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Vellore Institute of Technology
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Lean Startup Management

MGT1022

Assignment 1

CRED vs PepperTap

Successful vs Unsuccessful Startup

Slot : TE2

TEAM MEMBERS :

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PepperTap : Unsuccessful Startup

Founded : September 2014

Headquarters : Gurugram, India

Ceased Operations : 2016

Founders : Navneet Singh, Milind Sharma

About the company :

PepperTap started out as an online supermarket. PepperTap is a mobile application that provides grocery delivery service. It enables users to buy fruits, vegetables, and groceries that will be delivered in 2 hours with just a few taps.

The company aims to be the fastest on-demand grocery delivery service in India that provides convenience, on-time and on-demand delivery to its patrons, alongwith superlative services and hand-picked products.

PepperTap was founded in 2014 and is headquartered in Gurgaon, Haryana.

PepperTap was a mobile first, on-demand grocery delivery service, which at scale was present in ~15 cities. At peak the company processed and delivered over ~40,000+ orders per day.

Having raised capital from Sequoia India, Saif Partners, Jafco, RuNet etc, the service shut its shop back in April 2016.

Operations :

PepperTap provided an online shopping platform that addressed customers' need to buy groceries from local markets by delivering the goods to their doorsteps. It targets buyers from different groups of cities, divided into three tiers. The service helps in solving the problems of long queues in the market, limited parking spaces and manipulative intermediaries.

The company would identify their target location and justify its tier. According to that it would make an inventory and add the necessary manpower to carry out house to house and door to door delivery. It tried to form an intermediate chain between B to C business. They tried to achieve it by using local shops for their supplies rather than working directly with major producers and wholesalers as their source for inventory.

Funding :

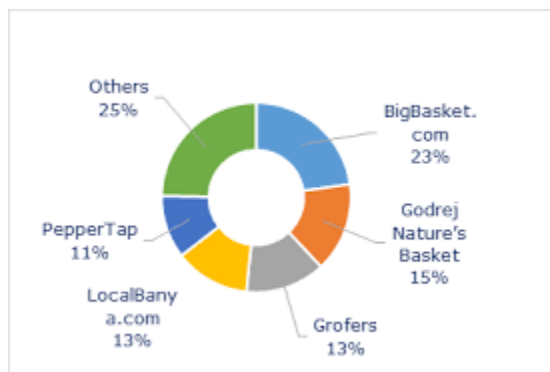
The company received funding from Sequoia India, Saif Partners, Jafco, RuNet, SnapDeal, InnoVen Capital

Marketing :

There was no efficient marketing technique involved with this startup. Apart from the basic billboards and advertisements through website ads, there was no efficient marketing strategy. Its competitors such as Grofers had employed a vibrant array of marketing techniques which overshadowed PepperTap hence they were unable to target the masses.

Reasons for failure :

Among the reasons why the company shut down even after receiving big investment money from investors, was the deep-seated perception in customers' minds that online platforms should provide cheaper solutions to their needs. To accommodate such expectations, PepperTap offered discounts and sales which were disproportionate to their account strength. PT also failed to weigh the scalability of their project before its full-blast expansion, which caused problems related to technology. For example, certain segments of their products malfunctioned and could not be accessed by customers on the platform.



The initial evaluation of PepperTap was that it would consume 11% of the market but it did not perform well and lost its investors.

CRED: Successful Startup

Founded : 2018

Headquarters : Bangalore, India

Founder : Kunal Shah

About the company:

CRED is a members-only club that rewards people for paying their credit card bills on time by giving them access to unique deals and premium experiences. This company lets credit card customers manage various cards while also getting a credit score analysis. Members with a high Experian or CRIF score are eligible for special prizes when they use the app to pay their credit card payments. CRED's credit card spend tracking and management tool was one of the app's numerous capabilities, providing the user with analysis of spend tracking and card usage efficiency.

Kunal Shah established CRED in 2018; by 2021, it had boarded over 5.9 million users and processed around 20% of all credit card bill payments in India.

Operations:

CRED, according to Kunal Shah, is a TrustTech firm rather than a FinTech, and his motivation for founding it stems from the need to address trust issues in Indian society, which he believes is critical to economic prosperity.

It offers five different products as of April 2021:

- I. CRED RentPay
- II. CRED Cash
- III. CRED Pay
- IV. CRED Store
- V. CRED Travel Store

Cred Mint, was launched on August 20, 2021, with the goal of monetizing its 7.5 million users.

CRED also has the CRED Safeguard function, which is an AI-powered system that tracks every detail of a credit card payment trip, including due date reminders, spending habits, and other card usage statistics. When a member pays with a credit card using the app, they are eligible for a number of incentives, including access to events, experiences, gift cards, and upgrades from businesses such as Diesel, Cure.Fit, Myntra, and Olive Bar & Kitchen, among others.

Funding :

DST Global, Sequoia Capital (India), and Tiger Global, are among the investors who have contributed to CRED's four rounds of private fundraising. CRED raised \$466 million in 2021 and \$546 million since last December and lost Rs. 360.31 crore in the fiscal year 2020 (FY20), owing to excessive marketing and advertising costs.

