

ZEPTO

(This short PRD/document is completely based on my experience and observations of the product).

PROBLEM -

- Intense Market Competition
- High Operational Costs and Profitability Challenges
- Food Safety and Hygiene Concerns

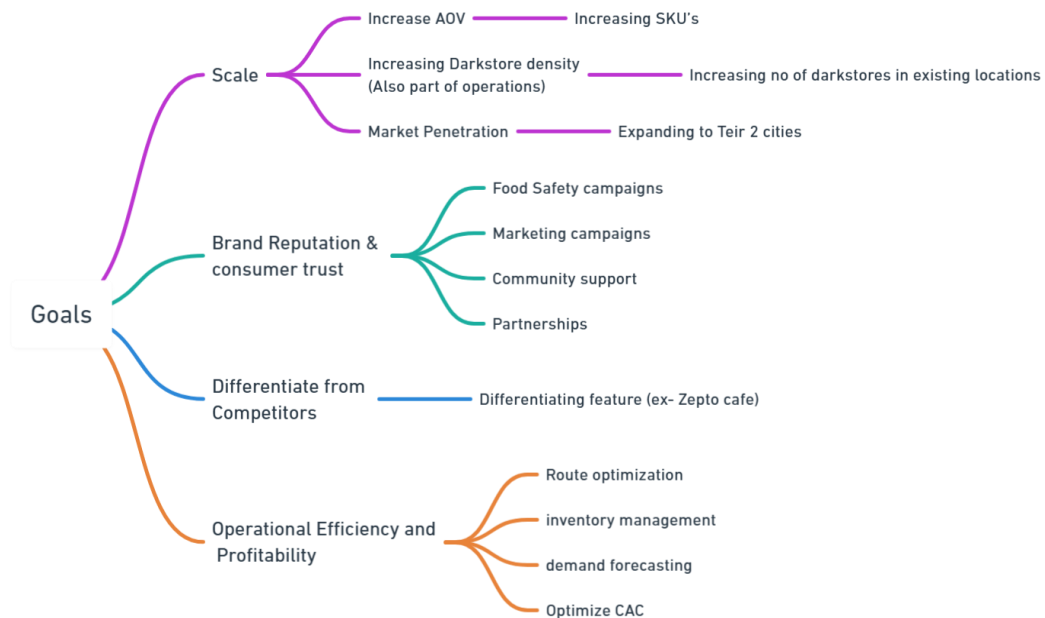
What is the business value that will be unlocked by solving the problem?

Onboard new users, drive profit, Improve current user experience, lower delivery times and improve the overall user experience with the help of AI practices.

Why is it urgent to solve this problem now?

Addressing this problem now will drive business growth, increased customer satisfaction, increased user engagement and improves user experience.

GOALS -



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(Also, Zepto is currently focusing on integrating more features with AI, so majorly we'll be focusing more on AI driven approaches and solutions.)

VALIDATION OF THE PROBLEM - Articles along with market and user insights available online.

[1] [2] [3]

ACTORS	DESCRIPTION	CONSTRAINTS
Consumers	The end-users who place the orders and receive the products.	Time constraints, limited storage space, and budget limitations.
Delivery Partners	The individuals responsible for transporting the products from the dark stores to the consumers.	Traffic congestion, high fuel price, weather conditions, safety and workload
Dark Stores	The physical locations (warehouses optimised for quick fulfilment) that store and prepare the products for delivery.	Inventory management challenges, operational efficiency, and labour costs.
Platform/app	The online platforms that facilitate the ordering process, connect consumers with retailers or dark stores, and manage logistics.	Technological limitations, constant upgrade of new features, regular audits & risk assessments, compliance & other regulatory compliance requirements.
Suppliers	Businesses that provide the products to the retailers or dark stores.	Supply chain disruptions, quality control issues, and pricing fluctuations.

TARGET SEGMENT -

- Power Users (Tier 1 cities)
- New Users (Tier 2 cities)

SEGMENT SIZE -

For tier 1 cities Based on recent trends and data, it's reasonable to estimate that around 30-40% of the Indian population orders groceries online at least once a week. This figure is likely higher in major cities and among younger demographics.

For Tier 2 cities data shows ~10% and it is relevant, also consumers are looking towards QSRs and Q-commerce as a more convenient and time saving alternative.

SOLUTION -

The central entity in the profit and loss equation of this business model is dark store, to make a Q-commerce business profitable company has to make individual dark stores profitable.

