

2026 and Beyond: Will the Quick Commerce Model Be Sustainable?

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ABSTRACT

Quick commerce offers a limited selection of grocery products that can be ordered by customers in the quantities that they need or desire, with a delivery fee being charged. It promises to deliver small quantities of grocery items to customers on demand within a stipulated time limit of 30 minutes to 1 hour. Consumers who do not wish to stock inventories of grocery items can opt for the quick commerce model. However, delivery charges can be steep, as this is what will earn revenues for customers. In other online grocery services models, customers are incentivised through discounts and offers to buy larger volumes of grocery items—in most cases, delivery charges are minimal or waived off. Grocery suppliers get grocery items in bulk at attractive prices, and they sell these to consumers with an appropriate pricing strategy suited to take care of their margins. However, quick commerce services have to provide consumers with the grocery items in the quantity that they need or demand. Volume selling then becomes a challenge. But in terms of convenience and speed of delivery, quick commerce presents an attractive value proposition for time-starved consumers who value the convenience of receiving the grocery items that they wish to order at a time that suits them. Now that quick commerce firms offer a wide assortment of grocery and non-grocery products, they have managed to lure customers with this value proposition. This research investigates whether the quick commerce business model has the bandwidth to sustain in the long run.

Keywords: E-Grocery, Loyalty, Online grocery, Quick commerce.

INTRODUCTION

2017 can be considered the year when online shopping reached an inflexion point. Smartphone technology has developed by leaps and bounds. Smartphone penetration reached 80% worldwide. Between March 2020 and April 2020, in the US, e-commerce sales increased to 49%. This increase was led by online grocery with a 110% boost in daily sales. The pandemic has played no small role in expanding the business footprint of online grocery retail. In the US, many offline retailers were forced to embrace the online channel due to COVID-19.

Amazon Go is an example of a hybrid omnichannel shop where online shopping is combined with physical storefronts. Consumers' online purchasing habits are tracked. Groceries can be picked up at a physical store while returning home from the office.

Quick Commerce Business Models

Players who deliver groceries online employ four primary business models

1. **Goods Model:** Orders are processed and shipped from warehouses with inventory that e-commerce companies buy and sell (Big Basket, Blinkit, Amazon).
2. **Hyperlocal Model** (Dunzo, Swiggy Instamart): Delivery partners pick up orders from nearby physical stores to do last-mile deliveries.
3. **Multi-vendor Marketplace Model:** Orders are routed to nearby physical retailers who then employ their own employees to make local deliveries.
4. **Swiggy Instamart's Hybrid Model:** Combines the inventory and hyperlocal delivery formats to complete orders in 30 minutes.

Quick commerce business models can be further segmented as:

- **Vertically integrated models** – Start-ups like Blink It and Zepto manage end-to-end delivery of groceries—right from stocking inventory in their own dark stores to facilitating efficient pick-up and delivery of grocery items within 10-30 minutes. Speed and convenience are the unique selling propositions.
- **Third-party delivery platforms** – Swiggy, Instamart and Dunzo collect and deliver products from third-party retailers to buyers. The time window varies from 30 minutes to hours. These platforms provide a wider choice of grocery items for consumers as they can access the grocery items from various retailers. In fact, at one point in time, Dunzo, which was a vanilla delivery firm, started stocking grocery items in its micro fulfilment centre.
- **Direct to Customer Quick Commerce** – D2C companies tie up with instant delivery providers who use fulfilment centres to deliver goods.

Generally, delivery periods in traditional e-commerce vary from 2 to 4 days. Inventory is stocked in warehouses, and a wide variety of products are available. Delivery is typically clustered based on location and completed using large vehicles. Customers are enticed to

purchase additional volumes through offers and discounts.

In quick commerce, the delivery period ranges from 10 minutes to 1 hour, although the 10-minute delivery promise is increasingly appearing unviable. *The Economic Times* reported on 24th January 2023 that Zomato had abandoned its plans to scale up the 10-minute food delivery format it had piloted. Some grocery players have established threshold limits for delivery charges—for example, orders of ₹100 and above may not incur any delivery fees. However, this incentive varies from one grocery supplier to another.

GLOBAL HISTORY OF ONLINE GROCERY RETAIL

In 1984, in Gateshead, England, a 72-year-old grandmother named Jane Snowball ordered margarine, cornflakes and eggs using her television remote. Michael Aldrich invented the Videotex system that was used by Snowball. Aldrich turned her TV into a computer terminal. The Videotex technology was used to generate a shopping list on the TV screen, and the order was communicated to the local Tesco store. The goods were delivered door-to-door. This was conceived as a service for the elderly and the disadvantaged. The system relied on the development of a closed network of computers.

Globalisation in the mid-1990s proved to be a game-changer for e-commerce. Scaling up of production and sale of products at different price tiers became a distinct possibility. Consumers could, thanks to the Internet, search for goods at price ranges that they desired. Evaluation of price to value ratio was the added benefit for consumers.

A massive shift in consumer behaviour was what sowed the seeds for the growth of E-commerce across the globe. Online shopping made democratic consumption an easier affair.

