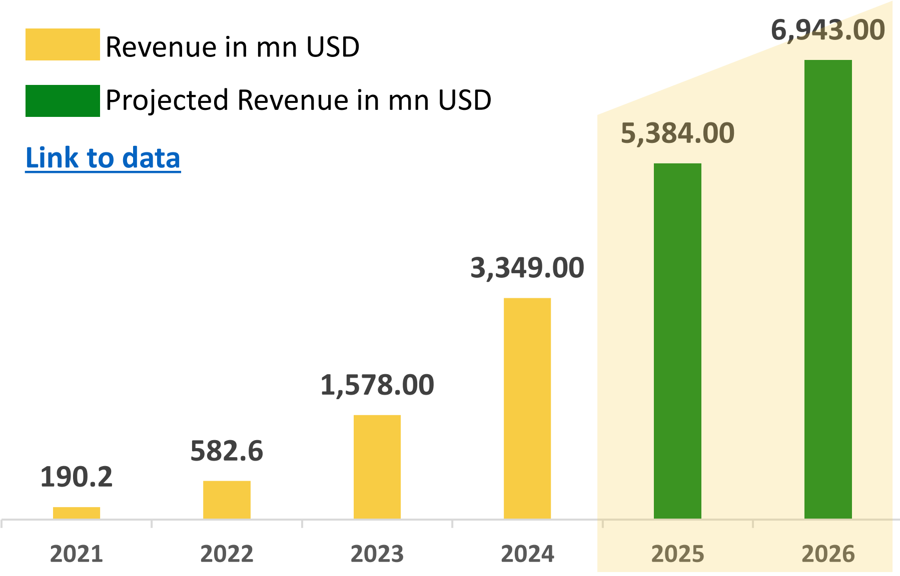
QUICK COMMERCE IN INDIA : OVERVIEW

Quick Commerce Market In India : Overview



[Link to data]

Quick Commerce market in India is forecasted to generate a revenue of **USD 3,349mn** in **2024**

Market is expected to grow at **CAGR 24.33%** to a projected revenue **$9,951mn** by **2029**

By 2029, Q-commerce users in India to reach **60mn**, with a rise in **penetration rate to 4%**

The estimated average revenue per user **(ARPU)** is to be **$127.70 by 2029**

Defining market and assumptions

In Scope

- *Online items orders where the advertised delivery time is under 3 hours which may include any packed items*

Out of Scope

- *Ready to eat meals*
- *Phone Orders*
- *Scheduled E-grocery and commerce where delivery time is more than 5 hours*

About Blinkit

Blinkit erstwhile Grofers, founded in 2013, acquired by Zomato in 2022

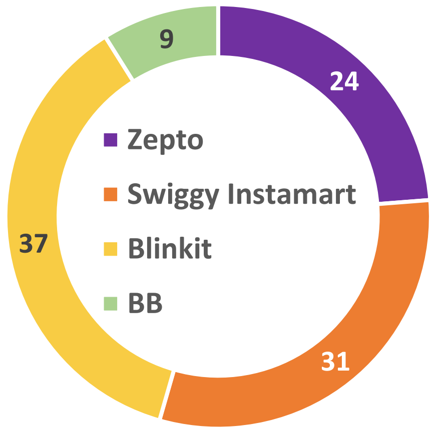
451 dark stores | 4.7 mn users/month | AOV INR 430 | 27 cities

Value Proposition
1. **Convenience** to end users
2. **Quick 10 min delivery** to end users
3. **More sales** for suppliers

Actors Involved
1. End Customers
2. Delivery Partners
3. Suppliers (Local stores, Farms, FMCG suppliers)

Revenue Sources
1. Marketplace **Commissions**
2. **Ad Revenue**
3. **Subscription** revenue from loyalty programs
4. Operations cash (Delivery fee)

Competition Landscape



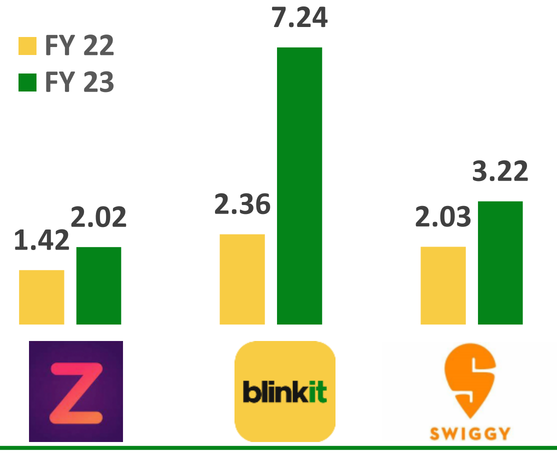
Market Share

Q-commerce is mostly dominated by **3 players**

Blinkit is **leader** with **37%** market share with **3x revenue increase** from FY 22 to FY 23

