

The Explosive Growth of Quick Commerce in India

by Aditya Trivedi



What is Quick Commerce?

Quick Commerce is a subset of e-commerce in which customers' orders are fulfilled *quickly* by platforms within 10-30 minutes of the orders being placed. This is unlike traditional Indian e-commerce platforms, like Amazon, Flipkart or JioMart, that take several hours or days to deliver. The three largest players in India are Blinkit (owned by Zomato), Instamart (owned by Swiggy) and Zepto; Walmart owned Flipkart's platform, *Minutes*, has just launched in Bangalore. Global peers include Instacart, Gopuff, and Dashmart (owned by DoorDash) in the US, Pandamart in Singapore, and Meituan Macao and MissFresh in China.

Quick commerce platforms in India address the need for instant fulfilment by either managing their own network of dark stores or sometimes collaborating with local brick-and-mortar retailers. These platforms focus on providing fast and convenient delivery for frequently purchased items that are in high demand. They started primarily with fruits and vegetables and have now expanded into additional categories such as electronics, beauty & personal care, toys and home essentials.

The Indian Quick Commerce Market:

Re-capping the rise of Q-Commerce

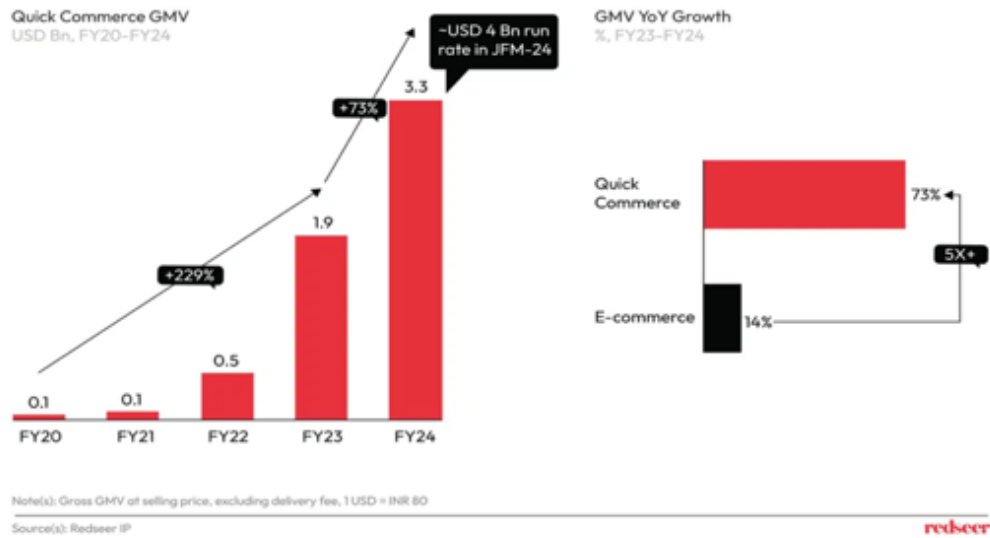


Figure 1: The Growth in Quick Commerce

The quick commerce industry in India has surged since the pandemic, achieving remarkable growth in just under four years. It currently accounts for a third of the Indian online grocery sector’s US\$11Bn GOV (gross order value). To meet rapidly increasing demand, the industry has transitioned from a single central warehouse model to a sophisticated network of dark stores, strategically placed near delivery areas. These stores function much like local shops known as *kirana** stores, offering a carefully curated selection of popular items within a two-kilometre delivery radius.

