

# Quick Commerce in India:

The Drive to Thrive



## What is Quick Commerce?

Quick commerce or q-commerce or on-demand delivery is the next generation of commerce. This business model focuses on delivering small orders of groceries, office supplies, or health and beauty items. Instead of using large warehouses located on the outskirts of town, companies are creating small storage facilities near the point of delivery.



## What differentiates quick commerce from other models?

- Quick delivery, typically **within 10-30 min**
- Uses micro fulfillment centers or dark stores, typically catering **within a 2km radius**
- Small selection** available



## How big is Quick Commerce?

- As per [RedSeer](#), India's quick-commerce market is set to reach a size of close to \$5.5 billion by 2025, growing 15 times its current size and leading other markets including China in terms of customer adoption.
- The TAM (total addressable market) in India for quick commerce is estimated at \$45 billion. The demand is mostly from tier-1 cities and large metros that are driving demand on the back of mid-high-income households.

*"Quick commerce is becoming the next major segment as players realize the massive potential it has. Emerging as one of the fastest growing e-commerce models, quick commerce is fundamentally changing consumer purchase behavior and the grocery retail market on the whole by providing faster delivery options (in as little as ten minutes) as well as a more convenience-driven shopping experience," RedSeer said in its note (Source: [Business Standard](#)).*

## Quick Commerce business Models

The industry participants are heavily concentrated on the vertically integrated segment where players promise the delivery of goods within 15-10 min from their own fulfillment centers. However, there are many third-party delivery platforms as well that help in the last-mile delivery of goods.

**1. Delivery platforms:** Companies such as Swiggy's Instamart, Dunzo deliver products (mainly groceries) from third-party retailers to customers' homes and businesses. In some cases, the companies pick up the orders in person; in others, they fulfill delivery by dropping off a package.

| Benefits   | Challenges  |
|--|---|
| <p><b>Asset-light model</b></p> <p>Does not require fulfillment centers or supplier relationships before entering a new city</p> <p><b>More choices</b></p> <p>3rd party retailers, the choices available are more</p> | <p><b>Out-of-stock</b></p> <p>No clear and real-time stock visibility makes the items susceptible to out-of-stocks</p> <p><b>Limited operational scope</b></p> <p>As the delivery operations earn through per-transaction fees, they have lesser operational leverage than MFCs</p> |

**2. Vertically integrated models:** Such as Blinkit, Instamart, Zepto. They manage end-to-end operations, from buying and storing inventory through picking and delivery to the end consumer.

| Benefits   | Challenges   |
|--|--|
| <p><b>Speed of delivery</b></p> <p>They are optimized for speedy deliveries, fulfilling the promise of quick commerce</p> <p><b>Visibility</b></p> <p>clear visibility on stocks, quality, and pricing</p> | <p><b>Demand</b></p> <p>Orders in an area depends on the needs and degree of population density. Plus, the rental cost is a big challenge especially in tier 1 cities.</p> <p><b>Capital</b></p> <p>Requires capital to start operations in a new city</p> |

| Key metrics               | Vertically integrated instant needs                     | Delivery platforms - grocery                 | Traditional e-commerce                 |
|---------------------------|---|--|--|
| Business model            | Vertically integrated                                   | Marketplace for local grocery stores         | Vertically integrated and marketplaces |
| Product focus             | Essentials  | Groceries, some nonfood retailers            | Groceries and nonfood                  |
| SKUs                      | 1,500-5,000   | 25,000+                                      | 100,000+                               |
| Delivery speed            | 10-30 minutes   | Same day (from ~35 minutes to several hours) | One to two days                        |
| Curation                  | High  | Low  | Low                                    |
| Localization              | Highly localized to individual neighborhoods            | Localized to city                            | Not localized                          |
| Warehousing               | Micro fulfillment centers                               | N/A  | Regional or local fulfillment centers  |
| Delivery methods          | Individual deliveries, individual and pooled deliveries | Individual and pooled deliveries             | Pooled deliveries                      |
| Delivery model            | Contractors or regular employees                        | Contractors                                  | Employees/ third-party logistics       |
| Technology implementation | Merchandising, warehousing, logistics                   | Logistics                                    | Merchandising, warehousing, logistics  |
| Market Players            | Blinkit, Zepto, Instamart                               | Instamart, Dunzo                             | Amazon, many others                    |

Source: [Coresight](#)

## Who are the top Quick Commerce players?

| Company | Started Delivery | Investment | Delivery time (minutes) |
|---------|------------------|------------|-------------------------|
|         | 2020             | \$700 Mn   | 15-30                   |
|         | July 2014        | \$700 Mn   | 19                      |
|         | Sept 2020        | \$100 Mn   | 10                      |
|         | Aug 2019         | NA         | 120                     |
|         | Nov 2021         | \$200 Mn   | 60                      |
|         | Dec 2021         | \$1 Bn     | 10                      |
|         | July 2020        | NA         | 90                      |

## How do the unit economics of Quick Commerce work?

At a broad level, the unit economics of vertically-integrated quick commerce companies can be modelled as:

|                                  |                           |
|----------------------------------|---------------------------|
| <b>Principal revenue source:</b> | <b>Product sales</b>      |
| Plus:                            | Delivery fees             |
| Plus:                            | Courier tips              |
| Minus:                           | Product costs             |
| Equals:                          | Gross Margin              |
| Minus:                           | Operating associate costs |
| Equals:                          | Contribution Margin       |

## What are some challenges in Quick Commerce?

- 1. New customer acquisition/ offers for lapsed customers:** Acquiring new customers is always a challenge for a new business.
- 2. Small orders:** Q-commerce is mostly being adopted for the top-up baskets, i.e., for products which were missed in the monthly grocery list or are required for an emergency.
- 3. Inventory:** Q-commerce is available in tier-1 cities where the cost of real estate is not cheap. Supply chain is another issue that is critical in the smooth running.
- 4. Labour cost:** Mostly, the employees (contract + company's employees) are on an hourly payroll with benefits. Q-commerce retailers need more employees to cater to the demand of small orders. Hence, labour cost is a big challenge.

## Key Takeaway

Q-commerce is the natural evolution of eCommerce. As lifestyles across the world keep changing, so will the customer behavior and adaptability. It's not an easy game by any means. It is also not a game for the faint of heart. You might lose a lot of money quickly if you don't plan carefully. The difficulty is how to make it a big necessity over time while maintaining a breakeven approach.