OPEN ACCESS

Manuscript ID: IJEBAMPSR-2024-010104

Volume: 1

Issue: 1

Month: October

Year: 2024

E-ISSN: 3065-9140

Submitted: 18-Aug-2024

Revised: 30-Aug-2024

Accepted: 15-Oct-2024

Published: 31-Oct-2024

DOI: 10.5281/zenodo.14231019

Address for correspondence: Manoj Kumar Sahoo, C-29 Rama Life City Sakri in front of Jain International school, Bilaspur Chhattisgarh, Pin- 495003
Email: mksahu3101@gmail.com

Drivers of Revenue Growth in the Indian Quick Commerce Industry: Analysis of Market Trends, Consumer Behavior and Competitive Strategies

Dr. Manoj Kumar Sahoo
Asst. Prof. in commerce, Govt. J. P. Verma P. G. Arts & Commerce College Bilaspur. Chhattisgarh, India.

Abstract

The Indian quick commerce (Q-commerce) industry has emerged as an important segment within broader e-commerce today. This sector is growing at a rapid pace, driven by the convenience and speed of urban consumers. In India, Blinkit, Zepto and Swiggy Instamart are new players in this sector. This industry offers a wide variety of products ranging from delivering essential groceries to electronics, beauty items and wellness items. By 2024, the Indian Q-commerce market is expected to reach a new dimension with a value of $2.8 billion. The industry continues to expand at a rapid pace due to the increasing penetration of smart-phones in the consumer market, changing consumer habits and advancements in supply chain technology.

This paper examines the current status, challenges and opportunities of the Indian Q-commerce landscape. Their challenges include high operating costs, complex workforce management and maintaining profitability amidst intense competition. Opportunities include expanding into smaller cities, leveraging technological innovations to streamline logistics and diversifying product offerings. Collaboration with local brands and FMCG companies is also a new opportunity.

This research aims to address the barriers to profitability of the industry by taking advantage of emerging market trends and establish it as an important sector in India's rapidly growing retail and logistics sector.

Keywords: *Quick Commerce, Blinkit, e-commerce, dark stores, logistics, supply chain, profitability, consumer behavior.*

Introduction:

A brief description of the development of rapid commerce industry in India is given below:

1. Early Start (2010): With the rise of e-commerce platforms in India, companies like BigBasket and Grofers introduced faster delivery options.

2. Growth phase (2016–2019): Launch of hyper-local delivery services by companies like Dunzo. The period also saw an increase in investment in technology and logistics infrastructure.

3. COVID-19 impact (2020): COVID-19 lockdowns and restrictions led to an increase in both consumer demand and new entrants into the market due to the need for immediate delivery services.

4. Expansion and diversification (2021-present): Companies like Blinkit (formerly Grofers), Zepto and Swiggy Instamart have become major players. There has now been an increase in investment, and the region is seeing significant innovation in delivery logistics and technology.

5. Current Trends: Today, the Quick Commerce industry is continuously growing in India due to technological advancements and changes in consumer behaviour.

In 2020, the estimated addressable market size of quick commerce in India was approximately 49 billion U.S. dollars.

How to Cite this Article:
Sahoo, M. K. (2024). Drivers of Revenue Growth in the Indian Quick Commerce Industry: Analysis of Market Trends, Consumer Behavior and Competitive Strategies. International Journal of Economics, Business, Accounting, Agriculture and Management Towards Paradigm Shift in Research, 1(1), 19–23. https://doi.org/10.5281/zenodo.14231019n

Table 1: Key figures on quick commerce in India in 2020 and 2025

Indicator	2020	2025
Gross merchandise value (in billion U.S. dollars)	0.1	5.3
Addressable market size (in billion U.S. dollars)	49	77
Number of addressable households(in millions)	20	26
Average market penetration within online consumables (in percent)	7	12.5

Source: Statista2024

Furthermore, the average penetration of q-commerce within the online consumables market in the country was about seven percent that year. According to forecasts, this figure would grow to 12-13 percent by 2025.