Instamart being **challenger** and Zepto being **follower**

Revenue in mn USD



Overview | User Research | Research Insights | Problem | Solutions | Solution 1 | Solution 2 | System Design | Metrices

KPI TREE AND SECONDARY RESEARCH

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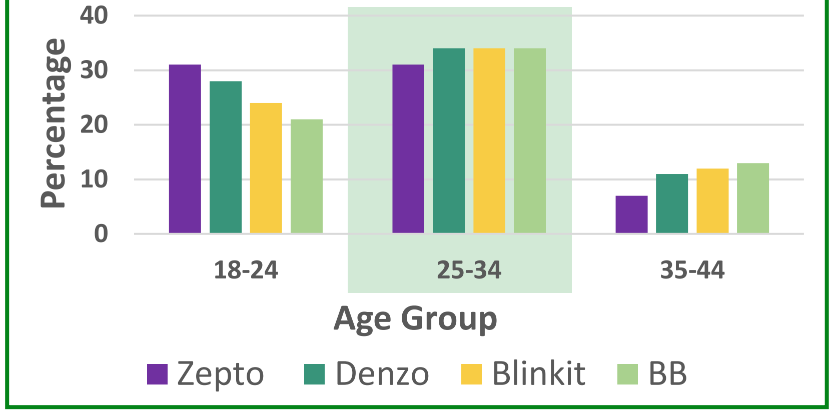
User Segment based on Age



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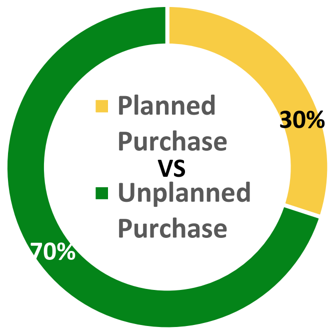


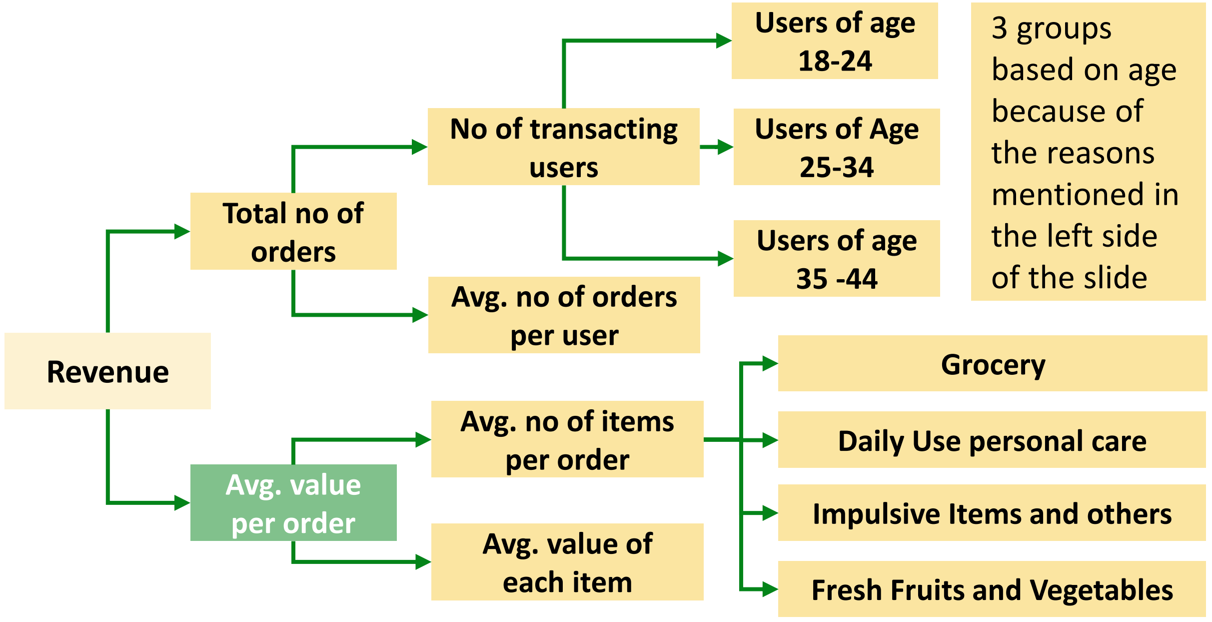
The **age group (25-34) highlighted in green** has been targeted for focused primary research –

