MAJOR PROJECT

A FINANCIAL ANALYSIS OF UNIT ECONOMICS AND THE PATH TO PROFITABILITY IN INDIA'S QUICK COMMERCE SECTOR

SUBMITTED BY

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24/EMBA/03

(EMBA 2024-2026)

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CERTIFICATE

This is to certify that the Mayank Jain, EMBA student at Delhi School of Management, Delhi technological university, New Delhi has completed this Major project on “A FINANCIAL ANALYSIS OF UNIT ECONOMICS AND THE PATH TO PROFITABILITY IN INDIA'S QUICK COMMERCE SECTOR” in partial fulfilment of the EMBA program under my guidance. The research work has been checked for plagiarism, and it is acceptable.

Nidhi jain

Dr. Nidhi Jain

DSM, DTU

DECLARATION

I Mayank Jain Declare that the Project done by me contains the original work and I have not copied from anywhere, the portion which at some places in the report that has been copied by me I have declare that in the end of the project report and that portion is the originally belongs to its original writer and I don't claim over it. It will be purely used for academic purposes.

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ACKNOWLEDGEMENT

I would like to express my heartfelt thanks to many people. This dissertation is an effort to contribute towards achieving the desired objectives. In doing so, I have optimized all available resources and made use of some external resources, the interplay of which, over a period, led to the attainment of the set goals. I take here a great opportunity to express my sincere and deep sense of gratitude to my esteemed faculty **Dr. Nidhi Jain** for giving me an opportunity to work on this project. The support & guidance from Mam, was of great help & it was extremely valuable. I also express my sincere thanks to all the people who, directly or indirectly, contributed to time, energy and knowledge to this effort.

Mayank Jain

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LIST OF ABBREVIATIONS:

QC – Quick Commerce

UE – Unit Economics

AOV – Average Order Value

CAC – Customer Acquisition Cost

LTV – Lifetime Value

CM – Contribution Margin

GMV – Gross Merchandise Value

EBITDA – Earnings before Interest, Taxes, Depreciation, and Amortization

ROI – Return on Investment

ROA – Return on Assets

OPEX – Operating Expenses

CAPEX – Capital Expenditure

SKU – Stock Keeping Unit

KPI – Key Performance Indicator

COD – Cash on Delivery

UPI – Unified Payments Interface

GST – Goods and Services Tax

D2C – Direct to Consumer

B2C – Business to Consumer

B2B – Business to Business

Executive summary

Beginning with a narrow focus on financial details, this work examines whether rapid-delivery firms in India can last over time. Profitability hinges on factors such as average order value, margin levels, spending patterns, although volume of transactions plays a role too. Using Zepto as a case illustration brings clarity. Instead of broad assumptions, numbers guide the analysis. Longevity of the model comes into question amid growing demand for instant fulfillment across cities. Underlying costs may challenge sustainability despite increasing customer interest.

One hundred people working in retail and supply were asked questions using clear numerical methods. Looking closely at daily work revealed challenges tied to costs, earnings, and how things run on-site. Most shops see small transaction amounts - between ₹200 and ₹400 - with only 100 to 300 transactions each day. Because money coming in per sale stays limited, making consistent gains becomes difficult. Profitability suffers when volume does not compensate for narrow margins.

Low gross margins show up repeatedly in the data, typically ranging from 10% to 15%. Profitability shrinks when major expenses such as logistics and pricing strategies take a bite. Despite their popularity among sellers, regular discounts tend to weaken already thin earnings. Many participants pointed to steep shipping fees as the biggest barrier to turning a profit. Cutting operational costs appears central when addressing these financial constraints.

Despite higher prices per transaction helping margins, reaching financial stability demands consistent daily sales - typically between two hundred and six hundred. Profitability remains out of reach for numerous locations, suggesting the sector has yet to fully adapt. Fixed expenses such as facility payments and energy bills require steady throughput rather than one-time fixes. Success hinges less on sudden spikes and more on sustained customer flow alongside stronger spending per visit. Many shops continue operating without gains, hovering near zero balance most months.

Higher margins often follow when businesses cut back on discounts, improve how they negotiate with suppliers, while also keeping stock levels under control - and these changes tend to lift overall financial outcomes, based on findings. Some agreement emerged around where improvements are needed: operations run smoother, yet predicting customer needs remains uneven.

Profitability in India’s quick delivery market hinges on strong unit economics, shaped by steady income gains alongside careful spending oversight. Instead of chasing fast expansion, firms might shift toward lasting approaches - boosting average order value while reducing excessive promotions. Smarter logistics also play a role, streamlining how goods move without adding waste. Success over time seems possible, despite heavy rivalry, when decisions follow clear data patterns rather than trends. Long-term wins come not from speed alone, but from thoughtful planning backed by numbers.

Chapter 1

INTRODUCTION

BRIEF INTRODUCTION

Fast city growth, changing buyer choices, together with demand for near-instant deliveries helped push India's rapid delivery market upward inside the broader online shopping landscape. With promises of fulfilled orders in under ten minutes, apps such as Blinkit, Zepto, and SwiggyInstamart reshaped how goods move during the final stage. This model drew strong public attention; yet concerns questioning long-term survival plus earning potential continue emerging.

Understanding fast commerce requires knowing unit economics. Revenues minus expenses per order form its core - delivery, storage, promotions, customer acquisition all count. Though orders grow and demand rises, profits remain rare. Margins shrink under intense rivalry. Operations drain funds quickly, making success difficult despite volume. Profitability stays out of reach for most.

This work focuses on identifying key factors affecting profit within India's rapid delivery sector through examination of individual unit finances. Through review of how operations perform, how income is generated, and spending patterns, insight emerges into what shapes success. The aim appears not to promote solutions but to observe conditions under which companies may achieve stronger returns. Profitability here depends less on scale and more on precision in execution across different business areas.

BRIEF BACKGROUND

Regular internet buying and meal deliveries gave rise to fast shopping in India, catering to the needs of city people who desire items promptly. Companies used to promise delivery the following day or later, but advances in technology, more efficient transportation routes, and improved storage have allowed them to slash wait periods to less than half an hour. Here, companies like Blinkit, Zepto, and SwiggyInstamart seized control through the use of clandestine stores, regional nodes, and intricate delivery networks.

Even when more people started using these services, profit margins took a hit. We were strapped for cash due to the high costs of client delivery, inventory storage, and frequent price cuts. Earning became more challenging as competing companies continued lowering their prices in an effort to

attract subscribers. Spending increased while profits decreased as a result of everyone vying for space.

Investors and business executives gradually lost interest in limitless expansion and focused instead on maintaining operations without draining the company's cash reserves. As a result of this shift, the profitability of individual sales is now a more important factor in determining the viability of fast-delivery companies. Critical information became knowing the exact amount that goes into each transaction, the delivery cost, and the amount that remains after basic expenses. To avoid growth wreaking havoc on finances, the entire region has been cutting corners, combining less strong players, and reevaluating plans in light of this reality.

CONCEPTUAL BACKGROUND:

Online essentials shopping is evolving at a breakneck pace right now due to the unprecedented speed with which items arrive. As opposed to the days it used to take, now you may have your order delivered to your home in less than thirty minutes. Even ten minutes is a goal for some businesses. People want things quickly and easily, and city life is fueling this trend. In a time crunch, efficiency is paramount. The modern lifestyle is all about getting what you need quickly. Now, the old method of placing an order and waiting appears too sluggish.

Smarter technology and improved transportation of goods are the foundations of fast delivery. Small, concealed stores nestled away within cities hold the most popular commodities, as opposed to large, distant warehouses. Intelligent software sift through orders and predicts what customers will want next, while real-time tracking monitors inventory levels. These small hubs reduce travel time, which speeds up delivery. Systematically, everything is fine-tuned to ensure timely delivery.

Several elements impact the multi-dimensional idea of customer happiness in rapid commerce. Key determinants include:

1. Delivery Speed and Reliability: The hallmark of quick commerce is its ability to deliver products promptly. Any delay in this aspect directly impacts customer satisfaction.
2. Product Availability and Quality: Ensuring a wide variety of high-quality products is critical to retaining customers. Substitutes for out-of-stock items must also meet or exceed customer expectations.

3. Pricing and Affordability: Competitive pricing, coupled with discounts and offers, plays a vital role in attracting and retaining customers. Delivery charges must also be perceived as reasonable for the level of service provided.
4. User Experience: A seamless ordering process, including intuitive navigation, secure payment systems, and effective refund policies, enhances customer satisfaction.
5. Customer Support: Efficient resolution of order discrepancies, such as missing or incorrect items, builds trust and loyalty.

Young adults born between 1981 and 2010 value quick results without complications, shaping how rapidly delivered goods reach homes today. Because health concerns limited physical shopping throughout the recent global outbreak, digital ordering grew at a faster pace than before. Despite earlier trends, it was this shift in behavior that altered delivery expectations permanently.

Even so, rising vehicle emissions trouble fast delivery networks. Operational expenses grow alongside storage inefficiencies. Because demand expands, packaging waste rises too. Still, customer satisfaction remains central to endurance here. Without insight into user needs, progress stalls under pressure.

To explore the speed at which commerce services meet buyer expectations, this work builds on established models of customer contentment, weaving in concepts from service evaluation, repeat patronage patterns, and decision-making under scarcity. Because market actors seek better results amid rising competition, attention turns toward identifying core drivers behind positive user assessments.

QUICK COMMERCE SERVICE (Q-COMMERCE)

This kind of internet commerce starts out of nowhere and typically delivers things in under half an hour. Thanks to streamlined processes, customers don't have to wait days to get their hands on necessities. Shipping focuses on necessities, such as groceries and basic supplies. Technological advancements facilitate rapidity in a covert manner. While conventional platforms have sluggish delivery times, this model excels by drastically cutting down on wait periods. The coordination of software and mobility between cities is the driving force behind each swift drop-off.

KEY CHARACTERISTICS OF QUICK COMMERCE

Speed of Delivery:

What rapid trade represents is speed. Unlike with traditional online purchasing, you may expect your delivery within minutes, usually between 10 and thirty. Dark stores, which are nearby mini-storages, make this a reality. Customers are strategically placed near these local hubs. With less travel time, packing and delivery can be accelerated. Reduced distance leads to increased efficiency. In the background of lightning-fast service, location becomes an unsung hero. Things that used to take hours now happen in a flash. Performance is unnoticeably driven by proximity. This leads to the primary result of saving time. The core of the model is the speed of delivery. Time is more important than distance.

Product Range:

Groceries, personal care items, pet food, and ready-to-eat snacks are some of the most common essential goods sold on rapid commerce sites. Speed determines what is supplied on these platforms, as opposed to larger online retailers that carry more options. Selection is guided by immediate demand rather than variety. Availability is key when it really matters. Restricted does not imply deficient - it denotes concentrated. Keep operations tight by stocking only the items that people reach for every day. Because choices are intentionally limited, fulfillment occurs quickly. Their catalogs are filled with routine purchases, but that's about it.

Technology and Logistics:

Fast commercial activities are based on technology. Automatic adjustments to inventory levels are made possible by artificial intelligence. Orders can be tracked in real-time at every step. Both software and cross-route movement planning contribute to efficiency. Bicycles and scooters are positioned strategically. Time and place must be in perfect harmony for speed to be achievable. Tools mold accuracy, but results are dictated by collaboration.

Micro-Warehouses (Dark Stores):

Micro-warehouses, also called "dark stores," are small fulfillment centers that are strategically placed in cities to make sure quick delivery. This is an important part of the quick commerce idea.

Instead of relying on bigger warehouses that are farther away, businesses can save time and money on shipping by stocking these stores with items that are ordered on a regular basis.

Order Process:

Using a fast commerce site to place an order is a breeze. Online or through mobile apps, customers may place orders, and within an hour, they usually get their things. For the most part, the platform makes things easier by having intuitive navigation, tailored recommendations, and several payment methods.

Payment Options and Security:

Payment is a very important part of the fast commerce experience. Most sites offer safe and easy ways to pay, such as online wallets, UPI, credit/debit cards, and cash on delivery. A good customer experience depends on making sure that the payment process is quick and easy.

Customer Experience:

With features like expedited shipping, a large selection, order tracking in real-time, and friendly support staff, quick commerce services prioritize their customers' needs. In addition, services such as quick returns, cancellation policies, and tailored suggestions are available to ensure client satisfaction.

MAJOR QUICK COMMERCE PLATFORMS

Blinkit (formerly Grofers):

Blinkit is one of the most popular fast commerce platforms in India. It lets people order food and other necessities and get them in just a few minutes. The platform's main selling point is that it delivers quickly, usually in less than 30 minutes. To get the most out of its resources, Blinkit has dark storefronts and works in big cities.

Zepto:

Zepto, another popular fast commerce platform, claims to have a 10-minute delivery time. The company's main focus is the rapid and extensive delivery of groceries and other common household necessities. Micro-warehouses and optimizing the final mile of delivery form the basis of Zepto's business model.

Dunzo:

Dunzo, which works in many places in India, offers a lot of services, including delivering groceries, food, medicine, and even packages. Dunzo's platform lets you choose from a wide range of delivery times, from one hour to immediately for those last-minute emergencies.

SwiggyInstamart:

Fast food, snacks, and other commonplace products can be yours in a matter of minutes with Swiggy's Instamart service. For speedy customer service, SwiggyInstamart taps into Swiggy's already logistical network.

BigBasket:

BigBasket Now is the online grocery store's first foray into the fast commerce market. It promises to deliver in 30 minutes to some urban areas, which is much faster than its usual delivery time of 24 to 48 hours.

ADVANTAGES OF QUICK COMMERCE

- Quick commerce saves customers time and effort because they can buy what they need for everyday life without having to leave their homes. More and more people are living busy lives, so the promise of quick delivery is a lifesaver.
- The best thing about quick commerce is that it saves time. Customers can get their groceries, medicine, and snacks almost right away, which is great for people who are always on the go or who need something right away.
- Delivery options that are flexible: Quick commerce systems can deliver a wide range of products, from groceries to electronics, right to your door. This gives customers more control over what they buy.
- Real-Time Tracking: Most fast commerce platforms have real-time tracking features that let customers see exactly where their orders are at all times.

CHALLENGES FACED BY QUICK COMMERCE SERVICES

The quick delivery strategy can lead to high operating costs because it requires running several micro-warehouses, managing a large fleet of delivery vehicles, and making logistics as efficient as possible. Due to these costs, it is unclear whether these services can be offered.

Availability of Products: It is expected that quick commerce platforms will offer a wide range of products that can be delivered right away. But it's not always easy to keep track of what you have, deal with items that are out of stock, and offer good alternatives.

