Quick commerce is here to stay :

B2C and D2C Consumer Products Brands Need to Act on the Changing Consumer Behavior

AN AVALON PERSPECTIVE

The 10 minutes convenience mantra has propelled quick commerce to outpace e-commerce and modern retail segments – making it the prime time for brands to pursue this channel

Three years in, quick commerce is far from losing its steam and if it were anything, the buzz has only gotten intensified. Quick commerce is currently one of the fastest-growing distribution channels in India and is expected to become a **$40 Bn industry by 2030 at a CAGR of 45% during FY23-30**[1]. By catering to a variety of categories from groceries to fashion and electronics, the industry is re-shaping retail and **blurring the lines between individual-based and family-based consumption segments**. Consumer product brands are very aware of this transformation and are increasingly participating in this channel. Mega-trends like **business process re-engineering and quick commerce partnerships** are transforming the consumer products landscape. To stay ahead, brands must harness these shifts to succeed in the quick commerce channel.

By delivering on convenience, quick commerce has captured market share from e-commerce and modern retail.

It was in the early 2000s that **traditional B2C e-commerce and modern retail channels** came into existence, and in three decades, they are expected to **reach $145 and $230 billion markets by 2030**[2] respectively. While factors like internet penetration and increase in disposable income helped their growth significantly, one cannot forget the role of the customer value propositions like accessibility and affordability that drove the adoption of these platforms . For instance, **Everyday low-price strategy** has been a key factor for their success which helped in differentiating them from their competitors, increasing customer loyalty and sales. The industry captured consumer attention across income and geographical segments by offering various products with heavy discounts.

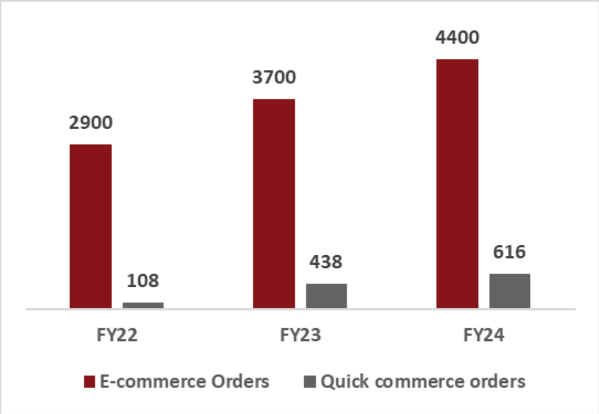
Fast forward to 2024, and we are seeing the onset of the quick commerce industry. Now we notice **customers in tier 1 cities preferring convenience in the form of quick deliveries and don't mind paying a premium for it**. By providing convenience in delivery, quick commerce platforms were able to capitalize on the tier 1 markets successfully and grow steadily over the past 3 years.

As we can notice from the below two **Exhibits**, **quick commerce outpaces e-commerce and modern retail channels' performance** across two crucial parameters; Orders volume and AOV.

Orders volume: Quick commerce saw a **138% annual growth** in order volume against **23% growth** for E-commerce during FY 22-24. Similarly, quick commerce platforms are experiencing higher growth rates in their order intake compared to modern retail channels like Trent, Aditya Birla, and D-mart.

AOV: While the AOV for e-commerce has **decreased from 1100 to 1000**, quick commerce has steadily increased its AOV from **400 to 512 over the past 3 years**. While the growth rate of quick commerce is clear, we can also notice that the modern retail channels are also experiencing a stagnating trend in their AOV growth.

Exhibit 1: Quick commerce vs. E-commerce and Modern Retail Orders Volume (Mn)



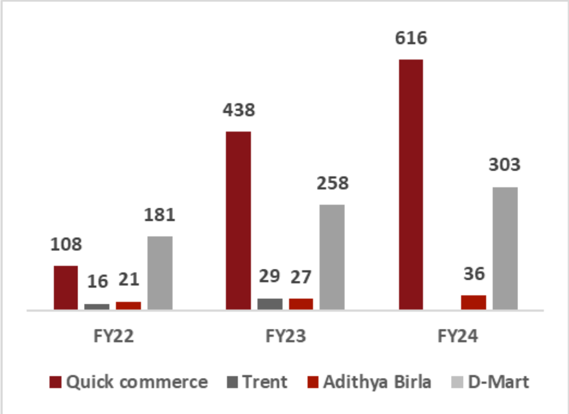
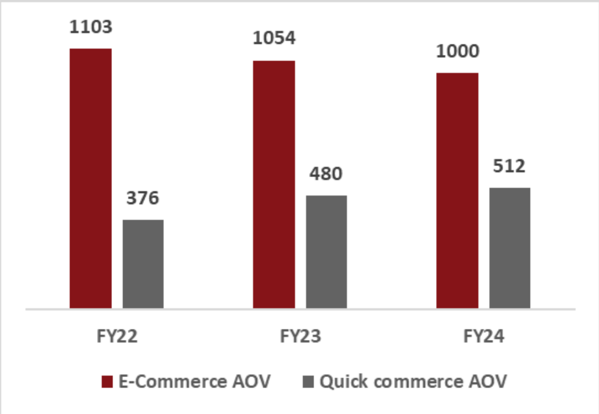


