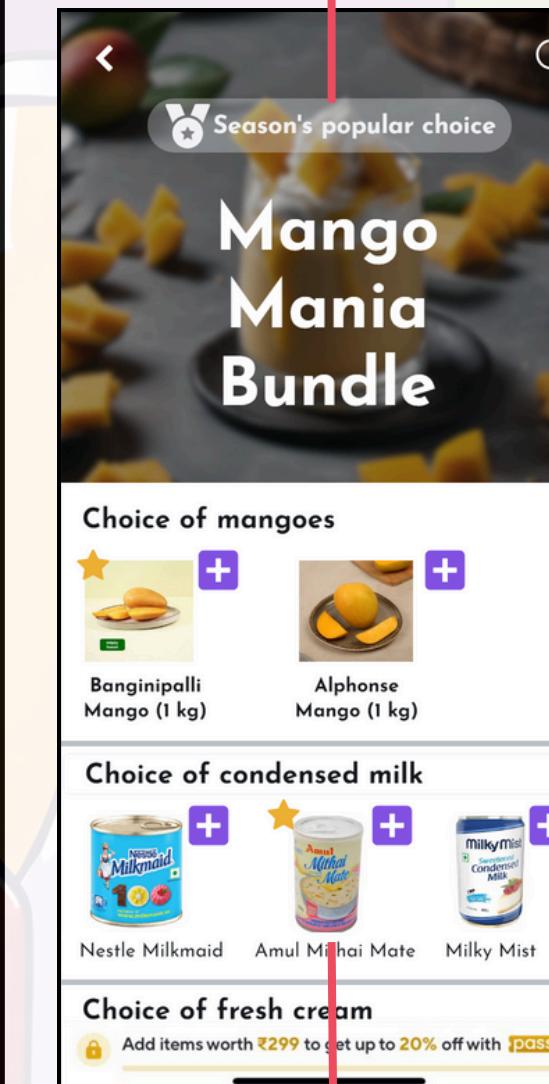
The user will also be shown complementary products and is nudged to add them and avail additional discounts

On the Product Detail Page, in addition to adding the product to the cart, the user can also set a reminder.

Upon setting a reminder, the product is added to the Stock up Suite and the user is reminded about the product accordingly

VALUE DEAL PAGE

Claims to create a sense of confidence and excitement in the user viewing the bundle



The user gets to select the product of choice under each item of the bundle. This ensures a sense of autonomy while also helping users explore the other products too

Based on purchase trends, the top-selling product will be highlighted and recommended to the user with a golden star

