Thesis on Quick Commerce (QC) in India

Introduction

It offers a solution to a problem many didn't realize existed or, if acknowledged, was thought to have a limited Total Addressable Market (TAM). However, with the rise of urbanization, tech-savvy populations, and increasing demand for convenience, QC platforms are gaining significant traction. These platforms cater to urban India's desire for fast, efficient, and on-demand delivery of small-ticket, everyday purchases. QC is addressing the unique challenges posed by limited transportation options, inconvenient access to traditional retail, and the need for instant fulfillment, particularly in high-density urban neighborhoods.

India's evolving retail ecosystem presents a vast opportunity for QC platforms, which are expected to expand in the long run to the top 30-40 cities across the country. The current landscape of the QC industry is characterized by a **four-platform oligopoly**, with Blinkit (Zomato), Instamart (Swiggy), Zepto, and BB Now (Bigbasket) leading the charge. This thesis explores the dynamics, challenges, opportunities, and path to profitability for QC platforms in India.

Key Growth Drivers

Urbanization and Tech-Savvy Population: Urban areas in India, particularly high-density neighborhoods, are increasingly becoming tech-driven hubs. With over 600 million internet users and rising smartphone penetration, QC platforms can cater to tech-savvy consumers who prefer convenience over traditional shopping experiences.

Lifestyle Changes: The shift toward nuclear families, busy lifestyles, and the increasing prevalence of working professionals has led to a growing need for on-demand services. QC platforms address this need by offering instant access to groceries, personal care, and other essential items without the hassle of visiting local stores.

Market Dominance and Oligopoly: The QC space is dominated by a few key players, with Blinkit (Zomato), Instamart (Swiggy), Zepto, and BB Now (Bigbasket) currently holding significant market share. This oligopoly structure provides a sense of stability for investors, as established platforms have the potential for growth through economies of scale, enhanced technology, and strong brand recognition.

Rising Consumer Demand for Convenience: Many consumers, particularly in urban areas, are increasingly averse to long trips to supermarkets due to inadequate transport options and crowded markets. QC platforms reduce the need for travel, offering consumers the ability to fulfill small, unplanned purchases within minutes—perfect for last-minute needs, ranging from groceries to household products.

Cultural Preferences: In India, there is a cultural preference for fresh and unprocessed foods, with a strong aversion to preserved or packaged foods. QC platforms cater to these preferences by offering quick access to fresh produce and other essentials, in line with local consumer behavior.

Key Players and Market Landscape

Company	Fund Raised in US$	Revenue Figure (USD thousand)	Inception
Blinkit	797.59M	277,946	2013
Instamart	NA	132,873	2020
Zepto	1.95B	538,015	2020
Bigbasket	249.40M	121,999	2011

Challenges Addressed by QC

Unplanned, Small-Ticket Purchases: QC platforms cater to the growing trend of unplanned, low-to-moderate order value purchases. In a market where consumers often avoid large, time-consuming trips to supermarkets, QC platforms fulfill immediate, small-scale needs such as groceries, personal care products, and snacks. This is especially true in urban areas with high density and where household pantry and storage space is limited.

Speed & Convenience: A significant driver of QC adoption is the **need for speed**. Busy lifestyles, nuclear families, and the lack of adequate transportation options often make physical trips to neighborhood stores inconvenient. QC platforms solve this problem by ensuring delivery within 10-30 minutes, significantly improving consumer experience and engagement.

Limited Choice at Traditional Retail: Traditional kirana (local) stores typically offer a limited product range and have minimal promotional offers, leading to higher price points. QC platforms differentiate themselves by offering a wide selection of products, including better discounts and promotions, while also providing more convenient, customer-friendly pricing compared to local stores, which typically sell products at Maximum Retail Price (MRP).

Round-the-Clock Services: Unlike traditional family-owned kirana stores with limited operating hours, QC platforms offer 24/7 services, ensuring that consumers have access to essentials whenever they need them. This round-the-clock availability contributes to the growing appeal of QC, especially in busy urban centers.

Standardized After-Purchase Service: QC platforms provide standardized after-purchase services, enhancing the consumer's confidence in the quality of the product and service. With the help of technology, these platforms can ensure more reliable deliveries, return policies, and customer support, offering a better shopping experience compared to local stores.

Revenue Streams in Quick Commerce

Marketplace Commission and Warehousing Services: QC platforms charge suppliers a marketplace commission for listing their products and utilize warehousing services to manage inventory.

Advertising Income: As the customer base grows and consumer engagement deepens, QC platforms earn advertising revenue from brands that want to market their products directly to highly targeted consumers.

Delivery Charges: QC platforms also generate revenue from consumers through delivery charges.

Path to Profitability

Increase Average Order Value (AOV): QC platforms must work on increasing the AOV by encouraging customers to make larger purchases or place more frequent orders. By leveraging personalized recommendations, discounts, and loyalty programs, QC platforms can increase their revenue per transaction, making each order more profitable.

Lower Cost of Goods Sold (COGS): Reducing COGS by optimizing supply chains, improving inventory management, and increasing procurement efficiencies is crucial.

Optimize Operations and Logistics: Efficient operations are the backbone of any QC platform. By optimizing their warehouses, delivery fleets, and last-mile delivery logistics, QC platforms can lower their operational costs while ensuring faster deliveries. Investments in route optimization technology, AI, and machine learning will play a key role.

Lower Last-Mile Delivery Costs: The last mile is typically the most expensive part of the delivery process. QC platforms will need to invest in technologies that optimize delivery routes and leverage local fulfillment centers to reduce the distance and time it takes for deliveries to reach consumers