Literature Reviews:

Research shows that the Indian instant commerce sector is characterized by a focus on hyper-local delivery, which enables consumers to receive products in less time. The study by Sharma et al. (2021) emphasize that urbanization, increasing smart-phone usage and younger demographics are important in driving demand. The COVID-19 pandemic further accelerated the adoption of instant commerce, as consumers demanded convenient shopping options (Bansal & Kumar 2022). Gupta and Bansal (2019), highlighted incremental advancements in delivery logistics that laid the groundwork for accelerated commerce. Gupta (2023) provides an analysis of the business model, explaining how partnerships with local retailers enhance delivery capabilities. Mehta and Singh (2022) have discussed the importance of artificial intelligence, data analytics and mobile applications in streamlining operations and improving customer experience. Research by Patel et al (2023) highlights issues such as compliance with labor laws, data privacy concerns, and environmental sustainability. Studies by Sharma and Gupta (2023) show that convenience, speed, and product variety are the primary motivators for consumers choosing instant commerce. Additionally, brand loyalty and trust are emerging as important factors influencing repeat purchases in this region. The future of the Indian instant commerce industry appears promising, with projections indicating continued growth. Innovations such as drone delivery and autonomous vehicles are expected to further increase operational efficiency (Kumar & Rao 2024).

Research Methodology:

Descriptive and analytical method has been adopted in the research design.

The research objective is to provide a comprehensive understanding of the current status of the instant commerce industry in India.

For secondary data collection, reports from market research firms and industry publications were analyzed for data on market size, growth trends and competitive landscape.

Academic journals and case studies of leading instant commerce companies were examined to gain insight into industry practices and performance metrics.

The research methodology to study the instant commerce industry in India involves a blend of quantitative and qualitative approaches to provide a comprehensive analysis of market trends, consumer behavior and competitive dynamics. This methodology aims to provide valuable insight into the current state and future prospects of the industry.

Actual Status:

Table 2 : Revenue

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
In million USD(US$)	6.24	44.80	190.20	582.60	1578	3349	5384	6943	7886	8888	9951

Source: Statista Market Insights, July 2024

The Indian quick commerce (Q-commerce) industry is growing rapidly due to increasing demand. The market is currently dominated by major players such as Blinkit, Swiggy Instamart, Zepto and Dunzo, According to Statista report ,The Quick Commerce market in india is forcasted to generate a revenue of US $ 3349.00 m in 2024.This market is expected to exhibit a compound annual growth rate (CAGR 2024-2029) of 24.33% ,leading to a projected market volume of US $ 9,951.00m by 2029. These companies have established strong logistics networks and dark stores (small, strategically located warehouses).

Table 3: Market share of quick commerce brands across India from March 2022 to January 2024

	Zomato- Blinkit	Swiggy-Instamart	Zepto
March 2022	32	52	15
March 2023	40	36	24
January 2024	40	32	28

Source: Statista 2024

The Q-commerce platform now includes electronics, beauty products and wellness items. Large e-commerce players have established themselves as competitors to Amazon and Flipkart. The acquisition of Blinkit by Zomato has been highly successful, increasing Blinkit's valuation and its competitive edge.

Challenges in this industry include high operating costs due to the high rent of dark stores, complexity of workforce management and inventory. But recovering days are upon us, as companies like Zepto plan to significantly expand their operations in the coming years.

Several key market trends are shaping the growth of the quick commerce industry:

1. Increase in investment in technology: Companies are investing heavily in innovative technologies to upgrade logistics, inventory management and customer service.
2. Expansion of delivery network: These companies are rapidly expanding their delivery networks, including dark stores and micro-fulfillment centers, to reduce delivery time and increase geographic coverage.
3. Integration of strategies: Many quick commerce companies are integrating online and offline channels to provide a seamless shopping experience.
4. Focus on sustainability: Driven by consumer demand for responsible environmental solutions, there is a growing emphasis on eco-friendly practices, including sustainable packaging and electric delivery vehicles.
5. Rise of Subscription Model: Subscription-based services provide regular delivery of essential items to customers at discounted rates, building customer loyalty and increasing recurring revenues.
6. Personalization and customer experience: Companies leverage data analytics and customer insights to provide tailored recommendations and promotions.
7. Increase in competition and market saturation: Increased competition has led to consolidation and strategic partnerships with many startups and established players coming forward to vie for market share.
8. Regulatory and Compliance Challenges: The industry also needs to navigate complex compliance requirements related to data privacy, labor laws and environmental regulations as it grows.