Quick commerce makes people more worried about the environment because it leads to more waste and carbon footprints from more deliveries and packaging. There will always be problems with finding ways to distribute goods that are good for the environment and using less packaging.

As more and more companies enter the fast commerce business, competition is getting tougher. In a crowded market, you need to offer something different and give customers great experiences to stand out.

Quick commerce services have changed the e-commerce business by meeting the growing demand for speed and ease of use among customers. Q-commerce platforms are already having a big impact on how people shop, and this will only get bigger as cities grow and people's lives change. Many customers can't live without these services because they make buying easy and give them what they want right away. The future of rapid commerce will depend on how well it can improve service quality and customer satisfaction while also dealing with operational, financial, and environmental issues.

QUICK COMMERCE PLATFORMS OVERVIEW

Typically within 10 to 30 minutes, fast commerce (Q-Commerce) services prioritize the delivery of commonplace goods, groceries, and other commodities. By facilitating a simple and quick purchasing process, these platforms address the rising need for immediate gratification. Presented here are a handful of the most prominent names in India's e-commerce industry.

1. Blinkit (formerly Grofers)

Overview:

Blinkit, which used to be called Grofers, is one of the best places in India to do instant commerce. Food and other necessities should be delivered within 30 minutes. Blinkit is available in big cities and uses dark stores, which are small warehouses in neighborhoods, to quickly meet customer needs.

Key Features:

- Delivery Speed: Promises delivery within 10-30 minutes.
- Product Range: Groceries, snacks, beverages, household essentials, and personal care items.
- Technology: Blinkit uses AI-powered inventory management and real-time tracking to enhance delivery speed.
- Coverage Area: Primarily serves major cities like Delhi, Mumbai, Bangalore, and others.

Strengths:

- Fast delivery and a wide variety of products.
- Focus on convenience and reliability.
- Offers discounts and promotions for regular users.

Challenges:

- Operational costs are high due to the need for micro-warehouses.
- Profitability is a concern due to the speed-based model.

2. Zepto

Overview:

With a 10-minute delivery guarantee, Zepto is a relative newcomer to India's fast commerce market. Basic food and everyday products are the platform's core focus. Quicker deliveries are possible with Zepto's dark stores and hyper-local strategy.

Key Features:

- Delivery Speed: Zepto promises delivery in under 10 minutes, a key differentiator in the market.
- Product Range: Groceries, snacks, beverages, and other essentials.
- Technology: Advanced logistics with real-time tracking.
- Coverage Area: Initially launched in select cities, expanding to other metro areas.

Strengths:

- Ultra-fast delivery, appealing to consumers looking for instant service.
- Focused on a small set of essential products that require fast restocking.
- High customer satisfaction due to quick and reliable delivery.

Challenges:

- Limited range of products compared to larger platforms.
- High operational costs due to the need for constant stock replenishment and fast deliveries.

3. D-Mart

Overview:

D-Mart, a long-running Indian retail company, has entered the fast-growing field of online shopping with its e-commerce platform, D-Mart Ready. D-Mart Ready isn't known for its super-fast shipping, but it does its best to make shopping for food easy by bringing your orders to your door, usually within a day or two.

Key Features:

- Delivery Speed: While not a typical quick commerce platform, D-Mart Ready offers deliveries within 1-2 days.
- Product Range: Groceries, household products, apparel, and electronics.
- Technology: Uses its large network of stores for efficient fulfillment and delivery management.

Strengths:

- Trusted brand with a large consumer base.

- Competitive pricing, with a focus on value for money.
- Well-established delivery network and physical store presence.

Challenges:

- Slower delivery compared to other Q-commerce platforms.
- Not able to offer the instant gratification that quick commerce platforms specialize in.

4. Country Delight

Overview:

Dairy items such as milk, curd, butter, and ghee are delivered straight from farms to your house by Country Delight. Its concentration on freshness and supplying high-quality, chemical-free goods makes up for its smaller product selection compared to other Q-commerce sites.

Key Features:

- Delivery Speed: Focuses on next-day or same-day delivery for dairy products.
- Product Range: Milk, curd, buttermilk, ghee, paneer, and other dairy products.
- Technology: Real-time tracking for deliveries.
- Coverage Area: Available in select metropolitan cities and expanding.

Strengths:

- Focus on high-quality, fresh dairy products.
- Direct farm-to-home model ensures product freshness.
- Consistent delivery reliability.

Challenges:

- Limited product range compared to other Q-commerce platforms.
- The reliance on dairy products limits the market segment.

5. Dunzo

Overview:

Dunzo has everything you need, from grocery and food delivery to package pickup and courier services. It's a well-known delivery service that can do a lot of things. Dunzo has embraced fast delivery, especially for necessities, in major cities. However, it works in a wider range than traditional quick commerce platforms.

Key Features:

- Delivery Speed: Delivers groceries, food, and packages typically within an hour.
- Product Range: Groceries, food, pharmacy items, electronics, documents, and more.
- Technology: Uses AI and advanced logistics to ensure real-time tracking and rapid delivery.
- Coverage Area: Available in major cities across India.

Strengths:

- Versatile service with a wide variety of offerings.
- Real-time tracking and efficient customer service.
- Reliable, fast deliveries in urban locations.

Challenges:

- High competition with dedicated grocery delivery services.
- Delivery times vary based on location and demand.

6. SwiggyInstamart

Overview:

Fast food delivery service Swiggy has introduced SwiggyInstamart, a platform for online shopping. With a focus on making shopping convenient and fast for city people, Instamart delivers groceries and other everyday necessities to your home in no time.

Key Features:

- Delivery Speed: Promises delivery within 30 minutes or less.
- Product Range: Groceries, snacks, beverages, personal care products, and other essentials.

- Technology: Swiggy uses its strong logistics network and real-time tracking for efficient delivery.
- Coverage Area: Available in major metropolitan cities like Bangalore, Delhi, and Mumbai.

Strengths:

- Fast delivery and well-integrated with Swiggy's existing platform.
- Offers a variety of essential products and promotions for regular users.
- Excellent customer service and reliable deliveries.

Challenges:

- Heavy reliance on dark stores can lead to stockouts or delays during high demand.
- Not all cities are covered by SwiggyInstamart, limiting reach.

7. BigBasket

Overview:

BigBasket is one of the biggest online grocery stores in India. They sell a wide range of things, like groceries, home goods, snacks, and drinks. BigBasket is best known for its planned deliveries, which usually happen within 24 hours. However, the company has also entered the fast commerce market with BigBasket. Introducing a new service that speeds up the delivery of essentials by as much as 30 minutes.

Key Features:

- Delivery Speed: BigBasket Now provides delivery within 30 minutes, while regular BigBasket delivery is within a day.
- Product Range: Groceries, packaged food, organic products, beverages, and personal care.
- Technology: AI-driven inventory management and efficient last-mile delivery network.
- Coverage Area: BigBasket operates in several major cities across India.

Strengths:

- Large product range and trusted brand.
- Offers competitive pricing and frequent discounts.

- Seamless integration with BigBasket's other services.

Challenges:

- Limited delivery speed for non-quick commerce orders.
- Intense competition from fast delivery-only platforms.

At the moment, there is a lot of competition in India's rapid commerce business. Fast grocery and other need-it-now delivery services are on the rise, with pioneers like Blinkit, Zepto, and Dunzo in the forefront. Also, new entrants to the market are Swiggy, Instamart, and BigBasket, which are revolutionizing the grocery delivery industry and providing speedier delivery for specific items. High operational expenses and the ongoing need to strengthen supply chains are common challenges faced by all of these platforms, despite the fact that they provide a variety of services to suit the demands of diverse clients. With the expansion of fast commerce comes the continued importance of speed, efficiency, product availability, and consumer happiness.

FACTORS DRIVING CONSUMER ADOPTION OF QUICK COMMERCE PLATFORMS

1. **Delivery Speed:**

The primary appeal of Q-commerce lies in ultra-fast delivery, often within 10–30 minutes, which caters to consumers' demand for instant gratification and convenience.

2. **Convenience and Accessibility:**

The ability to order essentials anytime, anywhere through mobile apps makes Q-commerce highly attractive, especially for urban consumers with busy lifestyles.

3. **App Usability and User Experience (UX):**

Easy navigation, intuitive design, personalized recommendations, and seamless checkout processes enhance customer satisfaction and encourage repeat usage.

4. **Product Availability and Variety:**

Offering a wide range of groceries, food items, and daily essentials ensures that consumers can find everything they need on a single platform.

5. **Pricing, Discounts, and Promotional Offers:**

Competitive pricing, cashback offers, and discounts motivate consumers to choose Q-commerce platforms over traditional retail options.

6. **Service Reliability and Order Accuracy:**

Consistent delivery performance, proper order fulfillment, and minimal errors build customer trust and loyalty.

7. **Technological Innovation:**

Advanced technologies such as AI-based demand forecasting, real-time tracking, and data analytics improve operational efficiency and customer experience.

8. **Customer Support and Complaint Resolution:**

Prompt and effective customer service strengthens consumer confidence in the platform.

9. **Brand Reputation and Trust:**

Well-known brands with a strong presence and positive image (like Zomato or Swiggy) influence consumer choice through perceived reliability.

10. **Personalization and Engagement:**

Customized offers, loyalty programs, and personalized notifications create a sense of value and strengthen customer retention.

INDUSTRY PROFILE: QUICK COMMERCE (Q-COMMERCE) IN INDIA

1. Introduction to Quick Commerce (Q-Commerce)

Quick Commerce, or Q-Commerce for short, is the future of online shopping and delivery on demand. Most regular online stores say they will deliver within one to two business days. But Q-Commerce platforms promise delivery in a flash, usually in 30 minutes to an hour. People who live in cities want quick, easy, and instant satisfaction when it comes to food, groceries, and other necessities. This idea came up to meet those needs.

The rapid rise in popularity of Q-Commerce in India over the past few years can be linked to more people moving to cities, more people using the internet, and more people using smartphones. People who live in cities are looking for more and more ways to save time so they don't have to deal with traffic, long lines, and other problems that come with getting what they need.

2. Key Players in the Industry

With a few of well-known enterprises already established in the market, the Indian Q-Commerce industry is very competitive:

- Blinkit is a service that specializes on grocery shopping and other basic needs. For lightning-fast shipping, it employs urban micro-fulfillment centers.
- Instamart is a division of Swiggy, which originally offered meal delivery. This is known as SwiggyInstamart. Within 30 to 60 minutes, Instamart may have your groceries and other everyday requirements delivered.
- In addition to delivering meals, Zomato also offers grocery delivery and other essentials in select locations.
- New businesses like Zepto, Dunzo, and BigBasket (Express) are bringing innovation and competition to the delivery logistics industry.
- The fast delivery, user-friendliness of the apps, variety of products, frequency of deals, and quality of customer support set these businesses apart from the competition..

3. Market Size and Growth

The Indian e-commerce sector is growing very quickly:

- Experts say that the Q-Commerce sector will be worth $3 to $5 billion in 2023 and 2024, and by 2030, it will be worth $40 billion.
- The largest group, urban millennials and Gen Z, places 60–70% of orders because they live in cities and use technology.
- During the COVID-19 pandemic, people wanted quick and contactless delivery options for groceries, food, and other essentials. This sped up the adoption of these services even more.

4. Business Model

A hyper-local delivery approach is typically employed by Q-Commerce platforms:

- Small warehouses called "dark stores" called Micro-Fulfillment Centers (MFCs) are strategically located to expedite deliveries.
- Packages are guaranteed to arrive within 30 to 60 minutes by a group of delivery partners, who can be either gig workers or full-time personnel, through the Last-Mile Delivery Network.
- Online or mobile apps that facilitate digital ordering; these include real-time order tracking, safe payment options, and tailored recommendations.
- Earnings: primarily from premium service subscriptions, surge pricing, commissions from partner stores, and delivery fees.

5. Industry Dynamics

Drivers of Growth:

- Increasing urban population and rising disposable income.
- Growing preference for convenience and time-saving services.
- Expansion of mobile internet penetration and smartphone usage.
- Competitive promotions, loyalty programs, and personalized marketing.

Challenges:

- High operational costs, especially last-mile logistics and maintaining micro-fulfillment centers.
- Maintaining delivery speed during peak hours or adverse weather conditions.
- Customer retention in a highly competitive and price-sensitive market.
- Managing worker satisfaction and availability for gig-based delivery networks.

6. Technological Integration

Technology is at the core of Q-Commerce operations:

- Optimizing apps and platforms includes making the user experience easier, giving personalized recommendations, and offering a variety of payment options.
- Real-time tracking and AI algorithms make it possible to optimize routes, predict demand, and keep track of inventories.

- Data analytics: learning about how customers act, making deliveries more effective, and making ads that are more relevant to them.

7. Regulatory and Market Factors

- City rules, traffic management, and city policy all have an effect on delivery logistics.
- To get people to trust and use it, you need to make sure that digital transactions are safe and that consumer data is protected.
- Working with local stores and cloud kitchens makes the supply chain more resilient..

Customers in India want instant gratification when they shop online, thus the Quick Commerce industry is evolving rapidly to meet their needs. Technology, hyper-local fulfillment, and innovative logistics strategies are helping platforms like Zomato, SwiggyInstamart, and Blinkit satisfy customer expectations. There is a lot of space for growth in the business despite challenges like high operating expenses and competition. This is particularly true given the increasing desire among city inhabitants in having their food and basics delivered right away.

ZEPTO COMPANY PROFILE

Company Name: Zepto

Founded: 2021

Founders: AaditPalicha and Kaivalya Vohra

Headquarters: Bengaluru, India

Industry: Quick Commerce (Q-Commerce)

Business Model: B2C (Business-to-Consumer)

Services: 10-minute delivery of groceries, essentials, and daily-use products

Among the many rapidly expanding e-commerce platforms in India, Zepto stands out. Customers' shopping habits are being transformed by its lightning-fast delivery concept. In order to ensure that customers receive their orders within 10 to 15 minutes, the company has strategically located its dark stores, which are essentially mini-warehouses, throughout several cities. Its target market

consists primarily of consumers in metropolitan areas and Tier-1 cities, who value convenience and speed.

Rapid expansion has occurred as a result of innovative technology and enthusiastic investment. Groceries, toiletries, and household necessities are just a few of the thousands of things sold at its hundreds of underground businesses. A more effective last-mile logistics system is possible because to Zepto's innovative technology, which streamlines inventory management, payments, and delivery routes.

Zepto generates revenue from product margins, advertising partnerships with brands, platform fees, and delivery fees. Despite rapid expansion and an influx of new clients, the firm is losing money due to its competitive pricing methods and high operational expenses.

