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Emergence Of Quick Commerce In India

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Abstract

Quick commerce (also Q-commerce) or the delivery of everyday essentials (typically groceries) in 10-30 minutes is already prevalent in major global markets. US based Go puff, set up in 2013, delivers groceries in 30 minutes and is valued at \$15 billion. A clutch of new entrants such as Berlin-based Gorillas and U.K.'s Zapp are already quite popular in their areas of operations, and are now looking to corner a bigger slice of the Q-commerce market. The trend is fast catching up in India as well; the local quick commerce segment is a veritable mix of new players such as Zepto, which is building its business to specifically service instant deliveries, and established ones like Blinkit (formerly Grofers) that have completely rejigged their branding and positioning and are taking aggressive bets on the category. The online shopping made everything possible today as we can get desired products within a day and the customers though process and buying behaviour also drastically changed after introducing online shopping apps. The prior planning method was replaced with instant planning and the delivery time also significantly reduced to days to hours preferable within 1 hour. Q-Commerce, also referred to as quick commerce, it is a type of E-Commerce and It is a unique business model where the delivery of goods and services is done within 30-40 minutes of ordering. It originally started with food delivery and it still represents the largest chunk of the business. It focuses on the micro to smaller quantities of fewer goods ranging from groceries, stationeries, personal hygiene products, to over-the-counter medicines. It's also a great fuel to encourage gig employment to youth in the country where they can earn while learn as students and competitive job aspirants.

Key Words: Quick Commerce, E-Commerce, Online Business, Retail, Consumer Behaviour, Customer Satisfaction, Purchase Decisions, Delivery Speed.

Introduction

In recent times, the convergence of technological advancements, the global impact of the COVID-19 pandemic, and the resultant paradigm shift in consumer behaviour have played a pivotal role in steering individuals towards purchasing groceries through app-based platforms offered by retailers and stores. The surge in online grocery shopping can be attributed to heightened technological awareness, increased accessibility to high-speed internet, and the profound influence of the COVID-19 pandemic. As a consequence, customers have transitioned from traditional offline or retail store shopping to the convenience of online app-based procurement for their everyday necessities, particularly groceries.

Previously, online shopping was confined to specific market segments, limited product categories, and a select clientele. However, contemporary online shopping platforms now offer a comprehensive range of products delivered to customers' doorsteps. The adoption of online payment methods, such as debit cards, credit cards, and UPI payments, gained momentum, facilitated by the demonetization initiative in India. App-based companies further solidified consumer trust by offering incentives such as cashback and exclusive offers for online transactions, and many continue to provide the option of Cash on Delivery (COD).

Advancements in internet technology have further propelled the growth of online food and grocery services. Consumers now have the capability to effortlessly search for, compare, and access these services online. The food industry, in particular, has witnessed a revolution through online ordering, transforming the traditional restaurant business and providing unparalleled convenience globally. The advent of technologically advanced online meal ordering systems has altered the culture of restaurants, offering a new level of comfort and efficiency.

The ease of ordering meals and groceries through smartphone applications has led to a notable shift in market share from traditional "kirana" or mom-and-pop shops to organized online platforms like Swiggy, Blink It, Zepto, and Big Basket. Despite the significant growth observed in the online food and grocery sector, it currently represents only a modest percentage (5-8 percent) of the overall market share in the food and grocery industry.

The rapid evolution of e-commerce, driven by emerging technologies, has been a key contributor to the growth of online grocery and food ordering services. This trend has been evident not only during the pandemic but also in the years leading up to it. The proliferation of advanced mobile applications has played a pivotal role in enhancing the ease and accessibility of online ordering and delivery of groceries and food items.

Review of Literature

Research gate, Mohammad Affan Akhtar and Md. Rashid Farooqi, October 2022: In recent years, the convergence of technology and the COVID-19 pandemic has driven a significant shift in consumer behaviour towards app-based grocery shopping. Factors such as technology awareness, widespread smartphone and computer usage, and the need for convenience amid the pandemic have propelled the global e-commerce industry's remarkable growth. Online shopping, once limited, now offers diverse products, doorstep delivery, and various payment options, fostering consumer trust. The pandemic further accelerated the preference for online grocery shopping, emphasizing convenience, time-saving, and safety.

Forbes, Komal Nanwani Ankit Raj, Ganesh N Prabhu, December 26,2022: Quick-commerce leaders like Zepto prioritize 10-minute delivery from dark stores, utilizing technology for efficient operations. Challenges include customer expectations and usability, suggesting the need for continuous innovation.

LinkedIn, Atharv Singh, October 3, 2023: India's Quick Commerce Market is set to grow at a 67% CAGR (2023-28). The report by MarkNtel Advisors covers market dynamics, size, segmentation, and key players like Swiggy Instamart and Zepto. Instant delivery is driving market growth.

Business Line, Meenakshi Verma Ambwani, September 25, 2023: FMCG companies, including Dabur and Nestle, are heavily investing in quick commerce channels like Blinkit, Zepto, and Swiggy Instamart. Anticipating 25-30% e-commerce sales from quick commerce platforms by FY 25, companies note evolving consumer habits favouring instant online shopping for both impulse and planned purchases.