In 1994, Pizza Hut started selling pizzas online through the Pizza Net portal (a flat, grey website). In the same year, a computer whiz kid called Daniel M Kohn (aged 21) set up an online marketplace called Net Market. The first online purchase was Sting's Ten Summoner's Tales on CD, bought from Net Market for £10 (1994). Amazon was launched in 1994, followed by eBay in 1995.

Webvan, an online grocery firm, was launched in California in 1996. In 1997, Homegrocer.com was the first online supermarket player (Washington). By mid-2000, sales reached over \$1 million a day. The firm was able to achieve scale through rapid expansion in other areas in the USA. HomeGrocer.com, which was losing money, sold up to Webvan in September 2000. Webvan filed for bankruptcy in July 2001 (the brand was later bought by Amazon). Rakuten, Japan's biggest e-commerce site, was launched in 1997. China's Alibaba was launched in 1999.

In the 1990s, customers started ordering products online. Early movers in the online grocery space were technology companies that used their knowledge of coding and systems. The first successful online grocery store that has sustained is Ocado, founded in England in 2000. Ocado partnered with Waitrose, a supermarket and reached 10 million households by 2005. Online channels experienced initial bottlenecks, such as challenges in making online payments and customers' perception of loss of privacy. The

attractive features of shopping online were convenience, opportunities for customization and cost savings.

HISTORY OF ONLINE GROCERY RETAIL IN INDIA

In 1999, Hari Menon, Abhinay Choudhari, Vipul Parekh, VS Sudhakar and VS Ramesh launched an online retail website called Fabmart. Despite its failure, the team launched another venture. This was a chain of physical grocery stores called "Fabmall". This was later merged with another grocery retail chain called 'Trinethra'. The stores had presence in the Southern states of Andhra Pradesh, Kerala, Tamil Nadu and Karnataka. The entire chain of stores was then sold to Aditya Birla Group. Big Basket was launched by the team in December 2011.

Zop Now had launched an online grocery store in India in 2011. It was founded by Mukesh Singh and Bal Krishna Birla. It pivoted from the inventory model to a pure play model in 2014. The assets of the company were sold to More Stores before it was acquired jointly by Samara and Amazon in September 2018. The start-up was unable to grow due to its inability to raise capital. It shut down its operations in 2019. Other online grocery retailers that shut shop were Peppertap and Local Banya.

In India, where only 0.15% of Indians (2 million out of 1.35 billion) currently shop through online channels, the online grocery market is expected to grow at a high CAGR of 68.66% to reach a value of Rs 1034 billion by 2023. This growth will be primarily driven by user-friendly technology, easy access and reach.

Delivery speed is crucial for customer engagement, but this does not mean that offerings to customers or the customer value proposition can be compromised. Collaboration of online grocers with local kirana shops will help meet consumer demand with greater agility.

An increase in demand for remote storage facilities and fulfilment centres is a clear indication of the prospects for the online grocery retail sector. The next wave of value growth will emerge from Tier-II cities in India, with rural demand expected to drive volumes. Convenience has now become the hygiene factor in online grocery retail, and leveraging the power of digitisation is the logical next step.

GLOBAL PERSPECTIVES ON QUICK COMMERCE

The European Landscape: Rise and Challenges

The rapid emergence of quick commerce for grocery delivery has fundamentally reshaped the retail landscape in Europe. As explored in a master's thesis by Tim Reif (2022), this business model is defined by the delivery of goods in under 30 minutes from centrally located "dark stores" using e-bikes or scooters. The research provides a comprehensive analysis of how super-fast delivery services operate, examining the roles of various stakeholders, including location strategists, warehouse operators, product partners, suppliers, technology providers, customers, and employees. Using a multiple case study approach, the thesis analyses three European players: Getir (United Kingdom), Gorillas (Germany), and Stash (Switzerland). The methodology combines literature review, market data analysis, and expert interviews with

company founders to understand the operational, financial, and competitive dynamics of this emerging retail sector that emerged rapidly during the COVID-19 pandemic.

The research concludes that while q-commerce has solved several consumer problems—eliminating delivery slots, enabling spontaneous purchases, and providing ultra-fast delivery—the business model faces significant profitability challenges. Financial calculations reveal that operational costs, particularly individual deliveries and small basket sizes, make profitability difficult despite generous investor funding exceeding \$14 billion globally. The study finds that consolidation is inevitable as companies with similar unique selling points compete intensely in major cities. Established retailers have responded through various strategies: partnerships (REWE with Flink, Tesco with Gorillas), developing their own quick delivery services (Migros' heymigrolino, Valora's avecnow), or focusing on traditional e-commerce solutions. The thesis suggests that for long-term sustainability, q-commerce companies must adapt by bundling deliveries, increasing basket values through premium products, developing private labels, and potentially slowing delivery times to improve efficiency (Reif, 2022).

Further contextualising this phenomenon, a report by Roland Berger (2022) examines the rise of q-commerce and its long-term implications for the retail industry. The research investigates whether q-commerce represents a sustainable business model or merely a cash-burning venture, drawing on a survey of over 6,000 consumers in Germany, France, and the United Kingdom. The study analyses market

potential, consumer preferences, and the operational economics of q-commerce, while exploring how omnichannel retailers can integrate this new channel without cannibalising their existing bricks-and-mortar and e-commerce operations. The report evaluates two primary strategies for retailers: partnering with existing q-commerce providers or building proprietary delivery capabilities.