SWOT ANALYSIS OF ZEPTO

Strengths

- Ultra-fast delivery model: The 10-minute delivery promise is a strong competitive advantage and key brand differentiator.
- Strong funding and valuation: Backed by significant investments, enabling rapid expansion and scaling.
- Dense dark store network: Efficient hyperlocal supply chain ensures quick order fulfillment.
- Advanced technology: Proprietary systems optimize logistics, inventory, and customer experience.
- High customer retention: Frequent repeat purchases due to convenience and speed.

Weaknesses

- High operational costs: Significant expenses in logistics, warehousing, and delivery impact profitability.
- Low margins: Grocery-based model operates on thin profit margins.
- High cash burn: Heavy investments in discounts and expansion lead to financial pressure.
- Dependence on urban markets: Limited penetration in rural areas.
- Low AOV (Average Order Value): Small order sizes affect unit economics.

Opportunities

- Expansion into Tier 2 and Tier 3 cities: Untapped markets offer growth potential.
- Category diversification: Adding electronics, beauty, and pharmacy products can increase AOV and margins.
- Private label products: Higher margins through in-house brands.
- Subscription models: Loyalty programs like Zepto Pass can improve retention and revenue.
- Advertising revenue: Monetization through brand partnerships and sponsored listings.

Threats

- Intense competition: Strong rivalry from companies like Blinkit and SwiggyInstamart.
- Price wars: Heavy discounting by competitors reduces margins.
- Regulatory challenges: Potential policies related to gig workers and pricing practices.
- Rising costs: Inflation in fuel, logistics, and procurement affects profitability.
- Uncertain long-term sustainability: Consumer willingness to pay for ultra-fast delivery remains uncertain.

Zepto's speed, creativity, and strong market position are its best features, but the company can only stay in business if it can improve its unit economics and make money. To stay competitive in India's fast-growing fast commerce sector, the company needs to focus on increasing AOV, lowering costs, and finding long-term ways to make money.

GAPS IN LITERATURE

Even though the quick commerce industry in India is growing quickly and getting a lot of attention from both business and academia, there are still some big gaps in the current research on unit economics and profitability.

First, there isn't much research on micro-level (store/vendor) unit economics. Most studies have focused on macro-level topics like market growth, customer behavior, and new technologies. From a practical point of view, there isn't much research on the cost structures, margins, and break-even points of dark shops and vendors.

There is insufficient research quantifying the relationship among delivery costs, margins, and average order value (AOV) that influence the profitability of rapid commerce enterprises, despite

these factors being discussed in existing literature. Although research indicates that delivery costs and AOV generate a structural profit gap (Debansh Das Sharma, 2025), there is an absence of analytical modeling of their relationship within the Indian context.

And finally, no one seems to know how the rapid commerce model will do financially in the future. A lot of existing research looks at ways to grow and expand in the short term, so the current high-burn model hasn't been fully studied to see if it will be profitable and sustainable in the long term (Sneha Gupta, 2026).

Fourthly, the impact of discounting strategies on unit economics has been inadequately examined. It is known that aggressive pricing affects profits and margins, but not many studies have looked at the trade-off between getting new customers and long-term financial success.

Lastly, there hasn't been enough research on scaling issues and differences between regions, especially in Tier 2 and Tier 3 cities. There is proof that demand density and order volume have a big effect on break-even points and profit margins, but most studies only look at urban markets (Manav, 2026).

Lastly, previous studies don't often use primary data from store managers, vendors, or operational staff; instead, they often use secondary data and industry reports. Consequently, there is insufficient visibility into operational challenges, inefficiencies, and financial dynamics at the grassroots level in real time.

This study seeks to address these deficiencies by examining unit economics through primary data, focusing on vendor/store perspectives regarding average order value (AOV), profit margins, cost structures, and break-even dynamics, while providing actionable recommendations for profitability in India's rapidly evolving merchant sector.

OBJECTIVES OF THE STUDY

1. To analyze the unit economics components of quick commerce firms in India.
2. To examine the cost structure and revenue streams influencing profitability.
3. To evaluate the relationship between order volume, delivery costs, and margins.
4. To assess the impact of operational efficiency on achieving sustainable profitability.
5. To identify the key factors that had driven or hindered the path to profitability in the sector.

SCOPE OF THE STUDY

Key participants in India's rapid commerce industry, including Blinkit, Zepto, and SwiggyInstamart, were the focus of the study's financial examination of unit economics. It examined critical aspects of unit economics including contribution margins, client acquisition expenses, delivery costs, and revenue per order.

As part of the scope, we looked at the impact of rapid commerce enterprises' operations and costs on their earnings. It also involved investigating the effects of demand patterns, price tactics, and discounts on financial results.

The study only looked at the Indian market, specifically the metropolitan areas that make heavy use of fast commerce services. To find out how to make money, it looked at secondary data sources and recent developments in the business.

Due to confidentiality constraints, the study relied only on publicly available information and typical industry norms in lieu of comprehensive internal financial data from corporations.

SIGNIFICANCE OF THE STUDY

This study's main finding is that it has helped us better understand how economically viable India's rapidly growing e-commerce business is. The analysis indicates that Blinkit, Zepto, and SwiggyInstamart cannot attain sustainable profitability without concentrating on unit economics, which delineates the primary revenue and cost determinants.

This study's results can help business managers and decision-makers find ways to improve their pricing strategies, lower their costs, and find operational inefficiencies. It's also a great tool for investors and other stakeholders to use to see how well rapid commerce businesses are doing and what their future holds.

The study contributes to the existing academic literature by offering insights into a novel and evolving business model, especially within the context of expanding markets such as India. It can also be used as a starting point for more research in areas like analyzing financial performance, digital business models, and e-commerce logistics.

The report gives useful information on how fast commerce companies can go from models that burn a lot of money to businesses that make money, closing the gap between fast growth and long-term financial health.

LIMITATIONS OF THE STUDY

1. Many of the companies analyzed, such as Blinkit, Zepto, and SwiggyInstamart, did not provide their internal financial details as the study mostly used secondary data.
2. Access to private and real-time financial data was a challenge, which constrained the analysis of unit economics.
3. The study mostly focused on city markets, which could not be representative of the fast-paced business in more rural or semi-urban areas.
4. As the rapid commerce sector undergoes changes in pricing tactics and operating models, the findings may become less applicable in the long run.
5. The analysis failed to include several external factors that could impact profitability, such as shifts in regulations, economic conditions, and technological advancements.

Chapter 2

LITERATURE REVIEW

This literature review shows that improving consumer value propositions, maximizing unit economics, and lowering operational costs are the three most important things to do to make a profit, even though online shopping in India is growing quickly.

India's quick-commerce sector has grown rapidly because people want their groceries delivered faster, but it's still unclear how profitable the industry will be (Meet Soni, 2026). Tier-1 cities have been responsible for a lot of the sector's growth so far, but they are also known for having a lot of competition, big marketing budgets, and difficult operations. Because of this, many platforms are looking at Tier-2 cities as a possible way to improve their unit economics. This article investigates the existence of a statistically significant correlation between Tier-2 growth and enhanced unit-level financial performance. It looks at the dynamics of breakeven, revenue drivers, cost structures, contribution margins, and Tier-1 and Tier-2 markets from the point of view of unit economics.

The study says that tier-2 towns have lower costs for buying and running a business, but these benefits are mostly canceled out by smaller basket sizes, less mature monetization, and less consistent demand density. In short, Tier-2 expansion is better for the economy when certain operational conditions are met, like clear demand, controlled delivery costs, and more consumer engagement than just occasional use. The essay ends with a decision framework to help businesses figure out if Tier-2 expansion makes their business more profitable or costs them more money.

Source: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5962154

The effects of fast commerce on Indian consumer habits and economic tendencies were the subject of a systematic review by Risbaa Singh (2024). Thanks to advancements in technology and widespread internet connectivity, online shopping has exploded in India, changing the way consumers and businesses do business. An increasingly significant aspect of the e-commerce landscape is quick commerce (q-commerce), a subset of e-commerce that prioritizes expedited product delivery. Beyond simplifying processes, Q-commerce alters consumers' mindsets and behaviors. What motivates customers to get involved include things like perceived benefits, demographics, social influences, and how easy it is to use.

Customers are happier and more loyal when they receive speedy delivery, secure transactions, and high-quality service. Strict regulations, inadequate infrastructure, and fierce competition are still

issues. You need to address these issues through government backing, innovative strategies, and planning if you want to keep performing well. Quite intriguing are the monetary implications of q-commerce. It alters the way retailers function, brings in a lot of money, and helps the market flourish.

Q commerce companies are full of promise, but they face challenges to their sustainability in the long run, including high operational expenses, traffic congestion, and environmental impacts. Stakeholders will be better equipped to adapt to this shifting environment and seize new opportunities after reading this rigorous study, which details the ways in which q-commerce influences shopping in India. You need to be aware of these elements if you want to make good decisions and keep up with the ever evolving q-commerce market.

Source:
https://www.researchgate.net/publication/383726478_The_Impact_of_Quick_Commerce_on_Consumer_Behavior_and_Economic_Trends_in_India_A_Systematic_Review

Sonika Siwach's (2026) research on the state of India's e-commerce market now and in the future Quick commerce (Q-commerce), a new retail model with delivery times of 10 to 30 minutes, is making waves in India's booming e-commerce sector. Q-commerce has become very popular, especially in the food and essential goods industries. This is due to more people living in cities, more people using smartphones, and changing consumer needs for speed and convenience. Data-driven logistics, dark shop fronts, and hyper-local delivery platforms have all helped it grow faster. Despite the strong market momentum of the Q-commerce business, there are worries about its long-term success because it has to deal with a lot of problems, such as making money, running efficiently, keeping workers, and following the law.

This study investigates emerging development potential, delineates significant structural and strategic challenges, and analyzes the principal trends influencing Q-commerce in India by integrating concepts from academic literature, industry publications, and secondary data sources. This study enhances the ongoing discourse regarding emerging markets by elucidating the implications of rapid digital retail models for consumers, vendors, and regulatory bodies.

Source: https://rsisinternational.org/journals/ijriss/view/quick-commerce-in-india-trends-challenges-and-growth-opportunities

NakulSrinivas (2026) IMPACT OF INDIA'S GROWING QUICK COMMERCE INDUSTRY ON CONSUMERS AND GIG WORKERS, The rapid commerce (q-commerce) industry in India is the focus of this research, which also projects its future trajectory over the next decade. The study is guided by two main research questions: How has q-commerce changed the habits of urban Indian consumers, particularly with impulse purchases and loyalty programs? What are the potential benefits and drawbacks of working as an independent contractor in this industry? The research takes a look at things including supply chain structure, customer incentives like loyalty programs and discounts, and the competitive landscape. A consumer survey that ran from January to March 2025 in the Bangalore metropolitan region garnered 128 replies from people of all ages and employment situations. The responses were collected through Google Forms and shared in WhatsApp groups. To put significant results into context, we use Wilson 95% confidence intervals and chi-square tests of association. The dynamics of gig employment are investigated through a systematic literature review that incorporates consumer analysis and research from academic institutions, government agencies, and industry databases. At the end of the piece, we talk about the sector's long-term viability and how things like law, automation, and artificial intelligence (AI) will affect it.

Source:
https://www.researchgate.net/publication/402728421_IMPACT_OF_INDIA'S_GROWING_QUICK_COMMERCE_INDUSTRY_ON_CONSUMERS_AND_GIG_WORKERS

Nabeera Sheikh and Neelima Singh Thakur's 2025 study looks at what makes people in India want to use quick commerce. Quick Commerce (Q-commerce) is making a big splash in India's retail sector. The company wants to meet customers' needs for quick delivery of goods, especially food and other necessities, usually within 10 minutes. The goal of this study is to find out what factors are most important to Indian consumers when they use Q-commerce platforms. A pre-designed questionnaire was used to randomly choose 100 people to take part in the survey. The research shows that customers are more likely to switch from planned or traditional e-commerce models to fast commerce when it is easy, saves time, and offers discounts. This research identifies operational domains where Q-commerce platforms could enhance their prospects for success and long-term customer retention.

Source:
https://www.researchgate.net/publication/392532821_A_Study_on_Factors_Influencing_Consumer_Adoption_of_Quick_Commerce_in_India

A Review and Analysis of India's E-Commerce Market by Preet Bhati et al. (2025). By revolutionizing customer behavior through expedited delivery services, the Indian quick commerce sector has grown into a vibrant and rapidly changing industry. Focusing on the features, competitive dynamics, consumer impacts, and regulatory framework of the Indian fast commerce sector, this article aims to analyze the market structure of this industry. Due to the low entry barriers, intense competition, and small number of dominant firms, this sector is characterized by oligopoly. The research analyses the competitive landscape by looking at prominent companies such as BigBasket, SwiggyInstamart, Zepto, and Blinkit. They are currently concentrating on pricing competitiveness, marketing initiatives, product differentiation, and client loyalty strategies. It also considers the impact of consumer tastes on pricing, quality, and diversity as well as regulations imposed by the government on the sector. Examining mergers, new technology, and potential changes in the legislation, as well as the current state of competition, the analysis employs economic models such as Bertrand, Cournot, and Stackelberg.

Source:
https://www.researchgate.net/publication/391653119_Indian_Quick_Commerce_Industry_Analysis_and_Reflection

In their 2025 book "Beyond Instant Delivery," authors Anisha Naik and Diya Gupta talk about the future of fast commerce, problems in the industry, and gaps in the market.Quick Commerce has quickly become popular in India's retail sector thanks to the rise of digitalization, changing consumer tastes, and the need for instant gratification. Quick delivery may sound good, but there are big problems that could stop the company's plans for the future. This study focuses on issues of sustainability, penetration of rural markets, and changing consumer behavior, all of which are important for the growth and long-term success of Quick Commerce. To explore these significant issues, the paper employs secondary research methodologies by examining contemporary literature, market trends, and industry statistics. The study looks at Quick Commerce's sustainability by looking at economic feasibility, environmental sustainability, and social issues like worker welfare and profitability problems. Second, it looks into the potential of rural markets

by looking at the things that keep QC from growing outside of cities, like low levels of digital literacy, old infrastructure, and a lack of trust. Lastly, the article talks about how people act as consumers, focusing on how instant gratification, technology, and impulse buying have changed how people shop. QC has a lot of potential for growth, but the results show that the industry needs to address concerns about sustainability, make it easier for people in rural areas to participate, and listen to what consumers want if it wants to succeed in the long term. The report's strategic suggestions can help businesses in India fill gaps in the market, improve their operations, and encourage new ideas if Quick Commerce is to keep growing there.

Source: https://www.atlantis-press.com/proceedings/ecofluence-24/126012673?