IIM Ahmedabad, Gauri Ranjekar Debjit Roy, March 2023: In the past decade, e-commerce has surged in India due to changing consumer behaviour and widespread internet access. The COVID-19 pandemic accelerated this trend, particularly in online grocery shopping. The quick commerce industry's growth reflects its dynamic nature. This paper reviews the industry's operating model, diverse business approaches, and emphasizes the importance of automating dark stores for efficiency. Challenges include long-term sustainability, calling for innovative models aligning with economic, social, and environmental goals. The industry's positive outlook requires optimizing the supply chain for agility and automation.

Objectives of the Study

To study the emergence of Quick commerce in India.

To study the challenges faced by Quick commerce.

To study how to overcome the challenges faced by Quick Commerce.

To study the challenges addressed by Quick commerce.

Research Methodology

The research in this particular project was done to collect information on how grocers, Quick commerce are facing challenges in India and the emergence of Q-Commerce in India.

Research Design: This study adopts a descriptive research design to provide a detailed account of the impact of quick commerce (QC) on customer purchase decisions and consumer satisfaction.

Sources of Data: The study relies on secondary data collected from various journals and online sources in relevance to the research objectives.

Limitations of the Study

The following limitations were imposed during the study.

1. Secondary data included herein has been taken from the World Wide Web. Since such information is not considered 100% accurate, biasness or inaccuracy in the particular website may result in faulty conclusions.
2. The extensive scope of the project, coupled with time constraints, has limited the in-depth exploration of the topic.

The Outlook for Quick Commerce in India

In descending order, the following players are on the springboard of success:

- **Zomato and Swiggy:** Both grocery and food delivery platforms boast of a large fleet which has high utilization rates. They offer membership benefits to their customer base to keep the customers they acquire.
- **Big Basket and Blinkit (ex-Grofers):** Big Basket and Grofers had an early start in expanding their warehouses. Some of these can convert to mother hubs that communicate with the dark store network. Unlike Swiggy and Zomato, however, their rider fleet is considerably smaller despite stocking a more diverse catalogue of household staples.
- **Zepto, Dunzo:** According to a study by AI-platform Bobble, Zepto holds the record for user growth(946% within 90 days). In terms of the time spent on the app, Dunzo beat all the other q-commerce players, Zepto included with the entry of food and grocery-delivery players such as Swiggy and Zomato, India's gaining on its American counterparts, i.e. Uber Eats and Go puff. Put simply, the idea of convenience shopping is shaping up. To quote Pranay Jain, who serves as Avendus Capital's Director.

Challenges Faced by Quick Commerce

1. **Fulfilment Challenges:** Meeting the demand for hundreds of on-demand orders poses a significant challenge in the quick commerce landscape, requiring efficient processes, scalable infrastructure, and strategic fulfilment solutions to ensure customer satisfaction.
2. **Delivery Partner Selection:** Selecting the right delivery partners is a critical aspect of quick commerce success. The process involves meticulous evaluation to ensure reliability, speed, and alignment with the brand's commitment to timely and efficient deliveries.
3. **Punctual Deliveries within 60 Minutes:** Ensuring on-time deliveries within the 60-minute timeframe is a key challenge in quick commerce. Meeting this stringent deadline demands precision in logistics, route optimization, and coordination, emphasizing the need for streamlined and agile operational processes.
4. **Managing On-Ground Dynamics:** Tackling on-ground dynamics, including traffic, weather, and unforeseen obstacles, is an inherent challenge in quick commerce. Successful navigation of these variables requires strategic planning, real time monitoring, and adaptive solutions to maintain the promised delivery timelines.

How To Overcome Challenges Faced by Quick Commerce

- 1. Automated Order Planning and Execution:** Utilize logistics technology to automate order planning and execution, streamlining the supply chain. This enhances efficiency, reduces errors, and ensures a seamless flow from order placement to fulfilment in quick commerce operations.
- 2. Convenient Time Slot Management:** Implement logistics tech for convenient time slot management, allowing customers to choose optimal delivery windows. This enhances customer satisfaction, optimizes resource allocation, and improves overall operational efficiency in the quick commerce supply chain.
- 3. Smart and Cost-Effective Delivery Route Planning:** Employ logistics technology for intelligent and cost-effective delivery route planning. This minimizes transit times, reduces fuel costs, and enhances overall logistics efficiency in the quick commerce supply chain, ensuring timely and economical deliveries.
- 4. On-Demand Allocation of Duties to Riders:** Use logistics tech to dynamically allocate duties to riders based on demand, optimizing workforce utilization in real-time. This flexible approach improves response times, manages peak demand efficiently, and adapts to changing conditions in the quick commerce supply chain.
- 5. Real-Time Tracking of Orders:** Integrate real-time order tracking through logistics technology. This feature enhances visibility, allowing for proactive monitoring, quick issue resolution, and improved communication with customers, ensuring transparency and reliability in the quick commerce supply chain.

