

## Critical success factors for quick commerce grocery delivery in India: an exploratory study.

## Factores críticos de éxito para la entrega rápida de comestibles en la India: un estudio exploratorio.

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### ABSTRACT

On-demand delivery of groceries through quick commerce has gained traction after Covid-19 pandemic evincing the interest of regional and national level start-ups in India. This model of online grocery delivery has immense potential due to convenience for customers and speed of delivery. However, survival in this business needs infusion of funds for expansion, controlling costs and managing the efficient deployment of funds. Revenues cannot be earned only from delivery charges or from margins. Other sources of generating revenues are critical. Earlier, start-ups focused only on scaling up the business without an eye on profitability. But now earning profits from this model has become imperative. This has spurred consolidation among the market players. This research effort discusses these developments and attempts to identify critical success factors that can lead to long term sustainability of this business model. The paper also makes recommendations so that operations can be made profitable.

Keywords: Online Grocery, Quick Commerce, Profitability, Dark Store, Last mile Delivery, Cash burn

### RESUMEN

La entrega de comestibles a pedido a través del comercio rápido ha ganado fuerza después de que la pandemia de Covid-19 evidenció el interés de las empresas emergentes a nivel regional y nacional en la India. Este modelo de entrega de comestibles en línea tiene un inmenso potencial debido a la comodidad para los clientes y la velocidad de entrega. Sin embargo, la supervivencia en este negocio necesita una infusión de fondos para la expansión, controlar los costos y gestionar el despliegue eficiente de los fondos. Los ingresos no pueden obtenerse únicamente de los gastos de envío o de los márgenes. Otras fuentes de generación de ingresos son fundamentales. Anteriormente, las empresas emergentes se centraban únicamente en ampliar el negocio sin tener en cuenta la rentabilidad. Pero ahora se ha vuelto imperativo obtener ganancias de este modelo. Esto ha estimulado la consolidación entre los actores del mercado. Este esfuerzo de investigación analiza estos desarrollos e intenta

identificar factores críticos de éxito que pueden conducir a la sostenibilidad a largo plazo de este modelo de negocio. El documento también hace recomendaciones para que las operaciones puedan ser rentables.

Palabras clave: comestibles en línea, comercio rápido, rentabilidad, tienda oscura, entrega de última milla, consumo de efectivo

## INTRODUCTION

Quick commerce is on-demand delivery that offers a limited selection of grocery products that can be ordered by customers in the quantities that they need/ desire with a delivery fee being charged. It promises to deliver small quantities of grocery items to customers on demand within a stipulated time limit of 30 minutes to 1 hour. Consumers who do not wish to stock inventories of grocery items can opt for the quick commerce model. However, delivery charges can be steep as this is one of the sources for earning business revenues.

In terms of convenience and speed of delivery, quick commerce presents an attractive value proposition for time-starved consumers who value the convenience of receiving the grocery items that they wish to order at a time that suits them.

During the Covid-19 pandemic, consumers' comfort with shopping for groceries online due to necessity (comply with social distancing norms through contactless deliveries and payments) became a driver for quick commerce grocery delivery services. These are supported by dark stores generally located in gritty and grim areas. These stores are called as micro fulfilment centres or cloud stores that are delivery-only stores and generally not accessible to customers.

An exception in this case is Reliance Smart Point that has also allowed customers to shop from their stores. These stores are primarily used for delivery of grocery orders placed online.

In this research effort, let us understand the challenges faced by this business model and how these challenges can be overcome. We shall also investigate the research findings pertaining to consumer behaviour towards these services based on which critical success factors for quick commerce grocery delivery in India can be arrived at.

## DIFFERENCES BETWEEN QUICK COMMERCE & E COMMERCE

A quick delivery time is what distinguishes quick commerce from e-commerce. Traditional e-commerce delivers goods from across various geographies depending on the demand. However, quick commerce players resort to a hyperlocal delivery using dark stores or micro fulfilment centres located in close proximity to customers. While online delivery of groceries is characterized by large orders, bulk discounts and free delivery, quick commerce is characterized by smaller selection of grocery items that are delivered quickly to often single person households. While online grocery relies on vans and mini trucks, quick commerce deliveries are made using two wheelers.