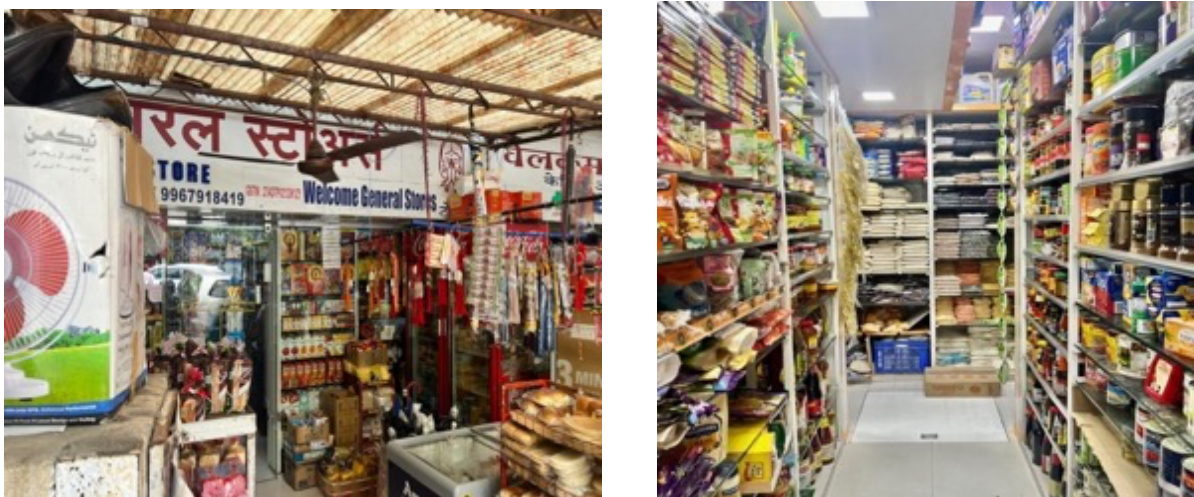


Figure 2: A Typical Kirana Store in Mumbai

*Kirana stores are small, family-owned retail shops in India that typically sell groceries and other daily essentials.

The growth of quick commerce is closely tied to advancements in technology, including real-time data analytics, mobile applications, and sophisticated logistics networks. These technologies enable companies to manage inventory, process orders, and optimize delivery routes efficiently. India has over a billion mobile users, 700 Mn smartphones in use running on 4G and 5G broadband networks with the lowest ARPU in the world (US\$2.50). Consumers, especially in metropolitan areas, are willing to pay a premium for the convenience of having their needs met almost instantaneously.

Quick commerce platforms are capitalizing on consumer behaviour by offering a wide selection of 5,000-6,000 SKUs in their dark stores, including a diverse mix of national brands and private labels. This is significantly more than the typical neighborhood *kirana* store, which usually stocks only 1,100-1,500 SKUs.

Operating on a larger scale allows the quick commerce platforms to build direct relationships with brands and distributors, effectively bypassing the traditional, multi-layered supply chains. This streamlined approach can lead to considerable cost savings, some of which can be passed on to consumers, thereby enhancing customer loyalty.

The platforms achieve higher order fulfilment rates by heavily relying on technology to accurately predict demand and maintain complete control over their back-end supply chains. Additionally, they use data analytics to tailor their product assortment for each store, taking into account the specific needs of each neighborhood.

Quick Commerce has found fertile ground in India due to several factors:

1. **Urbanization:** With increasing urbanization, more people are living in densely populated cities where the convenience of quick deliveries is highly valued. The high population density in cities like Mumbai, Delhi, and Bangalore makes it easier for quick commerce companies to operate efficiently, as they are able to serve a large customer base within a small geographic area, driving strong unit economics. There are 65 cities in India with a population of more than 1 million.
2. **Growing Middle Class:** India's growing middle class of 432 million people has disposable income to spend on convenience. The middle class has a per capita income of US\$6,250 which is growing at a CAGR of 8%.
3. **Smartphone and Broadband Penetration:** The widespread adoption of smartphones and affordable internet access have been key enablers of quick commerce in India. Consumers can easily browse and order products through mobile apps, making the process seamless and convenient.
4. **Consumer Behaviour:** Indian consumers are increasingly looking for convenience and speed in their shopping experiences. The ability to get groceries and daily essentials delivered within 10-30 minutes aligns with the fast-paced lifestyle of urban consumers.
5. **Demographic Dividend:** With a median age of 28, India's population is tech-savvy and open to new experiences, making it well-positioned for the growth of quick commerce. Young consumers are more likely to adopt new technologies and services thereby driving demand.
6. **Depth of Product Market in India:** Most transactions in India for grocery are low average order value (AOV) & high frequency, unlike the U.S. On the other hand, India has higher penetration of perishables (fruits & vegetables) vs. processed foods. In the US the percentage of disposable income that goes into grocery and household essentials is 8-9% and in India it is as high as 70%.

