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UNDERSTANDING THE DECLINE OF DUNZO: A CASE STUDY OF INTERNAL STRATEGIC AND OPERATIONAL FAILURES

Niyata Bhat[a], Anitha BM Dsilva[b]
[a] *Research Scholar, RV Institute of Management, Bangalore – 560041*
[b] *Professor, RV Institute of Management, Bangalore – 560041*

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ABSTRACT

This study examines the decline of Dunzo, a pioneering hyperlocal delivery platform in India, from a strategic, operational, supply chain, and financial perspective. Founded in 2015 as a WhatsApp-based concierge service, Dunzo rapidly evolved into a technology-driven platform catering to urban consumers' demand for convenience and last-mile delivery. However, the emergence of quick commerce (q-commerce), characterized by ultra-fast deliveries and infrastructure-intensive models, significantly altered industry dynamics and posed new challenges for early entrants.

The research adopts a descriptive and analytical approach based entirely on secondary data sources, including academic journals, industry reports, MCA financial filings, and expert analyses. It explores how Dunzo's transition from an asset-light hyperlocal model to an asset-heavy quick-commerce framework created operational inefficiencies and severe financial strain. Verified financial data from MCA filings (FY2018–FY2023) reveals that Dunzo was never profitable in any single year of its operation. Over six years, the company earned a cumulative revenue of approximately ₹333 crore while accumulating losses of over ₹3,023 crore losing roughly ₹9 for every ₹1 earned on average. In FY2023 alone, losses reached ₹1,801 crore against revenue of just ₹226 crore, with total expenses of ₹2,054 crore. The study highlights key issues such as overexpansion, rising supply chain complexities, unsustainable cost structures, and inability to match the scale and speed of well-funded competitors like Blinkit, Swiggy Instamart, and Zepto.

The findings reveal that Dunzo's decline was primarily driven by strategic misalignment, poor execution, and a complete failure to achieve unit-level profitability at any stage of its growth. The study concludes that technological innovation and market demand alone are insufficient for long-term success; firms must align growth with operational efficiency, financial discipline, and supply chain integration. The research offers valuable managerial insights for emerging hyperlocal and quick-commerce firms on balancing scalability, cost control, and competitive positioning in a capital-intensive environment.

INTRODUCTION

Dunzo was founded in 2015 in Bengaluru by Kabeer Biswas, Dalvir Suri, Ankur Aggarwal, and Mukund Jha. The company began as a simple WhatsApp-based service that allowed users to request assistance with everyday tasks such as grocery pickups, document deliveries, and other errands. This model addressed the growing need for last-mile convenience in urban India, where consumers increasingly sought quick and reliable solutions for routine activities.

Over time, Dunzo evolved into a full-fledged hyperlocal logistics platform, connecting consumers with nearby merchants and service providers through a technology-enabled ecosystem. The rapid growth of urbanization, smartphone usage, and digital payment systems in India created a favorable environment for hyperlocal delivery services. Dunzo capitalized on these trends by offering same-hour and same-day delivery services, positioning itself as a "super app" for convenience. Early investments from major players, including Google, supported its expansion into multiple cities and strengthened its technological capabilities.
However, the industry landscape began to shift significantly around 2021–2022 with the emergence of quick commerce (q-commerce), which emphasized ultra-fast delivery within 10–20 minutes. Competitors such as Blinkit, Swiggy Instamart, and Zepto adopted infrastructure-heavy strategies and rapidly scaled their operations. In this changing environment, Dunzo faced increasing challenges in adapting its business model. Its transition from a flexible hyperlocal service to a more capital-intensive quick-commerce model introduced operational complexities and financial pressures that it could never overcome. By early 2025, Dunzo's app and website had gone dark, and Reliance Retail wrote off its entire ₹1,645 crore ($200 million) investment one of the largest startup write-offs in India's history.

OBJECTIVES OF THE STUDY

- To investigate the primary factors contributing to the decline of Dunzo, with emphasis on internal strategic, operational, and financial challenges.
- To analyze the operational and financial challenges faced by Dunzo following its transition from a hyperlocal service model to a quick commerce model, supported by verified year-wise financial data.

