# Would CRED Blitzscale Successfully? The Story of an Indian Fintech Unicorn

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*Abstract*

*The Indian fintech unicorn, CRED, is scaling up at an uncomfortable lightning speed in an uncertain environment. Technology and venture capital financing have fueled the growth possibility of startups nowadays. Although, spending too much, too fast on unproven business models could be severely risky. This article critically examines CRED by probing its growth enablers (huge market size, efficient distribution, high gross margins, and strong network effects) and growth limiters (lack of product-market fit and operational scalability) to assess its ability to blitzscale. Managerial implications suggest that startups should take intelligent risks to blitzcsale only after carefully analyzing the market, product-market fit, network effects, and the regulatory landscape.*

## Introduction

Disruptive innovative technology and foreign venture capital (VC) financing have accelerated the growth of startups in India.[1] India has the third largest startup ecosystem in the world, after the United States and China, with a year-over-year growth rate of 15%.[2,3] However, less than 1% of the startups are able to raise VC funding.[4] This funding allows startups to scale fast and advance their speed of growth to seek enormous returns for investors. Silicon Valley has popularized the terms unicorn (venture with a value of $1 billion) and decacorn (venture with a value of $10 billion), signifying aggressive scaling of the startups. Out of a whopping 107 startups in the Indian unicorn club as of September 2022, CRED's growth story caught the attention of many.[5]

CRED is the brainchild of a serial entrepreneur, Kunal Shah, who targeted a niche market of credit card users, mostly belonging to the affluent and premium class. CRED allows its users to manage and make payments for their multiple credit cards in one place. The idea was simple; if a bank penalizes individuals for not paying their debt on time, why shouldn't those individuals who fulfill all their dues well within the credit period be rewarded? On this logical foundation, CRED was instituted in 2018 as a members-only digital platform that rewards its members for paying their various credit card bills on time. Only creditworthy individuals with a credit score of 750 or above can join the CRED community through its mobile application (app). CRED members can make seamless credit card transactions and, in return, get reward points called CRED Coins, which can be used to redeem coupons, gifts, cashback, and discounts.[6]

CRED is an extraordinary startup that received funding even before its execution, and this was made possible due to the credibility and trustworthiness of its founder, Kunal Shah. Kunal is one of the most celebrated Indian entrepreneurs in startup circles. A business school dropout, Kunal launched his first startup, PaisaBack, a cashback and promotional discount campaign platform for retailers in 2009. He shut down PaisaBack due to the fragmented nature of the Indian market and co-founded another fintech venture, FreeCharge, in 2010.[7] FreeCharge was acquired by Snapdeal in April 2015 in a USD 450 million deal. Kunal's second stint at entrepreneurship started with CRED receiving USD 30 million seed round funding from the American-based VC firm Sequoia Capital in 2018.[8] In the following years, CRED received multiple rounds of funding, with series D funding of USD 215 million on April 6, 2021, to become a unicorn at a market valuation of USD 2.2 billion. In 2022, CRED's valuation reached USD 6.5 billion, with the latest Series F funding round of USD 200 million.[9]

Since its inception, CRED has shown massive growth. CRED focuses on building a large customer base through an aggressive marketing strategy. CRED has onboarded over 9 million credit card users.[10] It has managed to process about 25% of all credit card bill payments in India.[11] Additionally, CRED has a substantially significant workforce. CRED is headquartered in Bengaluru city, India, with one office across the country and employs over 1100 personnel as of June 2022.[12] Starting as a payment platform, CRED presently offers vivid services such as CRED Store, CRED Travel Store, CRED Pay, CRED RentPay, CRED Mint, and CRED Cash, which will be discussed in detail in the subsequent sections.[9,13] With its primary focus on customer acquisition, CRED registered a loss of USD 63.7 million in the financial year (FY) 2021. By spending USD 7, it earned only USD 1, caused primarily due to high expenditure on marketing and advertising.[9,14] Kunal justifies, "*If you are going for the highest affluent segment and you are going for the highest consumption segment, as long as you're able to retain these customers and make them consume on the platform, revenue and profitability is something that can happen eventually.*"[15] Apparently, at this point, CRED emphasizes scaling up quickly and getting a significant market share rather than targeting profitability.