Key Players in Quick Commerce:



Formerly known as Grofers, Blinkit (<https://blinkit.com/>) is a pioneer in the Indian quick commerce market with a **41% market share**, making it the largest quick commerce player in the country. It is owned by Zomato, a B2C technology platform encompassing food delivery, quick commerce & going-out along with a B2B business called Hyperpure which supplies quality food ingredients to restaurant partners. Blinkit rebranded itself to emphasize its focus on quick deliveries, promising to deliver groceries and essentials within minutes. Blinkit operates on an inventory-based model, maintaining stock in its dark stores to fulfil orders quickly. The company's early entry into the market and its focus on speed have made it a market leader in quick commerce. Blinkit's GOV is already higher than Zomato's GOV in the cities where they overlap. In FY24, its GOV rose 93% to US\$1.5 Bn and average monthly transacting customers rose 73% to 5.1 Mn across 36 cities in which they operate.



Instamart (<https://www.swiggy.com/instamart/city/mumbai>) is Swiggy's quick commerce platform, offering grocery and daily essentials delivery within 15-30 minutes. The platform has a **30% market share**. Launched in 2020, it aims to provide a convenient and fast shopping experience by leveraging Swiggy's extensive delivery network. Instamart operates in over 25 cities across India, with a strong presence in metros and tier-1 cities. Instamart has become a key growth driver for Swiggy, contributing significantly to its order volumes.



The third player is Zepto (<https://www.zeptonow.com/>), with a **29% market share**. The company was founded in only three years ago by 2 Stanford dropouts, Aadit Palicha and Kaivalya Vohra, and was part of the winter 2021 Y Combinator batch. Zepto raised \$340 Mn in a Series G round at a valuation of \$4.6 Bn (pre-money) from investors such as General Catalyst and Mars Growth Capital. Zepto has acquired market share with greater capital

efficiency than its competitors, having spent US\$339 Mn. By comparison, Instamart has spent US\$717 million and Blinkit US\$921 Mn.

Business Model for Quick Commerce:

ZOMATO

What makes quick commerce possible?



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Figure 3: Quick Commerce Supply Chain

Currently, 90% of the GOV for quick commerce in India comes from its 8 largest cities. Quick commerce platforms pre-dominantly follow the Inventory-led Model in which the platforms source their own inventory and operate a network of owned dark stores in high population density areas. Another model is the Marketplace Model, in which the platforms depend on local offline retailers for supply of products to consumers.

Inventory-led Model:

In this model, quick commerce platforms manage their own inventory and operate a network of dark stores located in high-density urban areas. When a customer places an order, dark store prepares the order for delivery, with real-time inventory levels updated on its internal app or website. This model involves three key components:

- 1. Mother Warehouse:** The central warehouse where products are received from a mix of manufacturers, distributors and farmers. Depending on the number of dark stores and product SKUs, mother warehouses range from 20,000 to 175,000 square feet located on the outskirts of a city.
- 2. Distribution Centres and Dark Stores:** A network of smaller warehouses or dark stores located closer to customers to facilitate quick delivery.
- 3. Last-Mile Delivery:** The logistics required to deliver products to the customer's doorstep via a fleet of delivery people riding on motorcycles/scooters.