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- To evaluate Dunzo's strategic decisions through the lens of supply chain efficiency, cost structures, and long-term organizational sustainability.
- To derive key lessons for future hyperlocal and last-mile delivery firms on balancing scalability, operational efficiency, and profitability.

RESEARCH GAP

While several studies have examined the emergence and rapid expansion of the hyperlocal and quick commerce industry, limited attention has been given to the decline of early entrants such as Dunzo from an internal perspective. Existing literature largely focuses on market growth, technological innovation, and evolving consumer preferences, often overlooking the role of strategic misalignment, operational inefficiencies, and financial constraints in driving organizational decline.

Furthermore, there is a lack of integrated analysis linking supply chain complexities, capital-intensive business model transitions, and execution challenges to the weakening financial performance of such firms. Specifically, no prior study has presented a complete year-on-year financial analysis of Dunzo using MCA-verified data to demonstrate the persistent and worsening nature of its losses. This study addresses that gap by presenting verified financial figures for FY2018 through FY2023, clearly showing that Dunzo was never profitable and that losses grew at a rate far exceeding revenue growth.

LITERATURE REVIEW

Babu et al. (2020) highlight how technological advancements such as smartphones, GPS tracking, and digital payment systems significantly transformed consumer services in India. Dunzo's early growth strongly aligned with this trend, as it initially operated through a simple WhatsApp-based model before evolving into a mobile application. However, while this model offered flexibility and convenience, it relied heavily on aggregating third-party vendors rather than building its own infrastructure, which later limited its scalability and control over operations.

Ajith Kumar (2022) focuses on the workforce dynamics of gig-based delivery systems, revealing that delivery workers often face challenges such as income instability, lack of job security, and high performance pressure. For companies like Dunzo, which rely extensively on gig workers, such instability directly affects operational efficiency and service reliability.

Ranjekar and Roy (2023) analyze the infrastructure requirements of quick commerce and emphasize the importance of dense micro-warehousing and high order volumes for achieving economies of scale. Dunzo's hybrid model lacked this integration, leading to high delivery costs per order without sufficient revenue generation.

Jagadish and Shivakumar (2024) emphasize the importance of efficient e-supply chain management in ensuring the success of hyperlocal and quick commerce platforms. Dunzo faced persistent losses due to its high cost structure, driven by heavy discounting, inefficient route planning, and rising fuel costs. Unlike competitors with integrated supply chains, Dunzo's model lacked cost efficiency, making it impossible to achieve profitability.

Prakash and Shankar (2024) discuss the shift in consumer preferences toward speed and instant gratification, which further weakened Dunzo's original multi-task model that could not consistently meet demand for ultra-fast deliveries.

Sanghi et al. (2024) examine the transformation of the industry into a highly competitive quick commerce ecosystem, where delivery speed became the primary differentiator. This shift increased the capital intensity of the industry, making it difficult for smaller or less-funded players to compete effectively. Dunzo, despite being an early entrant, struggled to match this rapid infrastructural expansion and financial investment.

RESEARCH METHODOLOGY

Type of Research

This study uses a descriptive and analytical design based on secondary data from Google Scholar journals, YouTube analyses, publicly available company reports, industry sources (2020–2024), and verified MCA (Ministry of Corporate Affairs) financial filings for FY2018–FY2023.

Data Collection

Secondary Data Sources: The study is based on information gathered from credible and authoritative sources, including:

- Research articles and journals available on Google Scholar, focusing on supply chain management, business strategy, and digital commerce.
- Relevant case discussions, expert analyses, and industry insights from YouTube videos.
- Publicly available company reports, funding announcements, and industry analyses.
- Verified year-wise financial data (revenue, net loss, total expenses) from Dunzo's MCA filings as reported by Entrackr, Outlook Business, and Deccan Founders (FY2018–FY2023).