When a firm scales up massively at an incredible speed amidst uncertainty without worrying about profits, it is blitzscaling. Blitzscaling is more than just growing fast. The purpose of blitzscaling is to attain enduring market leadership by being the first player to reach a critical scale that provides a lasting competitive advantage. Once leadership is achieved, it can provide decades of considerably profitable operations, recompensing and justifying the costs incurred during blitzscaling.[16] With its current focus on expanding the consumer base without prioritizing profits, CRED is undoubtedly pursuing a blitzscaling strategy. However, blitzscaling is not easy to execute and sustain. It requires courage and skill on the part of entrepreneurs to take intelligent risks, along with colossal financial and human capital injection. For blitzscaling to work, the market has to be really big, and the firm has to achieve a sustainable competitive advantage by scaling up faster than the competition. The firm would require to improve average revenue per user, which will lead to high gross margins and strong operating cash flows when it scales. In this paper, CRED is evaluated through the lens of blitzscaling canvas to analyze if its business model has all the necessary ingredients for successful blitzscaling. In other words, the paper explores CRED's growth enablers and growth limiters to assess if blitzscaling would work for CRED.

**What is Blitzscaling?**

Blitzscaling is a business concept introduced by Reid Hoffman, LinkedIn Co-founder, and Chris Yeh.[17,18] The name blitzscaling is derived from "blitzkrieg" or lightning war, a prominent world war II term that refers to an attacker risking it all to either win or lose the battle. Defined in their book "Blitzscaling", the term refers to prioritizing speed over efficiency to achieve market domination by creating a first-scaler advantage in an uncertain environment. Blitzscaling is not simply fast-scaling (Table 1). Fast-scaling happens in a climate of certainty and efficiency. When entrepreneurs fast-scale, they take calculated risks and make reasonably confident decisions based on market information and conventional wisdom. They make fewer assumptions and assign resources necessary for testing what works and what doesn't. To much extent, entrepreneurs can measure, predict and afford the downside risk in this case. Thus, the fast-scaling strategy prioritizes efficiency over speed. While efficiency and certainty give a sense of security, they hardly provide any guidance for disruption and innovation. When a novel market opportunity has been identified, the risk is not about being inefficient but about being inactive by playing it too safe. In that situation, speed should take precedence over efficiency because the business might die soon if the entrepreneur doesn't scale up fast. It is the rationale for blitzscaling – a do-or-die approach to growth.[18]

**Table 1.** Difference between Blitzscaling and Fast-scaling

| | Blitzscaling | Fast-scaling |
|---|---|---|
| Nature of business | The blitzscaling strategy is suited for novel market opportunities where businesses can be monopolized by leveraging network effects. During blitzscaling, the firm tries to achieve market domination through first-scaler advantage, which is hard to overcome for competition.<br>E.g. Airbnb's growth as a vacation rental company | The fast-scaling strategy is suited for stable and established markets. Multiple players can exist in the market. Through fast-scaling, the firm tries to gain market share or attain revenue milestones.<br>E.g. Louis Vuitton's growth as a luxury fashion retailer |
| Degree of certainty | Blitzscaling is implemented in an environment of uncertainty.<br>Opportunity size is unknown but speculatively large.<br>Relatively less or no market information is available. | Fast-scaling is implemented in a stable environment.<br>Opportunity size is known.<br>Market information and conventional business wisdom are available. |
| Prioritizing element | There is high risk as entrepreneurs are working with unknown variables. But, there is a higher risk of being too slow. While blitzscaling, entrepreneurs might make many mistakes, from which they recover using capital.<br>However, there is exponentially huge reward for the winner in the form of market domination through first-scaler advantage.<br>Hence, blitzscaling strategy entails rapid growth that prioritizes speed over efficiency in the face of uncertainty. | The entrepreneurs can measure, predict and afford the downside risk.<br>Costs are well understood.<br>Funds are allocated and utilized efficiently to grow the business.<br>Process efficiency becomes the moat during fast-scaling.<br>Hence, fast-scaling strategy entails fast growth that prioritizes correctness and efficiency over speed in a certain environment. |

The blitzscaling strategy is implemented amidst uncertainty. Even when they are not entirely confident, the entrepreneurs make decisions and commit to them. They accept the risk of making bad decisions and are willing to pay the cost of operational inefficiencies in exchange for their ability to scale faster. It is because the cost of scaling too slowly is much greater than the cost of being inefficient. Entrepreneurs rely on capital to have a cushion against these costs and risks. For startups, funding from venture capitalists plays a crucial role, as it helps the entrepreneurs to recover from the mistakes likely to be made during blitzscaling. Moreover, the reward of taking risks of blitzscaling is the first-scaler advantage, or the winner takes it all.[18] The first one to succeed at blitzscaling grabs all or most of the market, getting a lasting advantage that is hard to overcome.