Dark Store Visit:

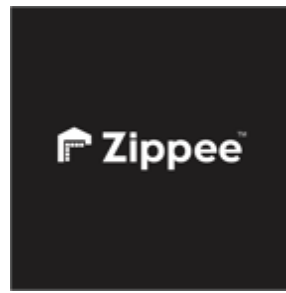


Figure 4: Zippee Dark Store

We visited a dark store in Mumbai to understand how quick commerce operates behind the scenes. This dark store is operated by Zippee (<https://www.zippee.delivery>), a leading early-stage startup that enables quick commerce logistics for various D2C brands across India.

We observed the system by which orders are received and then prepared for delivery to customers, and learned how the store's layout and network design are optimized for these functions. First, the customer places an order for a product on the D2C brand's website via the site's mobile app or desktop. After this, the order is received by Zippee's order management system (OMS). The dark store staff are then guided by handheld scanners to different racks areas, where they collect the item to be dispatched.

Next, they pack the item and mark the order as "ready to dispatch" in the OMS. The order is automatically batched with other orders according to pre-defined delivery routes/zones in Mumbai and is assigned to an available Zippee rider through their mobile app. After arriving at the dark store, the Zippee rider scans the order and marks it as "picked up" in their app, which then triggers the release of a real-time delivery status to the customer through SMS/WhatsApp.

Risks to Quick Commerce:

- 1. High Customer Acquisition Costs (CACs):**

The quick commerce sector has experienced a surge in competition due to ongoing fundraising and aggressive customer acquisition strategies. Platforms are investing heavily in branding, advertising, discounts, and promotions to attract and retain customers. Additionally, they absorb costs for last-mile delivery and packaging, which further escalates CACs. The increase in competition with new entrants like Flipkart and potentially Amazon may force incumbents to give additional discounts and promotions.
- 2. Substantial Upfront Capital Expenditures:**

Platforms using the inventory-led model face significant initial costs, including setting up dark stores and investing in mother warehouses. Establishing each dark store typically costs between \$20,000-\$30,000 in addition to substantial upfront investments needed to acquire inventory.
- 3. Inefficient Back-End Supply Chains:**

Quick commerce operations often face challenges in their supply chains, as these businesses are essentially retail operations with numerous operational hurdles. Inefficiencies in the supply chain can impact overall performance and service delivery.
- 4. Inventory Losses:**

Inventory losses due to spoilage, liquidation, and theft are significant issues for quick commerce platforms. In some cases, losses can reach up to 20% of the total inventory, especially in categories like fresh produce, meat, dairy, and instant foods.
- 5. Dark Store Churn:**

Finding and maintaining the optimal location for dark stores can be challenging. Poor site selection or operational issues can lead to high churn rates among dark stores.
- 6. Evolving Category/Assortment Mix:**

Quick commerce platforms are still refining their product categories and SKU mix for dark stores. This ongoing experimentation can impact product margins and operational efficiency.
- 7. High Inventory and Logistics Costs:**

Last-mile delivery remains the largest cost component for quick commerce platforms. Promises of ultra-fast delivery times (10-20 minutes) require maintaining a dense network of delivery partners, which can lead to high costs and inefficiencies, particularly during non-peak periods. Players like Zomato and Swiggy have an advantage over Zepto given the optionality to cross-utilize their rider fleet for the food delivery vertical.
- 8. Vulnerability to Regulatory Risks:**

Quick commerce platforms are increasingly seen as competing with the 15 Mn local *kirana* stores in India, potentially leading to political and regulatory challenges.
- 9. High CAC in New Markets:**

When expanding into lower-tier cities, quick commerce platforms may face increased customer acquisition and retention costs. They may also need to subsidize last-mile delivery and packaging, raising their overall expenses.
- 10. Limited Market Presence:**

Currently, quick commerce is predominantly a metro and tier 1 city phenomenon.