#### TABLE STAKES FOR QUICK COMMERCE

1. Dark stores that can pick, pack and deliver the products quickly must be located close to customers to improve operational efficiency. Use of electric two wheelers will reduce fuel consumption and support faster delivery.

2. Careful choice of stock and SKUs. This information needs to be updated as frequently as possible by observing the purchasing trends in a particular area.

3. Dark store staff and delivery personnel with a high degree of customer focus and a predilection to up the quotient when it is a question of rendering superlative service

4. Price, availability of products, delivery fees, excellent customer experience, fast delivery, good product quality

Generally, delivery periods vary from 2-4 days in e-commerce. Inventory is stocked in warehouses. A wide variety of products are available. Delivery is generally clubbed based on locations and delivered in large vehicles. Customers are enticed to buy additional volumes through offers and discounts. In quick commerce, the delivery period ranges from 10 minutes to 1 hour although the 10-minute delivery promise is appearing to be unviable.

Some grocery players have kept a threshold limit for delivery charges – for example – orders of Rs 100 and above may not be charged any delivery fees. Again, this incentive varies from one grocery supplier to another.

#### REVIEW OF LITERATURE

India has become a major economic power attaining state-of-the-art digital capabilities (De, 2018). Entrepreneurship has bloomed in India despite infrastructural and resource constraints (Sanghi et al, 2023).

Rapid urbanization, growth in disposable incomes, the convenience of shopping from home, the deep penetration of Internet, availability of cheap data, advanced smart phone technology; ease of making digital payments is driving the need for the quick commerce format (Gupta & Rao, 2011) (Villa & Monzon, 2021). Quick commerce is on-demand delivery of groceries delivered in less than one hour after ordering (Huang & Yen, 2021) and combines physical and digital assets in a spectacular way (Zhang & Hanninen, 2022). For example, ordering grocery items for dinner or ordering out-of-stock items at a short notice is possible due to quick commerce (Reiff, 2022).

Interestingly, there was increase in demand for quick home delivery of grocery products during the pandemic (Ariker, 2021) (Lohariwala, 2022) (El nahla & Nelson, 2021) (Eriksson & Stenius, 2020). Even after the pandemic subsided, ordering groceries through quick commerce continues mainly because it has become a habit ((Escudero et al, 2020) and also because of continuation of “work from home” options (Gunday et al, 2020).

Competitive prices, discounts and offers and quick delivery add to the allure of on demand grocery delivery (Grob, 2022) (Ariker, 2021). Research in Germany showed that women are more likely to use quick commerce than men (Grob, 2022).

Despite such potential, quick commerce hardly leaves any scope for differentiation to woo customers to repurchase. To address this issue, a delivery company in Berlin known as Alpakas began delivering plastic free and goods without packaging in a shorter time frame. This was an attempt to contribute to sustainable consumption (Reiff, 2022). Emotional bonding with customers and offering local products can be another source of differentiation.

Additionally, few Indian quick commerce players have been unable to contain cash burn (expenses more than profits). One of the reasons for the cash burn is the high cost of operating the dark stores along with the need to maintain the right level of inventory and managing the expectations of fastidious customers. Noyes, a start-up has built a nano warehouse with a wide range of assortment and has automated the picking process in dark stores (Reiff, 2022).

Delivery charges alone cannot make up for sales revenues. Hence, the need for grocery players to invest in other means (like monetisation of assets, strategic alliances with other brands, cost reduction efforts, affiliate marketing, cross selling etc) to boost revenues and improve profitability.

Presence of dark stores in dense neighbourhoods can torment residents due to the nuisance value. Governments in Netherlands, Amsterdam, Rotterdam, Paris and London do not give permission to open dark stores easily (Reiff, 2022). These operational constraints need to be addressed by quick commerce grocery players.