Amazon's growth story in the late 1990s is a classic example of blitzscaling. Amazon made revenues of USD 5.1 million and had 151 employees in 1996. By 1999, it generated revenues of USD 1.64 billion and had grown to 7,600 employees. In just three years, it had registered a 322x revenue growth and a 50x expansion in its staff size. Amazon's strategy was to invest aggressively in the future despite the losses in its books.[19] There are other such examples where firms have applied blitzscaling at different stages of their life cycle to grow big. Facebook went ballistic from 2007 to 2010 with its philosophy of 'move fast and break things' to achieve market dominance ahead of its competition. Paypal gained excessive market power by building a vast customer base to enable it to charge transaction fees from merchants. When Uber realized the size and importance of the ride-sharing market opportunity, it poured money into increasing its customer base to effect change in urban transportation. Besides lucrative market opportunities, sometimes competition may drive the companies to blitzscale, as in the case of Airbnb. To deal with the threat of a European copycat firm, Airbnb raised money and aggressively expanded its European operations years before it would have otherwise.

With its expensive, aggressive, and appealing advertisement campaign, CRED's blitzscaling strategy unfolded during the Indian Premier League (IPL) 2020, a professional cricket league.[20] Considered the 'Super Bowl of India', IPL 2020 created a buzz among cricket fans and brands after its announcement during the pandemic. CRED sought this opportunity with a two-fold intention. One, to increase its user base by leveraging the massive IPL audience base, and second, to educate the target group about financial literacy on credit card payments via CRED's brand messages. It became IPL's official partner and launched a series of entertaining ad films and quirky initiatives during the league, which made CRED trend four times more on Google search during IPL compared to pre-IPL times.[21,22] CRED reached out to its target group of affluent and premium class audience by relying majorly on broadcasting its ads on high-definition (HD) channels as this class is likely to own HD TV and have HD channel subscriptions.[23] Thus, it filtered out the non-relatable audience group. The campaign was well-executed and was considered successful as it helped CRED to increase its daily sign-ups by 6-7 times during the league.[20]

Although CRED is blitzscaling by raising VC funding and continuously increasing its customer base and employee size, the question is whether it will be able to execute it successfully in the face of uncertainty. The answer to this question lies in introspecting if blitzscaling is appropriate for CRED's business model. To examine this, CRED's business model and revenue streams must be understood first.

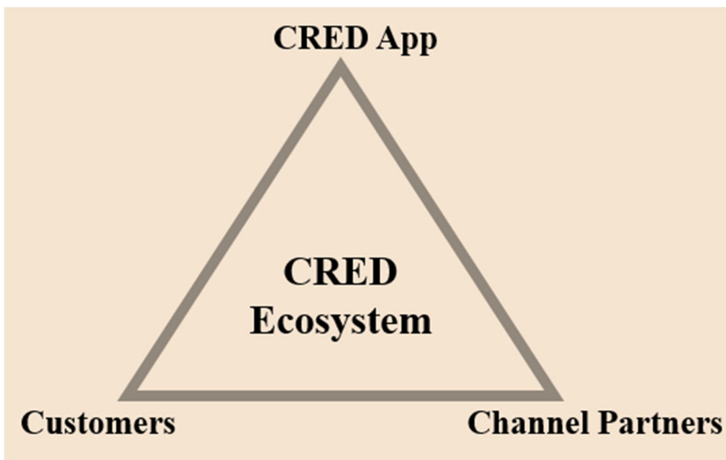
### Business Model of CRED

CRED has been criticized for raising VC funding and spending money on marketing activities when it doesn't have any robust source of income.[24,25] In the absence of steady revenue streams, it has been doubted to survive long. However, CRED's market approach might appear strategic if one looks closely. Generally, firms start with an idea, translate the idea into a product or service, and then invest in acquiring the targeted customers to monetize that product or service. But, CRED first identified a niche segment of credit card users, and currently trying to build a large user base, and seems to be developing innovative financial services along the way. Currently, CRED is limited to credit card bill payments and other allied service offerings. But, tomorrow, it is speculated to expand to other financial services like insurance, neo-banking, stock trading, etc. In the former approach, for every single business, there would be customer acquisition cost cumulatively much higher than the cost of building one big customer pool in the targeted niche segment. Hence, with its approach, on one side, CRED is aiming to reduce its overall customer acquisition cost. On the other, it is anticipated to increase its customer lifetime value by cross-selling its future financial services.

Based on its current market approach and anticipated financial services, CRED can be considered to be constructing a business ecosystem to accommodate its future businesses. Hence, CRED's business model could be viewed to be standing on three fundamental pillars (Figure 1): The CRED mobile app, its customers, and channel partners.