Bhawna Koli et al. (2023) AN ANALYTICAL REVIEW OF GROWTH OF E-COMMERCE TOWARDS CONSUMERS IN INDIA. The exponential growth of the Internet and related technologies has altered the global business landscape. Shopping habits, consumer behaviour, and the retail landscape have all been profoundly affected by the meteoric rise of online shopping in India. An in-depth analytical evaluation of the expansion of e-commerce targeting Indian consumers is provided by this study. In it, we examine the factors driving this expansion, the obstacles standing in the way, and the implications for consumers, companies, and the overall economy. By reviewing pertinent literature, statistical data, and case studies, this research intends to provide a thorough evaluation of the Indian e-commerce ecosystem and its impact on customer behavior.

Source: https://ijmpr.org/index.php/IJMPR/article/view/172?

Unnaatii S Bhosekar, Kunal Gaurav (2026) A short bibliometric study of rapid trade and consumer loyalty, with suggestions for future research. The term "quick commerce" (Q-commerce) refers to the recent rise in popularity of online shopping that focuses on mobile devices, hyper-local fulfillment, and fast delivery. Even though Q-commerce and customer loyalty research is used a lot, it is spread out across many fields, which makes it hard to understand how this area of study has grown. This research addresses that necessity by integrating bibliometric analysis with a systematic literature review (SLR) of 131 journal articles indexed by Scopus and published from 2010 to 2025. Using the R package Bibliometrix and the PRISMA 2020 framework, we show publication trends, important publications and writers, keyword relationships, and topic groups.

Since 2018, interest in research has been steadily rising. Most studies have focused on the COVID-19 pandemic and the resulting rise in demand for contactless and time-sensitive delivery. The current research predominantly utilizes established theories of service quality, satisfaction, and trust, indicating that loyalty frameworks in Q-commerce are often based on traditional e-commerce models. Simultaneously, there is a conspicuous deficiency of research on nascent subjects such as digitally mediated trust, ethical consumerism, and sustainability. By combining these trends, we were able to create a more complete theory of customer loyalty in Q-commerce. This, in turn, led to new research opportunities in both theory and practice.

Source: https://www.sciencedirect.com/science/article/pii/S3051064326000762?

SonikaSiwach (2026) Quick Commerce in India: Trends, Challenges, and Growth Opportunities. A new retail model that is causing a stir in India's booming digital economy is quick commerce (Q-commerce), which offers lightning-fast delivery timeframes (between 10 and 30 minutes). Particularly in the food and essential product industries, Q-commerce has grown in popularity. The rising urban population, the proliferation of cellphones, and the evolving demands of modern consumers for instant gratification are all factors contributing to this trend. Its ascent has been greatly expedited by the proliferation of data-driven logistics, dark shopfronts, and hyperlocal delivery services. The Q-commerce business is seeing rapid growth, but it is confronted with significant challenges in terms of profitability, operational efficiency, personnel retention, and regulatory compliance. Its long-term survival is called into question by this. This research study delves into the main trends impacting Q-commerce in India, identifies crucial structural and strategic difficulties, and uncovers emerging development prospects by combining ideas from academic literature, industry publications, and secondary data sources. This research adds to the growing body of knowledge on developing markets by elucidating the ways in which companies, governments, and consumers could all benefit from ultra-fast digital retail models.

Source: https://rsisinternational.org/journals/ijriss/view/quick-commerce-in-india-trends-challenges-and-growth-opportunities

Milon Bhattacharya (2025) A way to figure out how much something is worth that is about to expire, usually used in online marketplaces. Quick commerce, or q-commerce, is one of the fastest-growing industries in India. It is expected to become a $200 billion business by 2026 and give jobs to more than 450,000 people. A lot of this industry's money comes from materials that will expire

soon. (cheese, dosa batter, milk, etc.) Even though the average basket size is small, customers who eat these food items fairly fresh place a lot of orders and come back for more. The store's main problem is that raising prices will hurt sales and leave them with too much inventory. If you choose a lower price, on the other hand, you might miss out on some sales. The goal of this project is to create a mathematical model that explains this mystery. The issue statement's focus on making fast commerce businesses more profitable will have a positive effect on gig workers. The next parts explain how the math works. The outcomes of the simulation will be disseminated in a subsequent study.

Source: https://arxiv.org/abs/2510.11360?

Tanish Taneja et al. (2026) Unsavory Trends in Indian E-Commerce Applications: The Perspective of a Student. Using misleading design dark patterns to make order values seem higher has become a regular problem as Q-Commerce platforms in India shift people's shopping habits in cities. The 'Awareness-Action Gap' is being studied in this study with regard to college students in India, a group known for having high levels of digital proficiency but also facing substantial socioeconomic limitations. We investigate the relative importance of time restrictions and convenience-driven frameworks vs price sensitivity using a qualitative method with sixteen participants. Despite students' awareness of manipulative user interface strategies, our findings indicate that they often give in because of the increased cognitive load and the normalization of deceptive marketing as a core component of capitalism. In the Global South, we propose value-sensitive design solutions that strike a balance between financial incentives and user autonomy.

Source: https://arxiv.org/abs/2604.02257?

Chapter 3

RESEARCH METHODOLOGY

Research, in its most general sense, is the systematic gathering and analysis of data and information to improve knowledge in any area. The objective of research is to furnish systematic responses to both theoretical and practical inquiries. Webster's Collegiate Dictionary says that research is "studious inquiry or examination; esp: investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws." Some people think that research is driven by the idea that knowledge grows from the known to the unknown.

American sociologist Earl Robert Babbie says, "Research is a systematic inquiry to describe, explain, predict, and control the observed phenomenon." Both inductive and deductive reasoning are used in scientific research.John W. Creswell says that "research is a series of steps used to get and analyze information to learn more about a topic or situation."

Research is the systematic and scientific collection, analysis, and interpretation of data to discover new facts, establish connections, and resolve specific problems. It helps people understand things, make smart choices, and learn more about a certain subject.

Research Methodology:

Because it refers to an academic activity, the word "research" is best used in a technical sense. Research, according to Clifford Woody, entails the following steps: defining the problem, brainstorming potential solutions, collecting, organizing, and evaluating data, drawing conclusions, and then rigorously testing those conclusions to determine if they align with the hypotheses. The term "research" is defined by D. Steiner and M. Stephenson in the Encyclopedia of Social Sciences as "the manipulation of things, concepts, or symbols for the purpose of generalizing to extend, correct, or verify knowledge, whether that knowledge aids in the construction of theory or in the practice of an art."

So, research is a fresh way to add to what's already known, which helps move the field forward. Science is the methodical investigation of a topic by means of reading, writing, comparing, and testing hypotheses. Research is the process of gathering information by systematically and objectively addressing a topic. Research is the systematic pursuit of knowledge through theory

building and generalization. What we mean when we say "research" is a methodical process that begins with defining the problem, moving on to hypothesis generation, data collection, analysis, and finally, conclusions. These findings can be solutions to the problem or theoretical generalizations.

Research is a methodical process that includes investigating a topic or area of study in depth and documenting your findings with evidence. This study made use of the Random Sampling Method.

Research methodology encompasses the specific methods used to gather, sort, process, and evaluate data related to a certain topic. A research paper's methodology allows the reader to critically examine the study's overall validity and dependability. Both "how was the data collected?" and "how was the methodology made?" are addressed in the methodology section. What did people think about it?

A researcher's methodology consists of the procedures, framework, and methods used to conduct a study in an organized and systematic way. To accomplish the research objectives, one must plan the study, choose appropriate methods of data collection, employ appropriate sampling strategies, employ appropriate analytical tools, and interpret the findings.

Research Method:

Some important research methods are descriptive, analytical, historical, case study, and others.

The researcher has opted for descriptive research to complete the project, given its significance.

The purpose of descriptive research is to present a precise depiction of the participants involved. The participants in a descriptive study are the primary focus of the investigation.

There are three ways a researcher can go about doing a descriptive research project, and they are:

- **Observational**, defined as a method of viewing and recording the participants
- **Case study**, defined as an in-depth study of an individual or group of individuals
- **Survey,** defined as a brief interview or discussion with an individual about a specific topic

Research Design

The study looked at the rapid commerce sector's unit economics and profitability using a descriptive research design. Owners of Zepto-affiliated stores and vendors were able to more

accurately and comprehensively detail their company's financials—including expenses, income, and operational efficiency—thanks to this design.

The study's use of a survey to collect structured data and subsequent statistical analysis, such as percentage analysis, made it a quantitative research.

Research Instrument

A structured questionnaire was used as the primary research instrument. The questionnaire consisted of close-ended questions designed to gather information related to:

- Order volume and frequency
- Cost components (delivery, storage, discounts)
- Revenue patterns
- Profitability challenges
- Operational efficiency

Sampling

Sampling refers to the process of selecting a subset of individuals from a population to represent the entire group.

Sampling Unit

The sampling unit for this study consisted of store managers, vendors, and dark store operators associated with Zepto, who are directly involved in quick commerce operations.

Sampling Technique

The study used a convenience sampling technique, where respondents were selected based on their accessibility and willingness to participate in the survey.

Sample Size

A total of 85 respondents were selected for the study from Zepto’s store/vendor network to collect relevant primary data.

Meaning of Data Collection

Data collecting is the process of gathering information from many different sources in a planned way so that you can evaluate the results and answer research questions. It is a necessary step to make sure that research results are reliable and accurate.

Types of Data

- Primary Data: First-hand data collected directly from respondents through surveys or interviews.
- Secondary Data: Data collected from existing sources such as reports, journals, company websites, and industry publications.

For this study, primary data was mainly used to understand real-time operational and financial aspects from the vendor perspective.

1. **Primary Data:**

Research using primary sources, such as questionnaires, interviews, or experiments, yields more accurate results. It is collected from main sources with the research project in mind. Here we have the information that originates from the original sources, or the places where the data was collected."Primary data" refers to information that was gathered with a specific purpose in mind. — The Horace Mystery

In experimental research, we collect main data by running experiments. On the other hand, primary data can be obtained through direct observation, conversation with respondents, or personal interviews when doing descriptive research and surveys (whether they be sample surveys or census surveys). Put simply, this indicates that primary data can be obtained by numerous sources, particularly in descriptive research and surveys.

Using a straightforward purposive sample technique, primary data was gathered from firm personnel. Schedules and interviews with personnel were used to gather these data points.

2. **Secondary Data:**

When we say "secondary data," we mean information that someone else has already collected and looked at. Researchers need to look at a lot of different sources to find secondary data. He is not likely to face the problems that come with gathering first-hand information, which is not the case most of the time. There are two types of secondary data: data that is available to the public and

data that is not. Official government publications at the federal, state, and local levels; official publications from other countries' governments or international organizations and their subsidiary groups; scholarly journals that focus on technical and trade topics; print media like books, magazines, and newspapers; reports and publications from groups related to businesses, banks, and stock markets; reports written by academics, universities, and economists from different fields; and public records, statistics, historical documents, and other publicly available sources are all places where you can usually find data. You could find unpublished works in diaries, letters, unpublished biographies, and autobiographies, to name a few. Other possible sources include scholars, researchers, trade groups, labor bureaus, and other public and private people and groups.

The study was finished and helped the company by using secondary data from records, files, audited statements, and other sources when needed.

All of the analyzed and summarized data is shown in graphs, tables, diagrams, and text. After that, the results were used to make conclusions and suggestions.

Sources of Data Collection

Primary Sources:

- Structured questionnaires distributed to Zepto vendors/store operators
- Direct interaction with respondents

Secondary Sources:

- Company reports
- Research articles and journals
- Industry publications and online databases

Data Analysis: Simple Percentage Analysis

The collected data was analyzed using simple percentage analysis, which helped in:

- Presenting responses in percentage form
- Identifying trends and patterns
- Interpreting vendor perceptions regarding cost, revenue, and profitability

Ethical Considerations

- Informed consent was obtained from all respondents before collecting data.
- Confidentiality and anonymity of respondents were maintained.
- Data was used strictly for academic purposes.
- No misleading or biased information was included in the study.

Procedure of Work

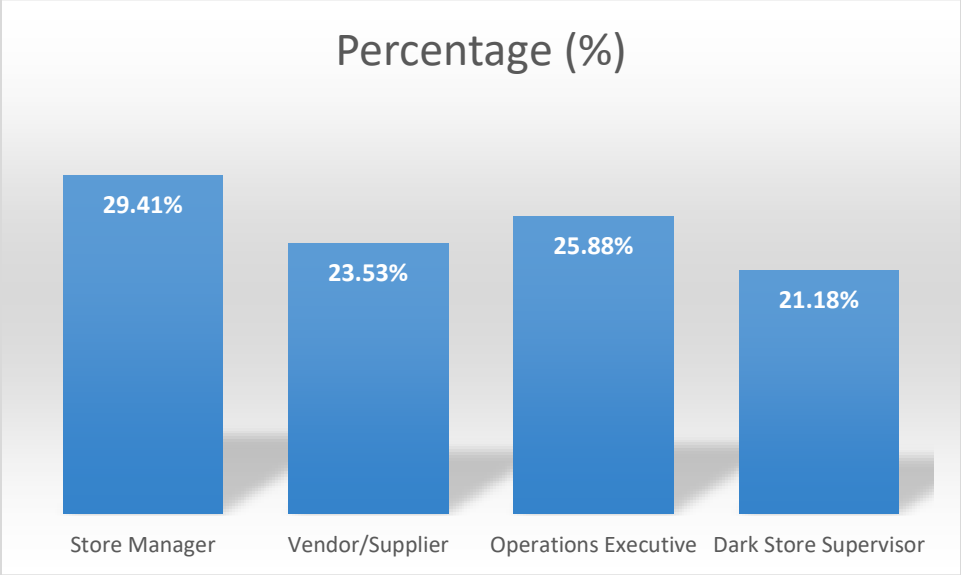
- Identification of research problem and objectives
- Review of relevant literature
- Designing the questionnaire
- Collection of primary and secondary data
- Classification and tabulation of data
- Analysis using percentage method
- Interpretation of results
- Drawing conclusions and providing suggestions

Chapter 4

DATA ANALYSIS AND INTERPRETATION

1. What is your role in the store/vendor operations?

Role	Responses	Percentage (%)
Store Manager	25	29.41%
Vendor/Supplier	20	23.53%
Operations Executive	22	25.88%
Dark Store Supervisor	18	21.18%
Total	**85**	**100%**

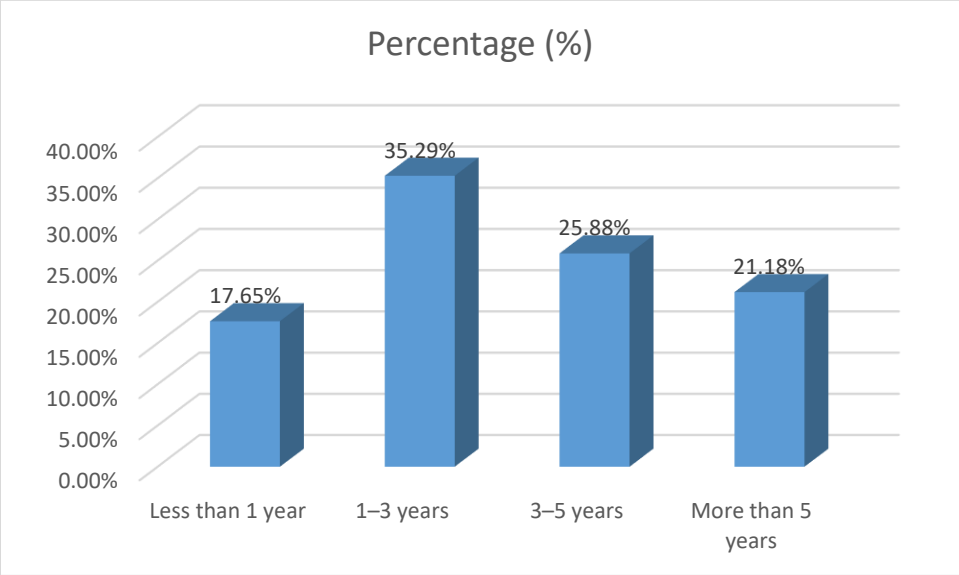


INTERPRETATION:

The data reveals that the largest group of respondents consisted of store managers (29.41%), followed by operations executives (25.88%), and vendors/suppliers (23.53%). The percentage of Dark Store Supervisors was 21.18 percent.