Use of data analytics to recommend grocery products to customers to enable them to make purchase decisions easily, sharing infrastructure and operating system and delivery teams can lead to rationalization of costs. Collaborative efforts between market players can engender win-win situations for all stakeholders (Huang & Yen, 2021). Personalized recommendations, different payment options, images of products, personalization and convenient reorder facilities have increased the ordering frequency of grocery items on Pandamart, a German quick commerce retailer. This retailer has a system "Hurrier" developed by its parent company Delivery Hero which forecasts supply and demand using efficient algorithms. A rider scheduling tool has been developed using big data analytics. HKTVMall in Hong Kong uses robotics in warehouses to manage inventory (Huang & Yen, 2021).

Understanding the consumer value proposition along with the right operational models to serve customers better can enable quick commerce grocery retailers to sustain in the market for long (Sanghi et al, 2023).

#### RESEARCH QUESTIONS

1. What are the drivers for on-demand grocery services (quick commerce) in India?
2. What are the obstacles faced by the quick commerce players?
3. What are the critical success factors for growing the quick commerce grocery business in India?

## INDIA: THE RIGHT MARKET FOR QUICK COMMERCE

India's quick commerce market is exploding due to following reasons

Start-ups are entering the fray with investors providing the funds leading to a stiff competition in the market

Rapid urbanization of societies and busy lifestyles

Growth in internet penetration, cheaper data and evolution of smart phone technology

Increase in the discretionary spending among the middle- and higher-income groups

Consumers' need for convenience of placing orders for groceries from the comfort of their homes and getting them delivered at the doorstep.

As per Mc Kinsey Report (2022), India has half a billion Internet subscribers with digital adoption easing access to information. Online grocery services provide the following benefits:

1. Availability of customized assortment of SKUs
2. Comparison of prices across multiple platforms
3. Convenience of doorstep deliveries of groceries

These choices influence buyer behaviour and their interactions with brands and different channels.

In 2022, the market for online groceries increased by 37% across the globe.

India's grocery market (worth \$620 billion) is polarized between urban and rural areas. Roughly 2/3rds of India's 1.3 billion people live in rural areas. There is scope for including Tier 2 and 3 cities, towns and villages in the next stage of expansion of grocery business.

Red Seer Consultancy estimates kirana stores in India accounting for 95% of India's grocery market. Supermarkets still account for only 4%. It cannot be denied that quick commerce business has grown at the expense of neighbourhood kirana stores. This is cause for concern from a societal perspective.

The overall revenue opportunity for a product or service, given a 100% market share is the total addressable market. As per Statista, the estimated addressable market size of quick commerce is approximately \$49 billion. A 2022 Red Seer Consulting Report claims that the total addressable market for quick commerce in India is \$45 billion and will touch \$5 billion by 2025 (it was \$0.3 billion in 2021).

Indian grocery sector saw investments of around 70% of the global share (excluding mergers and acquisitions) in 2020 with Reliance Retail receiving massive investments. Supply side disruptions have led to consolidation within the industry. Flipkart acquired Walmart India Wholesale in 2020. It was reverse acquisition of Walmart's B2B arm by Flipkart to strengthen its D2C capabilities. Reliance acquired subscription based micro delivery platform Milk Basket. Reliance Retail has enhanced Direct to Customer offerings with Jio Mart and Kirana ecosystem. D Mart Ready allows for online shopping and home delivery. All the groceries, staples and daily household essentials in a D Mart store can be found in D Mart Ready. D Mart Ready pick-up points are specific locations from where you can collect your online order. Customers can choose a time slot that is convenient to them.