STOCK UP SUITE PRODUCT PAGE

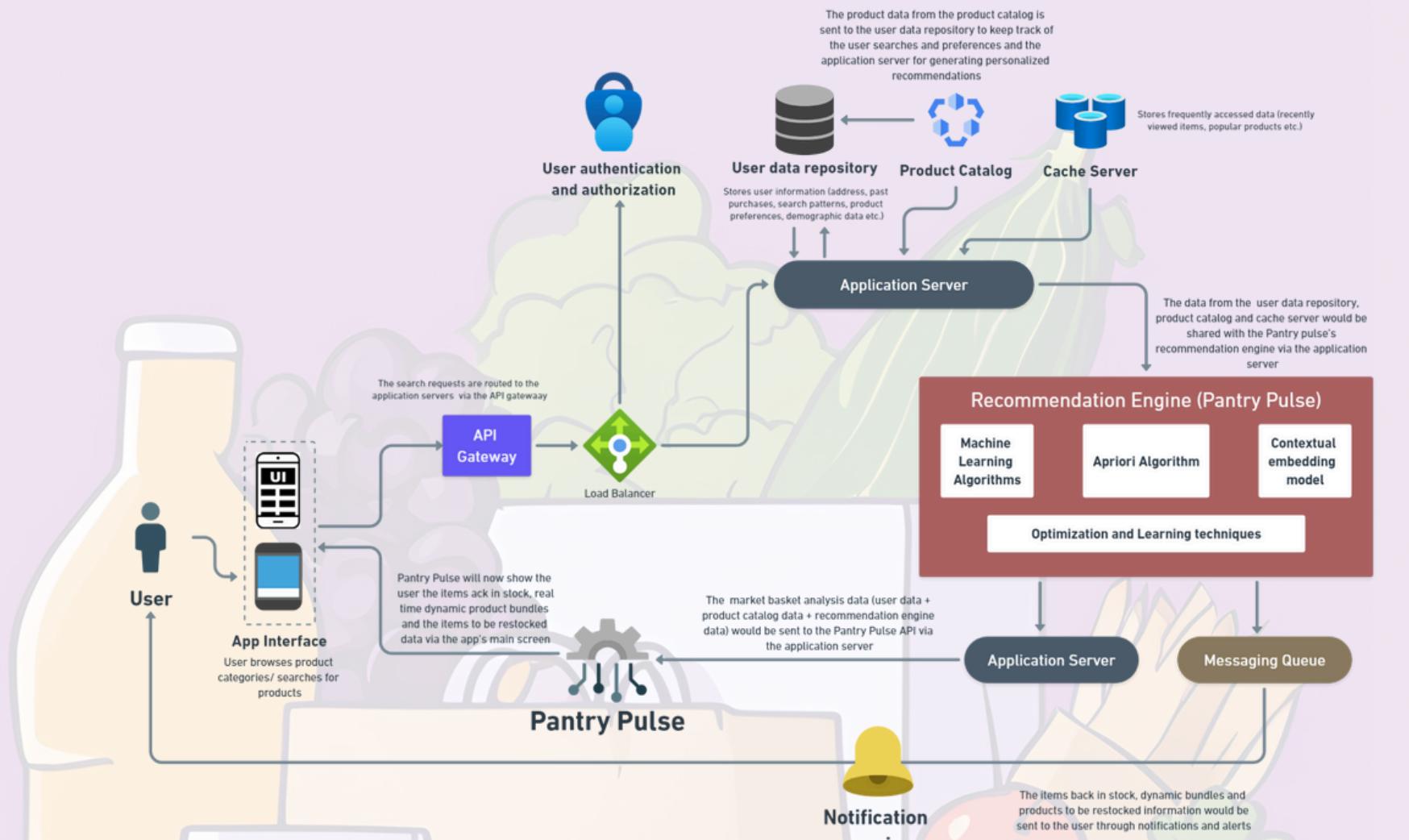


The user is shown when the product was previously purchased.

For staples and everyday essentials, the user would be nudged to explore the 'Subscribe and Save' option

Upon selecting the option, the user is alerted about the product based on purchase patterns and the products will be delivered accordingly basis the user's consent.

The 'Subscribe and Save' feature will also be tied with the Zepto Pass that would persuade the user to purchase/renew the pass on a timely basis.



Pitfalls

- Information Overload:** Too many recommendations at once can overwhelm the user
- Echo Chambers:** The recommendations might be based on what the user needs, has searched and is familiar with, limiting their exposure to new products
- Privacy Issues:** Data collection for personalization might go beyond what users are comfortable with, leading to privacy violations

Mitigation

- A/B Testing:** Continuously testing the number of recommendations to be displayed to ensure user engagement and retention
- Hybrid recommendation systems:** Utilising a combination of collaborative and content-based filtering techniques to ensure a mix of familiar and new product recommendations
- Obtain clear and informed user consent for data collection and personalization practices. The essential data will only be connected for recommendations

Positive Second-Order Effects

- Increased user satisfaction:** By helping users find desired products, restock needed items and discover relevant deals, Pantry Pulse leads to a more convenient and satisfying shopping experience
- Improved inventory management:** Insights into user demand for specific products and market trends would result in better inventory forecasting and stock optimization
- Data-driven decision-making:** The data collected through user interactions can be used for more targeted marketing campaigns and personalized product recommendations based on user segments, regions and market trends, driving higher conversion rates and customer lifetime value on the platform

Negative Second-Order Effects

- Choice Overload:** Too many recommendations at once through Pantry Pulse could result in choice overload and might overwhelm the users
- Recommendation bias:** If the recommendation engine relies heavily on past purchase patterns, it might fail to help users discover diverse and new products, leading to filter bubbles
- Privacy concerns:** Data collection for personalization could raise privacy concerns for the users
- Discount fatigue:** Overly promoting value deals and combos could lead to users expecting discounts all the time

PANTRY PULSE - GUARDRAILS

To ensure the 'Pantry Pulse' feature is used effectively while mitigating internal misuse by other product managers at Zepto and external imitation by competitors, a structured set of guardrails should be established to ensure the integrity and the overall effectiveness of the feature

Data Access & Security

- Define Access levels:** Clearly define what data is accessible to different product managers within the company
- Limit Data Sharing:** Restrict access to sensitive user data (search behaviour, frequent results, past purchases etc.) to the authorised personnel responsible for the Pantry Pulse feature
- Data Encryption:** Ensure the user data is encrypted before being used for market basket analysis and product/bundle recommendations within the Pantry Pulse feature

