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TECHNOLOGY & E-COMMERCE

Quick Commerce: Suggestions for Players to Sustain & Grow in India



Q-commerce firms must use mobile apps benchmarked for fast order completion.

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Quick commerce firms promise door delivery within ten to thirty minutes of placing orders. While customers like quick service, all major players in this space are losing money with losses covered by their offline business or by venture capital. Can q-commerce be profitable and sustainable? Yes, if they (a) choose the right product mix and (b) choose the right customers.

While it is obvious that all products are not suitable for quick delivery, it is not so obvious which products are most suitable. Choosing to deliver products based on what most customers demand in quick service, will result in a loss – as observed by last-mile players worldwide. Q-commerce requires door delivery from dark stores without any consolidation of orders. Every delivery (with only one parcel being carried) should make enough margin so that the full cost of the delivery person's journey both ways from the dark store to the delivery door is covered.

As most customers in India are price sensitive to delivery fees, charging a high delivery fee to fully cover the average cost of q-commerce deliveries is not a feasible option. With nominal delivery fees, the best option is to offer higher margin products with minimum order size so that there is sufficient margin to recover the delivery cost as well as make reasonable profits.

Q-commerce firms have been investing in technology to optimize logistic operations, but shaving minutes of the average delivery time can do no good if lower-margin products are added to the product mix. Another issue is adding bulky products that occupy more space in a small dark store. Q-commerce companies should ruthlessly remove all low-margin products and bulky products, even if they have high demand. Only high-margin products that are in good demand should be added. The logic of running an offline store does not apply to q-commerce.

While customers value quick delivery, it is not the only factor that matters to them. Those with a genuine need for urgent delivery are looking at the total time involved, including the time taken to place their order. There is no point in the delivery being fast if the customer's ordering process was slowed down by a poor phone

application design or a slow payment process. Q-commerce firms must use mobile apps benchmarked for fast order completion. Live tracking of order delivery and quick replacements of damaged items are essential. Local language support and chat options can add to the comfort factor for their customers in a hurry.

Some customers may be opting for quick delivery as it is the only option available, even though they may have no genuine need for urgent delivery. This means that the high cost incurred by the q-commerce firm to deliver quickly is being wasted on customers who could have opted for a slower delivery if available. One way to tackle this is for the quick commerce firm to create a separate channel with a larger product mix available with only evening or next-day delivery options available at a lower delivery fee due to order consolidation. Q-commerce firms can also redirect customers to partner retailers offering such options instead of creating their own channels. Another option is offering non-quick delivery for free – retail staff can place the parcel at an offline retail store delivery window for the customer or a delivery service executive to pick it up at their convenience. After an initial trial run across all options, only those customers who genuinely need an urgent delivery will opt for

the q-commerce delivery option that has a higher delivery fee with a limited and more expensive product mix choice.

Delivering standard groceries quickly to lazy or forgetful customers who had missed buying those items on their last shopping trip can never be profitable. Q-commerce firms have to choose the right customers to serve – they should serve those who value quick delivery and have a higher willingness to pay for it. In the future, the q-commerce firms most likely to succeed and grow are those that have not yet been created. These will be the specialized q-commerce firms that deliver a very limited range of small-sized high-quality high-margin products that are in high demand. They will pick up and door delivers such products from typically single-person operated small stores with a very low pick-up waiting time. The product range offered is characterized by impulse purchases and the experience of an immediate delivery is memorable enough to make it into a habit. The willingness to pay for door delivery is therefore likely to be higher. The strong resemblance of this description to the Banarasi pan shop in your locality delivering pan to your house is deliberate! There are many

businesses with similar characteristics that will benefit customers with a quick commerce delivery layer.