Tools and Techniques

- **Content Analysis:** Systematically reviews and interprets information obtained from journals, reports, and video sources, enabling the identification of recurring themes such as strategic misalignment, operational inefficiencies, and capital mismanagement.
- **Financial Pattern Analysis:** Year-on-year financial data from MCA filings (FY2018–FY2023) is analyzed to examine revenue trends, loss growth, cost structures, and the loss-to-revenue ratio. This provides concrete quantitative evidence of Dunzo's unsustainable financial trajectory.

SCOPE OF THE STUDY

This study focuses on analyzing the decline of Dunzo from a strategic, operational, supply chain, and financial perspective. It is based entirely on secondary data sources such as research papers, industry reports, published information, and MCA financial filings, without involving any primary data collection methods like surveys or interviews. The study is limited in scope as it examines only Dunzo as a case and does not attempt to generalize the findings to all firms in the hyperlocal or quick-commerce industry.

FINANCIAL ANALYSIS

A year-wise analysis of Dunzo's financials based on MCA filings reveals a company that was never profitable in any year of its operation. The following table presents verified revenue, net loss, and total expense figures for FY2018 through FY2023, sourced from Entrackr's compilation of MCA records, corroborated by Outlook Business, and Deccan Founders.

Year	Revenue (₹ Cr)	Net Loss (₹ Cr)	Total Expenses (₹ Cr)	Loss per ₹1 Earned	Phase
FY2018	**0.15**	**22**	~22	₹147	Early
FY2019	**0.77**	**169**	~170	₹219	Early
FY2020	**27**	**338**	~365	₹12.5	Growth
FY2021	**25**	**229**	~254	₹9.2	Growth
FY2022	**54.3**	**464**	~518	₹8.5	Pivot
FY2023	**226**	**1,801**	2,054	₹8.0	Crisis
TOTAL	**~333.02**	**~3,023**	**Never profitable in any year**		

Source: MCA filings as reported by Entrackr, Outlook Business, and Deccan Founders (2023–2025).

Phase 1: Early Stage (FY2018–FY2019)

In its earliest years, Dunzo's revenue was negligible just ₹0.15 crore in FY2018 and ₹0.77 crore in FY2019 yet losses were massive at ₹22 crore and ₹169 crore respectively. For every ₹1 earned in FY2018, Dunzo lost ₹147; in FY2019, that ratio worsened to ₹219. The company was entirely dependent on investor capital, operating with no viable path to profitability. These figures reflect the inherent cost of building a hyperlocal delivery network before achieving meaningful scale.

Phase 2: Growth Phase (FY2020–FY2021)

Revenue grew significantly to ₹27 crore in FY2020 as the app gained urban traction, with losses at ₹338 crore. In FY2021, the COVID-19 pandemic drove delivery demand upward, yet revenue dipped slightly to ₹25 crore while losses fell to ₹229 crore a minor improvement in efficiency. Cumulatively, between FY2018 and FY2021, Dunzo earned approximately ₹88 crore in revenue while accumulating ₹700 crore in losses, losing ₹7.5 for every ₹1 earned. The pandemic provided a temporary boost in demand but did not translate into financial sustainability.

Phase 3: Quick Commerce Pivot and Crisis (FY2022–FY2023)

The pivot to quick commerce through Dunzo Daily marked the most destructive financial phase. In FY2022, revenue doubled to ₹54.3 crore largely driven by the dark store rollout but losses exploded to ₹464 crore. The loss-to-revenue ratio remained at ₹8.5 per rupee earned, with total expenses reaching approximately ₹518 crore.

FY2023 was the terminal year. Revenue grew 4.1× to ₹226 crore appearing healthy on the surface but total expenses skyrocketed to ₹2,054 crore, primarily driven by advertising expenditure (including IPL sponsorships), employee costs, and dark store infrastructure. The net loss reached ₹1,801 crore. Despite earning more revenue than any prior year, Dunzo was losing ₹8 for every ₹1 earned. Reliance Industries subsequently wrote off its entire ₹1,645 crore investment, describing it as one of the largest tech-sector write-offs in India's history.