The CRED mobile app: The app is well-designed and has an exemplary user interface and user experience. Members can sign up and view the reward offers after paying the bills. Besides rewards, presently, CRED has in-app e-commerce offerings, CRED Store and CRED Travel Store, for home appliances, lifestyle products, and tour and travel packages at member-exclusive prices.[12] CRED Pay offers a one-click checkout experience during payments using credit cards on select merchant platforms.[26] Members can pay their utility bills, including electricity, water bills, municipal tax, and education fees like college/ school/ tuition fees.[27] CRED RentPay allows its members to pay their monthly rent with their credit cards on an interest-free credit period directly through the CRED app.[28] CRED Mint is a peer-to-peer lending feature where CRED users lend their idle money to creditworthy members at an interest rate of around 9% per annum.[9] CRED Cash is a digital lending feature that gives a hassle-free online personal credit line of up to USD 6000 at an interest rate of one-third of typical credit card interest charges.[28] The app allows CRED to have access to members' credit card numbers and e-mails to track users' spending behavior, due amounts, and credit score. The app also helps its members to identify any undue interest or hidden fees charged by credit card companies. The app is evolving fast by introducing distinct features and is expected to add many new services as CRED extends its product line.

**Figure 1.** Three Pillars of the CRED Ecosystem




CRED customers: CRED targets an aspirational niche consumer segment who are financially well-off, spend digitally, and travel often. This consumer segment used payment apps of respective banks to pay their credit card bills. CRED allows them to earn more benefits by performing the same activity on its app. Additionally, customers can manage all their cards hassle-free in one place and keep track of their total spending. Moreover, by being an exclusive gated community, CRED has managed to create and hold a premium status for its members. CRED has been relatively successful in creating customer stickiness through its easy-to-use app, exciting deals, and premium membership status. When more people experience functional and hedonic benefits from using the CRED app, they positively recommend it to others and earn referral points; thus, the community grows.

CRED channel partners: CRED ties up with over 500 premium brands across a wide range of categories, which provide offers and deals on the CRED app. The app gives the desired brand visibility to the partnered firms by uncovering their deals to customers of diverse backgrounds. Numerous lifestyle brands, e-commerce firms, banks, online traveling agents, food delivery companies, and many others have currently collaborated with CRED. In the future, as CRED expands its service offerings, it will add more partner brands to its ecosystem. CRED also partners with credit card companies or lenders like LiquiLoans and IDFC First Bank for the smooth functioning of CRED Mint and CRED Cash verticals.[9]

### Revenue Streams of CRED

CRED is making money primarily through five revenue streams. First, CRED charges its business partners or brands a fee for listing their product offerings or advertisements on the app. Second, CRED charges convenience fees of around 1% to 1.5% from members who pay monthly house rent or EMIs for an education loan using their credit cards.[29] Third, CRED makes a commission of around 1% to 2% from its lending partner on each loan disbursement made through CRED Cash.[30] Fourth, CRED gets interest on loans and charges nominal processing fees to members using CRED Mint's peer-to-peer lending feature. In FY 2021, CRED also generated a non-operating income from its financial assets worth USD 0.85 million.[9] And fifth, CRED could be earning through monetization of its data. CRED collects valuable customer data such as members' monthly spending patterns, financial statements, repayment abilities, etc. Using this information, CRED may create superior models for underwriting risks in consumer lending and could monetize its data from banks, credit card companies, and other Fintech companies.

One of the key techniques of blitzscaling is through business model innovations, that is, creating new business models that defy the status quo with unorthodox ideas.[31] By adding creative and appealing products like CRED Cash (digital instant personal credit line) into its product line, CRED catered to the market needs of credit card users through technological innovations, which is necessary to blitzscale. However, concerns regarding growth enablers and growth limiters need to be examined to judge CRED's potential to blitzscale through business model innovations.

### Scanning CRED through Blitzscaling Canvas

Blitzscaling is both a strategy as well as a framework. The blitzscaling framework, also known as Blitzscaling Business Model Innovation Canvas or Blitzscaling Canvas, facilitates the firms to analyze and learn about their capabilities to achieve massive scale at incredible speed in an uncertain environment. There are four growth enablers: market size, distribution, gross margins, and network effects, which support companies to blitzscale; and two growth limiters: lack of product-market fit and lack of operational scalability that inhibits their abilities to blitzscale.[18] The presence of product-market fit and operational scalability is necessary but not a sufficient condition for growth. In other words, the presence of these factors could prevent business failure, but these factors could not serve as a source of growth during blitzscaling. Hence, 'lack of product/market fit' and 'lack of operational scalability' have been considered growth limiters.

### Market size

*How large is the target market when blitzscaling?* [32]

A big market is a must-have for blitzscaling. It is meaningless to invest in massive capital and human resources to win a small market. The market should be reachable and big enough to provide an optimum potential reward to compensate for the risks and costs incurred during blitzscaling.

The Indian credit card industry is expected to grow at a compound annual growth rate (CAGR) of more than 25% between 2020 to 2025.[33] It is mainly because of the increasing popularity of credit cards and the rising trend of buying products first and paying later. Credit card is still viewed as an aspirational product in India. In 2021, the number of credit card users reached 62 million.[34] Nevertheless, there are only about three credit cards per 100 persons in India, compared to 32 cards in the USA.[35] It signifies a vast penetration opportunity in India. With technological evolution, there might be a movement from plastic cards to virtual cards, but the inherent demand for credit is projected to grow. CRED has managed to acquire over 25% of all credit card users who fall in the top tier of the Indian economic spectrum.[11] Investors appreciate encouraging business metrics like this and want to be part of such a growth story.

