Honest Opinion On Quick Commerce In India

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SUMMARY

The discussion revolves around the viability and sustainability of quick commerce in India, contrasting it with Western markets. The guests highlight the challenges of labor costs, consumer price sensitivity, and the potential pitfalls for new brands relying solely on quick commerce for growth.

- *Quick commerce is more viable in densely populated societies but faces challenges in pricing and labor costs.*
- *Consumers in India are highly price-sensitive, making it difficult for quick commerce to sustain high delivery costs.*
- *The market for quick commerce may be limited to around 50-60 million people who can afford premium delivery services.*
- *Established brands may benefit from quick commerce, but new brands risk being squeezed by high commissions and competition.*
- *Quick commerce is seen as a feature rather than a standalone business model, with concerns about long-term profitability.*
- *The discussion emphasizes the importance of building brand identity and customer relationships outside of quick commerce platforms.*
- *Offline presence in restaurants and cafes is crucial for brand discovery, especially in the beverage and food sectors.*
- *The future of quick commerce may be influenced by consumer expectations and the ability of brands to adapt to market dynamics.*

A couple of weeks ago, I was interviewing DH, the Uber CEO in the US. >> He had a very interesting take on this. The American markets skipped quick commerce because they had big box retail. And he said quick commerce can work in very densely populated societies. But the distinction is how many people in that society are willing to pay a dollar, $2, $5 a day in perpetuity because the labor arbitrage comes in. M >> if this building has I don't know 30 houses or 50 houses and we all use quick commerce a couple of times a day and we're spending a few thousand rupees.

At some point it gets to the point where people start thinking okay a few thousand rupees a day is a few lakh rupees a month. Should we hire five boys who will not only go and bring the grocery but they'll also do errands at home. uh it works in high high cost of labor societies somehow in India I don't know I don't know what the TAM is I don't think it's much more than 50 60 million people if with >> a large TAM >> but not more >> 5 people or a large T >> well these companies have two two lakh three lakh cr market caps >> so TAM is reciprocal of that right I don't know it's a tough question I have never bought all of them are my trends but I have >> you never bought from quick commerce.

>> I've never invested in a quick commerce >> which you have ordered. >> Yeah, I have. >> Yeah, >> it's now becoming a feature. So for example, Nika is now doing sub to our delivery in Bombay and Bangalore. >> Like for D2C brands, there are now companies that do quick commerce. They'll say hey for these pin codes we'll deliver in 6 hours. You just we'll have a >> but I'll tell you this is again labor arbitrage. Uber does this exact same thing where their riders are not employees. They can't have unions. they don't get pensions and medical and this that and the other.

When seven eight players come into the 4A and they start unionizing and they start asking for benefits uh at some point that cost to convenience math will get skewed and not for the better. >> That's what happened with Uber and Ola also in India. >> Yeah. >> The market tapped out very quickly. >> Yeah. >> And then all that supply of cars became problematic. >> Yeah. Rapido is like the upcoming thing because Bangalore >> Bombay only use Rapido now.

>> Yeah. >> Only Rapido. Yeah. >> Dura, Bombay, Bangalore. Only Rapido. >> Praep will kill me for saying this, but yeah, Uber is too expensive. >> Who's Praep? >> Praep is now was Asia head for Uber is now working in DH's team I think on their enterprise stuff. He's one of my investors. >> If you could buy Zomato, Swiggy or Zeppto shares today. >> Yeah. Knowing that quick commerce is their growth driver as of today at least. Would you?

>> I have. >> Yeah, I have. I have to. >> Yeah. >> What did you buy? >> Both. >> Would you? >> Yeah. >> You two? >> No. >> No. >> What? What about you? I That's the most important question. >> I haven't. >> See, the thing is someone has to pay, right? every company that's going public will have the pressure to perform in terms of pat and all of that stuff. >> That's that's my point.