The key insight from this financial analysis is that Dunzo's loss-to-revenue ratio barely improved over six years (from ₹219 to ₹8), while the absolute scale of losses grew catastrophically. This demonstrates a fundamental failure of unit economics each additional rupee of revenue required far more than a rupee of expenditure to generate.

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RESULTS

The analysis of Dunzo's decline supported by verified financial data and secondary research reveals several interconnected internal factors:

- **Persistent Financial Losses Across All Years:** Dunzo was never profitable in any year from FY2018 to FY2023. Over six years, the company earned cumulative revenue of approximately ₹333 crore while accumulating losses exceeding ₹3,023 crore. The loss-to-revenue ratio ranged from ₹219 (FY2019) to ₹8 (FY2023). Even as the ratio improved marginally, absolute losses grew catastrophically from ₹22 crore in FY2018 to ₹1,801 crore in FY2023. This confirms that Dunzo's business model was fundamentally incapable of achieving unit-level profitability at any scale.
- **Overexpansion and Misaligned Strategy:** Dunzo tried to grow too fast without a clear focus. After 2021, it rapidly opened many dark stores for quick-commerce across multiple cities. However, it did not have the same scale or efficiency as competitors. This new direction was a departure from Dunzo's roots it went from being a flexible on-demand errand service to an infrastructure-heavy grocery service. In effect, Dunzo was juggling two very different business models at once, which strained its resources and diluted its original advantage.
- **Soaring Costs and Cash Burn:** FY2023 total expenses reached ₹2,054 crore against revenue of only ₹226 crore an expense-to-revenue ratio of 9:1. The company spent heavily on marketing (including expensive IPL sponsorships), hiring, and dark-store infrastructure. Despite raising over $450 million from investors including Google and Reliance, Dunzo's losses ballooned to ₹1,801 crore in FY2023 alone. At peak expansion, Dunzo was reportedly burning ₹100–150 crore every month without covering these costs through sales.
- **Supply-Chain Complexities:** Running dark stores proved extremely challenging. Reports indicate that Dunzo often struggled to keep its warehouses properly stocked and workers well-coordinated. Mistakes in inventory management running out of popular items or holding unsellable stock and delivery delays became common. The quick-commerce model requires extremely precise inventory management and optimized delivery fleets. Dunzo was not initially set up for this level of precision, and the learning curve was steep and expensive.
- **Intense Competition:** Well-funded rivals erased Dunzo's market share. Blinkit, Instamart, and Zepto grew their networks of dark stores faster, promised quicker deliveries, and offered deeper discounts. Zepto, for instance, achieved unicorn status with FY2023 revenue of ₹2,024 crore nearly 9× Dunzo's revenue in the same year. Blinkit contributed ₹505 crore to Zomato's quarterly revenue alone. Dunzo could not match this pace, and its combined hyperlocal-plus-quick model left it with no clear niche.
- **Internal Organizational Instability:** As financial pressures mounted, Dunzo's internal situation deteriorated rapidly. By late 2023 into 2024, multiple co-founders including Mukund Jha, Dalvir Suri, and Ankur Aggarwal exited the company, followed by CEO Kabeer Biswas in early 2025. Reports of delayed salaries, rounds of layoffs, and vendor payment defaults emerged. Deloitte raised going-concern doubts, citing liabilities exceeding current assets and escalating operational costs.

CONCLUSION

Dunzo's history offers a striking and well-documented case of startup failure driven primarily by internal strategic and financial missteps rather than a lack of market demand. The financial data tells an unambiguous story: the company was never profitable across six full fiscal years (FY2018–FY2023), accumulated losses exceeding ₹3,023 crore on revenue of just ₹333 crore, and ultimately collapsed when investor confidence was exhausted and funds ran out.

The core issue was a fundamental failure of unit economics combined with strategic misalignment. Dunzo's pivot to quick commerce through Dunzo Daily gave rivals a chance to outpace it on speed and selection, while the company incurred crippling infrastructure and advertising costs. In FY2023 alone, total expenses of ₹2,054 crore against revenue of ₹226 crore meant the company was spending ₹9 for every ₹1 it earned. Even in its best revenue year, Dunzo was nowhere near a path to profitability.