2. **How many years of experience do you have in quick commerce or retail operations?**

Experience Level	Responses	Percentage (%)
Less than 1 year	15	17.65%
1–3 years	30	35.29%
3–5 years	22	25.88%
More than 5 years	18	21.18%
Total	**85**	**100%**

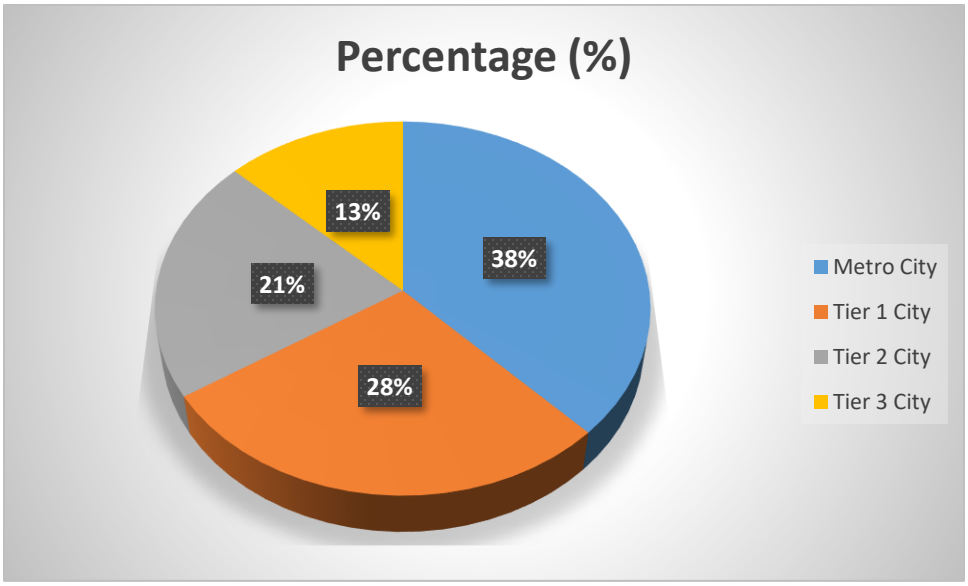


INTERPRETATION:

In the rapid commerce industry, there seems to be a lot of young people working. 35.29% of respondents said they had 1-3 years of experience. The next two groups, those with 3 to 5 years of experience (25.88%) and those with more than 5 years of experience (21.18%), show that the staff is moderately skilled. Since only 17.65% of the people had less than a year of experience, there may be new competitors in the market.

3. **Location of your store/dark store:**

Location Category	Responses	Percentage (%)
Metro City	32	37.65%
Tier 1 City	24	28.24%
Tier 2 City	18	21.18%
Tier 3 City	11	12.94%
Total	**85**	**100%**

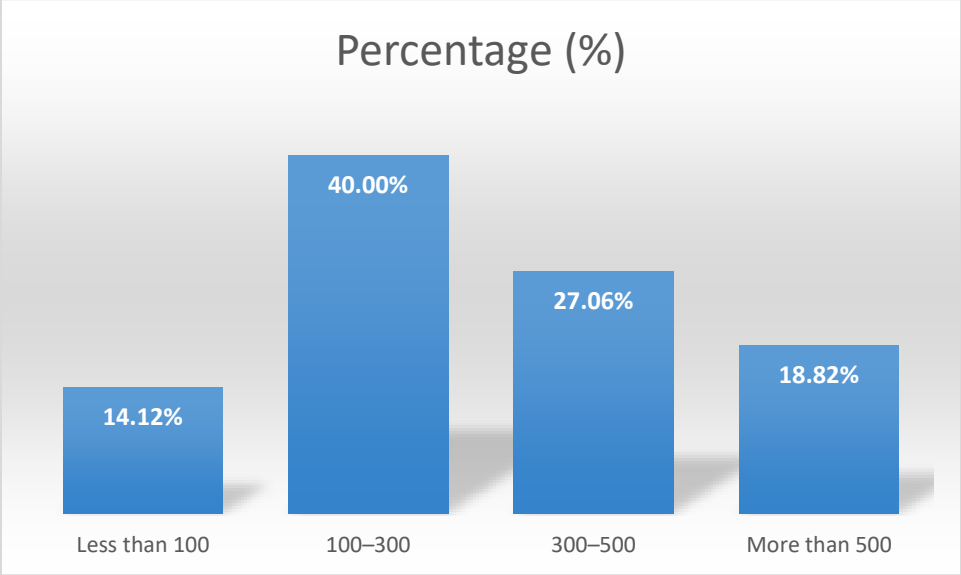


INTERPRETATION:

According to the numbers, the majority of stores were located in metro areas (36.64%), with Tier 1 Cities coming in second with 28.24%. This demonstrates that swift commerce establishments are primarily located in urban areas. Of the total, 21.18% were Tier 2 Cities, with 12.94% being the smallest portion belonging to Tier 3.

4. **What is the average number of orders processed per day in your store?**

Order Volume	Responses	Percentage (%)
Less than 100	12	14.12%
100–300	34	40.00%
300–500	23	27.06%
More than 500	16	18.82%
Total	**85**	**100%**

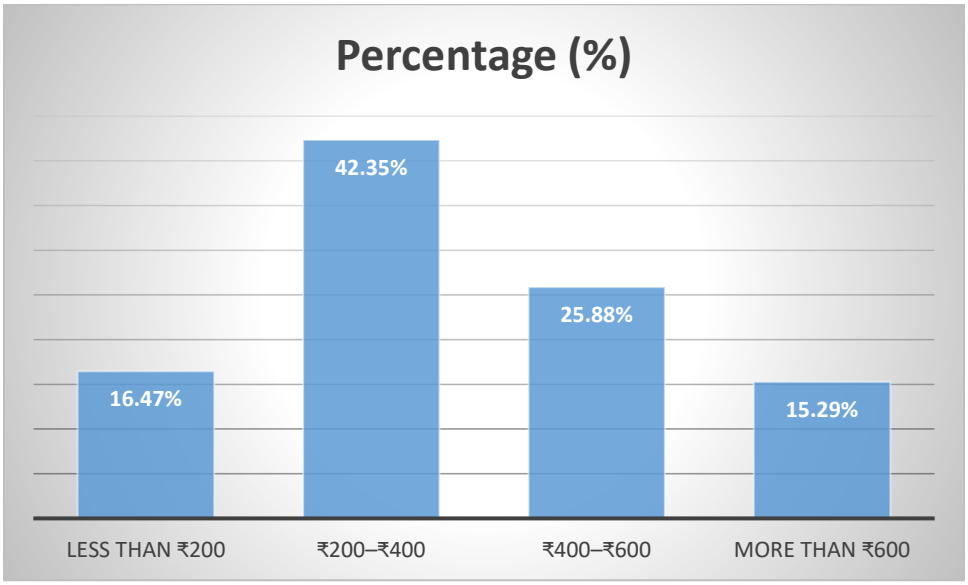


INTERPRETATION:

About forty percent of the businesses had a moderate amount of operational activity, processing between one hundred and three hundred orders every day. The fact that 27.06% of retailers had 300–500 orders after the first one shows that they dealt with bigger volumes. In places where there was a lot of demand, 18.82% of stores processed 500 or more orders a day, while 14.12% processed 100 or fewer orders.

5. **What is the average order value (AOV) at your store?**

AOV Range	Responses	Percentage (%)
Less than ₹200	14	16.47%
₹200–₹400	36	42.35%
₹400–₹600	22	25.88%
More than ₹600	13	15.29%
Total	**85**	**100%**

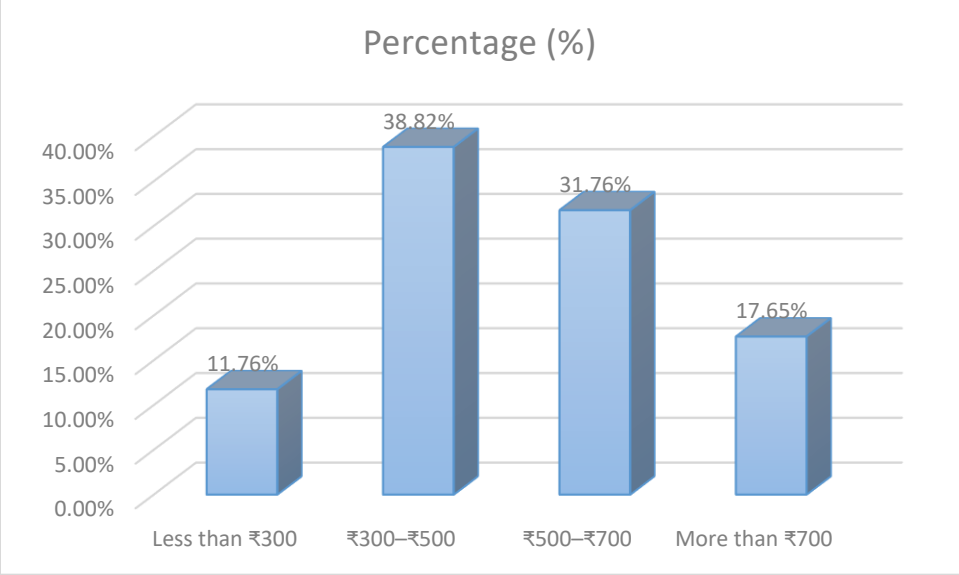


INTERPRETATION:

As far as the average order value is concerned, the majority of stores reported it as being between the moderate price range of ₹200 to ₹400 (42.35%). A large number of orders had greater values, as indicated by the subsequent 25.88% for ₹400-₹600. The average order value (AOV) for around 16.47% of stores was below ₹200, while for 15.29% it was above ₹600. This indicates that the number of stores with extremely low or high AOVs was rather small.

6. **In your opinion, what is the ideal AOV required to achieve profitability?**

AOV Range	Responses	Percentage (%)
Less than ₹300	10	11.76%
₹300–₹500	33	38.82%
₹500–₹700	27	31.76%
More than ₹700	15	17.65%
Total	**85**	**100%**

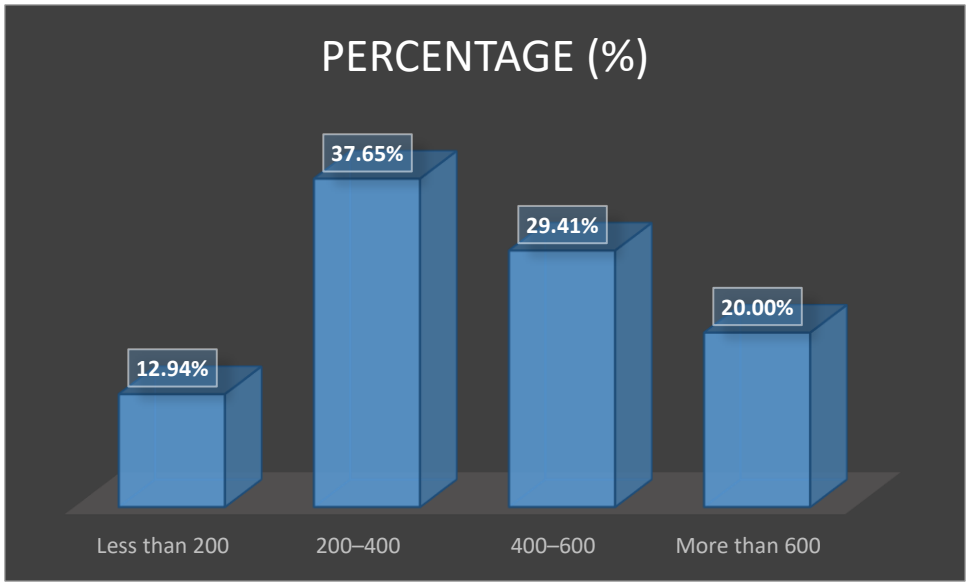


INTERPRETATION:

Most of the people who answered said they prefer moderate to high order values. They think that an ideal AOV of ₹300-₹500 is needed to make a profit (30.82%), followed by ₹500-₹700 (31.76%). About 17.65% thought it should be more than ₹700, and 11.76% thought it should be less than ₹300.