Future of Quick Commerce:

In an investor presentation, Dabur, one of India's largest consumer goods companies, highlighted a notable 20% increase in its e-commerce channel sales and a substantial 70% surge in quick-commerce sales for Q1 FY25. Dabur's CEO, Mohit Malhotra, emphasized the success of its e-commerce strategy, noting that the quick-commerce segment now constitutes 30-35% of its total e-commerce business. He stated that Dabur is collaborating with major players in the quick-commerce space to optimize its product mix and portfolio, viewing this as a significant growth avenue. During its Q1 FY25 earnings call, Unilever India's management described both quick commerce and e-commerce as key growth drivers for the company, noting that quick commerce's expansion was outpacing market growth and achieving 3x the growth rate of modern trade.

Quick commerce now accounts for 30-40% of total e-commerce sales for FMCG companies. As a result, platforms such as Blinkit and Instamart have chosen to expand the weight limit per order from 15 kgs to 35 kgs in certain areas to accommodate the sales of large packs.

According to an article in *The Businessline (a financial daily)*, household penetration for quick commerce in India's nine largest cities rose by 31% over the past year, surpassing the 19% growth seen in e-commerce. The article also stated that quick commerce is facilitating uptake of premium products and larger pack sizes. Industry forecasts estimate that by 2027 drones will contribute to 30% of all quick commerce deliveries in the metropolitan cities which today contribute to over 90% of the industry's volumes. Drones have the potential to reduce delivery times by up to 50% with an estimated cost benefit of 30%. The operational expenses for drone delivery are 40-70% lower than those of traditional vehicle delivery.

We compared prices of 10 grocery items across platforms, i.e. quick commerce, e-commerce and my local *kirana* store. 6 out of 10 products were cheaper on quick commerce platforms than at the *kirana* store. That said, 6 out of 10 products were cheaper on e-commerce platforms than on quick commerce platforms. Hence, it would appear that customers are willing to pay a premium for the speed of service that quick commerce platforms provide.

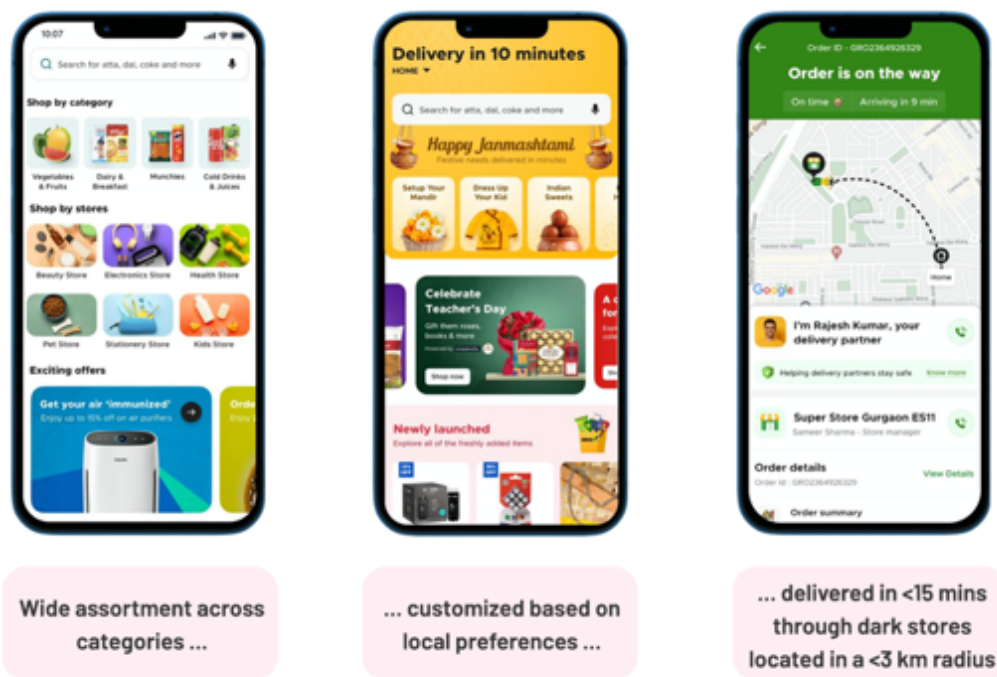
Products (Prices in INR)	Quick Commerce			E-Commerce		Local Kirana Store Mumbai
	Blinkit	Instamart	Zepto	Amazon (Prime)	Flipkart	
Onion (1kg)	55	54	55	49	68	60
Rice - India Gate - Super Basmati Rice (5kg)	793	777	790	759	810	1,000
Wheat Flour - Aashirvad - Superior MP (5kg)	253	253	257	249	273	300
Cooking Oil - Saffola - Active Refined Cooking Oil (5L)	626	645	774	1,225	1,100	800
Spices - Catch Turmeric Powder (200gm)	69	73	73	49	125	NA
Biscuits - Parle G (800gm)	91	91	92	92	78	100
Detergent - Surf Excel Matic Top Load (2kg)	380	378	377	453	496	560
Ghee - Amul Pure Ghee (Tin) (1L)	650	650	650	633	635	650
Coffee - Nescafe Classic Instant Coffee Powder (45gm)	215	215	215	170	172	180
Instant Noodles - Maggi (560gm)	106	106	106	112	51	90