1. **Most number of users** across all Q-commerce platforms
2. This age group is expected to be **professionally established** having **reasonable purchasing power** leading to high avg. order value for them

Q-commerce sales based on product types

1. **Dominant category** is daily **last minute essentials** like bread, butter, eggs and dairy products followed by **fruits and vegetables**
2. Only about **7% of Indians buys** fresh fruits and vegetables online, **66% prefer buying from local markets,** reasons being **trust on freshness** and **high prices**

Goal is to Increase Average Order Value for orders in Blinkit



3 groups based on age because of the reasons mentioned in the left side of the slide

Two basic principles to increase the AOV –

1. Increase the price of each item –

This can be done by making users **add expensive items** in the cart (e.g electronics, beauty etc)

Increasing the price of regular use items is not a good idea since **low switch cost** to other platform and **loyalty is low** towards a particular Q-commerce platform. This might reduce the no. of transactions

2. Increasing the number of items per order -

Probably the best way, need to understand whether end customers are willing to add more items

USER RESEARCH INSIGHTS AND USER PERSONA

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Inputs from Primary research – Survey

[Link to survey]

30+ respondents

90% residing in Tier1 /Metro

80% working professional

90% of age 25-34 years

85% depend on quick commerce for **groceries** and **other last minute needs**

AOV **400-800** INR 50% respondents

Alternatives to Q-commerce for groceries is hypermarkets for discounts and for F&V is local kirana stores due to trust on freshness

No of items **5-8 items per order** for 50% respondents

60% by **groceries and personal care** for month/week
80% buy **last minute essentials**
Only **20% buys fresh fruits** and
40% buys vegetables

Main value drivers –
Convenience and **quick delivery**

Name: Anushi K
Age|Sex: 33 - F
City: Delhi
Profession: IT Manager
Status: Married

Needs:
1. Needs to buy daily F&V for family
2. Need to buy las minute essentials (bread, eggs, dairy, specific spices)

Pain Points:
1. Busy schedule, no time to go to market for daily essentials and F&V
2. Needs to stay home with family on weekends and does not have time to go out for groceries in hypermarkets

Name: Ajay
Age|Sex: 28 - M
City: Bangalore
Profession: Consultant
Status: Single

Needs:
1. Have to buy groceries and F&V for himself
2. Need to buy daily use essential personal care (soap, shampoo, moisturiser etc)

Pain Points:
1. Busy schedule, no time to go to market
2. Forgets to order in advance
3. Poor bargaining skills with local shop owners for F&V

Inputs from Primary research – Interviews

"Mostly we **buy last minute essentials** and do **often miss out of items** that I might have ordered"

"I do not have much **trust on quality of stored F&V** and prefer local kirana stores"

"I **can buy in bulk items that I generally need** and can stock them up"

Key Learnings

1. Q-commerce is based on instant gratification
2. Planned purchases is less
3. Instant purchase of last minute essentials is mostly done, users can buy complimentary items if correctly recommended
4. Users do not take much time to explore offers, rather add products which are visible to them

DEFINING AND FRAMING THE PROBLEM

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What is the true problem

Users are not able to **see right offers** and **complimentary items at right time** which will motivate them to add more **shelf-stable items**

Users do not see any **concrete details** that will make them to **trust the freshness of perishables(F&V)**

Who are we solving it for?

1. Users in **age group (25-34)** residing in **Metro/Tier 1 cities**
2. **Working Professionals** who find it **difficult to go to hypermarkets** due to **time constraints**
3. **Professionally established** having **reasonable purchasing power**

Breaking down the problem

Users would like to buy in bulk shelf stable last minute essentials and complementary items
since they are not able to see enough offers upfront for bulk purchases and suggestions for adding complimentary items
and they do not have time to explore offers or products
so they skip adding the items and prefer to move to hypermarkets

Users would like to buy fresh fruits and vegetables
since they doubt the freshness of items coming from warehouses
and do not have an option to verify freshness
so they skip adding the items and prefer to move to local stores

Is it a real problem?