### Distribution

*Are you able to bring more people on board to increase the customer base quickly and on a large scale? Are there existing networks that can be leveraged? What viral loops can be created to spread/sell the product or service quickly and at a large scale?* [32]

A company can become a market leader only if a larger chunk of the target group buys and uses its product. That's distribution. By definition, distribution is the activity of selling and delivering products/ services from manufacturer to customer. Communication can be a medium to achieve distribution targets. A decent product with great distribution is more likely to win than a great product with poor distribution.[16] Hence, companies must emphasize leveraging existing networks and virality to spread/sell their products or services. The probable option for newer firms is to rely on growth hacking in the initial phase, leveraging others' networks and brand names. One classic example is Airbnb leveraging on Craiglist popularity to gain initial traction. The second crucial component in distribution is virality, or the process of one user bringing in additional users.

CRED leveraged the popularity of IPL cricket matches to increase its user base by gaining a three-season official partnership, which ran from 2020 to 2022.[22] Cricket and Bollywood are the top big picks for Indian consumers, and CRED played both cards together by casting the celebrities from these two fields in its cheeky ad films.[36] Due to the humor element of the ads, the campaign generated significant noise in the news and social media. It increased its visibility on various online platforms like YouTube and Twitter. CRED managed to onboard over 9 million customers in a short span of time through its quirky marketing campaigns.[10] Furthermore, CRED attempted to create viral loops via referral benefits to its members. Members can earn a cashback of up to USD 12 on referring their friends to the CRED app.[37]

**Gross margins**

*When the revenues grow, does the firm generate larger amounts of cash available to finance further growth?* [32]

The purpose of blitzscaling is to become the market leader and generate high gross profits for years or even decades. Gross profit or gross margin is the firm’s net sales after deducting the cost of goods sales. A high gross margin indicates that the firm will have enough resources to invest in scaling the business further. A company might not necessarily have high gross margins or even profitability in its initial phase of blitzscaling, but it needs to have a feasible blueprint for achieving it in the future. For instance, when Google started blitzscaling, it took the company three years to book its first quarterly profit at the end of 2001. Prospects of having high margins make a blitzscaling company more attractive to investors. Promising high gross margin opportunity justifies the investors’ risk of investing millions and billions of capital while blitzscaling. Tech-based or digital businesses often have high margins, as scaling non-tangible products are easier. Consider a car manufacturing company versus a software firm and their respective cost of goods sold (COGS) to subsequent customers. Every time the company sells a car, it has to procure material and spare parts, process assembling, and finish the production from scratch. However, to sell a computer program to every additional customer, the firm just needs to make copies of files. There is no additional cost in replicating the program. Thus, companies dealing with tangible products incur higher COGS and end up having lower margins than software firms. Amazon's profitability comes from the high-margin Amazon Web Services (AWS) cloud computing services and not from low-margin retailing.

CRED booked losses of USD 63.7 million in the FY 2021 by earning a mere USD 10.77 million. The loss is justified at this phase of blitzscaling as CRED has prioritized customer acquisition over profits. However, looking at the growth of revenues (Table 2), CRED has managed to foster a 170x growth in its operating revenues, amounting to USD 10.77 million in FY 2021 from USD 0.063 million in FY 2020.[9] This promising growth can be attributed to CRED's latest product CRED Cash, a digital lending product, launched in April 2020. Until 2021, CRED had disbursed over USD 600 million in loans to its members.[38] According to industry estimates, CRED makes a 1-2 % commission from its lending bank partner.[30] Just by unlocking one revenue stream, it has managed to improve its operating revenue exponentially. It is suggestive of CRED's potential to achieve a high gross margin in the future as it introduces other digital products in its product line. Gradually, the operating expenses will also start to decline as CRED acquires an optimum level of customer base. It will then unlock the value from those newly added products at low to no input costs, making it financially viable in the long run.

**Table 2.** CRED's Financials for FY 2020 and 2021

| Financials | FY 2021 | FY 2020 |
|---|---|---|
| Total Expenses (million $) | 75.32 | 46.12 |
| Employee Benefit Expenses (million $) | 16.38 | 9.10 |
| Marketing and Promotion Cost (million $) | 39.09 | 21.25 |
| Other (million $) | 2.32 | 1.23 |
| Payment Processing and Other Direct Costs (million $) | 6.97 | 7.87 |
| Professional and Consultancy Fees (million $) | 3.71 | 2.98 |
| IT and Communication Expenses (million $) | 6.85 | 3.69 |
| Operating Revenue (million $) | 10.77 | 0.063 |
| Profit (million $) | -63.70 | -43.91 |
| EBITDA Margin (%) | -538.3 | -1966.2 |

Note: 1$ = 82.20 INR (Indian Rupee) Data from the source has been converted as per the average conversion rate in the month of October, 2022.
Source: Data retrieved from Startup Talky.[9]

### Network effects

*Is each additional user joining in bringing a positive effect to the whole platform?*[32]

A network effect is a phenomenon in which, as more users join a platform, the value of the same products or services will augment the other users on the platform. There are two types of network effects, direct and indirect.