7. **Approximately how many daily orders are required to cover fixed costs (rent, electricity)?**

Order Range	Responses	Percentage (%)
Less than 200	11	12.94%
200–400	32	37.65%
400–600	25	29.41%
More than 600	17	20.00%
Total	**85**	**100%**

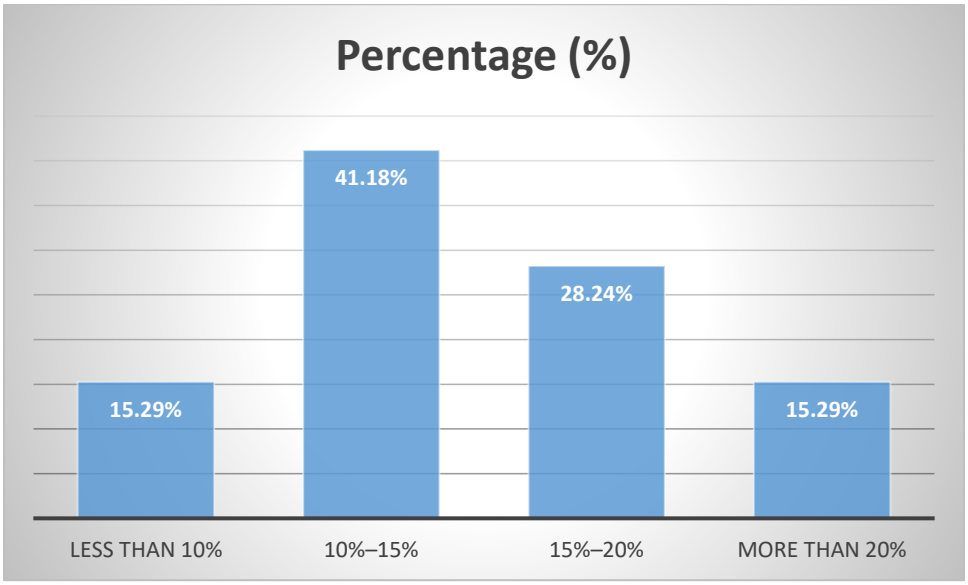


INTERPRETATION:

In order to pay for fixed expenses like rent and energy, the majority of respondents (37.65%) stated that they require 200 to 400 orders every day. In second place, with 29.41% of the vote, was the range of 400 to 600 orders. It appears that a significant volume of orders is required to achieve a point of profitability. Twenty percent felt the need for more than 600 orders, while only 12.9 percent felt that 200 orders were sufficient.

8. **What is the approximate gross margin per order in your store?**

Margin Range	Responses	Percentage (%)
Less than 10%	13	15.29%
10%–15%	35	41.18%
15%–20%	24	28.24%
More than 20%	13	15.29%
Total	**85**	**100%**

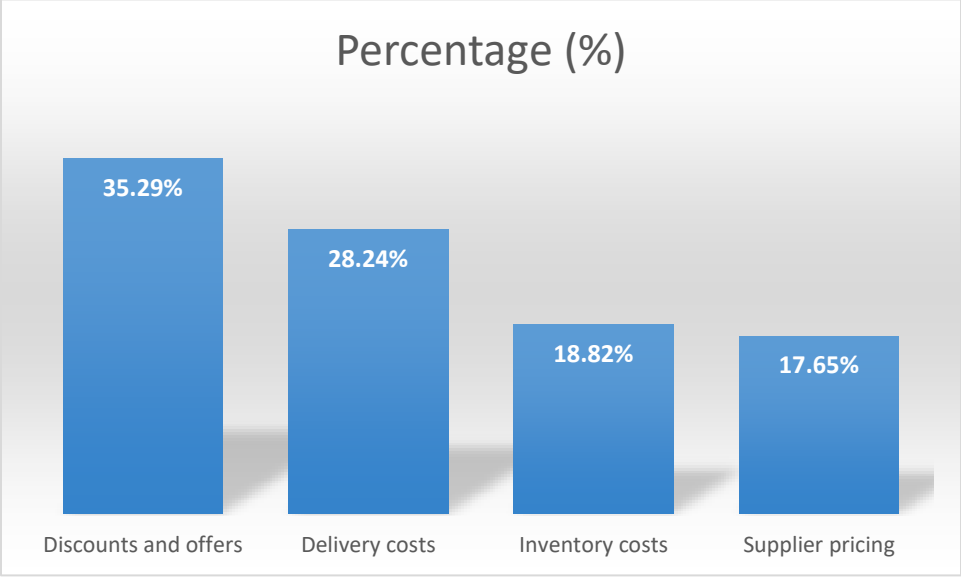


INTERPRETATION:

Most stores seem to have a moderate margin, since 41.18% of those who answered said their gross margin was between 10% and 15%. Then, there was a range of 15% to 20% (28.24%), which means that many stores made a good amount of money. The 15.29% split showed that there were fewer retailers at the ends of the scale (less than 10% and more than 20%, respectively).

9. **Which factor most affects your margins?**

Factor	Responses	Percentage (%)
Discounts and offers	30	35.29%
Delivery costs	24	28.24%
Inventory costs	16	18.82%
Supplier pricing	15	17.65%
Total	**85**	**100%**

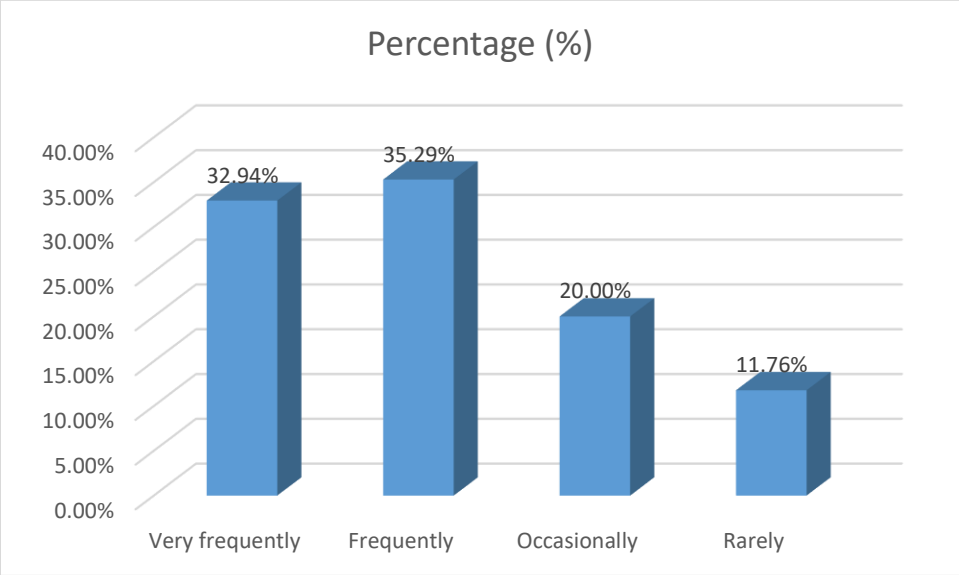


INTERPRETATION:

According to the data, the two most significant factors influencing margins were discounts and offers (35.29%) and delivery costs (28.14%). Profitability is thus very sensitive to pricing tactics and shipping costs. Neither inventory costs nor supplier pricing were particularly influential.

10. How frequently are heavy discounts offered in your store?

Frequency	Responses	Percentage (%)
Very frequently	28	32.94%
Frequently	30	35.29%
Occasionally	17	20.00%
Rarely	10	11.76%
Total	**85**	**100%**

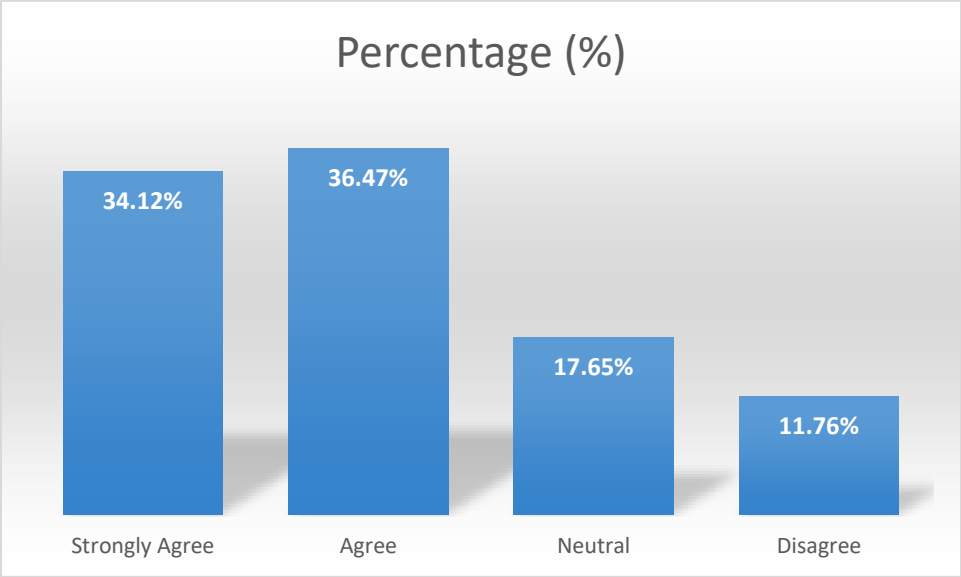


INTERPRETATION:

Most respondents (35.29%) said that heavy discounts are offered regularly and very frequently (32.94%), so discounting is common in fast-paced business. Only 11.76% of people said that discounts are rarely given, and 20.00% said that they do happen sometimes.

11. Do discounts significantly reduce your profitability?

Response	Responses	Percentage (%)
Strongly Agree	29	34.12%
Agree	31	36.47%
Neutral	15	17.65%
Disagree	10	11.76%
Total	**85**	**100%**

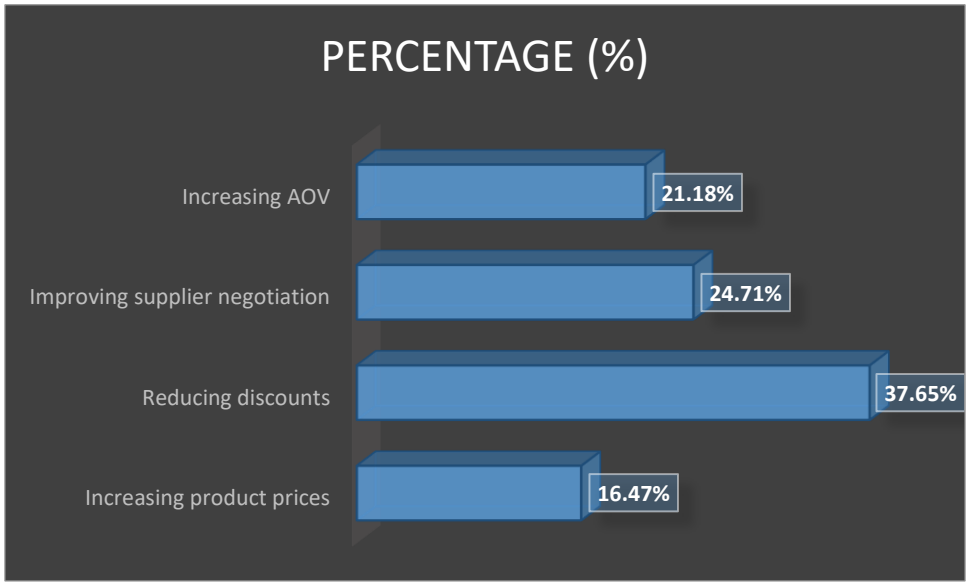


INTERPRETATION:

According to the findings, the majority of respondents felt that discounts significantly reduce profitability. 36.47 percent were in agreement, with 34.1 percent coming to a strong agreement. More than 70% of respondents believe that sales have a significant impact on bottom line results. Simultaneously, 17.65% chose to remain neutral, indicating that there was minimal disagreement, while only 11.76% disagreed.

12. Which strategy can improve margins the most?

Strategy	Responses	Percentage (%)
Increasing product prices	14	16.47%
Reducing discounts	32	37.65%
Improving supplier negotiation	21	24.71%
Increasing AOV	18	21.18%
Total	**85**	**100%**

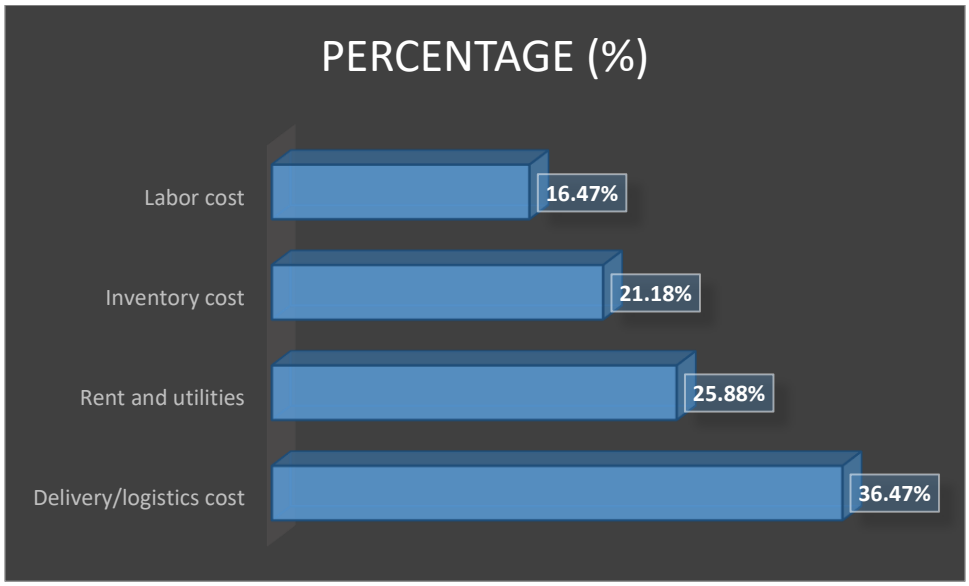


INTERPRETATION:

Most of the people who answered said that cutting discounts is the best way to boost margins (37.55%). This shows how much discounts can affect profits. Cost control and bigger order values are probably also important, since this was followed by better supplier bargaining (24.71%) and a rise in AOV (21.18%). Because the industry is so cutthroat, only 16.47% of people who answered wanted prices to go up.