Survey results shows that **80%** of sample buys groceries from Q-commerce and **70%** of them are likely to buy more of shelf stable items
45% move to **alternatives** for discounting on bulk purchases and **65% move to alternatives** for lack of trust on perishables

Interview insights show that users might do discounted bulk purchases and add complementary items if suggested at right time, else they might miss out in the rush

Why solve this now ?

1. Q-commerce market in India is expected to grow at a **CAGR 24%**
2. **Groceries** and **F&V** almost make up to **40%** of the products sold in Q-commerce
3. Only **6% buys** F&V from Q-commerce, **66%** still **prefer local** stores
4. Steep **competition** from Zepto and Swiggy and rise of **substitutes - Scheduled E-grocery**

What is the value generated?

Value Generated for Customers
1. Users can see discounted bulk purchases and complimentary items upfront
2. Creation of trust on freshness and quality on fresh items (F&V)

Value generated for Business (Link to calculations)
1. Making users to buy more can increase revenue by **29.68%**
2. Making users to buy F&V can increase revenue by an estimated **24.73%**

PROPOSED SOLUTIONS AND PRIORITIZATION

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1. Bulk Discounting

Idea - Upfront customised discounts (based on user purchasing behaviour) will be shown upfront in the thumbnails for purchasing more SKUs

Target Category – Shelf stable items that customers use daily e.g. Personal Care (Shampoo, Body wash) , Groceries

Value Proposition – Discounts visible upfront for customers so that they can take bulk purchase decisions

2. Complimentary Items and Discounting

Idea - Recommendations based on item purchase history (bought by others) will be shown when user adds an item to cart Discounts for purchasing from recommendations will also be shown

Target Category – Daily essentials like Bread, Eggs, Dairy products and suggestions to be given around them (e.g. if user adds bread, suggest butter or Jam)

Value Proposition – Smart recommendations for complimentary items so that customers do no miss out of any last minute need

Fulfilment Source details for fresh F&V

Idea - Fulfilment source details (neighbourhood farm) details will be shown for fresh fruits and vegetables and further users can check in the profile of the farm to know more about sourced products

Target category – Fresh Fruits and Vegetables

Value Proposition – Fulfilment details like Farm name, Time of sourcing to be shown to users so that they know F&V are fresh and make purchase decisions accordingly

Solutions Link to calculations	Reach	Impact	Confidence	Efforts	RICE Score
Bulk Discounting	5	3	4	1	60
Complimentary Items and Discounting	3	5	5	1	75 Selected
Fulfilment Source details for fresh F&V	NA	NA	NA	NA	NA

As per RICE Score analysis,
Solution 2 – Complimentary Items and Discounting
should be prioritised before
Solution 1 of Bulk discounting

Solution 3 – Fulfilment Source details for fresh F&V caters to a **different problem** of trust on freshness and so should be prioritised in a different track