The research concludes that while q-commerce addresses genuine consumer demand for convenience—particularly for spontaneous, urgent, and emotional purchases—the business model faces significant profitability challenges exacerbated by macroeconomic pressures. Marketing costs can consume up to 30 per cent of revenues, and delivery fees rarely cover actual fulfilment expenses. However, the report finds that q-commerce is here to stay and will permanently reshape consumer expectations, forcing convenience stores to upgrade services and traditional e-commerce to accelerate delivery times. The authors project market consolidation, with only the most efficient players surviving, and recommend that retailers prioritise omnichannel integration, personalisation, and operational efficiency. For most multichannel retailers, partnering with established q-commerce platforms offers advantages, including reduced capital expenditure, shared risk, and access to specialised expertise (Roland Berger, 2022).

European Market Consolidation and Player Exits

Several international online last-mile delivery players have been unable to make this business profitable as quickly as commerce is a cash-guzzling business. Getir, Gorillas and Zapp have

reduced their capital investment. Thirty companies were competing in the quick commerce business in Europe as of September 2021, but many have been seeking consolidation. GoPuff bought Britain's Fancy and Dija. Turkish start-up Getir acquired London-based Weezy. Send, an instant grocery business in Australia, had to shut down operations when money ran out. DoorDash, a US-based quick commerce player, and Germany's Delivery Hero have faced challenges in sustaining operations. US player GoPuff had to shelve its IPO plans.

After 6 months of service, German grocery provider Delivery Hero decided to exit its own quick commerce service. One of the reasons for this move is that the sector ceased to be attractive to them. The second reason was that Delivery Hero had invested in Gorillas in late 2021, and this may have triggered the decision to move out of quick commerce. Gorillas is a grocery player that also has a presence in the quick commerce market. Turkish player Getir is also on an acquisition spree. US quick commerce player Go Puff had acquired quick commerce companies in Europe. The result of this consolidation is that competition is growing between the large players (Reif, 2022).

ASIAN MARKET INNOVATIONS

Pandamart and HKTV Mall in Hong Kong invested in digital technologies to enable quick commerce. This digital transformation has been driven by social factors (changes in demographics, changes in consumer behaviour), technological factors and economic factors (cost savings, revenue generation) (Huang & Yen, 2021). Pandamart used the same infrastructure and operating system in Hong Kong as Foodpanda. It also benefited from Delivery

Hero's technological expertise. Pandamart used Foodpanda's delivery team to rationalise costs (Huang & Yen, 2021).

Pandamart uses data analytics to recommend grocery products to customers even before the latter can make purchase decisions. Additional revenues are generated through affiliate marketing and cross-selling. Personalised recommendations, different payment options, images of products, personalization and convenient reorder facilities have increased the ordering frequency of grocery items on Pandamart. Even though rental costs are higher, Pandamart has set up dark stores closer to customers to reach more customers in a shorter time (Huang & Yen, 2021).

HKTV mall uses robotics in warehouses to manage inventory. Pandamart has a system called "Hurrier" developed by its parent company, Delivery Hero. This software helps in improving delivery operations but also enables efficient forecasting of supply and demand. An increase in orders benefits quick commerce operations due to economies of scale. Pandamart also has a rider scheduling tool to balance supply and demand using big data analytics (Huang & Yen, 2021).

THE INDIAN QUICK COMMERCE MARKET

India's quick commerce market is exploding due to the following reasons:

1. Start-ups are entering the fray with investors providing the funds, leading to stiff competition in the market
2. Rapid urbanisation of societies and busy lifestyles

3. The pace of growth in digital commerce has increased after Covid-19 pandemic
4. Growth in internet penetration, cheaper data and evolution of smartphone technology
5. Increase in the discretionary spending among the middle- and higher-income groups
6. Consumers' need for the convenience of placing orders for groceries from the comfort of their homes and getting them delivered to their doorsteps.
7. As per the McKinsey Report (2022), India has half a billion Internet subscribers. Digital adoption in India has redefined access to information and choices for households.
8. Online grocery services provide the following benefits:
9. Availability of a customised assortment of SKUs
10. Comparison of prices across multiple platforms
11. Convenience of doorstep deliveries of groceries

These choices influence buyer behaviour and their interactions with brands and different channels.

In 2022, the market for online groceries across the globe increased 37% year on year. India's grocery market is worth \$620 billion. In India, the growth of grocery retail is polarised between urban and rural India. As per a report by Red Seer Consultancy, kirana stores in India account for 95% of India's grocery market. Supermarkets still account for only 4%. Roughly 2/3rds of India's 1.3 billion people live in rural areas. These statistics point out that the growth of quick commerce has been at the expense of the neighbourhood kirana stores in India.

The overall revenue opportunity for a product or service, given a 100% market share, is the total addressable market. As per Statista, the estimated addressable market size of quick commerce is approximately \$49 billion. A 2022 Red Seer Consulting Report claims that the total addressable market for quick commerce in India is \$45 billion. Quick commerce has immense potential and is slated to touch \$5 billion by 2025 (it was \$0.3 billion in 2021). Q-commerce is expected to reach a global market size of around Euro 448 billion by 2030 (Lange, 2020). JioMart from Reliance, Bigbasket from Tata, Amazon Fresh from Amazon, Flipkart Supermart from Walmart, Swiggy Instamart from Swiggy, Blinkit from Zomato, Nature's Basket from Spencer, DMart Ready from DMart, Dunzo, and Zepto are some of the major Q-commerce players in India who promise to deliver necessary groceries within 10 to 30 minutes (now extended to 60 minutes).