Cred is funded by 29 investors in total, as per August 23, 2021, with the recent investors being Dragoneer Investment Group and Tiger Global Management.

While the company has yet to file its annual financial statements for FY21, it has forecasted a 208X increase in operating sales to Rs 108 crore for the fiscal year ending March 2021. The expenses of the three-year-old company are expected to increase by 79 percent to Rs 677 crore in FY21 from Rs 378.4 crore in FY20.

Marketing:

In a Rs. 120 crore deal, CRED became the official sponsor of the Indian Premier League for three years, from 2020 to 2022. CRED's advertising content and videos, which include Indian celebrities and were created in-house, sparked a lot of discussion in the press and on social media because of its distinctiveness, which has been appreciated.

CRED's platform has grown significantly as a result of its marketing strategy during the ongoing Indian Premier League (IPL) cricket season.

According to a TechStory story, the company has seen a surge in both its user base and the amount of money it receives. Shailendra Singh, the site's board director, stated that since the IPL began, the platform has seen a 6-7 fold surge in new users. The large audience of the cricket event has undoubtedly aided the application's success. As of now, it is focusing on targeting Generation Y i.e people between the age of 25 and 40, especially those over the age of 30. Cred's current marketing efforts are geared toward capturing the attention of Generation Y. That is why their advertisements feature Rahul Dravid, Javagal Srinath, and Venkatesh Prasad rather than Virat Kohli or Hardik Pandya. Madhuri Dixit, Anil Kapoor, and Kumar Sanu are among the cast members, while Alia Bhatt and Varun Dhawan are absent.

Reasons for success:

Cred has been steadily increasing over the years. Being a startup founded in 2018, it joined the unicorn club on April 6, 2021, when it closed its \$215 million Series D round. In a statement issued in April 2021, Kunal Shah stated that CRED controls "22 percent of all credit card payments in India on a monthly basis." This all was possible due to an effective marketing and operations strategy which helped its growth and success

Comparative Analysis

- PepperTap as an idea was a good one but not a unique one. Its market already had an array of competitors such as BigBasket, Grofers etc. who were providing similar services. Hence it was difficult for PepperTap to stand out.
CRED on the other hand was a fairly new concept to the Indian market. The previous form of rewards earned by paying credit card bills was limited only to the card companies. Its idea was one of a kind and a risky one which paid off in the end.
- Comparing the operating procedures of both the companies, we can clearly see the variety of options available in CRED. The various schemes provided attract a huge amount to customers from various domains. PepperTap's operations were such that its audience was limited to the domestic household of the common man.
- When it comes to funding, CRED as a sales pitch brought a lot of investors with heavy cash into the game but PepperTap as a sales pitch was not very impressive and only a handful of companies with moderate balance invested cheaply.
- When it comes to marketing, we all are aware of the amazing television ads of CRED. Hiring actors and cricketers and all the influencers of the current time, CRED has branded itself as a company which is popular among all generations. PepperTap as mentioned earlier has no significant marketing strategy

Therefore after analyzing the startups in the aspects of :

-> Business model

-> Operations

-> Marketing Strategies

-> Funding and Sponsorships

It's quite evident that the Stock Price of CRED will be much more significant than the Stock Price of PepperTap. Hence to conclude -

PepperTap is a failure of a startup.

CRED is a successful startup

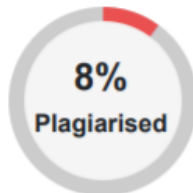
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Date: February, 09 2022

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It targets buyers from different groups of cities, divided into three tiers. The service helps in solving the issues of long queues within the market, limited parking spaces and manipulative intermediaries. The company would identify their target location and justify its tier. In line with that it might make a listing and add the mandatory manpower to hold out house to accommodate and door to door delivery. It tried to create an intermediate chain between B to C business. They tried to attain it by using local shops for his or her supplies instead of working directly with major producers and wholesalers as their source for inventory. Funding : The company received funding from Sequoia India, Saif Partners, Jafco, RuNet, SnapDeal, InnoVen Capital Marketing : There was no efficient marketing technique attached this startup. Other than the essential billboards and advertisements through website ads, there was no efficient marketing strategy. Its competitors like Grofers had employed a vibrant array of promoting techniques which overshadowed PepperTap hence they were unable to focus on the masses. The initial evaluation of PepperTap was that it'd consume 11% of the market but it didn't perform well and lost its investors. About the company: CRED could be a members-only club that rewards people for paying their mastercard bills on time by giving them access to unique deals and premium experiences. This company lets mastercard customers manage various cards while also getting a credit score analysis. Members with a high Experian or CRIF score are eligible for special prizes after they use the app to pay their mastercard payments. CRED's mastercard spend tracking and management tool was one amongst the app's numerous capabilities, providing the user with analysis of spend tracking and card usage efficiency. Kunal Shah established CRED in 2018; by 2021, it had boarded over 5.9 million users and processed around 20% of all mastercard bill payments in India. Operations: CRED, in line with Kunal Shah, could be a TrustTech firm instead of a FinTech, and his motivation for founding it stems from the necessity to deal with trust issues in Indian society, which he believes is critical to economic prosperity. Cred Mint, was launched on August 20, 2021, with the goal of monetizing its 7.5 million users.