Urban India challenges being addressed by QC channel

Unplanned, small ticket purchases: As per Redseer analysis, around two-thirds of the total consumer purchases in urban India are unplanned, and of low-moderate order value but in need of instant fulfilment. This is due to low disposable incomes, cultural aversion for preserved foods and limited pantry/storage space in households. This, we believe, is precisely why the unorganised retail channel, i.e., neighbourhood kirana walas (mom and pop stores) even today continue to thrive across the country, despite multiple follies of their own and the presence of several well-funded organised players.

Speed & convenience: Many consumers avoid long distance travel to large supermarkets due to inadequate transport options or annoying infrastructure. Often, even physical trips to the neighbourhood stores can be inconvenient due to busy lifestyles of families or prevalence of nuclear families. QC platforms enhance the consumer's shopping experience by ensuring that most orders are delivered within 10-30 minutes.

Limited choice: Consumers typically prefer a one-stop shop purchase for all their purchase needs. However, a typical neighbourhood kirana shop generally carries only a limited assortment of 1,000-1,500 SKUs. This is mainly due to limited storage space or financing options. This translates to a poor shopping experience for consumers. The dark stores operated by QC platforms, on the other hand, typically carry more than 6,000 SKUs, which ensures high customer satisfaction.

Limited discounts/promotions: Most purchases made at kirana stores happen at listed maximum retail price (MRP). This is because store owners have very little leeway to offer discounts on their own given the very low margins that they operate on. Since QC platforms operate on a much larger scale they are better placed to leverage that strength to build direct relationships with brands/distributors and bypass the complex/multi-player supply chain structure. This leads to substantial savings for the platforms, a portion of which they pass on to the end-consumers. Some QC platforms also run loyalty programmes in which customers can get incremental discounts, delivery fee waivers, cash-backs, etc. in lieu of a nominal membership fee.

Round-the-clock services: Most kirana shops in India are family-owned businesses with limited resources and limited operating hours. The dark stores operated by QC platforms, on the other hand, are optimised for round-the-clock operations as resources are typically deployed in multiple shifts.

Standardised after-purchase service: One of the pain-points for customers purchasing from unorganised retail is that the post-purchase sales experience is non-standardised and, in most cases, non-existent. Ordering

online largely resolves this challenge due to any-time availability of customer support and standardised return/exchange policies.

Favourable Government Initiatives

The following initiatives by the government have contributed to the growth of quick commerce in the country:

- Digital India has transformed India's digital infrastructure, increased digital literacy, and promoted e-services.
- Start-up India has created a favourable environment to encourage innovation from new-age start-ups.
- Skill India has developed the talent by providing them with training in market-relevant skills and technology.
- Unified Payments Interface (UPI) and RuPay have made payments convenient and hassle-free by providing customers with banking services at their fingertips.
- BharatNet has improved broadband access, facilitating the expansion of quick commerce and e-commerce in previously underserved regions.
- Open Network for Digital Commerce (ONDC) has increased the reach of India's quick commerce and e-commerce ecosystem by onboarding smaller vendors onto digital platforms and promoting fair competition within the industry.
- 100% FDI is permitted through the automatic route in entities engaging in B2B models to encourage the participation of foreign players.

Findings and Conclusion:

In the survey many findings have been found as described below:

- The Quick Commerce market in India is forecasted to generate a revenue of US\$3,349.00m in 2024.
- This market is expected to exhibit a compound annual growth rate (CAGR 2024-2029) of 23.88%, leading to a projected market volume of US\$9,771.00m by 2029.
- By 2029, it is anticipated that the number of users in the Quick Commerce market in India will reach 60.6m users.
- The user penetration rate, which currently stands at 1.8% in 2024, is projected to rise to 4.0% by 2029.
- The average revenue per user (ARPU) is estimated to be US\$127.70.
- India's quick commerce market is experiencing rapid growth due to increasing smartphone penetration and a young tech-savvy population.

The Q-commerce market is thriving at the moment. However, it is not without its challenges. By honing in on your USP, finding exclusive opportunities, and running a tight ship from a supply chain and inventory management perspective, you can truly flourish in this sector. Quick commerce has many benefits but is not without its challenges. The leading challenge is profitability. Someone has to cover the cost of faster delivery and the added cost of hyper-local inventory warehousing. But for many customers, free delivery has been the accelerator to conversion. While your current customers may spring for quicker delivery windows, will you be able to acquire new customers without dangling the “free delivery” carrot? And on the other side, if you as a business are covering all delivery costs, that needs to be factored in as well. In well-established FMCG companies, there is sanity in pricing; there is a floor on pricing, and it cannot be reduced below a certain threshold. But in commodities, there are no such restrictions and many new-age players are just driving top lines, selling way below buying cost and operating at 1-2 percent gross margins. With the kind of cost

structures involved, there is no line of sight for profitability for them. A lot of startups and unicorns got listed with crazy valuations both in India and globally in the last couple of years.

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