Table 1: Product Price Comparison Across Platforms

My Experience with Quick Commerce:

I ordered the same products, i.e. oranges and bananas, on all three quick commerce apps to study the overall experience on 13 different parameters. Here’s my feedback:

1. Blinkit



Wide assortment across categories ...

... customized based on local preferences ...

... delivered in <15 mins through dark stores located in a <3 km radius

Figure 5: The Blinkit App

BLINKIT		
Parameter	Rating (1-5)	Comments
Delivery Speed	5	Delivered within 13 minutes.
Order Accuracy	5	All items were correct.
Product Quality	4	Fresh produce, packaging was good.
Customer Service	5	Swift response with a virtual assistant to automate simple customer queries.
Delivery Personnel	5	Professional and courteous.
User Interface/Experience	4	Easy to navigate the app, gives you notification so you can see where the order is.
Variety and Availability	3	Wide assortment available with 6,600 SKUs.
Pricing and Promotions	4	Competitive prices, with discounts.
Loyalty and Rewards	3	Basic loyalty program available, free delivery on orders over INR 299.
Sustainability	4	Eco-friendly packaging.
Security and Privacy	5	Secure payment options available including a wallet that customers can add money to.
Reliability and Consistency	4	Reliable service even during peak hours.
Rider Comments	5	20-25 deliveries a day Weekly salary is sent on Monday - INR 6,000-7,000 + insurance During the monsoon season, they can get up to INR 8,000-9,000 a week Salary comes on time Can see the tip on the app, which is credited every Monday with the salary Gets more orders from Blinkit so chose it over Zepto & Instamart

Table 2: Blinkit Experience – Ratings & Comments

2. Instamart



Figure 6: The Instamart App

INSTAMART		
Parameter	Rating (1-5)	Comments
Delivery Speed	3	Delivered within 23 minutes.
Order Accuracy	5	All items were correct.
Product Quality	4	Fresh produce, packaging was good.
Customer Service	3	Slight delay in response, went to the wrong location initially.
Delivery Personnel	5	Professional and courteous.
User Interface/Experience	4	Easy to navigate the app, low latency.
Variety and Availability	3	Some items were out of stock but wide assortment with 5,000+ SKUs.
Pricing and Promotions	4	Competitive prices, referral program with up to INR 2,500 cashback.
Loyalty and Rewards	3	Basic loyalty program available.
Sustainability	4	No eco-friendly packaging, package was delivered in a plastic bag.
Security and Privacy	5	Secure payment options available, Swiggy Money and Swiggy-HDFC Credit card options as well.
Reliability and Consistency	4	Reliable service even during peak hours.
Rider Comments	3	Work day is 12 hrs, does 10-12 deliveries a day Earns INR 25 per order, extra charge per order in the monsoon Salary paid every week No insurance Tips comes with salary