Swiggy has a loyalty program called Swiggy One that offers free delivery for both food and groceries. Swiggy's quick commerce business Instamart saw order and gross merchandise value growth of 20 times and 15 times, respectively, in 2021. The entire amount of sales a company earns over a certain time period is known as gross merchandise value (GMV), also known as gross merchandise volume (GMV), and is commonly measured quarterly or yearly. Before incurred expenses are subtracted, GMV is determined. Accrued costs include those for delivery, discounts, refunds, and advertising/marketing charges.

The Indian grocery sector saw investments of around 70% of the global share (excluding

mergers and acquisitions) in 2020, with Reliance Retail receiving massive investments. Supply-side disruptions have led to consolidation within the industry. Flipkart acquired Walmart India Wholesale in 2020. It was a reverse acquisition of Walmart's B2B arm by Flipkart to strengthen its D2C capabilities. Reliance acquired subscription based micro delivery platform, Milk Basket. Reliance Retail has enhanced Direct to Customer offerings with Jio Mart and the Kirana ecosystem. D Mart Ready allows for online shopping and home delivery. All the groceries, staples and daily household essentials in a D Mart store can be found in D Mart Ready. D Mart Ready pick-up points are specific locations from where you can collect your online order. Customers can choose a time slot that is convenient to them. The Indian market also has category specialists like Licious focusing on niche categories.

UNDERSTANDING CONSUMER BEHAVIOR

German Consumer Adoption Study

The question of what motivates consumers to adopt these services is addressed in depth by a dissertation from Maria Katharina Groß (2022), which investigates the determinants affecting German consumers' purchase intentions toward on-demand grocery delivery services (ODGDS), such as Gorillas and Flink. Using a mixed-methods approach combining semi-structured expert interviews (n=10) and an online survey (n=186), the research examines drivers and barriers to adoption, as well as demographic characteristics of users and non-users. The study is grounded in a comprehensive literature review of e-grocery markets and consumer behaviour, with a specific focus on the German context, where online grocery sales grew approximately

60% between 2019 and 2020, making it the fastest-growing segment in German e-commerce (Groß, 2022).

The research concludes that convenience factors—particularly time savings, spontaneity, laziness, and flexibility—are the strongest drivers of adoption, followed by peer group influence, positive perception of services, assortment quality, and curiosity. Notably, competitive pricing and physical relief (not carrying bags) were not significant drivers. For non-adopters, the primary barriers include the inability to inspect products on-site, a missing shopping experience, a lack of a perceived use case, and misalignment with personal values (including concerns about poor working conditions). Demographically, women are significantly more likely to be buyers than men, and urban residence strongly predicts adoption, while income and age show no significant influence on purchase intention. The study develops a predictive Probit model demonstrating that having friends who use ODGDS increases the probability of being a buyer by 34%, and being female increases it by 18% (Groß, 2022).

Consumer Ethics and Working Conditions

The critical issue of ethical labour practices is specifically examined in a study by Cagla Tugberk Ariker (2021), which investigates whether consumers punish q-commerce grocery retailers with poor working conditions during the COVID-19 pandemic. Grounded in the Stimulus-Organism-Response (SOR) model, the research uses an experimental design with scenarios based on real events involving two hypothetical retailers: one that reduced couriers' working hours to protect their health, and

another that increased hours to 13 per day despite the crisis. The study examines how information about working conditions (stimuli) affects brand reputation (organism) and retail patronage intention (response). Two studies were conducted: the first with equal prices for both retailers, and the second where the retailer with good working conditions set prices 15% higher than the market average (Tugberk Ariker, 2021).

The findings reveal that consumers evaluate retailers with good working conditions as having significantly higher brand reputation and sustainable image, and express greater retail patronage intention toward them. These results hold even when the ethical retailer charges higher prices, suggesting that consumers are willing to pay a premium for fair labour practices during a crisis. The study concludes that poor working conditions lead to customer loss, and that investing in employee well-being and communicating these efforts can enhance brand reputation and customer loyalty—critical factors for the survival and growth of emerging q-commerce retailers.

Consumer Behaviour in India: IIM Bangalore Survey

IIM-Bangalore commissioned a survey to gauge customer feedback about Quick commerce and to know what their expectations were.

Customers are enthused by the idea of fast delivery, but delivery charges levied by quick commerce players had an influence on their decision-making to buy. A survey conducted in Bangalore to know consumers' responses to Quick Commerce revealed that 58% percent of consumers relied on Swiggy Instamart, 17% on Blink It, 14% on Zepto and 11% on Big Basket.

Users expected the Q-commerce process to be smooth, quick, logical and secure. They also desired real-time progress updates and precise tracking information.

