Quick Commerce Study

2022/2023

Scientific study by Professor Sabine Benoit,
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Study overview

- **Executive summary**
- **Market overview**
- **Empirical studies**
  - **Secondary data analysis and expert interviews**
  - **Qualitative consumer study on shopper missions**
  - **Quantitative consumer study on shopper behavior and channel migration**
- **Outlook and future developments**

Executive summary: Market overview

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Main players and developments

- Currently there are **three main players** on the quick commerce market, pure players, platforms and omnichannel retailers.
- The e-food market can be subdivided into **on-demand and scheduled delivery**, with three **types of players**: omnichannel retailers, platforms and new (online only) market players.
- Over the past years many quick commerce providers have **exited markets**, were bought or had to file for **bankruptcy**.

Spillover effects on retailers and consumers

- Experts think quick commerce providers are here to stay, even if the market might be small, but they impact (increase) consumer expectations towards traditional retailers.
- The quick commerce providers have increased the pressure on incumbents to digitize and become more customer oriented.

Incumbent behavior

- In **Germany** many incumbents (traditional retailers) have entered the market through **partnering**.
- In the **UK** the main incumbents (traditional retailers) have gradually built up their **own quick commerce offering**.
- Incumbents are often involved in different channels and **strive for omnichannel** either through partnering or building up their own quick commerce / delivery network.

Executive summary: Secondary data and expert interviews

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Operational challenges

- Quick commerce provider have to deal with various **operational challenges**, such as low profitability, little economies of scale and lower availability of funding.
- Quick commerce providers were confronted with various **regulations** that hampered their growths, e.g. banning of dark stores or restricting the 15-minute value proposition.
- **Increasing regulation** of quick commerce is **countered** by them with workarounds (e.g. making dark stores accessible), lobbying or social engagement.

Perspectives on profitability I

- Experts are split on whether quick commerce will ever be profitable, some claim they need to change their operating model.
- Experts do mention and trust that some providers are able to run their operations at least at some of their location profitably.
- Experts view platforms **(aggregators) as best equipped to reach profitability**, but incumbents stay in the business because of customer demands.

Executive summary: Secondary data and expert interviews

Perspectives on profitability II

- Profitability can be increased though **delivery fees**. Approaches are to differentiate on distance or baskets size, but it remains to be seen where the tipping point is for consumers to accept delivery fees.
- Quick commerce providers have gradually reduced the **delivery speed**, which was their core value proposition, but not every purchase needs this speed.
- **Order picking** from a store is not viewed by experts as an option for quick commerce providers to become profitable.
- Experts don't see that quick commerce provider can offer supermarket **price level** as initially advertised by e.g. Gorillas
- Profitability is also a question of the **assortment mix** most likely fresh products are a viewed as a margin driver.
- Increasing **basket size** will also increase profitability, but this will be hard to reach with a small assortment. Alternatively, they need to increase delivery fees for small baskets.
- **Retail brands** usually have higher margins, and have the potential to increase the basket, but the assortments are too small to offer various retail brand tiers or high-quality items.

Executive summary: Qualitative study on shopper missions

Study results on on shopper missions

- **Shopper missions** for quick commerce are **broader** than just "feeling lazy" and "missing cooking ingredient". The qualitative study addresses this gap.
- **Three types of shopper missions** for quick commerce were identified, internal, environmental and corporate.
- Eight **internal shopper missions** were identified in the study: for instance, feeling unwell, being busy with other things, being bound at home or not wanting to carry.
- **Four environmentally** and **three corporately** driven shopper missions were identified, for instance unexpected third-party preferences, spontaneous guests or having a voucher code.