Direct effects, also called same-side effects, refer to the increase in the value of the service as more users join the network.[39] For example, the value of using Whatsapp increases as more people start using the app. Indirect effects, also called cross-side effects, refer to the increase in the value of the service for one user group when a new user of a different user group joins the network.[40] For instance, when a new rider joins Uber, it adds negligible value to other riders but increases the network's value for drivers as they can service an additional rider. The network effect is an essential ingredient for blitzscaling. It is crucial as after achieving critical mass, the value of the network grows exponentially whereas the cost of setting up the network might increase linearly.[41] Thus, a company that attains critical scale first is likely to stay on top. Furthermore, companies that blitzscale on direct networks like WhatsApp and Instagram can create extremely robust businesses with inconsequential competition compared to companies that blitzscale using indirect networks like Uber and Amazon. Direct networks have stronger effects and are more defensible, enabling companies to achieve better monopolized outcomes while blitzscaling. Companies leveraging indirect effects during blitzscaling are relatively more vulnerable to competition due to buyer price sensitivity, non-loyalty of merchants, non-exclusivity of merchants, etc.

This is a growth enabler for blitzscaling, where CRED is getting stronger. Its business verticals allow CRED to leverage its direct and indirect network effects. As more credit card users become a member of CRED, more merchants would want to establish tie-ups with CRED. By associating with CRED, the merchants would improve their brand visibility and increase customer engagement with CRED members. On the other hand, numerous merchants giving offers on CRED would incentivize users to join CRED, make their credit card payments, and avail of various offers and deals. These are the indirect network effects adding value to the network. CRED Mint, the peer-to-peer lending, creates value through the direct network effect. CRED users lend their idle money to other creditworthy members at pre-defined interest rates. The lender earns interest of around 9% per credit amount, which otherwise would be lying idle.[9] At the same time, it helps the lendee in need. So, peer-to-peer lending helps both, the lenders and the lendees. As more customers become CRED members, the network will become greater, making lending opportunities better. CRED is further working to strengthen its direct network effects. In an interview, while talking about the future revenue models of CRED, Kunal Shah talked about CRED's future product prospect, peer-to-peer renting, where the members of CRED would rent out their properties to other members at a relatively low deposit amount.[42] It will add value to CRED's network via direct effect through trustful transactions and faster occupancy of idle properties, benefiting the rentees and renters both. CRED can blitzscale better by establishing such direct network effects.

Currently, CRED doesn't have any direct competition, but when it extends its product line to other financial services, it might face competition from existing players like PayTM, PhonePe, etc. If CRED manages to blitzscale with strong network effects, it will have a long-lasting edge over its competition.

**Lack of product-market fit**

*Is the market satisfied with the product or service? If not, what is that it's missing?*[32]

Product-market fit refers to how well a company's product satisfies a market demand with the solution to a specific problem or need. Product-market fit involves two schools of thought. The first one aims at devising a minimum viable product (MVP) that solves a market need. MVP entails the company gathering product feedback and improving it over time. The second school of thought focuses on developing an exceptional viable product (EVP) that delights the customers. Since blitzscaling prioritizes speed over efficiency, achieving product-market fit through EVP seems unnecessary in the initial phase. During blitzscaling, a "good enough" MVP would do the job. Furthermore, product-market fit does not necessarily guarantee long-term success, but a lack of product-market fit will mean failure for sure.

CRED has instituted a unique, unconventional business model by focusing on solving the problems of credit card users. Customers using one or more credit cards lose considerable money due to unwarranted/ superfluous interest and hidden charges. Also, few credit card benefits are not popularly known to the users. CRED helps its members identify such charges, unlock related benefits, and manage their cards more efficiently. By addressing these long-standing credit card issues and offering additional rewards, CRED has been able to create a decent product-market fit and gain the initial traction required for blitzscaling. Also, CRED Cash is the most revolutionary personal loan digital product available in the market. It disburses personal loans of up to USD 6000 to CRED members in less than 1 minute compared to traditional lenders, which take 2 hours to 24 hours processing time.[28] Hence, the product-market fit for the CRED Cash vertical is extraordinary. However, certain concerns regarding product-market fit need to be addressed.