Pain points faced by Q-commerce users (a study by IIM Bangalore):

1. The website or mobile app wasn't intuitive.
This increased the time for placing the order
2. Inability to place the order due to the name of the item not being known in English
3. Inability to use past grocery orders for placing repeat orders
4. Delivery window times were not convenient
5. No options for group purchasing
6. Delivery and refund notifications took time
7. No provision to speak to someone on the phone in case the customer was not tech-savvy

These pain points are preventing quick commerce users from having a holistic and high-integrity experience.

Even school students and college-going teenagers use quick commerce for ordering items like dairy products and chips. Most of these customers don't mind if the delivery time increases to 15 minutes from 10 minutes. Quick commerce is being opted for by customers to avoid long queues at the supermarket. Customers use different grocery apps based on the prices and offers prevailing at that particular moment. This is why loyalty is a challenge in app-based quick commerce grocery delivery. Quick commerce is beneficial when there are unexpected guests at home, and some snacks have to be ordered quickly.

The truth is that consumers rely on and relish instant gratification as it saves them time. This

later on becomes an addictive habit, which is, in a way, good for the future of the online grocery delivery business. Quick commerce has transformed customer buying behaviour, with customers seeking a comfort-driven buying experience.

Pan-India Survey Results: Local Circles and McKinsey

A survey was conducted by Local Circles in India:

1. A majority of Indian consumers buying groceries online are not in a rush. They don't mind waiting for a few hours or even a day, but are reluctant to pay delivery charges.
2. Only 3% of household consumers are willing to pay a delivery fee and get groceries delivered within half an hour.
3. Over the past two years, India saw an emergence of quick commerce platforms such as Swiggy Instamart, Blinkit, Dunzo, Big Basket Now and Zepto, which built their fortunes by delivering groceries to customers within an average 30-minute time frame. Yet, the quick commerce delivery model remains a work in progress.

Responses to some of the questions:

What matters to you the most when ordering groceries online via grocery platforms/ sites/ apps?

- 30% value for money
- 37% quality of products
- 17% selection/ variety of products available
- 11% Ease of return/ refund and customer service

- 5% Time taken for delivery
- *When you place grocery orders online, what kind of delivery model do you prefer for the majority of the orders?*
- 3% Within 30 minutes, and a delivery fee is charged
- 11% Within 30 minutes to 3 hours, and a small delivery fee is charged
- 33% Within 3-24 hours, and no delivery fee charged above a certain order value
- 28% Delivery slot as per my convenience
- 25% Within 24-72 hours, and no delivery fee charged

A pan-India survey was conducted by McKinsey in November 2021 to examine shifts in consumer behaviour. The results of the survey were:

1. Consumers seek quality and value
2. 44% consumers consider value as a key factor in buying groceries online
3. 33% consumers look for the best trade-off between price and quality
4. Balance (trade-off) between price and quality is important
5. Range of organic and sustainable products influences millennial consumers
6. Convenience, freshness of the produce, best promotions and offers are other factors that encourage consumers to buy groceries online.

50% respondents from Gen X attributed value as the reason for switching to a new online grocery platform. 74% respondents (Gen Z and millennials) believe in splurging to treat themselves.

Reasons for trying a new brand:

- **Value** – better prices/promotions/
better delivery/ lower delivery costs/
large pack sizes
- **Organic** – Natural/ Quality
- **Purpose driven** – Sustainable/better
for environment; support local
businesses; shares personal values;
treats employees well.

37% consumers have started using private labels post Covid, and this trend persists among Gen X, Gen Y and Gen Z. Omni-channel has brought brands and consumers closer to one another.

Customer satisfaction increased when products were always in stock. More than 60% consumers use omnichannel options to purchase groceries. Millennials are most influenced by social media promotions for purchases across all categories. Post pandemic, 50% of respondents wish to spend more on organic food products, while 70% respondents purchase groceries online with the intention to eat healthy.

The healthy products that consumers are opting for are:

- Organic/ bio
- Low sugar
- High protein
- Low fat
- Natural ingredients

LESSONS FROM EARLY ONLINE GROCERY FAILURES: THE WEBVAN STORY

Excerpts from a 2002 report in the New York Times:

After Webvan wound up in 2001, bigger grocery chains began scouting ways to enter the online space, undaunted by the spectacular failure of the

Internet-only grocers. But their actions were laced with caution. Ahold and Safeway were the grocers who were exploring options to sell groceries online as part of their marketing and sales agenda.

Webvan built high-tech storage warehouses and delivery systems in 26 locations. Heavy investment in warehouses, marketing and transportation fleets proved to be Webvan's nemesis. Traditional stores are contemplating the use of their own stores as warehouses.

Safeway's online system works like this. Customers register on the website with their personal information, including details of frequent-shopper cards. Items can be searched in the search box. Customers with frequent shopper cards are shown a list of items that they recently bought so that their selection speed can be increased.

Store prices were not different from those offered for online purchases. After receiving an order, Safeway transmits the order to a customer's nearby store. Pickers fill their shopping carts based on customer orders. A computer print-out tells the picker the exact location of the items on the order. The items are delivered in a van to the buyer's home within a time window of two hours. Delivery charges levied by Safeway amounted to \$10.

Safeway had 50% ownership in Grocery Works that operated the e-commerce system on Safeway's behalf. The cost of maintaining the website was huge, and having a phone-based customer service team added to the cost. Delivery staff further added to the overheads.