The financial evidence further shows that the loss-to-revenue ratio barely improved over six years from ₹147 per rupee in FY2018 to ₹8 in FY2023. While this appears to show efficiency gains, it masked the reality that absolute losses were growing 80× during the same period. This is not a company that was moving toward profitability; it was scaling its losses faster than its revenues.

Quick commerce fundamentally changed Dunzo's supply chain needs from task-based orders to full grocery inventory management and Dunzo struggled to master these new complexities. At the same time, competitors who were laser-focused on quick grocery delivery had clearer models and stronger financial backing. Reliance Industries, Dunzo's largest institutional investor, ultimately wrote off its entire ₹1,645 crore stake in FY2025, confirming that even strategic corporate backing could not rescue a business with broken unit economics.

In summary, Dunzo's collapse illustrates that market demand, technological innovation, and even substantial funding are insufficient for long-term success if a company cannot achieve sustainable unit economics. Internal operations and finances must be in sync with growth ambitions. For Dunzo, the combination of high fixed costs, unsustainable discounting, supply chain inefficiencies, and intense competition proved fatal.

KEY FINDINGS

- Dunzo was never profitable in any single year from FY2018 to FY2023. Cumulative revenue of ₹333 crore was dwarfed by cumulative losses of over ₹3,023 crore.
- The loss-to-revenue ratio worsened dramatically in the early years (₹219 in FY2019) and remained at ₹8 per rupee earned even in FY2023, demonstrating a persistent unit economics failure.
- FY2023 represented the financial peak of the crisis: revenue of ₹226 crore, net loss of ₹1,801 crore, and total expenses of ₹2,054 crore an expense-to-revenue ratio of 9:1.
- The pivot to quick commerce through Dunzo Daily in FY2022 was the strategic turning point that accelerated financial collapse, requiring heavy investment in dark stores, logistics, and marketing without proportionate revenue growth.
- Internal organizational collapse co-founder exits, delayed salaries, mass layoffs, compounded the financial failure and eliminated the company's ability to execute any recovery strategy.
- Reliance Industries wrote off its entire ₹1,645 crore investment in FY2025, one of the largest startup write-offs in India's tech ecosystem history.

RECOMMENDATIONS

Future hyperlocal and quick-commerce firms can draw several important lessons from Dunzo's financial and operational failure:

- **Establish unit economics before scaling:** The most critical lesson from Dunzo's data is that scaling without profitability at the unit level is fatal. Companies must ensure each order, delivery zone, and dark store is financially viable before expanding further. Dunzo's loss-to-revenue ratio of ₹8–₹219 per rupee earned across all years demonstrates what happens when growth outpaces efficiency.
- **Maintain strategic focus:** Companies should focus on their core strengths and build a strong foundation before diversifying into new business models. Expanding prematurely as Dunzo did by simultaneously operating task-based delivery and q-commerce dark stores leads to resource dilution and strategic confusion.
- **Control costs relative to revenue:** Dunzo's FY2023 total expenses of ₹2,054 crore against revenue of ₹226 crore illustrate the danger of unchecked spending. Marketing budgets (including IPL sponsorships) and infrastructure investments must be tied to measurable revenue outcomes. The ratio of expenses to revenue should be tracked and reduced consistently each year.
- **Invest in supply chain precision:** Quick commerce requires extremely accurate demand forecasting, inventory management, and route optimization. Firms must invest in robust supply chain systems and technology before rolling out dark stores at scale, not after.
- **Reduce dependence on discounting:** Heavy discounting inflated Dunzo's customer acquisition but suppressed revenue quality. Businesses should focus on increasing basket sizes and setting minimum order thresholds, gradually reducing subsidies as customer loyalty develops.
- **Protect workforce stability:** Dunzo's delayed salaries and co-founder exits destroyed internal morale and execution capability at the worst possible time. Timely payments, fair treatment, and leadership continuity are non-negotiable for operational consistency.

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