Table 3: Instamart Experience – Ratings & Comments

3. Zepto

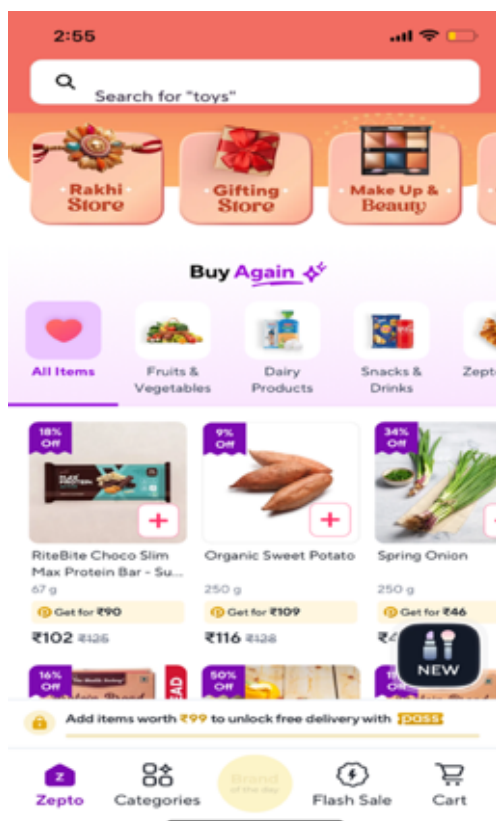


Figure 7: The Zepto App

ZEPTO		
Parameter	Rating (1-5)	Comments
Delivery Speed	4	Delivered within 18 minutes.
Order Accuracy	5	All items were correct.
Product Quality	3	Fresh produce, packaging was not good.
Customer Service	4	Strong customer support with active refund policy in case of items not being delivered.
Delivery Personnel	5	Professional and courteous.
User Interface/Experience	4	Easy to navigate the app with a dynamic UI and strong promotions for festive occasions.
Variety and Availability	3	Some items were out of stock despite a wide assortment of 6,000-6,500 SKUs
Pricing and Promotions	4	Competitive prices, with discounts.
Loyalty and Rewards	5	Basic loyalty program available with significant discounts - Zepto pass.
Sustainability	4	Eco-friendly packaging.
Security and Privacy	5	Secure payment options available along with Zepto Wallet.
Reliability and Consistency	4	Reliable service even during peak hours.
Rider Comments	4	Works part time, does 18 deliveries over 7 hours a day Earns INR 25 per order. During the monsoon INR 30 extra per order Salary paid every Wednesday Tip shows on the app and is paid every Wednesday INR 500,000 insurance plan

Table 4: Zepto Experience – Ratings & Comments

Conclusion:

In our opinion, Blinkit has the best overall experience while considering key parameters such as speed of delivery, assortment, customer service and rider feedback. Blinkit has announced ambitious plans to scale pan-India from 650 dark stores today to 2,000 dark stores by the end of FY26. Its unit economics are more efficient than its peers, with every additional dark store turning contribution margin positive in two months. Blinkit's first-mover advantage coupled with its data-driven approach to dark store management has led to strong operational efficiencies.

Higher scale leads to better sourcing leverage, the benefit of which can be passed on to customers in the form of promotions and discounts. Blinkit's aggressive dark store expansion coupled with its foray into electronic goods and home appliances, which will have a multiplier effect on the average order value (AOV) in the coming years, positions it for strong growth in the foreseeable future.

While there is no pure play listed company in the quick commerce space, we are playing the Blinkit growth story through our investment in Zomato.

Blinkit TV commercial:

<https://www.youtube.com/watch?v=O6jh3Uf7Dv8>