Tesco, the British chain, pioneered the use of grocery stores as online distribution centres. Tesco spent \$15 to \$20 to process each order; at

least 50% costs are recovered from customers through the fees levied. Online orders were filled from the backroom—there was no need to stock shelves.

Peapod (founded in 1989) worked with supermarkets like Jewel, Kroger and Safeway to deliver food. Ahold's online unit, Peapod, was successful in the online grocery business in only one market out of the six markets in which it operated. In some markets, Peapod used Ahold stores like Stop and Shop as distribution centres. In others, warehouses (with an area covering 90000 square feet) were used by Peapod.

Back then (2002), analysts felt that online grocery shopping would be more successful in metropolitan areas with customers who had an income that could support purchasing groceries online. Though broadcast and print advertising were used to advertise the services, word of mouth and delivery trucks on the road were considered powerful promotional tools. Service was truly a differentiator that could affect the prospects of the online grocery delivery service.

Instacart (founded in 2012) had a similar model to Peapod, wherein it partnered with grocery stores. The operation was flexible and relied on independent contractors to pick products from supermarkets and deliver them to customers' homes. This was a cost-effective method compared to the model used by pure play grocery retailers.

The failure of early online grocery channels can be attributed to several interrelated factors. The grocery sector is characterised by high sales volumes but notoriously low margins, leaving little room for error or inefficiency.

Compounding this challenge, the return on investment for technology and infrastructure was slow to materialise, while many ventures pursued an unsustainable pace of expansion based on erroneous profitability projections. Unlike traditional retail, where customers perform their own product selection, online retailers have to shoulder most of the operational work—including picking and packing individual orders—which adds significant labour costs. Perhaps most critically, customers proved unwilling to pay delivery and handling fees, which had a direct and adverse impact on profitability, making it impossible for these early ventures to cover their operating costs.

In January 2026, Amazon announced it would close all 16 Amazon Go stores after an eight-year experiment, citing an inability to create a truly distinctive customer experience with the right economic model needed for large-scale expansion. The stores, which relied on the "Just Walk Out" technology featuring hundreds of ceiling-mounted cameras and sensors, faced significant profitability challenges, with early technology costs reaching approximately \$400,000 per location and ongoing operational expenses that made the model unsustainable. Rather than giving customers a compelling reason to visit, many shoppers viewed Go stores as novelties rather than destinations, and the fuel-free convenience store format struggled to generate sufficient traffic in urban areas. Additionally, the system's reliance on over 1,000 remote workers in India to manually review purchase data raised questions about the technology's true automation capabilities. However, Amazon has pivoted successfully by licensing the Just Walk Out technology to over 360 third-party locations across five countries,

including hospitals, sports stadiums, and airports, where speed—not store loyalty—is the critical factor for success (D'Innocenzio, 2026).

WAREHOUSE OPERATIONS AND OPERATIONAL CHALLENGES

A warehouse operation primarily involves the following tasks:

1. Ensure adequate stock of products (different varieties, different SKUs)
2. Understand the demand trends to fill and replenish the stock
3. Store products in the designated areas
4. Choose and package the items as per the order
5. Final shipment and delivery of the order to customers

The speed with which activities are carried out in the warehouse determines the efficiency of the quick commerce service. For instance, from the moment the order is placed, the items must be sourced, packed and delivered within 5 minutes to the delivery staff so that in the next 10 minutes the delivery can be made. However, we need to understand that this can cause immense stress to the operations, particularly when there are many orders to be serviced at the same time. Services have always faced this challenge of supply-demand mismatch. Grocery services are no exception. On occasions, there could be fewer orders due to subdued demand, and there could be occasions when demand can outstrip supply. This puts into question the need for committing to a delivery time of 10-15 minutes. Additionally, traffic congestion in metropolitan areas is seldom under the control of any delivery staff. Even if deliveries are made within a shorter radius, there could be situations of unexpected delays. While innovative ways can be explored

to ensure that the ordered items are sourced, sorted and packed in the minimum time possible, delivery timelines cannot always be under the control of the grocery supplier.

CHALLENGES FACED BY INDIAN QUICK COMMERCE PLAYERS

Reliance-backed delivery app Dunzo launched Dunzo Daily in August 2022. This was a 19-minute delivery service in Bangalore. There were plans to expand to 20 cities. The company also received a cash infusion of \$240 million from Reliance in January 2022. Dunzo Daily lost Rs 230 on each order daily, with losses increasing to Rs 464 crore during the first half of 2022. Dunzo Daily, as of December 2022, had shut down a number of dark stores across NCR and Hyderabad.

Dunzo realised that mapping delivery and pick up is a completely different ballgame than managing inventory in dark stores while also adhering to 10-minute delivery timelines. Dunzo is staring at a slower growth rate for its quick commerce business. In the absence of funding, Dunzo is now focusing on reducing costs. Dunzo also had plans to use robotics in its warehouses to reduce the time taken for processing orders to 30 seconds. But these plans have come unstuck.

Flipkart entered the quick-commerce segment in July 2020 with **Flipkart Quick**, offering 90-minute grocery delivery. To compete with emerging ultra-fast delivery startups, the company reduced delivery time to 45 minutes in 2022. However, the model struggled with profitability and operational challenges, leading Flipkart to consolidate Flipkart Quick with its next-day grocery service, Flipkart supermarket. Instead of expanding the original model, Flipkart

later pivoted toward a new strategy called **Flipkart Minutes**, focusing on ultra-fast deliveries through dark stores in major metropolitan areas.