Figure 1: Quick Commerce Grocery Delivery. Source: Author

### QUICK COMMERCE BUSINESS MODELS

Table 1: Segmentation of Quick Commerce Business Models

Type of model	What this involves	Examples of Indian businesses	Unique Selling Proposition	Infrastructure
Goods model	Orders are processed and shipped from warehouses with inventory that e-commerce companies buy and sell	Big Basket, Amazon	Variety of items sold at competitive prices	Own warehouses
Vertically integrated	end to end delivery of grocery – right from stocking inventory in their own dark stores to facilitating efficient pick-up and delivery of grocery items within 10-30 minutes.	Blink It, Zepto	Speed, convenience	Own dark stores
Third party delivery platforms (Hyperlocal)	Deliver products directly from third party bricks and mortar retail stores.	Swiggy Instamart, Dunzo	(Time window 30 minutes to hours), wider choice of groceries	Asset light model (dark stores are not owned by them)
Direct to Customer Quick Commerce	Tie up with instant delivery providers			fulfilment centres owned by delivery providers to deliver goods.

Swiggy Instamart's hybrid model combines the inventory and hyperlocal delivery formats to complete orders in 30 minutes.

## CONSUMER BEHAVIOUR TOWARDS QUICK COMMERCE IN INDIA

IIM-Bangalore commissioned a survey to gauge customer feedback about Quick commerce and to know what their expectations were.

Customers are enthused by the idea of fast delivery but delivery charges levied by quick commerce players had an influence in their decision making to buy. A survey conducted in Bangalore to know consumers' responses to Quick Commerce revealed that 58% percent of consumers relied on Swiggy Instamart, 17% on Blink It, 14% on Zepto and 11% on Big Basket. Users expected the Q-commerce process to be smooth, quick, logical and secure. They also desired real time progress updates and precise tracking information.

A survey was conducted by Local Circles in India.

1. A majority of Indian consumers buying groceries online are not in a rush. They don't mind waiting for a few hours or even a day but are reluctant to pay delivery charges.

2. Only 3% of household consumers are willing to pay a delivery fee and get groceries delivered within half an hour.

3. Over the past two years, India saw an emergence of quick commerce platforms such as Swiggy Instamart, Blinkit, Dunzo, Big Basket Now and Zepto, which built their fortunes by delivering groceries to customers within an average 30-minute time frame. Yet, the quick commerce delivery model remains a work in progress.

Responses to some of the questions:

What matters to you the most when ordering groceries online via grocery platforms/ sites/ apps?

30% value for money

37% quality of products

17% selection/ variety of products available

11% Ease of return/ refund and customer service

5% Time taken for delivery

When you place grocery orders online, what kind of delivery model do you prefer for the majority of the orders?

3% Within 30 minutes and delivery fee charged

11% Within 30 minutes to 3 hours and small delivery fee charged

33% Within 3-24 hours and no delivery fee charged above a certain order value

28% Delivery slot as per my convenience

25% Within 24-72 hours and no delivery fee charged

A pan-India survey was conducted by Mc Kinsey in November 2021 to examine shifts in consumer behaviour. The results of the survey were:

1. Consumers seek quality and value
2. 44% consumers consider value as a key factor in buying groceries online
3. 33% consumers look for the best trade-off between price and quality
4. Balance (trade off) between price and quality is important

5. Range of organic and sustainable products influence millennial consumers

6. Convenience, freshness of the produce, best promotions and offers are other factors that encourage consumers to buy groceries online.

50% respondents from Gen X attributed value as the reason to switching to a new online grocery platform. 74% respondents (Gen Z and millennials) believe in splurging to treat themselves.

Quick commerce is beneficial when there are unexpected guests at home and some snacks have to be ordered quickly. Even school students and college going teenagers use quick commerce for ordering items like dairy products and chips. Most of these customers don't mind if the delivery time increases to 15 minutes from 10 minutes. Quick commerce is being opted for by customers to avoid long queues at the supermarket. Customers use different grocery apps based on the prices and offers prevailing on that particular moment. This is why loyalty is a challenge in app based quick commerce grocery delivery.