WIREFRAMES – DISCOUNTED PURCHASE OF BULK AND COMPLEMENTARY ITEMS

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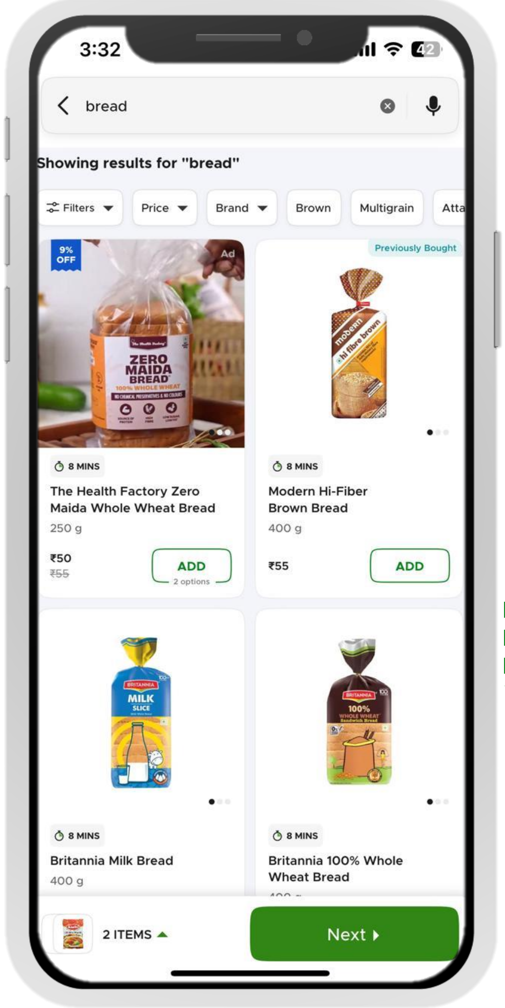
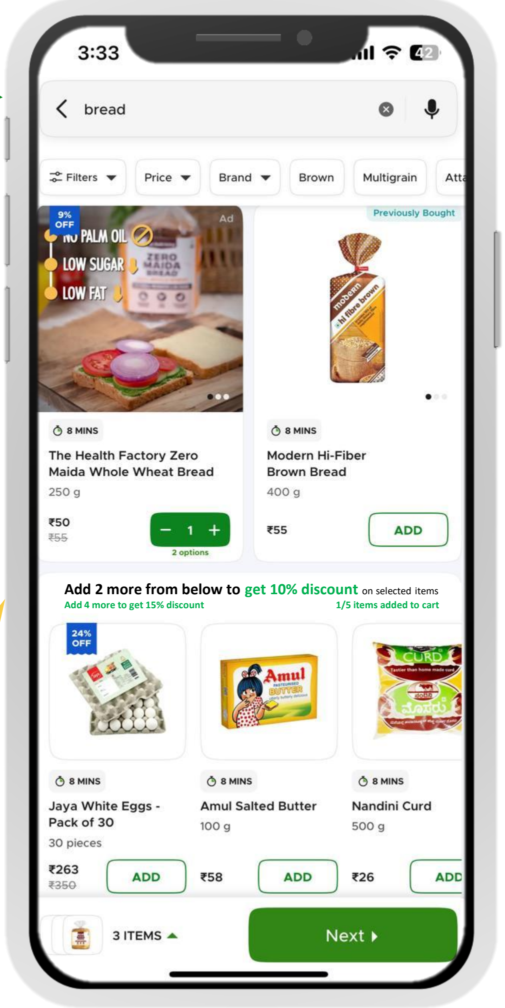
1 User opens app, searches through search box for items or clicks on category or recommendations to land on this screen



All items in the scrollable section will be complimentary items and just above that that will be a prompt showing the message about discounted pricing on buying more from the scrollable section

Solution 2

2 Once the user selects quantity on an item, just below that a horizontal scrollable section will be shown with items



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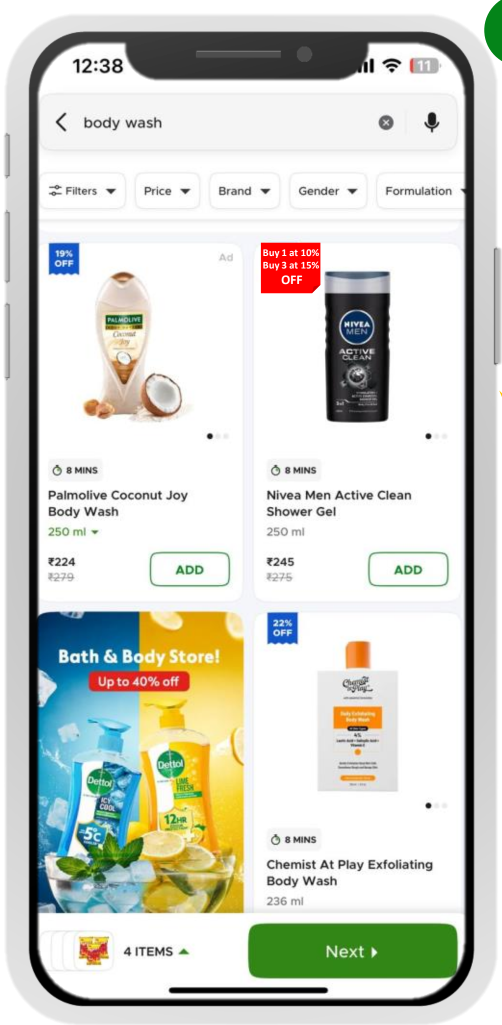

2 For each item, the user would see the bulk purchase discount on the thumbnail in red. Complimentary items section should also come up once user selects a quantity