Study results on urgency and probability of ordering via quick commerce

- After identifying the shopper missions the quantitative study investigated **which transaction are crowded out** by quick commerce.
- The situations in which people have ordered via quick commerce providers differ in their urgency from below 3 (out of 7) to over 5 (out of 7).
- The highest probability and share of consumers ordering via quick commerce is due to **illness** and when the **local shops are closed** or **too far away**.
- **Being busy, bound at home or having unexpected third-party preferences** leads to a higher probability of quick commerce ordering, than a missing cooking ingredient.
- Feeling lazy, wanting a treat or not giving up a parking spot only triggers using a quick commerce provider in below 1/3 of the population.
- Some situations are **unresolved dilemmas** (high urgencies, low ordering probability), some are **external triggers** (low urgency, high ordering probability)

Study results on channel migration

- After indicating a high enough ordering probability participants were asked **what they would instead**, if there would not be a quick commerce provider.
- After indicating a high enough ordering probability participants were asked what they would instead, if there would not be a quick commerce provider.
- Consumers feel comfortable **asking their neighbors** if they are unwell, in most other situations consumers **remain inactive**, go to the store or consume an alternative.
- In three out of six situations consumers would have **consumed an alternative** product, in two they would have gone to the store.
- In three out of five situations consumers would have not consumed any product, so **left the demand unfulfilled**, in one they would have gone to the store.
- In **five out of 17 situations consumers would have gone to the store**, in seven they would have left the demand unfulfilled, in three they would have consumed an alternative.

Executive summary: Outlook

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Business model convergence and new players

- We have seen the **platforms**, previously focused on foodservice moving into quick commerce. It remains to be seen whether **quick commerce providers** will move into the profitable foodservice business.
- Because platforms are moving into quick commerce, at the same time quick commerce is becoming slower, the players aim for the **same customers** with the platforms already having a loyal customer base.
- The **discounter** Aldi is trialing e-food in Germany with employees and quick commerce in the US partnering with Instacart.

Developments in operations and delivery

- Various quick commerce providers are trialing **robot or drone** delivery, which could boost capacity.
- **Insights** on shopper behavior in quick commerce might become better in future since providers have signed contracts with Nielsen.

Executive summary: Outlook

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Developments in customers and assortment

- In future we might see quick commerce moving further into other sectors than just groceries, such as **non-food** or services.
- One of the next steps in assortment development could be **mystery or meal boxes** or as trialed by Gorillas and Getir.
- Food delivery providers try to offer more **sustainability**, which is very relevant for the German market due to regulations.
- In future we might see quick commerce providers moving into the **B2B target group**, for which urgency might be much higher and alternatives are more costly.

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Business models: Quick commerce

Currently there are three main players on the quick commerce market, pure players, platforms and omnichannel retailers.

	Q commerce providers (Pure players)	Platforms (Aggregators)	Omnichannel retailers	Manufacturers
Examples:	Flink, GORILLAS	Wolt, Uber Eats	Whoosh	Krispy Kreme DOUGHNUTS
Assortment:	Brands / retail brands	Third party assortments	Brands / retail brands	Own brands
Warehouse:	Dark stores	(Dark) stores	Stores	(Dark) stores
Order picking:	Own staff	Cooperation partner	Own staff	Own staff
Delivery:	Own staff	Platform drivers	Own staff	Own staff

Main players in Germany / UK

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The e-food market can be subdivided into on-demand and scheduled delivery, with three types of players active: omnichannel retailers, platforms and new (online only) market players.

Main player

Omnichannel Retailers

Platforms

New market player, online only

On demand | **Delivery** | Scheduled

Examples of failures & bankruptcies

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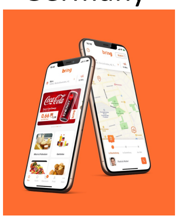
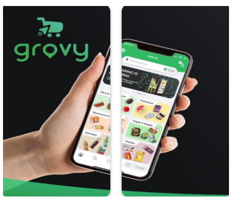
Over the past years many quick commerce providers have exited markets, were bought or had to file for bankruptcy.

