



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

What is Quick Commerce?

warehouses located on the outskirts of town, companies are creating small storage facilities near the point of delivery.



Uses micro fulfillment centers or dark stores, typically catering within a 2km radius

Quick delivery, typically within 10-30 min



Small selection available



3RD GENERATION QCOMMERCE



large metros that are driving demand on the back of mid-high-income households.

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

"Quick commerce is becoming the next major segment as players realize

the massive potential it has. Emerging as one of the fastest growing

• The TAM (total addressable market) in India for quick commerce is

estimated at \$45 billion. The demand is mostly from tier-1 cities and

(Source: Business Standard). **Quick Commerce business Models**

The industry participants are heavily concentrated on the vertically integrated segment

fulfillment centers. However, there are many third-party delivery platforms as well that

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

where players promise the delivery of goods within 15-10 min from their own

help in the last-mile delivery of good.

Benefits

or supplier relationships before

entering a new city

More choices

Since they procure from multiple

and delivery to the end consumer.

Benefits

Speed of delivery

dropping off a package.

more convenience-driven shopping experience," RedSeer said in its note

Asset-light model Out-of-stock Does not require fulfillment centers No clear and real-time stock

Challenges

visibility makes the items

susceptible to out-of-stocks

Limited operational scope

As the delivery platforms earn

Challenges

Demand

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.

Capital

Requires capital to start operations in a new city

3rd party retailers, the choices through per-transaction fees, available are more they have lesser operational leverage than MFCs

They manage end-to-end operations, from buying and storing inventory through picking

grocery stores

retailers

25,000+

Low

N/A

deliveries

Contractors

to several hours)

Localized to city

Individual and pooled

Same day (from ~35 minutes

2. Vertically integrated models: Such as Blinkit, Instamart, Zepto.

They are optimised for speedy deliveries, fulfilling the promise of quick commerce **Visibility** clear visibility on stocks, quality, and pricing Vertically integrated instant needs **Key metrics Business model** Vertically integrated

Essentials

1,500-5,000

10-30 minutes

neighborhoods

Highly localized to individual

Micro fulfillment centers

Individual deliveries,

deliveries

employees

individual and pooled

Contractors or regular

High

Product focus

Delivery speed

Curation

Localization

Warehousing

Delivery methods

Delivery model

amazonfresh

b bigbasket

Principal revenue source:

Plus:

Plus:

Minus:

Equals:

Minus

Equals:

SKUs

Delivery platforms - grocery Traditional e-commerce Vertically integrated and Marketplace for local marketplaces Groceries, some nonfood Groceries and nonfood

100,000+

Low

One to two days

Not localized

Pooled deliveries

logistics

Employees/third-party

120

60

10

90

Regional or local fulfillment

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 Oui	ck Commerc	e plavers?	
	ine cop con			
Company	Started Delivery	Investment	Delivery time (minutes)	
• swiggy_ instamart	2020	\$700 Mn	15-30	
SUNZO	July 2014	\$700 Mn	19	

NA

\$200 Mn

\$1 Bn

NA

Product sales

Delivery fees

Product costs

Gross Margin

What are some challenges in Quick Commerce?

Operating associate costs

Contribution Margin

Courier tips

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

How do the unit economics of Quick Commerce work?

Aug 2019

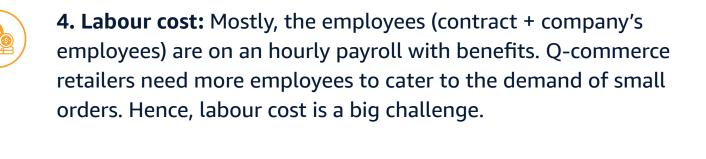
Nov 2021

Dec 2021

July 2020

that is critical in the smooth running.

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

Q-commerce is the natural evolution of eCommerce. As lifestyles across the

Key Takeaway

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.

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