>> But then you're buying the stock >> as a new brand. No, because they will make the money. I'll tell you who will suffer. A lot of new brands will suffer because the moment this mentality comes in there, listen, I don't care. I have to make this much money on this quarter. You will squeeze more ad revenue and you will bully smaller brands. It's a very natural process. So why I'm bringing this up is that if you're a new brand, please don't just think that you'll build it on quickcommerce. It's not going to be just that.

>> I agree with it. >> You're saying I agree with Quickcommerce. >> Yeah. >> Yeah. >> He's established so he has the market share. >> But I'm available at most of the good restaurants in the country also, right? I'm not solely relying on them. And speaking of Quickcom, who would you invest in? uh at the end of the day as a investor I look at companies as a multiple of the ebita or net cash that they're throwing out in today's equation I find them expensive hence I have not invested I'm more a conservative investor uh so no but I do question it's it's always going to come at a premium right like if I buy a swami bottle at 50 rupees and if I get it delivered from one of the quick commerce guys there is a cost of labor the 30 minutes the rider who's going to ride from their dark store to my house then leave from here go back pick up another delivery from the dark store the cost of fuel uh inflation will drive a lot of this cost up his salary for example how much he makes per hour if you were to extrapolate and say he has to make a minimum minimum of a 100 bucks an hour if he works 20 22 days that's like a salary of 22,000 rupees a month at some point I will question for small deliveries like if I want a bottle of

swami will I pay that premium right now it might be discounted by capital coming in from elsewhere beyond a point of time in India if I'm using quick commerce five times a day and paying 50 rupees each time or 30 rupees each time maybe not for me but for a vast majority of India that 150 rupees a day the 5,000 rupees at some point we'll get to the point where you know an apartment complex hires three guys or four guys or you hire help u I have heard the argument of why it didn't work in the west and it will work in India the density of population and all of that but the category of people in India which can afford to pay a premium uh is still very low very very low I think we're very very price conscious it's almost like annoyingly price conscious if you're selling something at 50 rupees and you're not in the craft space you're in the mass market if he sells it at 45 people just switch that is the Indian culture and mentality it doesn't matter what country he's from I know he's Indian but still >> the other challenge and this again comes down to pricing Because even your quick commerce today, right, as a new brand, they will eat you up.

>> It's tough. >> It'll be tough. >> There have been times when they'll ask you for a 50% commission. So between your 40% GST and your 50% commission and all, good luck. >> The grass is always greener on the other side, right? They'll give you volumes that nobody else can give you as a new entrant because you're not you're not you're not pitting against shelf space. You're pitting against thumbnails. That's a big difference. It makes a makes makes a it makes a huge change. Is quick commerce sustainable? I asked the same question to my friends who run restaurants. I'm re reviewing the industry from a investor use case. It didn't work in the west.

West went the way of big box retail. Uh quickcommerce had like a tiny spike but it died. I think >> figure out if it's going to be different in the moment. >> Sure volume. No, >> but debatable just like it. >> I just think the moment quick commerce And right now a lot of them are behaving that way that we will be your discovery. >> Then they own you. >> Then they'll start competing brands. >> Yeah. So >> they they always do that. That's >> they will come to brands that are doing well. Like if you're an established brand, there's more reason for them to take you. If you're a newer brand, they totally can squeeze you, right?

>> And they've had the same playbook with restaurants and you guys have seen it. I think they they will also now get into seeing which category and which product is doing well and start white labeling the same. >> But Amazon has done that for years and >> why expect otherwise. >> So I I feel like slightly opposition to this. I feel like unfortunately for us it will very much stick around and and dominate because if you look at the US which I'm familiar with people have been ordering groceries let's say in the US online for like a decade now >> but not getting it in 10 minutes >> no never right but but the behavior that they got used to and adapted to was that it was okay to order the day before right whereas in India it basically went from not really ever ordering groceries online to immediately ordering it and getting in 10 minutes.

>> Yeah. >> So, I feel like now the the consumer expectation is for that to be the norm. >> I'm not saying e quick commerce is going anywhere. In fact, for for my product to me, Amazon doesn't make much sense. Quickcommerce makes all the sense. >> But if they keep charging you 30 40 50% >> and you pay 40% taxes, same for restaurants, >> 30% to be listed, 10% on the kerosal, 5% for something else. then marketing spends >> and then they have all your data. You don't know who your customer is.