Bring.de, Germany

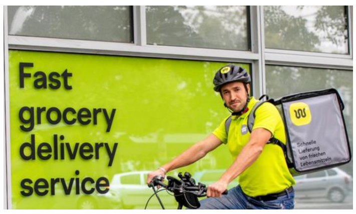


Grovy, Germany



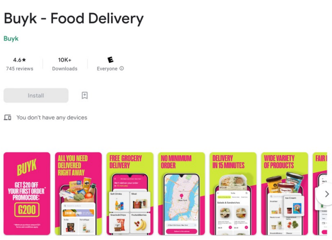
Getnow (paused) Germany

Wulpo, Germany & Russia



Fridge no more, NYC, US

Buyk, US & Russia



Send, Australia

Spillover effects from quick commerce on consumer expectation

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Spillover effects: Quick commerce providers are here to stay, even if the market might be small, but they impact consumer expectations towards traditional retailers.

- Traditional Retailers cannot escape the trend of quick commerce: The niche market of e-food currently only at two percent but experts think increases to five to ten percent are realistic. In these figures the hyped quick commerce providers such as Flink or Gorillas will be negligible, however, consultants predict that they impact consumer expectations. This type of service will remain in the market, they recommend to invest in shares such as what REWE did with Flink to not miss the trend." (Rosbach & Weber, 2022)
- "As customer -- we are getting more and more spoiled. And that's just a fact." (E05)

Spillover effects from quick commerce on incumbents

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Spillover effects: The quick commerce providers have increased the pressure on incumbents to digitize and become more customer oriented.

I think [quick commerce] has driven the traditional retailers and has made them grow up, realising that there is a demand and that consumers appreciate this [quick commerce].

They realised that they cannot just wait in my store for the customers to come in. I need to digitize my business and that in a way that is up to date and market oriented. And that does not mean I order today and get the groceries in about a week.

Incumbent behavior

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In Germany many incumbents (traditional retailers) have entered the market through partnering.

- REWE
  - Own e-commerce channel, market leader in Germany, 700 Mio. In 2021
  - Acquired shares in Flink in 2021, Flink currently market leader in the German market with 46 cities versus Gorillas with 21 and Getir with 9 (as of May 2023, LZ 2023)
  - Later in Sep. 201 doordash (US) and Carrefour (France) joined
- Edeka
  - Started its own delivery service bringmeister.de, which was sold in 2021
  - Acquired shares in Picnic in 2020, increased over the years now ~35%
- Penny
  - So far only discounter involved in q commerce
  - Delivery through bringoo (within 45 Minutes, maximum weight and not only city centers in focus, also offers non-food, e.g. DIY (Obi) and flowers)
- Tegut
  - Collboration with amazon.de, but currently offer restricted to same day

REWE & Flink

EDEKA & PIC NIC

PENNY & Wolt

tegut... gute Lebensmittel & amazon

Source: LZ Jan 2021, https://www.tegut.com/onlineshop.html

Incumbent behavior

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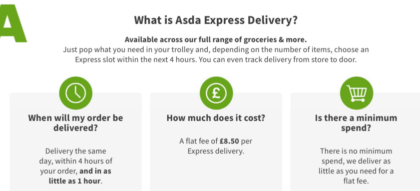
In the UK the main incumbents (traditional retailers) have built up their own quick commerce offering.

Examples:

- Tesco Whoosh
  - Delivery within 60 minutes
  - Range of and fulfilled by local shop for £5
- Asda express delivery
  - Various time frames (same day, within 4 hours, within one hour)
  - no minimum spent, £8.50 per express delivery
  - Also collaborates with Uber Eats for delivery
- Sainsbury chop chop
  - Delivery within 60 minutes, restricted to 25 products per person
  - Minimum basket £15, £4.99 delivery fee

TESCO

ASDA



Sainsbury's

Incumbent behavior: conclusion

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Incumbents are often involved in different channels and strive for omnichannel either through partnering or building up their own quick commerce / delivery network.