Solution 1

WIREFRAMES – FULFILMENT DETAILS FOR FRESH F&V

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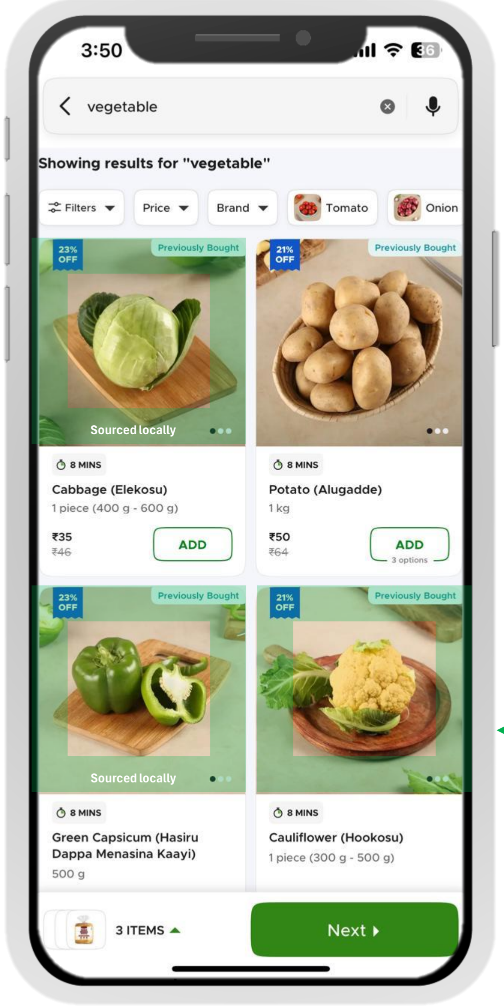
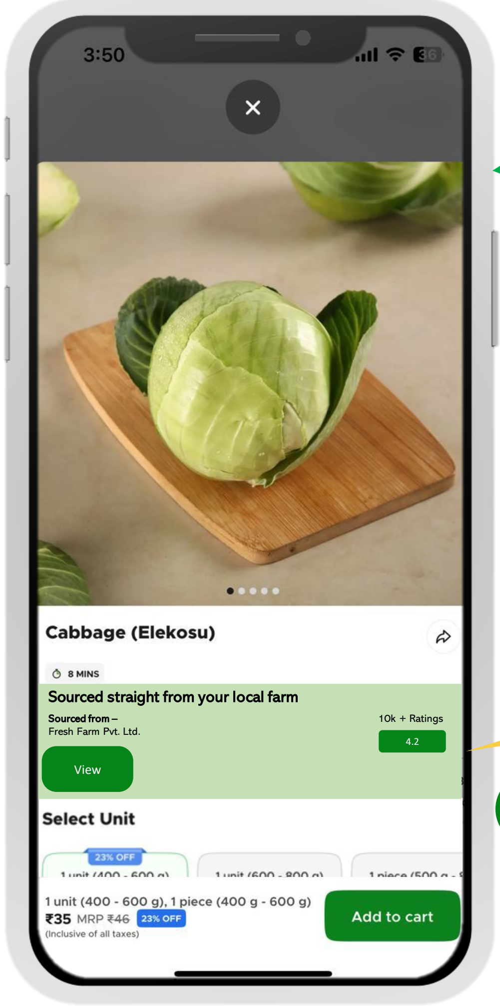
1 User opens app, searches through search box for F&V or clicks on category or recommendations to land on this screen

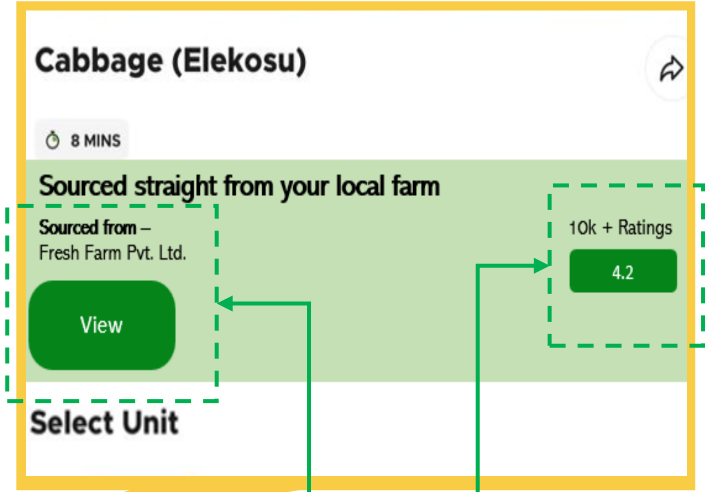
3 Clicking on the thumbnail, the user should see a pop-up which will have the sourcing details just below the image of the item in green. User can select the quantity and click add to cart