Challenges:

1. High operating costs: Quick commerce relies heavily on dark stores with high rental costs for fast delivery. Maintaining these stores, maintaining adequate inventory and managing logistics along with the workforce required to meet quick delivery expectations further adds to the operating expenses.
2. Profitability issues: Balancing speed with low profit margins and cost-effectiveness remains a significant challenge. Companies are under constant pressure to maintain competitive pricing.
3. Workforce Management: There are also challenges related to labor management. The low wages and difficult working conditions of delivery personnel make it difficult to create workforce stability.
4. Regulatory and safety concerns: The emphasis on fast delivery in urban traffic conditions raises concerns over the safety of delivery personnel.
5. Intense Competition: The sector is filled with players like Blinkit, Swiggy Instamart, Zepto and Dunzo as well as potential new entrants like Amazon and Flipkart. The competition to gain market share increases the pressure on these companies.

Opportunity:

Table 4 : Rise of quick commerce in India

According to IBEF India Brand Equity Foundation

Quick Commerce GMV (US$ billion)

Year	2019	2020	2021	2022	2023
GMV (US$ billion)	0.04	0.1	0.2	1.6	2.3

Source: Red Seer

1. Growing consumer demand: The expansion of the industry beyond groceries to include categories such as electronics, beauty and wellness as the urban consumer demands instant commerce offers significant growth potential.
2. Technological Innovation: The use of advanced data analytics, AI and machine learning to streamline the market today provides companies with an opportunity to increase operational efficiency.
3. Expanding into new categories: Quick commerce platforms are tapping into new areas beyond groceries, such as high-demand categories like beauty products, consumer electronics and home decor. It provides opportunity for diversification.
4. Untapped Tier-2 and Tier-3 cities: Apart from major metro cities, there is significant potential for expansion in smaller cities and towns. As Internet penetration and disposable incomes increase, companies can meet the emerging demand for convenience and quick delivery.
5. Collaboration with FMCG and local brands: Instant commerce platforms can create partnerships with FMCG companies and local brands. This can help traditional brands compete with emerging brands.

While the Indian quick commerce industry is poised for growth with significant opportunities in technology and market expansion, it will also have to address profitability challenges.

Table 5 : Market size of e-commerce industry across India from 2014 to 2024, with forecasts until 2030

Year	2014	2015	2017	2018	2020	2021	2022	2023	2024	2025	2026	2030
(in billion U.S. dollars	14	20	39	21.9	30	67	84	102	123	145	163	300

Source: Statista2024

According to Statista 2024, owing to the increasing internet user base and favourable market conditions, India has a lot of potential in the e-commerce industry. Growing at an exponential rate, the market value of the e-commerce industry in India was 123 billion U.S. dollars in 2024.This number was estimated to reach 300 billion U.S. dollars by 2030.

Case Study: Indian Instant Commerce Industry

1. Overview of Quick Commerce in India:

Quick commerce (Q-commerce) refers to the rapid delivery of goods to consumers. This model is primarily designed to meet the growing consumer demand especially for groceries and daily essentials.

In India, Q-commerce has seen tremendous growth, especially during and after the COVID-19 pandemic, as consumer preferences have shifted more towards home delivery. This area is an extension of the traditional e-commerce model.

2. Market Size and Growth:

The Q-commerce market in India is projected to grow rapidly due to the increase in urban population, middle class, increase in internet penetration and increase in the number of mobile subscribers.

The industry is projected to grow at a compound annual growth rate (CAGR) of 24-30%, with many companies in metro cities investing heavily in building hyper-local logistics networks.