Firstly, many CRED members had complained about instances of payment failure or delay from CRED to their credit card accounts, even when they made timely payments on the CRED app.[43] If the app is not transferring the payments instantly into the members' respective credit card accounts, then it becomes cumbersome for them to keep track of the payment updates and contact customer care for grievance redressal. Secondly, CRED asks for members' e-mail access to procure credit card statements, which is a security concern for many. CRED should work on its bank partnerships to get the credit card bills directly from them. Thirdly, CRED has been alleged by some of its members for not offering as appealing deals as it used to a year back in the store vertical.[44] CRED should collaborate with luxury brand merchants popularly used by this niche market of credit card users to establish a better product-market fit. Fourthly, CRED presently doesn't have a robust source of revenue from its current products, but it is speculated to launch multiple relevant products, such as financial services, classifieds, subscription-based services, wealth management, and insurance, eventually for this niche segment. Many competitive service providers are already selling these services to this niche segment. So, when CRED competes with these players, it will have to ensure that it provides EVP to create stickiness so that consumers' switching barriers diminish. Fifthly, the Account Aggregator (AA) Framework introduced by the apex bank of India, Reserve Bank of India (RBI), in 2021 may pose a serious challenge to CRED Cash, the personal loan digital product. According to the AA Framework, the customer financial data would be shared in real-time with financial institutions via the data intermediaries or the account aggregators.[45] The unique selling proposition of CRED Cash is the speed with which it disburses personal loans, as it has readily available customer data that reduces the processing time tremendously. However, with a sound AA ecosystem, all fintech firms will have access to data sharing, aiding them to reduce their loan processing time exponentially and, consequently, taking away the edge CRED Cash is currently enjoying.

**Lack of operational scalability**

*Are the company's operations sustainable in meeting the demand for its product or service? Are the revenues growing faster than the expenses?*[32]

As a company scales up while blitzscaling, the demand may explode, and then it must be able to scale up its operations with adequate economies of scale to meet the demand. For instance, after its initial release, the demand for Tesla cars increased tremendously, but due to manufacturing capacity constraints, it was unable to meet the demand.[46] Operational scalability applies to both, the infrastructure and the human resources of the organization. Software or digital company has ample scalability opportunity as the cost of catering to an additional customer is negligible. Conversely, companies selling tangible products incur a relatively higher cost of serving an additional customer, and scaling up requires an array of tasks to be performed by the organization.

CRED is a fintech company that has digital products. Hence, operational scalability should not be a major challenge. Presently, its focus is on acquiring customers and not growing revenues; therefore, CRED is making huge marketing expenses. Nonetheless, CRED's operating revenue in 2021 was USD 10.77 million, 170 times the reported operating revenue of USD 0.063 million in 2020. Also, operating expenses grew in 2021 but at a relatively slower rate of about 63%, from USD 46.12 million in 2020 to USD 75.32 million in 2021. The operating expenses rose by 492% from USD 7.78 million in 2019 to USD 46.12 million in 2020.[9] To take care of the operating expenses and keep the show running at lightning speed, CRED has raised USD 200 million at a valuation of USD 6.5 billion at its latest funding round in the FY 2022.[9]

**Would Bitzscaling work for CRED?**

Successful blitzscaling requires the creation of an extremely valuable business whose long-term value outweighs the risk capital and operational risks taken during scaling up. Technology-based companies, especially software companies like CRED, have the advantage of a low ratio of 'risk capital requirement to potential business value."[16] This advantage enables technology-based companies to take exceptional risks in an uncertain environment and grow iteratively. Amazon and Alphabet are two classic examples that executed the strategy successfully. Alphabet came up with AdWords several years after its establishment, similar to the case of Amazon's high-margin AWS. CRED's growth trajectory tells a similar story. At first, they acquired a decent customer base through powerful distribution techniques, and now, they are focusing on developing creative product offerings and adding value to the business.

The more a firm can design a business model that leverages the growth enablers while incapacitating the limiters, the more likely it is to blitzscale successfully. As far as growth enablers are concerned, CRED checks well on the market size and distribution. CRED has the potential to achieve a high gross margin with lending products like CRED Cash. However, CRED's oldest products, CRED Stores, have not gained momentum and expected traction so far; hence, these products are failing to contribute towards improving margins. Additionally, CRED has built solutions like CRED Mint and CRED Stores to leverage its direct and indirect network effects, respectively. Despite that, the quality of its network effects is questionable and has yet to prove its mettle. The success of CRED Mint, peer-to-peer lending, is based on the foundation of a trusting community. But, India is a low-trust economy where peer-to-peer business models have not fared well in the past. Nonetheless, CRED has identified an affluent niche consumer segment and is trying to build a high-trust community to optimize direct network effects in the future. Furthermore, CRED has not been able to fully exploit its indirect network effects through CRED Stores. At present, the stores' collection, in terms of brand and variety, is limited, and the store offering is not appealing enough to translate into the desired level of transactions.