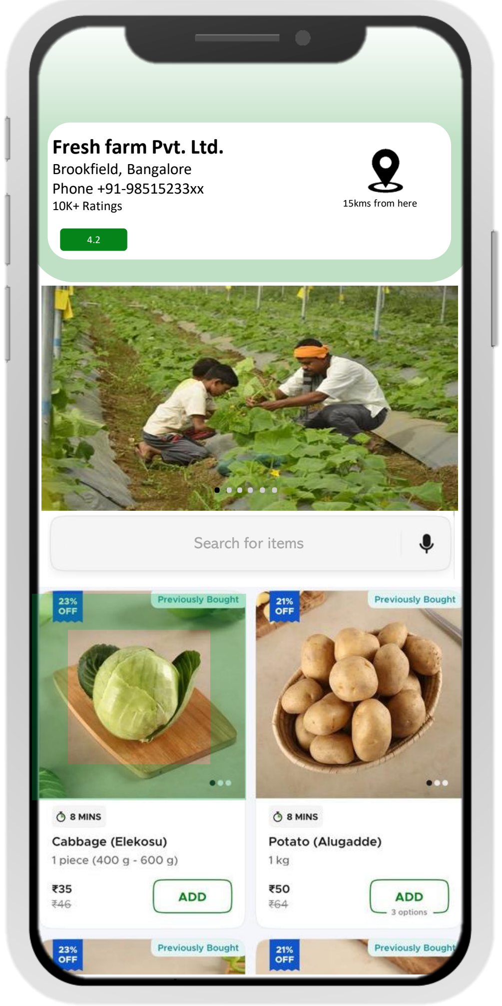
5 On click on view button, the user will land into the profile page of the supplier where name, address and ratings will be visible. Below that there would be photos / auto playable videos of the farm followed by all items sourced from the supplier



2 Here the user sees, some items are highlighted in green box and written "Sourced Locally" in the thumbnail. These are the items that has been sourced locally from a neighbourhood farm. User can directly add to cart from here







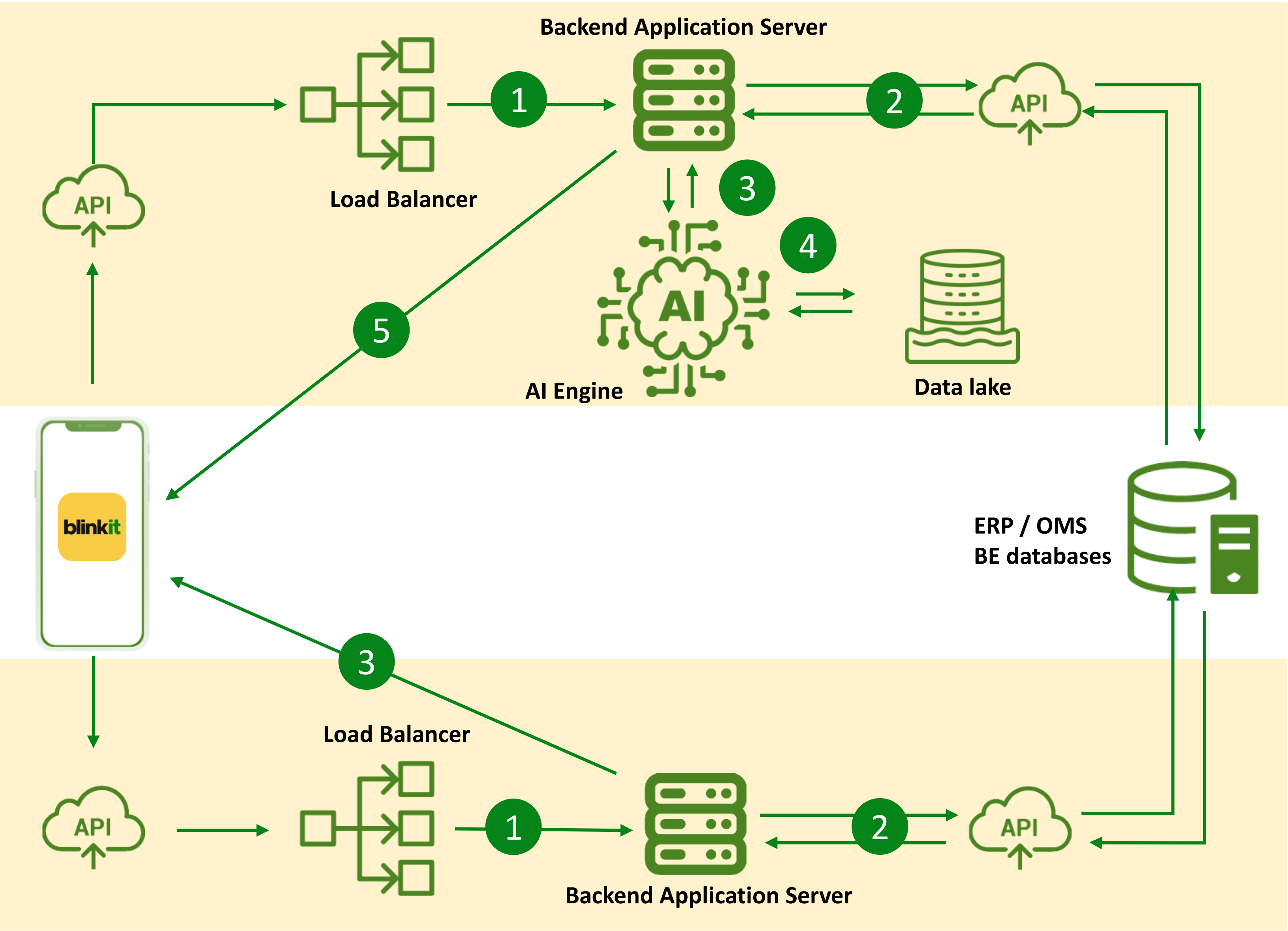
4 Name of the fulfilment farm and ratings for that farm is shown in this green highlighted section. For more details, the user can click on the 'View' button