- Reasons for incumbents to get involved or invest in quick commerce:
  - enables learning and not missing opportunities
  - multi/omnichannel customers spend more and have a higher share of wallet (Bain 2022, US customers)

*FOMO=Fear of missing out

Lionel Souque, REWE: Souque is relaxed about the competition from Gorillas, Flink and Picnic and others, since this is still totally unprofitable. But he admits, this will not go away, but it will take a couple of years until we will earn money with this, but it will come.[1]

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Operational challenges of quick commerce providers

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Quick commerce provider have to deal with various operational challenges, such as low profitability, little economies of scale and lower availability of funding.

- Low profitability, intense competition and little economies of scale
- Growth funding: Whereas in spring 2021 funding wasn't scarce (LZ, 2021), beginning of 2022 we saw more scrutiny from investors and lower availability of "cheap VC money"
- Labor shortages & pressure regarding employment conditions
- Meeting delivery time targets and out of stocks
- Post Covid consumer behavior

Civey-Umfrage

Image von Gorillas offenbar angekratzt

Von Redaktion LZ Freitag, 23. Juli 2021

Kommentar

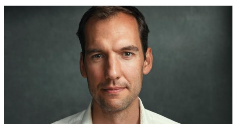
Das Personal bremst die Lieferdienste

Freitag, 18. Februar 2022

Interview mit Gorillas-COO Adrian Frenzel

"Wir wachsen nicht um jeden Preis"

Von Denise Klug (mailto:denise.klug@dfv.de) Freitag, 03. Juni 2022



„Seit Januar geht es nur noch um Profitabilität – Wachstum spielt keine Rolle mehr"

Christian Meermann, Founding Partner bei Cherry Ventures

2022

Regulation: dark stores and quick delivery

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Quick commerce providers were confronted with various regulations that hampered their growths, e.g., banning of dark stores or restricting the 15-minute value proposition.

- Banning of or restricting dark stores in city centers
  - Paris, with countrywide legislation in France[1]
  - Rotterdam & Amsterdam, NL[3]
- Banning of 15 Minute value proposition, since it causes reckless driving (Australia[4])


'We're wading through urine': The South London lane swamped by delivery drivers who pee on doorsteps

By Isabel Millett
28th Jan 2022 | Local News

Background: So called "dark stores", usually only present a blank front with the company logo usually not accessible to consumers. They are categorized by some governments as warehouses rather than shops and as such the zoning laws prohibit them in city centers.

This is given that many cities have spend considerable resources to protect the highstreets, city centers and their retails from out-of-town shopping centers.[2]

Sources: 1: Schofield, 2022, September 8th, BBC, 2: 3: Pratty, 2022, June, Sifted
4: Forbes May 2022

Regulation: Responses from quick commerce providers

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Increasing regulation of quick commerce is countered with workarounds (e.g. making dark stores accessible), lobbying or social engagement.

- Workarounds
  - Shift from dark store to accessible store
  - Move into brick-and-mortar foodservice

GORILLAS

- Gorillas, coffee & collect (London Hampstead)[2]
- Getir, click and collect trial in UK[3]

- Lobbying

getir Wolt

"A lobbyist for the Finnish delivery service Wolt … was asked to draw up an internal guideline on how his colleagues in all kinds of countries can advertise so-called dark stores to politicians and government representatives in the future."[1]

- Social engagement

GORILLAS

The Gorillas coffee & collect will be operated by social enterprise "change please" (working with homeless people) and profits will be donated back to the charity.[2]

Sources: 1: Vetter, 2022, October 9th, Welt am Sonntag, 2: Iddenden, 2022, July 27, chargedretail; 3: Cameron, 2022 3rd of February, Chargedretail

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Future profitability, general predictions

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Experts are split on whether quick commerce will ever be profitable, some claim they need to change their operating model.