3. Major players in the Indian Q-commerce industry:

Several companies have emerged as leading players in India's Q-commerce sector with innovative strategies:

Blinkit (formerly Grofers): Blinkit focuses on a Q-commerce model, delivering groceries and other essentials within 10-15 minutes across several large Indian cities.

Swiggy Instamart: Swiggy's grocery delivery service offers delivery in 15-30 minutes for essential items through its hyper-local dark stores.

Zepto: Zepto offers 10-minute delivery windows for grocery and daily essential products, focusing exclusively on Q-commerce.

BigBasket BB Now: BigBasket, a Tata Group subsidiary, has focused on Q-commerce for ultra-fast delivery in metro cities.

Dunzo: It also entered the Q-commerce segment, focusing on essential goods and convenience through an on-demand delivery model.

These companies mainly operate in metro cities like Delhi, Mumbai, Bangalore, Hyderabad and Pune.

4. Business Model:

Most Q-commerce players adopt a hyper-local, dark-store business model. Dark stores are small warehouses or fulfillment centers located in densely populated urban areas, enabling them to fulfill orders faster. These fulfillment centers mainly stock groceries and daily essentials.

Additionally, the following elements define the Q-commerce business model:

Note the small basket size: even orders of a few items are delivered quickly to meet the immediate needs of the consumer.

Technology-driven: Players leverage advanced AI-powered algorithms for demand forecasting, real-time inventory management, route optimization and last-mile delivery tracking.

Subscription Model: Some Q commerce model platforms offer subscription services for free or discounted delivery to promote customer loyalty.

5. Major Challenges:

The Q-commerce model faces several challenges:

High operating costs: There are significant operating expenses due to the need for dark stores, inventory, and last-mile delivery logistics.

Competition and Price Sensitivity: With the Indian consumer being highly price-sensitive, businesses often engage in heavy discounting in the face of intense competition, thereby impacting profitability.

Logistics and Scalability: Instant commerce requires a strong logistics network, including last-mile delivery partners. Expanding into Tier 2 and Tier 3 cities can be challenging.

Regulatory Barriers: Delivery riders have to comply with labor regulatory practices as they work in challenging conditions.

6. Opportunity:

There are many opportunities for Q-commerce players in India:

Untapped market in smaller cities: As internet penetration and smart-phone usage is increasing in Tier 2 and Tier 3 cities in India, the opportunity is also increasing.

Partnership with local retailers: Collaborating with local grocery stores can help these platforms expand their reach while reducing operating costs.

Value-added services: Providing subscription services, product selection, or personalized customer experiences can help Q-commerce companies build brand loyalty and increase customer retention.

7. Future Perspective:

The Indian Q-commerce industry is likely to see continued growth and innovation. Companies will focus on optimizing costs, improving operational efficiency and expanding into new cities and product categories. Additionally, investments in AI and automation will play a key role in shaping the future of the industry.

Table 6 : Revenue growth of quick commerce across in India in financial year 2023, by brand

Brand	Zepto	Dunzo Daily	Blinkit	Swiggy Instamart	BigBasket
Revenue Growth percentage	1139%	317%	207%	58%	5%

Source: Statista 2024

Conclusion:

The Indian Quick commerce industry is in its growth phase, driven by changing consumer behaviour, technological advancements and urbanization. Although the sector faces profitability challenges and high operating costs, the demand for faster delivery of essential goods, coupled with potential expansion into new markets, offers opportunities for long-term success.

The Quick commerce industry focuses on delivering goods to consumers in a short time frame. This sector mainly caters to immediate and everyday needs including groceries, household goods and other essential items. Major player companies often include specialized delivery platforms and apps that partner with local stores and warehouses to streamline and speed up the fulfillment process.

The industry emphasizes advances in logistics, technology, and data analytics to optimize delivery routes and manage inventory efficiently. As consumer expectations for faster service continue to grow, instant commerce continues to evolve, offering fast and convenient solutions.

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