The quick-commerce sector also saw early exits from some players. Ride-hailing company **Ola** launched **Ola Dash** in December 2021 as a 10-minute grocery delivery service with ambitious plans to build 500 dark stores across 20 Indian cities. However, the business faced weak demand and high operating costs, forcing the company to shut down dark stores and discontinue the service by April 2022. The closure signalled the financial pressures and uncertain demand that characterised the early phase of India's quick-commerce market.

Other players experienced temporary slowdowns but later adapted their strategies. **Swiggy's** quick-commerce arm **Instamart** initially saw slowing growth and shut down parts of its **Supr Daily** milk-delivery service in several cities. Despite these setbacks, Instamart gradually expanded its operations by increasing the number of dark stores and extending services to additional cities. Over time, it became one of the major players in India's quick-commerce ecosystem, though it continues to compete closely with other large platforms.

The biggest transformation occurred with **Blinkit**, formerly known as **Grofers**, which rebranded to emphasise 10-minute grocery delivery. The company initially struggled with expansion and funding challenges, but was eventually acquired by **Zomato** in 2022. After the acquisition, Blinkit expanded aggressively, increasing the number of dark stores and broadening its product range beyond groceries to

include electronics, toys, and everyday essentials. This strategy helped it become one of the leading quick-commerce platforms in India.

Meanwhile, startup **Zepto**, which initially raised significant funding in 2022, slowed its expansion briefly before accelerating growth in later years. The company raised additional capital and rapidly scaled its network of dark stores, emerging as a strong competitor in the market. Overall, while early developments suggested that quick commerce might struggle due to high costs and logistical challenges, the sector eventually moved toward consolidation and growth, with companies such as Blinkit, Zepto, and Instamart dominating India's rapidly expanding quick-commerce industry.

Dunzo, once a prominent hyperlocal delivery startup in India, struggled to sustain its business after entering the quick-commerce segment with **Dunzo Daily**. Competing with well-funded rivals such as **Blinkit**, **Zepto**, and **Swiggy's** **Instamart** significantly increased operational costs, particularly due to investments in dark stores and rapid delivery logistics. Although the company had raised substantial funding, including about \$200 million from **Reliance Retail**, it faced mounting losses, vendor payment issues, layoffs, and the shutdown of several dark stores across major cities. Unable to secure additional funding or stabilise operations, Dunzo's app and website went offline in January 2025, effectively marking the shutdown of the company.

KEY LEARNINGS FROM THE INDIAN MARKET

Online grocery retail faces several operational challenges, including updating inventory and

stocks on an hourly basis, managing customer frustration when items are out of stock, stocking an adequate variety of goods, and improving product discovery and navigation. The UK is a leading market for online grocery sales. In Japan, convenience and service makes large number of Japanese people buy groceries online. AI, widgets, ability to make shopping lists, vouchers, price matching—value-added features in online grocery shopping. Services like click and collect, kerbside pickup are other services. Automation and robotics in picking and packing are another positive development.

Supermarkets entering online have a greater chance of success (hybrid) (bricks and clicks model) (economies of scale, good infrastructure, logistics networks, stores can double up as warehouses/ distribution centres for online orders). Those grocery business models that are successful and can sustain for the long term are profitable and use the scale and infrastructure of mainstream grocers. Avoiding high costs associated with warehousing and lower margins due to low volume operations are some of the challenges.

Stand-alone quick commerce players may find it hard to sustain in the market unless they have access to investments, and they can focus on scaling up without worrying about profitability. But if the investment tap dries up, then it may be challenging to scale the business without making profits. If the quick commerce business is a separate vertical of an online grocery service provider or if it is part of related diversification efforts of food delivery companies, then there is a greater chance of sustaining in the market.

Players with existing infrastructure and strong backing from the parent company can manage to sustain in the market. Only players with solid financial backing and strong business fundamentals can sustain the pressure of ultra-quick deliveries.

Big Basket launched BB Now to offer deliveries of over 3000 products in 10-20 minutes. Their collective experience in the grocery market over the last decade will give them a competitive edge.

Smaller players would find it challenging to build hyperlocal supply chains. Therefore, consolidation of players in the market will continue to happen with buyouts of regional players by larger brands.

Some of the players, like Zomato (online food delivery service provider), have started looking at consolidation. Zomato acquired Blink It. Swiggy launched its quick commerce business called Swiggy Instamart as part of its diversification strategy. Swiggy's Instamart leads the quick commerce pack in India. It will benefit from the synergies with its core food business and existing delivery fleet.

In a diverse market like India, it is worthwhile to ponder if customers would prefer a quick delivery with a limited product assortment or will customers opt for better product assortments, free delivery and attractive discounts/offers with longer delivery times.

Understanding the unique characteristics of each demographic in a complex and diverse market in India will need massive investment in resources, particularly the ability to derive insights from

data and the use of this data for decision-making. The success of quick commerce grocery retail is dependent, to a great degree, on the right pricing. Quick commerce is also location-dependent, and location determines unit economics. Picking up the right locations with a high order density is crucial. Investments are needed by quick commerce grocery players in technology, inventory and setting up of dark stores in locations that have high population density. Bringing dark stores closer to customers can save money.

