

## CONSUMER STAPLES

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### Conference call summary: Opportunities & Challenges

- QComm penetration is ~15% of relevant retail spends which can go up to 30%. Potential is the top ~80mn of Indian population
- Fastest migration in dry groceries; regional staples remain GT-heavy. QComm unit economics improving; potential for 26-28% gross margins
- FMCG implications: Manage pack/price architecture to compete with pvt label, innovate to premiumise, reallocate A&P to higher ROI QComm

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**Structural adoption in India:** We recently hosted Mr Varadharajan (Quick Commerce expert) to better understand Quick Commerce dynamics. QComm is rapidly turning into a structural part of urban spend. Drivers include India's frequent replenishment culture (small kitchens, cooks/maids, low/no pantry storage), preference for instant delivery, and personalised shopping. Current penetration stands at ~15% of the relevant wallet; top 80mn of the Indian population.

**Category migration:** Categories migrating fastest from General Trade to QComm include dry groceries, staples, beauty and personal care, and household utilities. Regional products, especially staples, remain strongholds in GT.

**Shift in communication:** Traditional recall advertising is weakening. QComm consumers are shopping more by "needs" ("detergent for whites") than brands. Retail media revenue; currently 3%-4% of GMV, can move to 5%+. For FMCG, this implies need for A&P reallocation to QComm platforms. Given slightly different consumer behaviour; attribute tagging, and visibility spend will gain importance.

**Unit economics imply a sustainable model:** Industry operates at 21%-23% gross margins, with advertising revenue adding ~300bps. This can potentially rise by 1-2ppt to upto 28% with the increase in the share of discretionary categories such as gifting, electronics and home, plus bank / credit card partnerships. QComm is a sustainable, scalable channel rather than a cash-burning experiment.

**Industry structure & bargaining power:** The market is consolidating on Blinkit, Zepto, and Instamart. Reliance, Amazon, and Flipkart likely to remain less competitive in QComm. Meaningfully higher retailer concentration vs a fragmented GT, is increasing the bargaining power of QComm companies.

**Implications for FMCG:** QComm offers both opportunities (innovation, efficient media ROI, premiumisation) and threats (rising share of private label, weaker bargaining power). FMCG firms need to manage pack-price architecture, innovate for premiumisation, and reallocate A&P from GT to QComm to leverage higher ROIs.



## Conference call summary

### Quick Commerce dynamics

#### Consumer Behaviour

- India follows a frequent replenishment model (small kitchens, no pantry, cooks / maids)
- Decline of “family shopping trips” as consumers now prefer immediacy and daily choice
- Shopping / search is now attribute-driven (“detergent for whites”) vs brand recall

#### Category Trends

- Dry groceries, packaged staples, BPC, household utilities are migrating fastest from General Trade to QComm
- Regional/ethnic staples for instance tea, oils, batter, poha, puttu remain sticky in General Trade
- In the current quick commerce basket, 70-75% is consumables/grocery and rest is BPC, durables, general merchandise, etc. The non consumables part has a higher gross margin.

#### Next leg of growth for Quick Commerce

- General merchandise such as stationery, utensils, plastics, cutlery
- Private labels in low-engagement, high-ASP recurring categories

#### Brand Building & Monetisation

- Traditional TV-led brand recall is weakening. Searches are more need based than brand based
- Retail media currently at 3-4% of GMV, moving toward 5%+

#### Operating metrics

- Dark store breaks even at 1,000-1,200 orders per day and make good margins at 1500
- Inventory turns can be as high as 15x-20x; Dmart does 10x-11x
- Customer acquisition cost of INR800-1,000. Only after 8-9 orders is there a breakeven at the customer level.
- Typical order size is Rs600 and number of occasions is about 3-4 times in a month. But number of occasions of ordering has gone up.

#### Industry Structure & Risks

- Consolidation around Blinkit, Zepto, Instamart; Reliance, Amazon, Flipkart are less competitive given different legacy business model which is centralised warehousing

driven. The focus of the legacy players will to sweat out their existing assets. Also brand association matters.

- M&A could be challenge as the Indian players will not be willing to put up the money and foreign players like Amazon and Flipkart have their own profitability targets.
- Bargaining power is increasing for QComm companies
- Currently 70-80mn of is the relevant customer base for Quick commerce. The aim will to expand the number of products bought by the same customer.
- Blinkit has the broadest range of products whereas Zepto is the strongest in consumables and is very concentrated from a market perspective. Swiggy Instamart is somewhere in between these two.

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