13. What is the major cost component in your store operations?

Cost Component	Responses	Percentage (%)
Delivery/logistics cost	31	36.47%
Rent and utilities	22	25.88%
Inventory cost	18	21.18%
Labor cost	14	16.47%
Total	**85**	**100%**

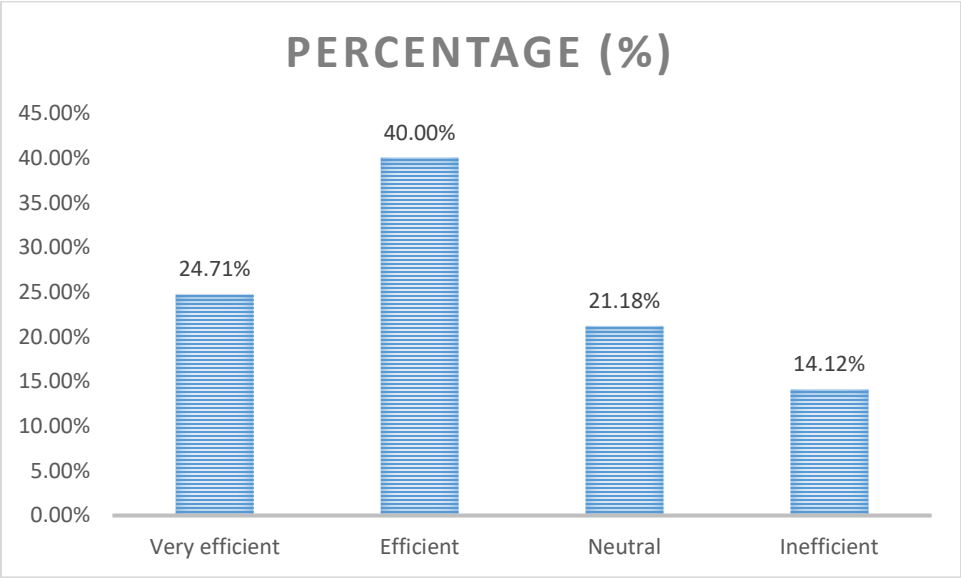


INTERPRETATION:

Findings reveal that logistics and delivery expenses account for 36.47 percent of total store operating expenses. This exemplifies the high cost of last-mile delivery in time-sensitive transactions. Fixed and stock-related expenses are also significant, as seen by inventory costs (21.18%), rent and utilities (25.88%), and other similar expenses. The cost of labor (16.47%) was the least relevant factor.

14. How efficient is your inventory management system?

Efficiency Level	Responses	Percentage (%)
Very efficient	21	24.71%
Efficient	34	40.00%
Neutral	18	21.18%
Inefficient	12	14.12%
Total	**85**	**100%**

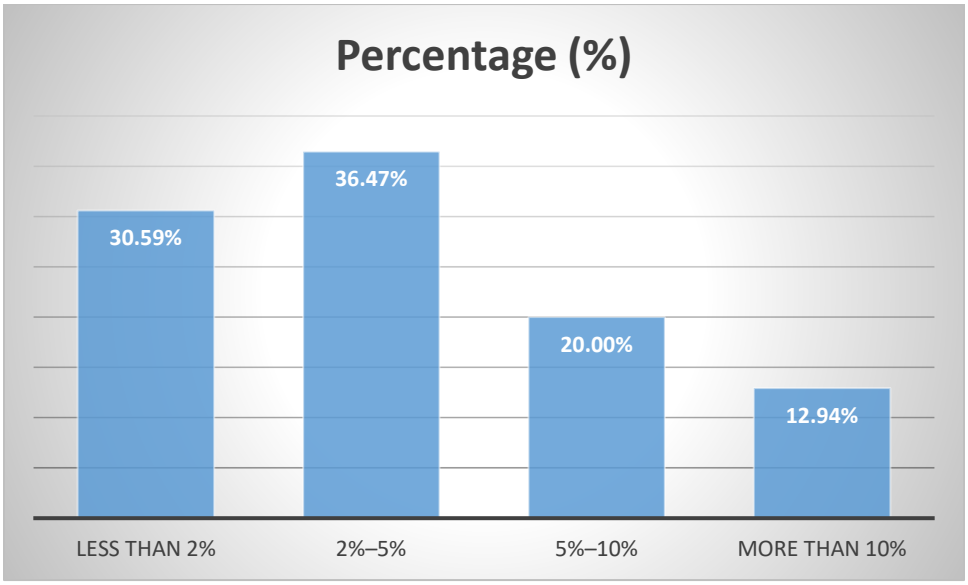


INTERPRETATION:

Most stores keep their inventory under control, since most people who answered said their system was efficient (40.00%) or very efficient (24.71%). But 21.18% were agnostic and 14.1% said their system was not working well, so there is room for improvement.

15. What percentage of inventory losses (damage/expiry) do you face?

Loss Percentage	Responses	Percentage (%)
Less than 2%	26	30.59%
2%–5%	31	36.47%
5%–10%	17	20.00%
More than 10%	11	12.94%
Total	**85**	**100%**

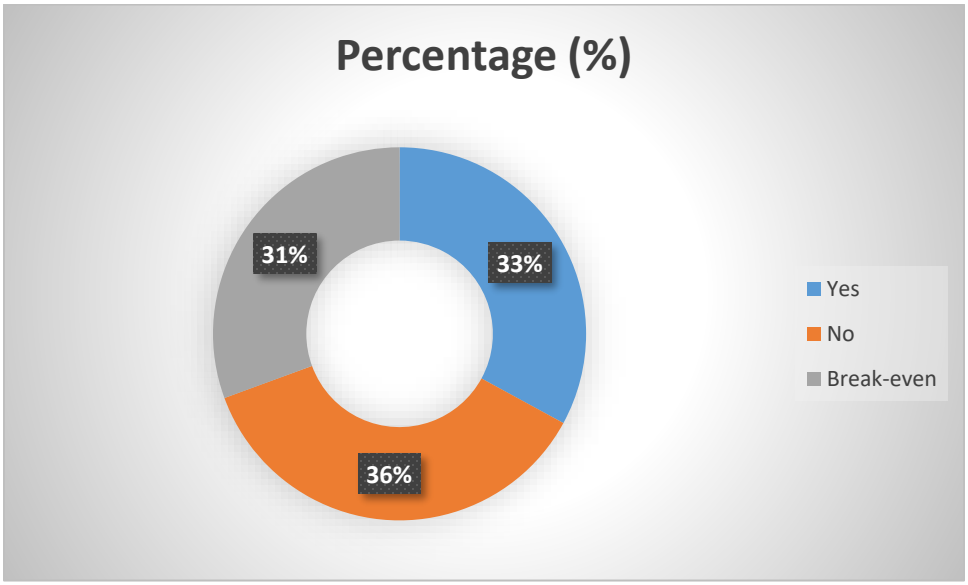


INTERPRETATION:

The majority of respondents (36.47%), with 30.59% saying their stores lost less than 2% inventory, reported that their retailers lost between 2% and 5% inventory. Evidently, inventory loss is not a major problem for the majority of stores. However, certain stores are extremely inefficient, since 20.00% lost between 5% and 10% and 12.94% lost more than 10%.

16. Is your store currently operating at a profit?

Status	Responses	Percentage (%)
Yes	28	32.94%
No	31	36.47%
Break-even	26	30.59%
Total	**85**	**100%**

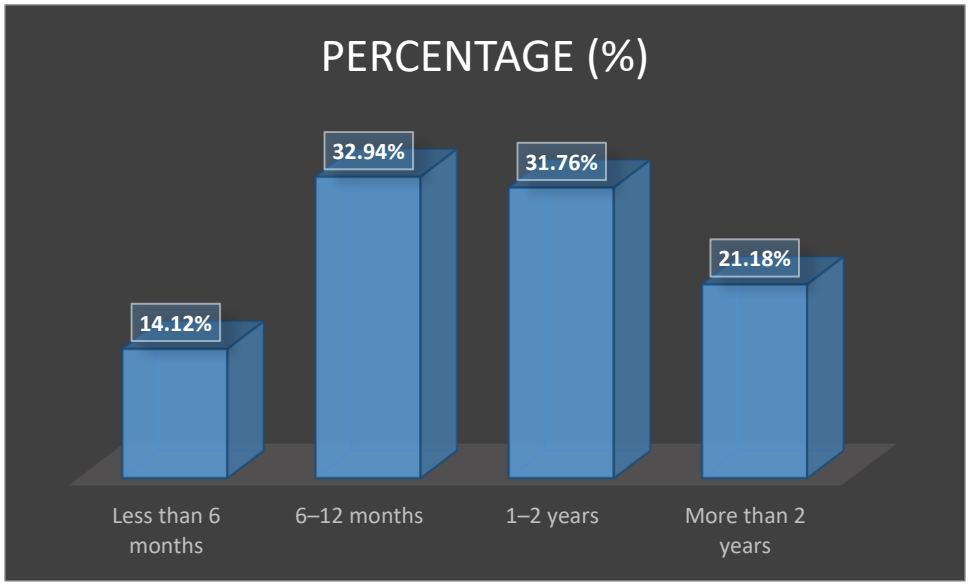


INTERPRETATION:

The results show that 36.47 percent of fast commerce stores are not making money, which means that a lot of them are still having trouble making money. A lot of stores seem to be close to making money, since 32.94% say they are making money and 30.59% say they are breaking even.

17. How long does it typically take to reach break-even?

Time Period	Responses	Percentage (%)
Less than 6 months	12	14.12%
6–12 months	28	32.94%
1–2 years	27	31.76%
More than 2 years	18	21.18%
Total	**85**	**100%**

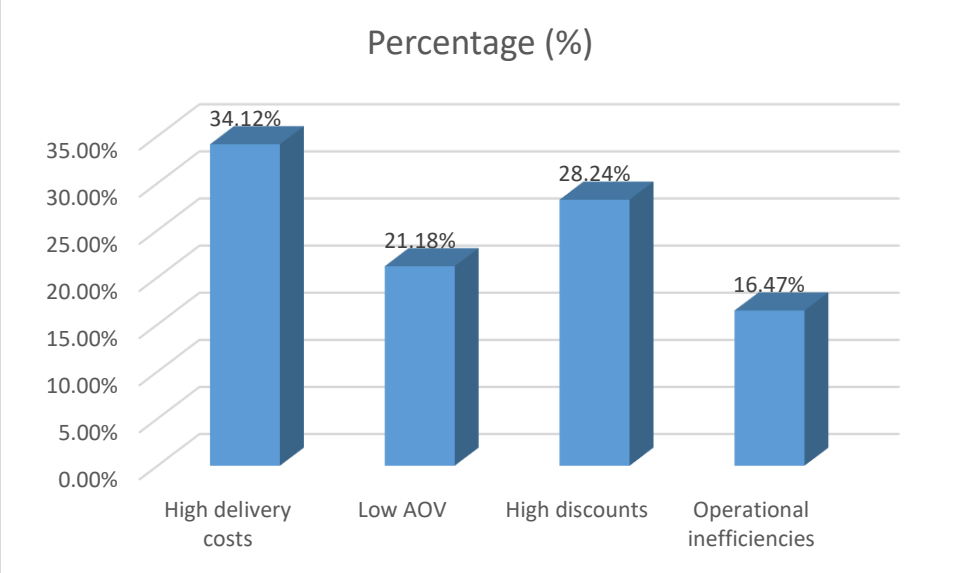


INTERPRETATION:

The majority of respondents (32.94%) and a smaller percentage (31.76%) estimated that it takes 6–12 months and 1–2 years, respectively, to reach break even. Profitability, it seems, typically necessitates a fair amount of time. Some businesses took longer to recover than others; a quarter of those affected reported it took longer than two years. Breakeven was reported by just 14.12% in less than six months.

18. What is the biggest challenge in achieving profitability?

Challenge	Responses	Percentage (%)
High delivery costs	29	34.12%
Low AOV	18	21.18%
High discounts	24	28.24%
Operational inefficiencies	14	16.47%
Total	**85**	**100%**

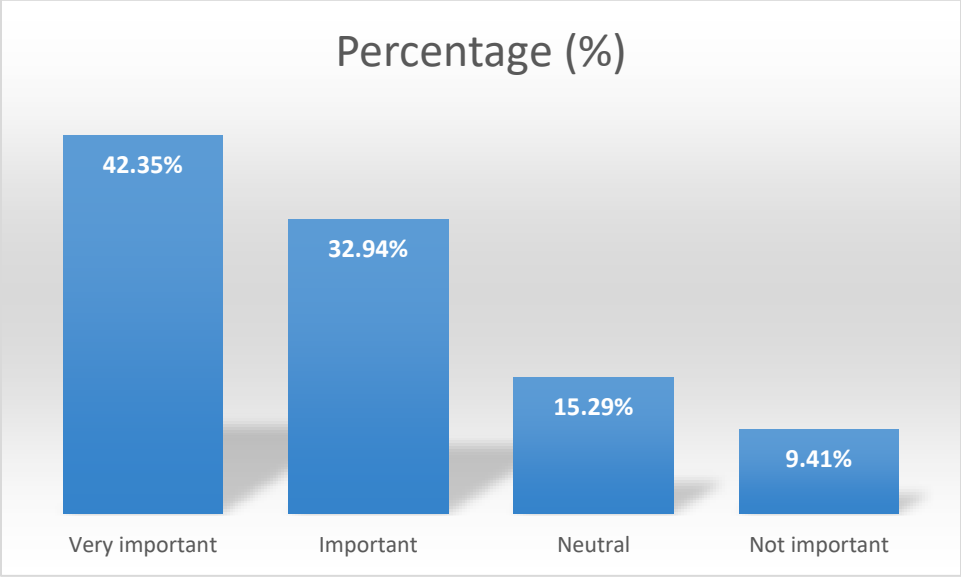


INTERPRETATION:

The results show that high delivery costs (34.12%) and big discounts (28.24%) are the two biggest barriers to making a profit. This shows how logistics costs and pricing strategies can affect profits. Operational inefficiencies (16.47%) were seen as less serious, but low AOV (21.18%) is still a big problem.

19. How important is increasing order volume for profitability?

Response	Responses	Percentage (%)
Very important	36	42.35%
Important	28	32.94%
Neutral	13	15.29%
Not important	8	9.41%
Total	**85**	**100%**

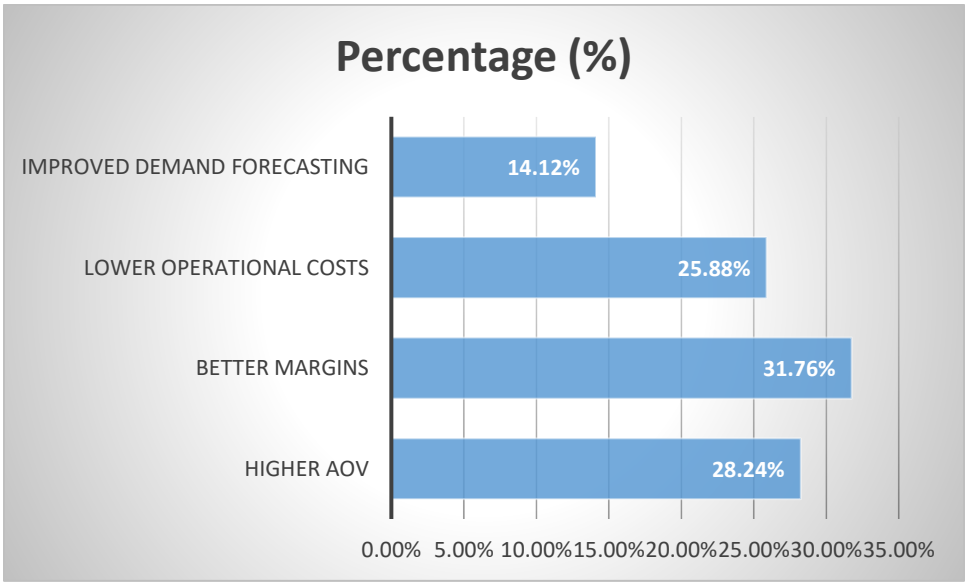


INTERPRETATION:

The majority of respondents (80%) said that boosting order volume was critical to achieving financial success. 42.35 percent deemed it extremely important, while 32.94 percent deemed it significant. This indicates that a larger order volume is considered a critical component of financial performance by over 75% of respondents. Concurrently, 15.29% were ambivalent, and 9.41% didn't think it was significant.