Exhibit 2: Quick commerce vs. E-commerce and Modern Retail AOV (INR)



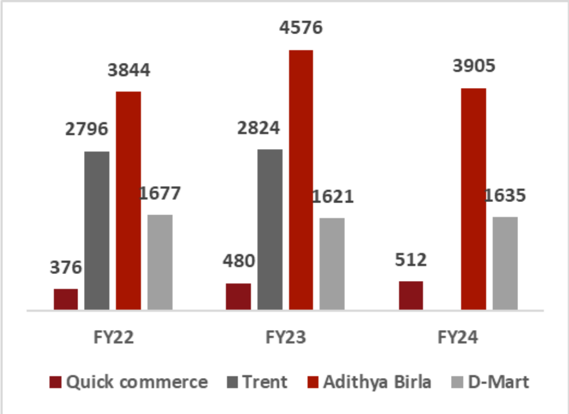
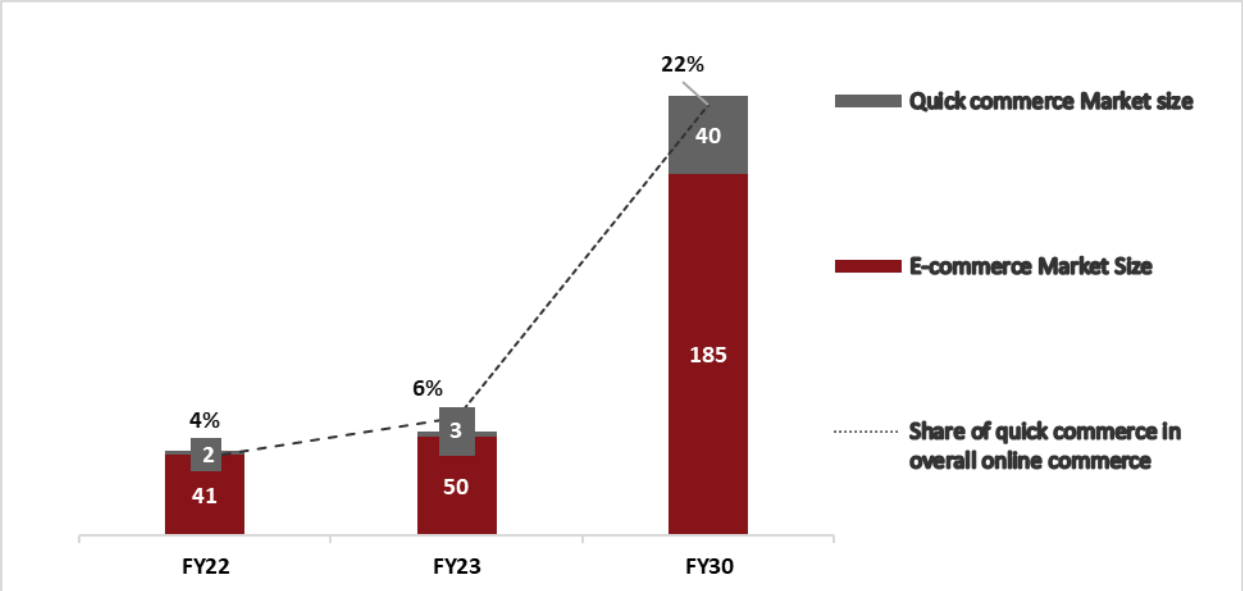


Exhibit 3: Quick commerce vs. E-commerce Market size (USD Bn)



The high growth trend showcased by quick commerce allows it to slowly capture e-commerce market share. **Exhibit 3** compares the market size growth of quick commerce and e-commerce.

Market size: Quick commerce is expected to grow at a **CAGR of 54%** compared to e-commerce, which is expected to **grow at 21% during FY 23-30**. The share of quick commerce as a percentage of online commerce is expected to grow from **4% to 30% during FY22-30**

Quick commerce adoption is increasing as customers prioritize speed and convenience over discounts, pushing businesses to rethink their distribution and product strategies

The trends show two critical learnings:

Customers are **increasingly adopting quick commerce** compared to other channels. This indicates that there is an **increasing preference quick delivery to the discount model** these traditional channels use.

While the importance of discount models cannot be forgotten, **convenience is setting up as a new scope for differentiation** for brands to stay competitive.

With changing consumer behavior and convenience becoming the new scope for differentiation, B2C / D2C consumer products brands are actively entering into the quick commerce channel. Entering these channels helps brands to get **an early advantage**; especially for those products where there is little scope of differentiation from competitors. Since products in quick commerce are sold at a higher price compared to traditional e-commerce or modern trade, brands can earn **higher margins through quick commerce**

The adoption through quick commerce is also taking place through two main approaches

Partnerships with Quick commerce platforms: Brands across various categories from FMCG, like Nestle, to electronics companies, like Boat, are increasingly adopting quick commerce models through platforms like Blinkit, Zepto, and Instamart. For example, **quick commerce contributed about 50% of Nestle's e-commerce** business during FY23[4].