#### REASONS FOR CONSUMERS TRYING A NEW BRAND

1. Value – better prices/promotions/ better delivery/ lower delivery costs/ large pack sizes

2. Organic – Natural/ Quality

3. Purpose driven – Sustainable/better for environment; support local businesses; shares personal values; treats employees well.

37% consumers have started using private labels post Covid and this trend persists among Gen X, Gen Y and Gen Z. Post pandemic, 50% of respondents wish to spend more on organic food products while 70% respondents purchase groceries online with an intention to eat healthy.

Omni channel has brought brands and consumers closer to one another. More than 60% consumers use omni channel options to purchase groceries.

Availability of products round the clock increased customer satisfaction with social media promotions influencing purchases by millennials.

The healthy products that consumers are opting for are:

1. Organic/ bio

2. Low sugar

3. High protein

4. Low fat

5. Natural ingredients

Pain points faced by Q-commerce users (a study by IIM Bangalore)

Website or mobile app wasn't intuitive. This increased the time for placing the order

Inability to place the order due to name of the item not known in English

Inability to use past grocery orders for placing repeat orders

Delivery window times were not convenient

No options for group purchasing



Delivery and refund notifications took time

No provision to speak to someone on phone in case customer was not tech savvy

These pain points in preventing quick commerce users from having a holistic and high integrity experience.

#### QUICK COMMERCE MARKET SPACE: MOUNTING LOSSES LEADING TO CONSOLIDATION

Quick commerce is a cash buzzing business across the globe. Send, an instant grocery business in Australia had to shut down operations. Get ir, Gorillas, Zapp and Go Puff (in the US) have reduced their capital investment. In September 2021, there were 30 quick commerce grocery players in Europe. Consolidation is occurring within the sector resulting in competition among the larger players (Reiff, 2022).

Go Puff bought Britain's Fancy and Dija. Turkish start-up Getir acquired London-based Weezy. Door Dash, a US-based quick commerce player and Germany's Delivery Hero have faced challenges in sustaining the operations.

Reliance-backed delivery app Dunzo launched Dunzo Daily, a 19-minute delivery service in August 2022. A cash infusion of \$240 million by Reliance in January 2022 fuelled Dunzo's plans to expand to 20 Indian cities. But as Dunzo Daily lost Rs.230 on each order daily, the losses in the first half of 2022 swelled to Rs 464 crore. In December 2022, Dunzo shut down dark stores across NCR and Hyderabad unable to manage the cash burn. It also scuttled its plans to use robotics to manage warehouse operations. Dunzo Daily based its value proposition on the research that consumers prefer to stock less and order more frequently. In its advertisements that managed to grab eyeballs, Dunzo even wrote an obituary for the refrigerator. But the efforts came unstuck as operations became financially unviable.

While Dunzo had its core competence in last mile delivery, grocery delivery has a wider canvas. Managing dark store operations and having the right assortments of stock are equally vital to influence customer's repurchase intentions.

Flipkart Quick, an instant delivery arm of Flipkart, launched in 2020 had to scale down its operations from presence in 14 cities to 2 cities. 90 minutes grocery delivery was launched by Flipkart in July 2020. The pressure of competition led to reduction of time to 45 minutes.

November 2022 saw consolidation of Flipkart Quick with next day grocery delivery format Flipkart Super mart. Ola Dash, the 10-minute grocery delivery service launched by mobility unicorn Ola in December 2021 shut its operations in April 2022 despite grandiose plans of launching a network of 500 dark stores in 20 Indian cities. Despite acquiring 300000 new users, Swiggy Insta mart is facing stunted growth. Supr Daily business of Swiggy was shut down in five Indian cities.

Another online grocery player Grofers changed its name to Blink It so that consumers could order groceries and get them delivered within 10 minutes. Unable to deal with mounting losses, Blink It was sold to food delivery platform Zomato but not after reducing its dark store count substantially.

Another start-up Zepto raised funds in May 2022 (\$200 million) but couldn't manage additional funding later.