- “Whether the costly on-demand delivery with bikers out of dark stores will ever be profitable is questioned by experts. One delivery managers calculates costs for delivery staff of 15-20 Euros per hour, to make up for this with these small baskets and the immense number of drivers needed to delivery on the 10-minute promise is practically impossible. (LZ 2021)
- “Well, in the current state it is, it needs to do the homework, it needs to reduce the speed, it needs to rethink how it's allocating the budgets, what are more efficient setups, how to do that, because you don't have to do, for example, everything in-house, right? (E05)

GORILLAS

Future profitability, general predictions

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Experts do mention and trust that some providers are able to run their operations at least at some of their location profitably.

- Gorillas are optimistic: ”More than 25 of our 230 locations are profitable, around 6 or 7 of those are in Germany." (LZ 2022)
- “Go Puff says that certain locations are already profitable, so they say they can get this done. I think Getir in Turkey have already proven that they can run this business profitably. (E11)
- “Quick commerce will be profitable and is in certain cities or countries already profitable. … I mean at the end, it's a scale game.” (E07)

Profitability and type of actor

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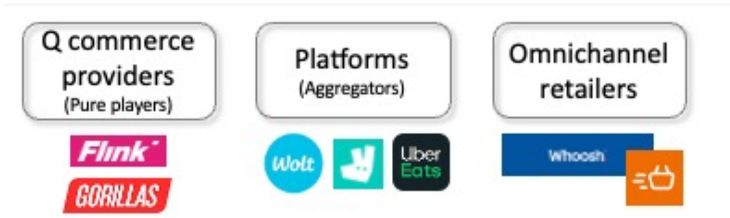
Experts view platforms (aggregators) as best equipped to reach profitability, but incumbents stay in the business because of customer demands.



- “Aggregators are sitting prettiest as it stands. With the easiest way to profitability, they will likely withstand the coming storm best due to their very light capex business models.” (PWC, 2022)
- “They [incumbents] understand that even though it's driving them minus, it's still what customers want and it's their way of retaining the customer base and learning from that” (E05)

Profitability & delivery fee

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Profitability can be increased though delivery fees. Approaches are to differentiate on distance or baskets size, but it remains to be seen where the tipping point is for consumers to accept delivery fees.

- **Multidimensional prices**: "With Gorillas you have to pay an additional fee, and these 1.80 Euro were already increased to 1.95 and when I order below 15 Euro, what used to be possible and common, that I have to pay an additional 2.35 Euro. Then at some point it amounts to 4.50 delivery costs for a small basket, and people of course think about this." (E09)
- **Price differentiation**: Price differentiation according to distance (as done by [Wolt](), below 1km and above 1km below 3km)
- **Tipping point delivery fee**: "It would be interesting to investigate at what point do people say, well, for 1.99, for 2.59, for 2.99, do I get up and walk down the road?" (E04)

Profitability & delivery speed

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Quick commerce providers have gradually reduced the delivery speed, which was their core value proposition, but not every purchase needs this speed.

...

- "You've probably noticed yourself that 10 minutes has become 20, 20 is becoming 30 because you can't drive efficiency out of 10 minutes … they said they could do it quicker but they found out they can't afford to do it quicker." (E02)
- "A classical way to save money is the departure from the 15-minute promise, which with Gorillas entered the market and grew in Germany." (E09)
- "In the last couple of months the quick commerce providers have departed from their core value proposition." (E09)
- "Look, 15-minute promise is a lot of BS, excuse my French … it's possible. We have delivered in seven, eight, nine minutes but it's not a promise that you can make … it's all a marketing gimmick if I tell you the truth … 15 minutes, that's history anyway." (E06)
- "We shouldn't scoop just everything under one category and say, 'Okay, from now on, everything needs to be delivered in 15 minutes.'" (E05)

Profitability & picking

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Order picking from a store is not viewed by experts see an option for quick commerce providers to become profitable.