Partnerships with Quick commerce logistics firms: An increasing number of logistics firms are setting up their dark store or quick commerce networks to assist brands with fast deliveries. Zippee is one such prominent player providing 90 minutes to 2-hour delivery services for small D2C brands like Epigamia, Ultrahuman and Newme.

A B2C E-commerce includes Horizontal platforms (Amazon, Flipkart), Vertical platforms (Nykaa, Myntra), D2C Brands (50%+ revenue is from online channel), Omnichannel and Social Commerce. Online commerce includes both E-Commerce and Quick Commerce.

AVALON Consulting

Cordence WORLDWIDE | Get ahead of what's next

A Call to Action: Adapt or Be Left Behind

The quick commerce race is on. With changing consumer behavior, brands must move beyond experimentation and commit to a scalable strategy. Investors must sharpen their focus on unit economics before the market matures. Those who act now will define the future of convenience.

To effectively these transformative trends, brands must start focusing on the key strategies:

Technological adoptions

Technological innovations like order management systems, delivery management systems, and demand forecasting tools are crucial for planning inventory levels and reducing pick, pack, and sort times at fulfillment centers. Leading quick commerce platforms have capitalized on such innovations to run fulfillment centers efficiently and profitably.

Improve process cycles

Brands should reduce their inventory cycles to meet the increasing demand for quick commerce. They should either build or improve their demand forecasting tools to frequently stock their products in dark stores.

Optimize quick commerce partnerships

Brands must strategically select quick commerce partners (either platforms or quick commerce logistics companies) based on assortments, geographical territories, and fulfillment terms. Brands prioritize platforms with strong category-specific demand.

Product and pricing strategy

Brands must consider the kind of product categories to offer through dark stores and their respective pricing. Brands should prioritize taking high-margin products suited for impulse buying through dark stores, and premium pricing can be tested on such channels.

Brands can no longer consider quick commerce a mere convenience; instead, it has become a competitive necessity. With evolving customer preferences, the "everyday low-price" models that e-commerce firms thrived on for almost two decades are slowly losing their competitive edge. Quick commerce appeared to be a compelling opportunity for investors to boost their margins and seize new customer interests while shifting the retail landscape. However, specific strategic execution in using technology, optimizing partnerships, and product pricing are crucial for profitable scaling. Whether for brands or investors, the message is clear: the future of retail will be delivered quicker.

Our Values

The Avalon EDGE

E — ENTREPRENUERSHIP
Enterprising ownership to transform ideas into pragmatic and profitable solutions

D — DEDICATION TO EXCELLENCE
Commitment to premier quality and highest standards in everything we do

G — GREAT VALUE CREATION
Focus on delivering maximum client impact through innovation and collaboration

E — ETHICAL APPROACH
Respect, fairness, and transparency in all our interactions

Contact Us:

Premchand Chandrasekharan I Partner
ramakrishnan.krishnaswamy@consultavalon.com
Phone: +91 98410 69590

Ramakrishnan Krishnaswamy I Vice President
ramakrishnan.krishnaswamy@consultavalon.com
Phone: +91 96000 35423

Krishnaprasad Gajaraj| Sr. Consultant
krishnaprasad.gajaraj@consultavalon.com
Phone: +91 99400 69379

Ashwath Raghavan| Intern
ashwath.raghavan@consultavalon.com
Phone: +91 91762 07599

BANGALORE
WeWork, Prestige Atlanta,
80 Feet Main Road,
Koramangala 1A Block,
Bengaluru 560034
Phone : +91 9886348187
E-mail : bangalore@consultavalon.com

CHENNAI
Spaces Olympia, Olympia Technology Park,
9th Floor, Citius Block,
1-SIDCO Industrial Estate, Guindy,
Chennai - 600 032, Tamil Nadu
Phone : +91 7305152869 / +91 7305189261
E-mail : chennai@consultavalon.com

SINGAPORE
65 Chulia Street,
#38-02/03 OCBC Centre
Singapore 049 513
Phone: +65 3138 2042
Email : admin@apex-avalon.sg

DELHI
WeWork, Eldeco Centre
Block A, Shivalik Colony,
Malviya Nagar,
New Delhi – 110017
Phone : +91 74286 24664
E-mail : delhi@consultavalon.com

MUMBAI
WeWork, Embassy 247 Park,
13B107, 13th Floor, Lal Bahadur Shastri Rd,
Gandhi Nagar, Vikhroli West,
Mumbai - 400079, Maharashtra
Phone : +91 73045 29720 / 21
E-mail : mumbai@consultavalon.com

RIYADH
E-mail : ksa@consultavalon.com

WeWork, 5th Floor Two Horizon Centre DLF,
DLF Phase 5, Gurugram,
Haryana 122002
Phone : +91 74286 24664
E-mail : delhi@consultavalon.com

WeWork, Raheja Platinum,
Sag Baug Road, off, Andheri - Kurla Rd,
Marol, Andheri East, Mumbai,
Maharashtra 400059
Phone : +91 73045 29720 / 21
E-mail : mumbai@consultavalon.com

AVALON Consulting
www.consultavalon.com