Stand-alone quick commerce players may find it hard to sustain in the market unless they have access to investments and they can focus on scaling up without worrying about profitability. But if the investment tap dries up, then it may be challenging to scale the business without making profits. If the quick commerce business is a separate vertical of an online grocery service provider or if it is part of related diversification efforts of food delivery companies then there is a greater chance of sustaining in the market.

Players with existing infrastructure and strong backing from parent company can manage to sustain in the market. Only players with solid financial backing and strong business fundamentals can sustain the pressure of ultra-quick deliveries.

Big Basket launched BB Now to offer deliveries of over 3000 products in 10-20 minutes. Their collective experience in the grocery market over the last decade has given them a competitive edge.

Smaller players would find it challenging to build hyper local supply chains. Therefore, consolidation of players in the market will continue to happen with buyouts of regional players by larger brands.

#### CHALLENGES IN QUICK COMMERCE GROCERY DELIVERY

In the other online grocery services models, customers are incentivised through discounts and offers to buy larger volumes of grocery items – in most cases, delivery charges are minimal or waived off. Grocery suppliers get grocery items in bulk at attractive prices and they sell this to consumers with an appropriate pricing strategy suited to take care of their margins. However, quick commerce services have to provide consumers grocery items in the quantity that they need/demand. Volume selling then becomes a challenge.

A warehouse operation primarily involves the following tasks:

1. Ensure adequate stock of products (different varieties, different SKUs)
2. Understand the demand trends to fill and replenish the stock
3. Store products in the designated areas
4. Choose and package the items as per the order
5. Final shipment/ delivery of order to customers

The speed with which activities are carried out in the warehouse determines the efficiency of the quick commerce service. For instance, from the moment the order is placed, the items must be sourced, packed and delivered within 5 minutes to the delivery staff so that in the next 10 minutes the delivery can be made. However, we need to understand that this can cause immense stress to the operations particularly when there are many orders to be serviced at the same time.

Supply demand mismatch needs to be managed. On occasions there could be fewer orders due to subdued demand and there could be occasions when demand can outstrip supply. This can make it difficult to deliver groceries within 10 minutes. Traffic congestion coupled with riding risks can complicate matters.

While innovative ways can be explored to ensure that the ordered items are sourced, sorted and packed in the minimum time possible, delivery timelines cannot be always under the control of the grocery supplier.

#### FUTURE OF QUICK COMMERCE

It is rather interesting to note that the growth of quick commerce is a result of consumer's pain points with regard to the uncertainty of delivery for delivery windows like same day delivery, two-day delivery etc. Since the delivery time for quick commerce is defined, convenience assumes a new meaning for shoppers. The predilection customers have towards instant delivery compared to next day delivery is what will drive the business.

A strong habit formation has characterised grocery purchases particularly in the aftermath of the Covid-19 pandemic. Kirana purchases are being converted as purchases on quick commerce platforms due to the benefit of receiving quick deliveries.

On-boarding of neighbourhood shops (kirana stores) by quick commerce players will mark the next phase of growth in the quick commerce sector. This will create a win-win situation. Local grocery stores have always relied on customer walk-ins but with a digital presence, they can join hands with quick commerce players. This will need local stores to be educated about the benefits of doing so.

In India, ONDC (Open Network for Digital Commerce) is a live shopping app that aims to bring local vendors to the platform. This can open up additional opportunities for the local stores although this can be a competitive threat to the quick commerce players. With the ONDC initiative, buyers across platforms can choose to buy from neighbourhood stores and get quick delivery.

Swiggy Instamart, Dunzo and Zepto are delivering late into the night till 2 am or 3 am. These companies are fulfilling these orders in an attempt to collect data. Data can enable these platforms to plan stocks and inventories. South Korean firm Coupang has nine million customers. It has a profitable grocery delivery service that delivers groceries on the same day. The basket sizes are also larger.