- “If you do quick commerce out of your proper store, it will never fly. It just won't because you cannot guarantee your 15-20 minutes' delivery if you do store pick, and definitely, will never make it profitable”. (E07)
- “It was like there's 16 minutes to pick an order from a retail store using a batch of six orders. There's like 16 minutes to pick theses orders and that assumed a few out of stocks. If you pay someone like $25 an hour, this could cost you -- The maths doesn't make any sense.” (E10)

Profitability and price level

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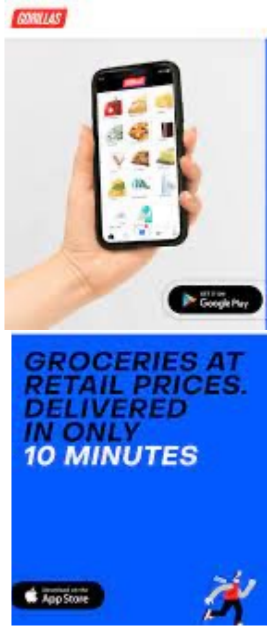
Experts don’t see that quick commerce provider can offer supermarket price level as initially advertised by e.g., Gorillas.

- “I don't know how they will make money, unless they put up prices, go for ultra urban rather than urban.” (E04)
- The original promise, prices at grocery store level: “You won’t pay more than at the supermarket” is long gone. Essentially the providers are squeezed from both sides, because profitability will be even harder to reach since the target group gets even smaller when they push the prices up.” (E09)
- “I never consider [quick commerce] to be for everybody. There are people who actually use our application who are happy to pay for the service. You want to go in a taxi, you pay a taxi fare. You don't assume that you're going to pay the same public transport fare, right? When you want something, convenience is something which you pay for.” (E06)



Profitability & assortment type

Profitability is also a question of the assortment mix most likely fresh products are a viewed as a margin driver.

- “The average basket size is important but also the mix of the products inside. … If customer starts buying fresh produce with you, they love your quality, this is a frequency engine. And it's a margin driver.” (E07)

- “These firms (foodservice providers) don’t really earn any money. The only ones that have nailed this are the pizza delivery companies since ages. And that is the answer, they have an extremely small assortment, a high margin product and only certain delivery windows [and not 24/7].” (E03)

Profitability & basket size

Increasing basket size will also increase profitability, but this will be hard to reach with a small assortment. Alternatively, they need to increase delivery fees for small baskets.

- “Do the quick commerce provider just have to make sure that consumers put more products into their baskets? – Yes, but that only works with a larger assortment, with just 1000 products this does not work.” (SZ, 2022)
- “As long as 2 - 3 articles dominate the basket this will lead to them [quick commerce providers] won’t be able to delivery profitably.” (E03)
- The target basket size to increase profitability is around 25-30 Euro (Gorillas), (LZ 2021)
- As a consumer I have to decide, do I need the weekly shop within 60 minutes? You can do this, but then I need to be willing to pay for that. (E09)
- It's expensive to deliver small baskets, I get it. But I'd pay a fee and that was about it. (E08)

OR

Profitability & retail brands

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Retail brands usually have higher margins, and have the potential to increase the basket, but the assortments are too small to offer various retail brand tiers or high-quality items.

- “And if you start launching your own retail brand, it has a general higher margins; it does, so it helps you, it makes you irreplaceable if the customer really loves this product.” (E07)
- “Privat label normally also means quality and different tiers, but to get to this scale, many of these players lack the assortment width, since the basket sizes are so small.” (E03)
- “Reliable private labels, that consumers know from their retailers might be something that increases the basket sizes, which allows a delivery with higher margins making it more attractive.” (E03)

Profitability and non-retail income

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Retail media is another way to increase profitability, which is currently not fully leveraged yet.

- Offering retails brand “will give the retailers an opportunity to control the unsold media … the sponsored placements, that's a big income revenue for the platforms.” (E01)
- “ I think the driver to more profitability is more vendor driven, when they market their retail media to brands to generate extra income.” (E03)
- “Physical retailers for years have found ways to charge for placement of products to tell people, "If you want to be seen here, it's going to cost you to basically sell against that, and you can do the exact same thing here [in quick commerce]." (E08)

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Retail brands, examples

Quick commerce providers try to differentiate and increase profitability by offering retail brands.