Key Features

1. **Personalized Customer Experience with AI (AI-Powered Recommendations with voice and image search):**
 - a. Behavioral AI: Analyzes user purchase history, browsing patterns, and location to predict preferences (e.g., suggesting "organic oats" to a health-conscious user in Mumbai).
 - b. Voice Search: Integrates NLP models to understand regional accents (e.g., "Add doodh" instead of "milk").
 - c. Image Search: Uses computer vision to let users snap photos of empty pantry items to auto-reorder.

Business Impact:

- 15–20% increase in average order value (AOV) via cross-selling.
- Reduced app abandonment through frictionless search.

2. AI-Driven Dynamic Pricing (High demand items):

- a. Real-Time Demand Sensing: Adjusts prices of trending items (e.g., ice cream during heatwaves) using - Weather data, Competitor pricing (Blinkit, Instamart), Inventory levels (e.g., surge pricing for last 10 units of a sold-out snack).

Business Impact:

- Faster inventory turnover.

3. AI-driven Adaptive Routing (Adjust routes dynamically to avoid delays).

- a. Real-Time Data Fusion: Combines traffic updates (Google Maps API), weather forecasts, and delivery agent GPS to reroute orders.
- b. Constraint Optimization: Prioritizes.
- c. Predictive Delays: 30 mins in advance (e.g., Bangalore roadblocks).

Business Impact:

- 99.5% on-time delivery rate → strengthens USP against competitors.
- 15% reduction in fuel costs via shorter routes.

4. Perishable Expiry Alerts (sales for items near expiry) **NEW PRODUCT FEATURE**

- a. Smart Expiry Tracking: IoT-enabled shelves in dark stores auto-scan batch codes
- b. Automated Markdowns: AI triggers discounts (e.g., "Buy 1 Get 1 Free" 12 hours before expiry).

Business Impact:

- 30% reduction in perishable waste → improves margins.
- Attracts value-conscious buyers (e.g., students, families).

5. Dark Store Automation with IOT and AI.

- a. Auto-Restocking: IoT weight sensors on shelves trigger replenishment.

Business Impact:

- Decreased amount of stockouts.

LAUNCH READINESS -

1. Phase 1 (0–6 months):

- a. Launch AI-driven delivery routing, dynamic pricing and hyper-personalization.

2. Phase 2 (6–12 months):

- a. Roll out dark store automation.
- b. Expand to 15+ cities with AI-optimized site selection (We can use AI to determine areas with high demands and target users of selected segment).

3. Phase 3 (12–18 months):

- a. Pilot support teams.
- b. Scale AI for predictive inventory.

KEY METRICS -

OPERATIONAL

***Focus:** Efficiency, reliability, and scalability of core operations.*

- Average Delivery Time
- Order Accuracy Rate
- Delivery Cost per Order
- Stockout rate

Customer Metrics

***Focus:** Engagement, satisfaction, and retention.*

- Customer Retention Rate
- Net Promoter Score (NPS)
- Repeat Purchase Rate
- Cart Abandonment Rate
- App Store Rating

RISKS & MITIGATION -

1. Operational Complexity and High Costs

Risk:

Zepto's dark store model, while enabling 10-minute deliveries, requires significant investment in micro-warehouses, inventory management, and delivery logistics. Operational costs are inherently high, and scaling to 700 dark stores by March 2025 could strain profitability.

Mitigation:

- **Optimize Inventory with AI:** Use AI-powered tools (e.g., Locus AI) for demand forecasting and route optimization to reduce waste and improve delivery efficiency.

2. Intense Competition

Risk:

Rivals like Blinkit and Swiggy's Instamart are scaling rapidly, leveraging deeper pockets and existing customer bases. Traditional e-commerce players like Amazon and Flipkart also threaten market share.

Mitigation:

- **Differentiate via Speed and Partnerships:** Strengthen the 10-minute delivery USP by expanding dark store networks and partnering with premium brands (e.g., Blue Tokai Coffee, Chaayos) to enhance product variety and customer loyalty.
- **Leverage Meme Marketing:** Use social media campaigns targeting younger demographics to build brand affinity and viral engagement.

3. Cybersecurity and AI-Driven Threats**Risk:**

As Zepto relies on AI and cloud infrastructure, it faces risks like data breaches, AI model manipulation, and ransomware attacks.

Mitigation:

- **Adopt AI-Enhanced Security:** Integrate AI tools for real-time threat detection and automate responses to anomalies in delivery or payment systems.
- **Cloud Configuration Audits:** Regularly audit cloud storage to prevent misconfigurations and enforce strict access controls.

CONCLUSION -

Zepto's success in 2025 hinges on balancing rapid growth with sustainable practices. By addressing operational inefficiencies through technology, differentiating from competitors, and preemptively managing cyber and regulatory risks, the company can solidify its position in the \$150 billion quick-commerce market.