The future of quick commerce appears promising considering its adoption in markets like Bengaluru, Chennai and New Delhi. Average order values in quick commerce are Rs 350 whereas for regular online grocery delivery, the ticket size is Rs. 1050. Yet, the shares of quick commerce in total grocery pie are steadily rising. However, quick commerce players have to be conservative and avoid/minimize cash burn. With experts predicting the quick commerce to grow to \$70 billion in the next three years, making customers repeatedly rely on quick commerce instead of using quick commerce only for emergency purchases will be a challenge.

The future of quick commerce relies on consumer willingness to pay for delivery along with exploration of other revenue sources by the businesses. Market experts do believe that the hype of 10-minute delivery is unnecessary. Survey results also point to the fact that customers do not mind a delivery window within 60 minutes.

## FINDINGS & SUGGESTIONS

Consumer immersion research can be one of the tools to understand the pain points of customers. Conversational commerce can be an additional means of customer engagement. Live commerce is one more area that can be leveraged in online grocery retail.

Customers don't mind if delivery time exceeds 10 minutes; therefore, quick commerce players must promise a delivery window of within 30 minutes. Delivering quick is being seen by quick commerce grocery players as a strategy to woo and retain customers but in reality, customers don't look at a delivery of 10 minutes as more valuable than a delivery that takes 20 or 30 minutes.

Discounts and offers in quick commerce can have an adverse impact on profitability. Hence, delivery fees need to be charged to make profits. Delivery expenses are an irritant to consumers. But without charging for delivery, online grocery services (particularly quick commerce) cannot sustain. Therefore, it is essential to investigate how delivery expenses can be reduced.

Longer delivery times can enable clubbing of customer orders together to avoid multiple trips as riders can deliver multiple orders per ride.

Quick commerce must cater to instant demand gratification from millennial and Gen Z customers who value an exceptional online shopping experience. Identifying locations where there is less access to grocery stores can be rewarding for growing business. This needs to consider the population density in the area, unit economics and warehouse capacity needed.

Setting up dark stores closer to customers can improve delivery times. Pandamart in Hong Kong was able to do so.

## CONCLUSION

Convenience, flexibility and fast delivery characterise the quick commerce delivery that does have great potential for the future. If complexities can be managed through simplification and creative thinking, this business can lead to sustainable competitive advantage for the business.

Expansion of delivery times presents an opportunity to bundle up orders from different customers and improve profitability. But the learning curve in this sector is expected to improve in the future. As consolidation efforts get strengthened, the market will witness few players who will hold a greater sway over the quick commerce grocery delivery.

As grocery business is a low margin business, a profitable and sustainable business model is what will generate a stream of positive cash flows. Kirana stores and quick commerce players compete with one another; so, it is prudent for quick commerce retailers to establish strategic ties with kirana stores to create a win-win situation.

Let us not forget that kirana stores were indulging in home delivery for a long time – except that the orders were made by customers over the phone or in person. Delivery times would also vary from hours to days to include either same-day delivery or next-day delivery. These kirana stores would offer free home delivery but

would seldom offer any discounts. But the kirana stores often had enduring relationships with customers based on mutual trust. This is the lesson that quick commerce players can learn from the kirana stores – of establishing customer ties based on trust – and using trust to provide a better customer experience.

Though there are concerns about quick commerce cannibalising ecommerce deliveries, the fact that quick commerce is more situational rules out this possibility. Based on quick commerce data, businesses can observe the ordering frequencies and then decide on financial viability of the operations.

In a diverse market like India, it is worthwhile to ponder if customers would prefer a quick delivery with a limited product assortment or will customers opt for better product assortments, free delivery and attractive discounts/offers with longer delivery times.

Understanding the unique characteristics of each demographic in a complex and diverse market in India will need massive investment in resources – particularly the ability to derive insights from data and use of this data for decision making. The success of quick commerce grocery retail is dependent, to a great deal, on right pricing. Quick commerce is also location dependent. Location determines unit economics. Investments are needed by quick commerce grocery players in technology, inventory and setting up of dark stores in locations with high population density so that order density is adequate.

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