Design & Functionality

- Feature functionality & design:** Build Pantry Pulse with restrictions on manual editing and addition of recommendations or including promotions/ bundles outside the algorithm
- Document the core functionalities and limitations of the features to prevent misuse by other product managers/personnel
- Feature ownership and governance:** Designate a specific team/ individual as the owner of the feature. This establishes a clear chain of responsibility and ensures proper maintenance, supervision and ethical use of the feature

PRE-LAUNCH GUARDRAILS

Competitive advantage

- Identify core algorithms:** Identify the core algorithms and functionalities that contribute most to the success of the feature and safeguard them through robust security measures and patents
- Non-Disclosure Agreements (NDAs):** If working with external parties for development or data analysis, ensure the NDAs are being signed to protect the intellectual property

Monitoring and Alerting

- Implement monitoring systems to detect any unusual patterns in product recommendations. This would involve a sudden spike in promotions for specific items or deviations from the existing algorithms
- Monitor and log user activity within the Pantry Pulse feature for auditing purposes as it would help identify potential issues and take corrective action
- Set up alerts to notify authorized personnel when any suspicious activity is detected on the feature

Internal control and Education

- Educate the product managers and the authorised personnel about Pantry Pulse's functionalities and the importance of data confidentiality
- Develop clear guidelines on how the other product managers can leverage the feature and the data generated to avoid misuse
- Perform regular audits to ensure the internal teams are adhering to the data privacy regulations and are using the feature effectively and ethically

POST-LAUNCH GUARDRAILS

Competitive advantage

- Monitor competitor activity to understand their product discovery and promotional strategies and adapt the feature accordingly without compromising on the core functionalities
- Ensure the users benefit from the feature. This could be done through tailored recommendations and avoiding aggressive upselling tactics on the feature
- Aggregate user data in such a way that anonymizes individual users to ensure data privacy



NORTH STAR METRIC

- Increase in Average Order Value (AOV) with Pantry Pulse's Usage
- Conversion rate from Pantry Pulse's recommendations

FUTURE SCOPE

- **Contextual Awareness:** Pantry Pulse will take into account real-time factors like weather, time of day and upcoming events to personalize suggestions
- **Explainable AI:** Develop explainable AI features within Pantry Pulse to allow users to understand the rationale behind bundle recommendations, fostering trust and transparency
- **Integrations:** Explore partnerships with complementary services such as recipes. Pantry Pulse will suggest users with recipes, calorie information and other details based on the products selected
- Continuous testing of design elements, layouts and recommendation strategies to optimize user engagement

STAGE	METRICS	GOAL
Awareness	<ul style="list-style-type: none"> • Impressions: Number of times Pantry Pulse is displayed to the users on the app • Click Through Rate (CTR): Percentage of users who click on any element within Pantry Pulse/ Total number of users 	Measures the overall user awareness and exposure to the feature
Activation	<ul style="list-style-type: none"> • Number of users viewing recommended products: Number of users who viewed product/bundle recommendations within Pantry Pulse • Activation Rate: % of clicks who take action (click on the product card, add item to cart etc.) after checking the recommendations within Pantry Pulse 	Indicates the user's initial interest in exploring and initiating the feature usage
Adoption	<ul style="list-style-type: none"> • Frequency of Pantry Pulse's usage: Average number of times users access Pantry Pulse per session • Average Time spent: Average amount of time users spend interacting with Pantry Pulse's features • # of recommendations viewed per session: Average # of recommendations users look at within Pantry Pulse 	Indicates user adoption of the feature and to the extent the feature is being used
Engagement	<ul style="list-style-type: none"> • Product add-to-cart rate: % views from Pantry Pulse's recommendations that lead to adding a product to the cart • Average Order Value (AOV) with Pantry Pulse: Average value of orders where at least one product was added from a Pantry Pulse's recommendation 	Tracks the % of users completing a purchase that includes at least one product recommendation from Pantry Pulse
Retention	<ul style="list-style-type: none"> • Repeat purchase rate of products recommended by Pantry Pulse: % of users who purchased the recommendations discovered through the feature in the future orders • User Churn Rate before and after Pantry Pulse: Compare churn rates before and after feature implementation to gauge the impact 	Assesses the number of users committing to the Pantry Pulse feature and the stickiness of the feature
Satisfaction	<ul style="list-style-type: none"> • Net Promoter Score (NPS) for Pantry Pulse: User satisfaction regarding the feature's usefulness and overall experience • Customer Satisfaction Score (CSAT) 	Assesses the number of users satisfied with Pantry Pulse