20. What would most improve the financial performance of your store?

Factor	Responses	Percentage (%)
Higher AOV	24	28.24%
Better margins	27	31.76%
Lower operational costs	22	25.88%
Improved demand forecasting	12	14.12%
Total	**85**	**100%**



INTERPRETATION:

Cost control and revenue growth are important because better margins (31.76%), higher AOV (28.24%), and lower operational costs (25.68%) were seen as the most important ways to improve financial performance. The 14.12% improvement in demand forecasting was seen as less important.

Analysis of Findings:

1. **Daily Order Volume vs. Operational Profitability**

Null hypothesis: There is no significant association between the average number of daily orders processed and the store's current profitability status.

Alternate hypothesis: There is a significant association between the average number of daily orders processed and the store's current profitability status.

Variables: -

Independent Variable (Categorical): Order Volume (Less than 100, 100–300, 300–500, More than 500)

Dependent Variable (Categorical): Profitability Status (Yes, No, Break-even)

SPSS Output Table:

Daily Order Volume	Yes (Profit)	No (Loss)	Break-even	Total
Less than 100	1	9	2	12
100–300	8	14	12	34
300–500	11	5	7	23
More than 500	8	3	5	16
Total	**28**	**31**	**26**	**85**

Test Statistics:

Test	Value	df	p-value
Pearson Chi-Square	14.927	6	0.021

Interpretation:

As the p-value (0.021) is less than the standard significance level of 0.05, we reject the null hypothesis and accept the alternate hypothesis.

There is a significant association between daily order volume and the profitability of the store. This indicates that as the volume of orders increases, the likelihood of a store operating significantly improves, supporting the finding that high order volume is a "critical component" for financial success in the sector.

2. Higher Average Order Value (AOV) vs. Store Profitability

Null hypothesis: There is no significant association between the Average Order Value (AOV) and store profitability.

Alternate hypothesis: There is a significant association between the Average Order Value (AOV) and store profitability.

Variables: -

Independent Variable (Categorical): Actual AOV Range (Less than ₹200, ₹200–₹400, ₹400–₹600, More than ₹600)

Dependent Variable (Categorical): Profitability Status (Yes, No, Break-even)

SPSS Output Table:

AOV Range	Yes (Profit)	No (Loss)	Break-even	Total
Less than ₹200	1	10	3	**14**
₹200–₹400	10	15	11	**36**
₹400–₹600	10	4	8	**22**
More than ₹600	7	2	4	**13**
Total	**28**	**31**	**26**	**85**

Test Statistics:

Test	Value	df	p-value
Pearson Chi-Square	15.075	6	0.020

Interpretation:

As the p-value is less than 0.05, which is our assumed level of significance, we reject the null hypothesis and accept the alternate hypothesis.

There is a significant association between Average Order Value (AOV) and store profitability. The data suggests that stores with higher AOVs (particularly those above ₹400) are more likely to report being profitable or at break-even, while those with an AOV below ₹200 are predominantly operating at a loss. This confirms that increasing the value of each order is a key driver in the path to profitability for India's quick commerce sector.

3. Logistics Costs as a Barrier to Unit Economics

Null hypothesis: There is no significant association between the identified primary cost component and the perception of the biggest challenge to achieving profitability.

Alternate hypothesis: There is a significant association between the identified primary cost component and the perception of the biggest challenge to achieving profitability.

Variables: -

Independent Variable (Categorical): Major Cost Component (Delivery/logistics, Rent/utilities, Inventory, Labor)

Dependent Variable (Categorical): Biggest Profitability Challenge (High delivery costs, Low AOV, High discounts, Operational inefficiencies)

SPSS Output Table:

Major Cost Component	High Delivery Costs (Challenge)	High Discounts (Challenge)	Other Challenges	Total
Delivery/Logistics	22	4	5	**31**
Rent and Utilities	3	10	9	**22**
Inventory Cost	2	6	10	**18**
Labor Cost	2	4	8	**14**
Total	**29**	**24**	**32**	**85**

Test Statistics:

Test	Value	df	p-value
Pearson Chi-Square	26.411	6	< 0.001

Interpretation:

As the p-value (**< 0.001**) is significantly lower than the **0.05** significance level, we **reject the null hypothesis**.

There is a highly significant association between delivery being the major cost component and it being perceived as the primary barrier to profitability.

FINDINGS:

1. The majority of respondents were store managers (29.41%), followed by operations executives (25.88%) and vendors/suppliers (23.53%), which is a fair representation of operational positions.
2. The majority of respondents (35.29%) had 1-3 years of experience, which shows that the workforce is relatively young. On the other hand, 47.06% had more than 3 years of experience, which shows that they are moderately knowledgeable in the field.
3. The fact that most stores are in Metro Cities (37.65%) and Tier 1 Cities (28.24%) shows that fast commerce is more common in cities.
4. 45.88% of stores processed more than 300 orders per day, which showed a moderate to high level of operational activity. The majority of retailers (40.00%) processed between 100 and 300 orders per day.
5. AOVs between ₹200 and ₹400 made up 42.35% of all orders, while only 15.29% had AOVs above ₹600. This shows that there weren't many high-value deals.
6. The need to raise order value was made clear by the fact that 38.82% of respondents thought an optimal AOV should be between ₹300 and ₹500 for profitability, while 49.41% wanted an AOV above ₹500.
7. A high order volume is important because 36.64% of people who answered said they need 200 to 400 orders a day to cover their fixed costs, and 49.51% said they need more than 400 orders.
8. Most stores had a gross margin of 10% to 15% (41.18%), which means that the fast commerce model had fairly low margins.
9. The biggest factors that affected margins were key cost limits, like discounts and offers (35.29% of the total) and shipping costs (28.14%).
10. It looks like there were good ways to promote the product, since a lot of people said that discounts were given out often or very often.
11. About 70.59 percent of respondents agreed or strongly agreed that discounts hurt profits a lot, which showed that they had a bad effect on finances.
12. The most popular way to boost profits was to cut back on discounts (37.65%), followed by improving supplier negotiating (24.71%).

13. A large part of the total cost, 36.47 percent, was found to be related to delivery and logistics. This means that the costs of last-mile delivery are high.
14. Forty percent of the people who took the survey said their inventory system worked well, but 35.30 percent said it was either neutral or not working well, which means there is room for improvement.
15. 36.47% of stores said they lost between 2 and 5 percent of their sales, while 32.94% said they lost 5 percent or more. This suggests that some of those stores are not working as well as they should.
16. The stores' ability to make money was called into question because only 32.94% of them did, 36.47% did not, and 30.59% broke even.
17. Most people say it takes 6 to 12 months (32.94%) or 1 to 2 years (31.76%) to break even, which suggests a moderate recovery period.
18. The biggest problems with making money were big discounts (28.24%) and high delivery costs (34.12%), both of which are related to costs.
19. The fact that 75.29 percent of respondents said it was essential or very important to increase order volume to make a profit showed how important it was.
20. There is a need for both revenue growth and cost control. Respondents said they wanted stronger margins (31.76%), a larger AOV (28.24%), and lower operational costs (25.68%) to improve financial performance.

SUGGESTION AND RECOMMENDATION:

Suggestions

1. Boost contribution margins and avoid money from leaking out of the business by cutting back on too many discounting techniques.
2. Get more consumers to buy more by using cross-selling strategies, packaged deals, and minimum order requirements.
3. Improve logistics operations and delivery routes to lower expensive last-mile delivery expenses.
4. Reduce spoilage and damage losses as much as possible by improving inventory management systems.
5. Raise gross margins and product prices by negotiating better with suppliers.

Recommendations

1. To keep customer demand high and avoid giving out too many discounts, Zepto and other quick commerce companies should use a balanced pricing plan.
2. Businesses can improve their ability to predict demand and run their operations more efficiently by spending money on IT and data analytics.
3. Companies should intentionally increase order quantities in cities where there is a lot of demand in order to get economies of scale and break even faster.
4. Instead of only looking at growth metrics, it's better to focus on key performance indicators that measure profitability, such as contribution margin, average order value, and cost per delivery.
5. To make sure they make money in the long run, businesses should cut costs and improve efficiency to create business models that will last..

CONCLUSION:

In "A Financial Analysis of Unit Economics and the Path to Profitability in India's Quick Commerce Sector," the author sheds light on the key elements that determine the financial sustainability of fast commerce businesses, particularly from Zepto's perspective as a vendor/store owner. Profitability remains elusive due to systemic and operational issues, but the business has expanded rapidly in response to rising demand for same-day delivery, according to the report. The majority of retailers have significant operational costs, particularly for logistics and last-mile deliveries, and poor gross margins (about 10% to 15%), according to the statistics. Even though they attract customers and boost order volume, excessive price techniques have a significant negative impact on profits. Many poll takers were aware that sales drastically cut profit margins, making it more difficult for retailers to turn a profit over time.

The research demonstrates that order volume and Average Order Value (AOV) are critical metrics for assessing a company's profitability. For paying fixed costs like rent and utilities and for reaching the break-even point on time, the majority of respondents responded that a high Average Order Value (AOV) and a high daily order volume are critical. Unfortunately, many stores' order numbers and Average Order Value (AOV) aren't high enough to ensure a profit. What this implies is that a lot of shops are barely making ends meet, if not losing money. The study highlights the

importance of operational efficiency in boosting financial performance. This efficiency includes effective inventory management and cost control. There is always room for improvement in inventory management and supply chain efficiency, even if many retailers boast about their robust systems. It became clear that logistics and route design needed improvement when delivery costs were seen as the key cost.

Ultimately, capitalizing on India's rapidly expanding commerce sector requires striking a balance between expansion and fiscal restraint. Instead than concentrating on rapid expansion and client acquisition, businesses should work to improve unit economics by increasing average order value, decreasing needless discounts, reducing expenses, and streamlining processes. With time and a data-driven, sustainable strategy, fast commerce startups may be able to transform their high-burn models into profitable, scalable ones.

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ANNEXURES

QUESTIONNAIRES:

1. What is your role in the store/vendor operations?

Store Manager

Vendor/Supplier

Operations Executive

Dark Store Supervisor

2. How many years of experience do you have in quick commerce or retail operations?

Less than 1 year

1–3 years

3–5 years

More than 5 years

3. Location of your store/dark store:

Metro City

Tier 1 City

Tier 2 City

Tier 3 City

4. What is the average number of orders processed per day in your store?

Less than 100

100–300

300–500

More than 500

5. What is the average order value (AOV) at your store?

Less than ₹200

₹200–₹400

₹400–₹600

More than ₹600

6. In your opinion, what is the ideal AOV required to achieve profitability?

Less than ₹300

₹300–₹500

₹500–₹700

More than ₹700

7. Approximately how many daily orders are required to cover fixed costs (rent, electricity)?

Less than 200

200–400

400–600

More than 600

8. What is the approximate gross margin per order in your store?

Less than 10%

10%–15%

15%–20%

More than 20%

9. Which factor most affects your margins?

Discounts and offers

Delivery costs

Inventory costs

Supplier pricing

10. How frequently are heavy discounts offered in your store?

Very frequently

Frequently

Occasionally

Rarely

11. Do discounts significantly reduce your profitability?

Strongly Agree

Agree

Neutral

Disagree

12. Which strategy can improve margins the most?

Increasing product prices

Reducing discounts

Improving supplier negotiation

Increasing AOV

13. What is the major cost component in your store operations?

Delivery/logistics cost

Rent and utilities

Inventory cost

Labor cost

14. How efficient is your inventory management system?

Very efficient

Efficient

Neutral

Inefficient

15. What percentage of inventory losses (damage/expiry) do you face?

Less than 2%

2%–5%

5%–10%

More than 10%

16. Is your store currently operating at a profit?

Yes

No

Break-even

17. How long does it typically take to reach break-even?

Less than 6 months

6–12 months

1–2 years

More than 2 years

18. What is the biggest challenge in achieving profitability?

High delivery costs

Low AOV

High discounts

Operational inefficiencies

19. How important is increasing order volume for profitability?

Very important

Important

Neutral

Not important

20. What would most improve the financial performance of your store?

Higher AOV

Better margins

Lower operational costs

Improved demand forecasting

GLOSSARY OF TERMS:

- Quick Commerce (QC): A business model focused on delivering goods to customers within a very short time, typically 10–30 minutes.
- Unit Economics: The analysis of revenues and costs associated with a single unit (e.g., per order or per customer) to assess profitability.
- Average Order Value (AOV): The average amount spent by a customer per transaction.
- Customer Acquisition Cost (CAC): The total cost incurred by a company to acquire a new customer, including marketing and promotional expenses.
- Lifetime Value (LTV): The total revenue a business expects to earn from a customer over the entire duration of their relationship.
- Contribution Margin (CM): The difference between revenue and variable costs, indicating how much contributes to covering fixed costs and profit.
- Gross Merchandise Value (GMV): The total value of goods sold through a platform over a specific period before deductions.
- Last-Mile Delivery: The final step in the delivery process where goods are transported from a distribution hub to the customer.
- Dark Store: A retail or distribution center used exclusively for fulfilling online orders, not open to walk-in customers.
- Inventory Holding Cost: The cost associated with storing unsold goods, including warehousing, insurance, and spoilage.
- Operational Efficiency: The ability of a company to deliver services in a cost-effective manner while maintaining quality.
- Burn Rate: The rate at which a company spends its capital to cover operating expenses before generating positive cash flow.
- Break-Even Point: The stage at which total revenues equal total costs, resulting in neither profit nor loss.
- Discounting Strategy: The use of price reductions or offers to attract and retain customers.
- Hyperlocal Delivery: Delivery services focused on a limited geographic area to ensure faster fulfillment.

- Order Fulfillment: The complete process from receiving an order to delivering it to the customer.
- Margin Pressure: The reduction in profit margins due to increasing costs or competitive pricing.
- Scalability: The ability of a business model to grow and handle increased demand without significantly increasing costs.
- Cash Flow: The movement of money into and out of a business.
- Profitability: The ability of a company to generate profit after covering all expenses.