FUTURE OUTLOOK AND GROWTH PROJECTIONS

It is rather interesting to note that the growth of quick commerce is a result of consumers' pain points with regard to the uncertainty of delivery for delivery windows like same-day delivery, two-day delivery, etc. Since the delivery time for quick commerce is defined, convenience assumes a new meaning for shoppers. The predilection customers have towards instant delivery compared to next-day delivery is what will drive the business.

Strong habit formation has characterised grocery purchases, particularly in the aftermath of the Covid-19 pandemic. Kirana purchases are being converted to purchases on quick commerce platforms due to the benefit of receiving quick deliveries.

The future of quick commerce appears promising, considering its adoption in markets like Bengaluru, Chennai and New Delhi. Average order values in quick commerce are Rs 350, whereas for regular online grocery delivery, the ticket size is Rs 1050. Yet, the shares of quick commerce in the total grocery pie are steadily

rising. However, quick commerce players have to be conservative and avoid or minimise cash burn. With experts predicting that quick commerce will grow to \$70 billion in the next three years, making customers repeatedly rely on quick commerce instead of using it only for emergency purchases will be a challenge.

Onboarding of neighbourhood shops (kirana stores) by quick commerce players will mark the next phase of growth in the quick commerce sector. This will create a win-win situation. Local grocery stores have always relied on customer walk-ins, but with a digital presence, they can join hands with quick commerce players. This will need local stores to be educated about the benefits of doing so. In India, ONDC (Open Network for Digital Commerce) is a live shopping app that aims to bring local vendors to the platform. This can open up additional opportunities for the local stores, although this can be a competitive threat to the quick commerce players. With the ONDC initiative, buyers across platforms can choose to buy from neighbourhood stores and get quick delivery.

Swiggy Instamart, Dunzo and Zepto are delivering late into the night till 2 am or 3 am. These companies are fulfilling these orders in an attempt to collect data. Data can enable these platforms to plan stocks and inventories. South Korean firm Coupang has nine million customers. It has a profitable grocery delivery service that delivers groceries on the same day. The basket sizes are also larger.

The future of quick commerce relies on consumer willingness to pay for delivery, along with the exploration of other revenue sources by the businesses. Market experts do believe that

the hype of 10-minute delivery is unnecessary. Survey results also point to the fact that customers do not mind a delivery window of 60 minutes.

Convenience, flexibility and fast delivery characterise the quick commerce delivery that does have great potential for the future. If complexities can be managed through simplification and creative thinking, this business can lead to a sustainable competitive advantage for the business.

Expansion of delivery times presents an opportunity to bundle orders from different customers and improve profitability. But the learning curve in this sector is expected to improve in the future. As consolidation efforts get strengthened, the market will witness a few players who will hold a greater sway over the quick commerce grocery delivery.

CONCLUSION

The key drivers that have propelled online grocery purchases by consumers include an evolving customer mindset, the profound impact of COVID-19, high rates of internet penetration in markets like India, the emergence of supply chain models enabling daily doorstep delivery within hours, customers' growing comfort with using apps, the demand for fresh and quality produce, and the expectation of on-time home delivery.

The popularity of online grocery shopping in the post-COVID era can be attributed to several factors: customers can repeat a previous order with a single click, transactions are secure, and perhaps most importantly, there is the undeniable convenience of ordering groceries from the

comfort of one's home and having the items delivered directly to the doorstep.

Quick commerce platforms must meet several operational table stakes to succeed. Dark stores need to be located close to customers so that products can be picked, packed, and delivered quickly, while the use of electric two-wheelers can help reduce fuel costs and improve delivery efficiency. Companies must also carefully select and frequently update their product assortment and SKUs based on local purchasing trends. In addition, well-trained dark store staff and delivery personnel with a strong customer focus are essential to ensure high service quality. Along with these operational requirements, general competitive factors such as competitive pricing, product availability, reasonable delivery fees, fast delivery, good product quality, and an excellent customer experience are critical. Ultimately, only the most efficient quick-commerce players will survive market consolidation by maintaining low costs while achieving profitability.

Building upon these fundamental shifts in consumer behaviour, the evidence presented across global markets, consumer studies, and historical patterns suggests that quick commerce will sustain—but in a fundamentally transformed shape. The model is evolving from the unsustainable 10-minute delivery promise toward more viable 30-60 minute delivery windows that allow for order bundling and improved unit economics.

The future belongs to players with strong parent company backing, existing infrastructure synergies, and the ability to integrate with traditional retail ecosystems—whether through

partnerships with established supermarkets in Europe or kirana store networks in India. Consolidation is inevitable and already underway, with larger players acquiring regional competitors.

Consumer behaviour ultimately holds the key. While instant gratification drives initial adoption, long-term sustainability depends on converting emergency purchases into habitual use. The data reveals that customers prioritise value, quality, and product assortment over extreme speed. Those quick commerce players that can balance the convenience of fast delivery with sustainable economics, ethical labour practices, and genuine customer value will be the ones that survive the market consolidation and thrive in the years ahead.

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