Talking about growth limiters, operational scalability doesn't seem to be a challenge for CRED. Besides, CRED has achieved a decent product-market fit for now, with CRED cash and its core value proposition of multiple credit card payments in one place. But, CRED will have to come up with a few blockbuster products amongst its huge product pipeline to achieve a more robust product-market fit in the near future. And some of CRED's products should leverage strong network effects as these effects are the biggest moat in digital businesses.

The above analysis suggests that CRED has created substantial business value. It pioneered credit card payments in one place and showcased excellent distribution skills. However, to successfully blitzscale, CRED needs to create new products to (a) keep its premium users, acquired at great expense, more locked into the ecosystem, and (b) establish new revenue streams, to improve product-market fit and optimize network effects. These products may add more business value that would exceed the amount of risk capital and operational risks taken during blitzscaling, making it a profitable growth strategy for CRED.

### Managerial Implications and Lessons

CRED's journey of blitzscaling so far has a few takeaways:

*First, who should blitzscale?* To make a blitzscaling recipe, firms should have certain essential ingredients. Firms should ensure the following: the cost of replication of product is minimal and the distribution cost of product reduces with scale, like in the case of ed-tech and fintech companies; robust network effects have been established, like in the case of Facebook, and Youtube; firm's products add business value that can't be easily commoditized, like replicating Airbnb and Uber is difficult; the nature of the product is such that there is a high frequency of repeat purchase, for example, it will be difficult for an automobile firm to blitzscale as repeat purchase will not be that frequent.

*Second, enduring change in consumer behavior*: The examples of successful blitzscaling, like Airbnb, Netflix, and Uber, tell us that there should be a reasonable product-market fit, and product usage should lead to an enduring consumer behavioral change to build stickiness. If the behavioral change is not long-lasting, it will lead to blitzflailing. For example, Airbnb changed how travelers used to accommodate; Netflix changed how consumers watched television; Uber changed how consumers used to transport themselves. Similarly, CRED has changed its members' credit card management through timely payments that helped them improve their credit scores.[44] CRED is attempting to generate a quality life for individuals with good financial behavior to increase the pool of creditworthy people in the country.

*Third, leveraging network effects and building a high-trust community*: Just acquiring a huge customer base is not enough, a blitzscaling firm should be able to leverage network effects, like in the case of Uber, where network effects made its functioning successful in the online ride-hailing market. If a firm can build a high-trust community, it will have the opportunity to optimize network effects, as exemplified by Airbnb. Similarly, CRED is focusing on creating a high-trust community of verified high-income individuals, who trust each other, so that its products like peer-to-peer lending or peer-to-peer renting (in the future) may become a hit.

*Fourth, blitzscaling is risky*: Abundant capital doesn't guarantee success at blitzscaling. Spending too much, too fast, on unproven business models amplifies the risk. Blitzscaling requires the firm to raise more funds, hire more employees, and scale more. It presents management risks as well. In the organization's continuously changing size and structure, reinventing leadership style, building hierarchies, setting key performing indicators, and updating product, technology, and financial strategies can be very challenging. The art is to take intelligent risks during blitzscaling by embracing nimbleness in dealing with uncertain environments and maintaining lockstep growth amongst the customer base, revenue, and the organization.

*Finally, regulatory risks during blitzscaling*: Regulatory environment sometimes may pose a potential challenge to blitzscaling. An enormous amount of energy and capital spent to achieve a massive scale could come down in a landslide due to changes in government policies and regulations. For example, the banning of prepaid instruments in India by RBI led to a fall of Buy Now Pay Later (BNPL) companies, such as the fintech unicorn Slice.[47] CRED Cash might lose its business moat with the AA ecosystem coming into place, which will democratize customer data.

## Closing Remarks

This article has evaluated an Indian fintech unicorn, CRED, through the lens of blitzscaling canvas to analyze if its business model has what it takes to blitzscale. Multifold managerial implications and lessons pertaining to blitzscaling have been discussed. The article presents an uncanny growth story of a startup that may serve as an interesting case study for business students in strategy and marketing classrooms. In an attempt to answer the discussion questions given below, the students may develop critical thinking on business growth strategies.

## Discussion Questions

- *Is blitzscaling the right strategy for CRED? Could fast-scaling be a better strategy?*
- *Critically analyze the quality of existing network effects of CRED. What kind of new products can CRED develop to leverage network effects?*
- *What possible revenue sources can CRED capitalize on while blitzscaling in the next few years?*
- *Pick a company that blitzscaled and failed. Do you see any similar points of vulnerability in the case of CRED?*
- *In what circumstances may CRED fail?*

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