>> If they know the customer better, they can build a more suitable. >> But that's the whole point. You you have to build your brand on your >> own distribution. >> Yeah. No, not distribution. You see, let's go back a few years in every investor conversation, I would open the conversation by saying I'm not a D2C brand. I'm not aspiring to be a D2C brand. India is a largely offline for these kind of products. It's where offline market and to me quickcommerce is also that it's a physical it's a dark store show but it's coming to you from a close by place right not from a not a next day delivery or a 2 three day delivery from an Amazon or a website people don't buy alcohol in advance most people in a country forget buying mixers one week in advance or 3 days in advance so quickcommerce makes a lot of sense because I would have had to go run to a shop to buy the product now I can get it delivered If you're a more established brand, quick commerce will be absolutely finely fine for you. But if you say that I will build my brand today on quickcommerce, to me that is the issue. You still have to build the brand yourself. You have to get customers. You have to get people to talk about it. Whether you do that via collaborations, whatever your hacks might be, but don't think that you'll build it on the back of quick commerce because then they can shut you down as soon as they want to as well. I differ I differ from this right now for something um for something something like our product the category had to be built.

Now category for a product which is 130 which is sold in a glass bottle you're better off having it delivered to your house rather than going picking up on a shelf putting a heavy thing in your bag. Same same thing. I'm saying kombucha. >> But that's the thing, right? And kombucha as a product for us is a is something that you drink. >> It's a habitual usage, right? Just like just like your eggs in the morning.

Continual consumption essentially becomes like your eggs in the morning where you're where you're ordering your groceries, your standard dry provisions, and you're ordering like a couple of bottles of hear I wasn't saying that. What I'm saying is let's say you're doing really well in Bangalore, right? On a blanket. >> I'm a new player starting a kombucha brand. and he decides to do the same thing. >> Yeah. >> At what point will blinket keep five brands of kombucha? They won't listen to you.

>> They never they won't do it. No, >> they won't. That's what I'm saying. They won't it was very hard to crack even if they can have their own brand beyond. So that's what I mean. The moment I'm relying on them to build my brand. That's to me the end of things. I can't build my brand. >> That's where that's where craft comes into play. That's where authenticity and manufacturing come comes to its place. >> So in a way all of you are selling a story. The story is partly your face.

>> Yes, we are. >> The cultural >> connotation of it. That's essentially what you're selling. >> Yeah. Product quality and story basics. It's not rocket science at all. >> But product quality will kind of get democratized and commoditized, right? >> I don't know. Like if you take right till today, like I don't know anything about the market share that I assume it's like 95%. Yeah. Right. 95 or more. I don't know. I presume I mean the incredible innovation that these guys are doing in flavor and and a few other brands in India like are doing in flavors of tonic for example I mean surely at some point that mode that Schweps has will will be broken I don't know >> the only mode has is distribution because of Coca-Cola that's there's no other mode >> yeah that's it >> but it'll not take longer for us see for for us to start off quickcommerce was great we have to get into more offline we have to get into more retail. If I want my brand to be built, I have to get into more restaurants. Hora and QS are

the restaurants.

>> The market for craft then, which is all of you, is more offline than online. >> 100%. >> 100%. >> 100%. >> Without a cafe, it's very difficult to have a coffee brand without a cafe. >> We've built our brand via Hura. >> Yeah. >> Right. Swami's first point of discovery would be a restaurant or a bar. >> What? >> Hotels, restaurants. >> Hotel, restaurants, cafes. Uh if there is no identification in a place like that, your favorite restaurant serving one of these products.

>> So you're saying for craft >> for someone starting off it has to be offline >> for I wouldn't say just craft for a brand in general at least when it comes to beverages or food. >> Unless you're playing with unless you're it's a race to the bottom then maybe not. >> Yeah. Yeah. But it can't be raised to a bottom in this in this segment and in this category with this taxation. True.