HIGH LEVEL SYSTEM DESIGN

System Design for Solution 1 and 2 Customised discounts and recommend items

User opens, navigate through category or searches something

System Design for Solution 3 Fulfilment source details for F&V



1. Synchronous API call is made and load balancer sends it to BE application server
2. BE server checks the request and creates a call to BE ERP get details of Product/category, Price and optimal discount
3. BE server sends the customer and Item details (Price, optimal discounts) to AI engine
4. AI Engine feeds from data pool to check customer purchase behaviour and suggests customised discounts and recommends complementary items based on item purchase history and sends the details to BE application server
5. Customised discounts and recommended item details are sent to frontend by application server

1. Synchronous API call is made and load balancer sends it to BE application server
2. BE server checks the request and creates a call to BE ERP get fulfilment source details
3. BE application server sends the fulfilment source details to application server and from there it is shown in the Frontend App

METRICES, RISKS AND MITIGATIONS

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Key Performance Indices (KPIs)
Average Order Value / User
No of items /order/user

North Star Metric
#MAU using new features / Total # active users where active users are users engaging with new features

Solution	Type	Metrices	Goal
Bulk discounting	Adoption & Engagement	(#bulk discounts availed for an SKU / total #SKU's bought) for a specific item / month	To verify uptake of new features by users
Bulk discounting	Adoption	(#bulk discounts availed/ #views of the thumbnails of bulk discounts) / month	Verify change in user behaviour
Complimentary Items discounting	Adoption	#items from complementary recommendations purchased / user / month	Verify change in user behaviour
Complimentary Items discounting	Retention	(#times discounts availed on complementary recommendations) / total #complementary items bought from recommendations / user / month	To access user commitment to feature
F&V fulfilment source details	Adoption & Engagement	Avg. #Locally fulfilled items bought / month /user	Verify change in user behaviour
F&V fulfilment source details	Adoption	#users clicking on "View" fulfilment CTA on an item description popup 1st time / week	To verify uptake of new features by users
Across	Satisfaction	NPS CSAT	To access user commitment to feature

Pitfalls and mitigations

Risk - Inaccurate or irrelevant feature recommendations could frustrate users, diminishing trust in the platform & eventual disengagement

Mitigation - Continuously train and refine the AI/ML models to improve accuracy & Include feedback mechanisms for users to refine their preferences and improve

Risk - Since Q-commerce is based on instant gratification and unplanned purchases are more, many users might not be using the discounted buy in bulk feature

Mitigation – Discounted buy in bulk options should be coming in recommended complimentary items or previously bought section to initiate an unplanned purchase action from users