- Retail brand: Flink's finest, premium umbrella brand
- Products: e.g. jam, cheese alternatives, soups
- Available on top of REWE retail brands such as REWE Beste Wahl, REWE Bio[1]

- Retail brand: Gorillas Daily, Gorillas Premium, Hot Damn (coffee), Start-up beer
- Products: large range, 50 products in 11 most wanted categories
- Focus on sustainability of production & packaging
- Key component to achieve profitability [2]

Source: 1: LZ June 2022, 2: marketingweek 2022

Retail brands: expert views

Quick commerce providers need big brands to attract consumers, it also gives them a better negotiation position with them.

Expert view

Offering retail brands allow the quick commerce provider to have “a different level of conversation with suppliers”, have “a price-entry level product” and “control unsold media ... the sponsored placements” on their app.”

Global head of quick commerce, large FMCG brand (E01)

Expert view

“... these companies don't just need maturity and scale, but they also need the brands like, again, Nestle, and Red Bull, and Coca-Cola and whatnot to actually drive the customers to their platform because nobody is going to buy your unknown private label brand.” (E05)

Supplier to quick commerce and sector expert (E05)

Study overview

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Consumer awareness and behavior in quick commerce in the UK

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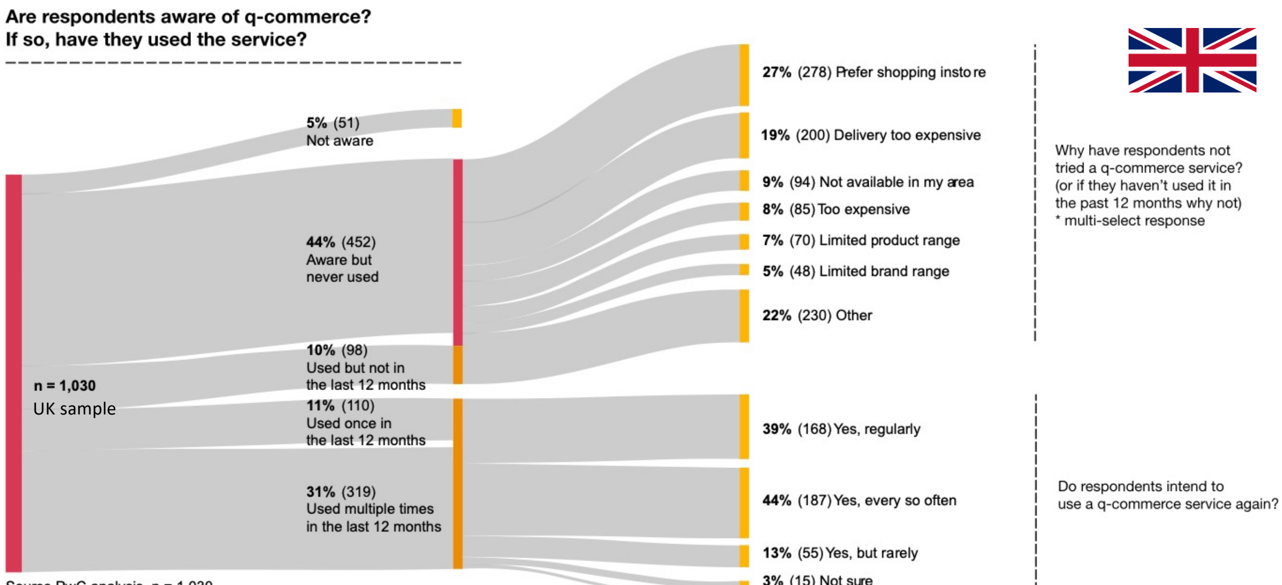
As of spring 2022 most UK consumers have heard of quick commerce, half have tried it, about a third intents to use it regularly.



