

Quick Commerce – Use cases expanding

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Expanding beyond impulse and top-up categories (Food/Grocery/BPC), Quick Commerce is set to widen its umbrella of offerings and uses cases. In this regard, recent developments – roll-out of quick medicine delivery by Big Basket and launch of the Ambulance service by Blinkit – marks the presence of Quick Commerce in Pharmacy and Wellness. Further, the space's share in electronic/mobile accessories (Fast Moving Consumer Durables) is set to expand to 20-25% in the medium term, as platforms are already delivering key products online. We believe, this will broaden use cases and elevate average order value (AOV), in turn accelerating profitability. Blinkit with astute agility and leading operating metrics amongst peers shall continue to dominate the industry.

Quick Commerce broadens use cases in Pharmacy and Wellness: The advent of Quick Commerce has brewed successful use cases for consumers, visible from its swifter adoption than food delivery and e-commerce shopping. Post the successful traction in Food and Grocery, the sector is expanding its use cases, given that: a) Big Basket will roll out quick delivery of medicine and b) Zomato-backed Blinkit has initiated Ambulance services, starting from Gurugram.

India's online Pharmacy and Wellness market touched USD 2.5bn size in CY24 and should reach USD 7.9bn by CY31E at 21.0% CAGR. Though, the market size is small compared with overall e-commerce (2.0% of e-commerce) and FMCG/grocery but companies are expected to ride on higher order frequency and convenience factor (key aspect in Pharma and Wellness). The success will rely on successful navigation of regulatory hurdles (storage, handling, ensuring proper checks) and availability of wider categories of medicines. Monitor medicines being offered via the dark store model or collaborations. Further, gaining consumer trust will be key to rapid adoption.

Quick delivery of medicines in the Healthcare sector is an apt use case and will be competitive for incumbents such as MedPlus, PharmEasy and NetMeds. These operate per slotted delivery structures (6-24 hours) in metro cities and within a 1-2 day window in other cities. Further, this will elevate AOV as: a) cart volume may be high due to monthly/weekly medical purchases as against top-up purchases in Food/Grocery, b) cart value may be high given higher prices of medicines.

Blinkit launched an Ambulance service, which is an apt use case and profits will not be a focus. Affordability and social use cases are key motivations, per Blinkit. Ambulance will have all the necessary equipment required to serve patients in crucial times.

FMCG and accessories to also see traction: Quick Commerce use-cases are moving from traditional food/grocery and BPC to varied segments. Consumer electronics with USD 35bn size has a 28% share in overall e-commerce, of which, we expect 30% to be TAM for the quick-commerce space. Quick-commerce companies are already offering air purifiers/small kitchen appliances, grooming and mobile accessories on their platforms. At present, the share of quick-commerce in electronic goods is 1%, and mobile accessories are seeing higher traction. Competitive pricing with timely delivery and improved after-sales services shall propel this to a larger share and 20-25% of accessories may shift to quick commerce in the next 3-4 years. The shift will hit the business of general merchandise and traditional players.

Blinkit (in turn Zomato) to maintain moat despite competitive intensity: Many entrants are foraying into Quick Commerce and success will depend on: a) strengthening key verticals (food/grocery), b) smart and agile entry in expanding use-cases, giving early mover advantage and c) offering a wider variety at competitive prices. We expect Blinkit to maintain industry-leading position with 1) higher AOV, 2) larger assortments and 3) higher take rates and not lose market share even as Swiggy's Instamart is seeing traction recently.

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