Source PwC analysis, n = 1,030
As of April 2022

The UK quick commerce customer

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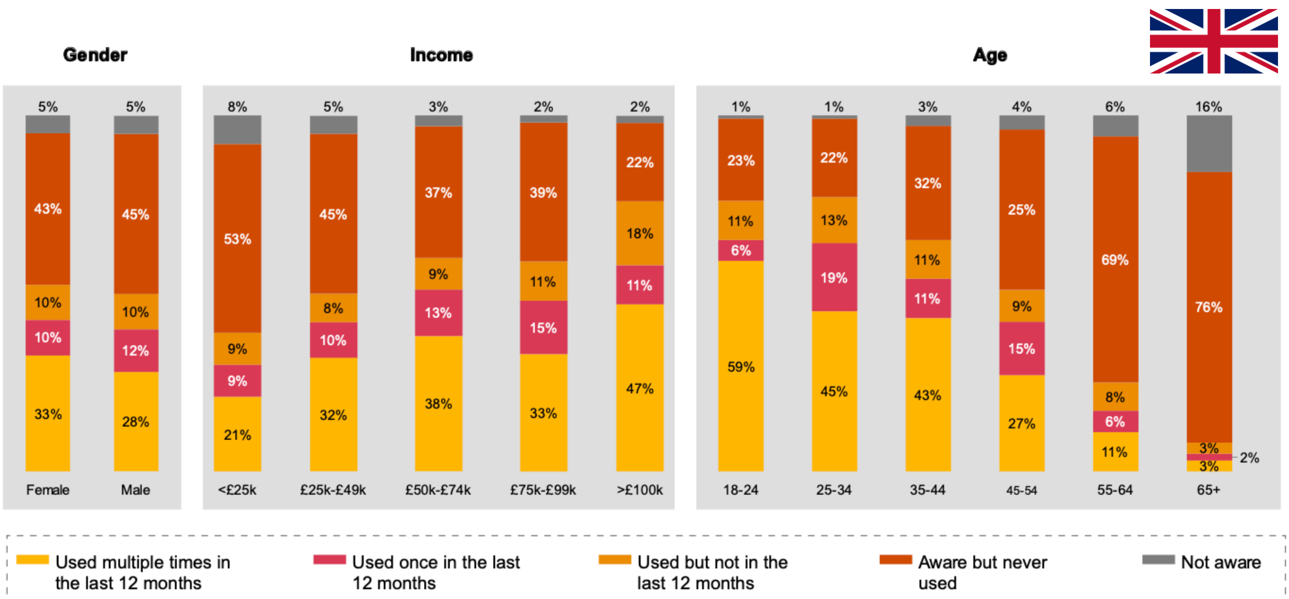
In the UK quick commerce consumers are more likely female, young and in medium to high income ranges. The awareness in low-income and higher age groups is low.



UK sample, n=1030, as of April 2022

Shopper missions for quick commerce

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Ultraconvenience and direct consumption are the leading reasons for using quick commerce in several countries.

[1] Multiple answers per respondent possible.
Source: McKinsey Instant Grocery Consumer Survey 2022, January 7–19, 2022

Responses to instant-delivery questions from consumers in France, Germany, the Netherlands, and the United Kingdom, % of total responses[1] (n = 2,900)

Return on time impacts quick commerce ordering

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Experts mention the return on time of quick commerce and that in their view this has become more important over the past decades.

- “I think people value their travel time a hell of a lot more than they used to as well.” (E02)
- “It's still adding the convenience that, "Okay, I can actually go somewhere but I don't want to because I can do another 30 minutes of work and finish up, and then the food is going to arrive, and my family is going to be here” (E05)
- “My daughter … Canary Wharf (London) thirty-year-old, busy, uses Gorillas like 10 times a week because to her, the time is more important than physically going to the store. But that's a very small part of the market.” (E04)
- “Delivery is expensive but that's a cost they're worth paying because their time is more valuable than the time it takes to go get that. … People have family obligations. People have worked a long day, and they're like, "I'm going to read that damn book and I'm not going to the grocery store," or "I'm watching this TV show, finally," or they have kids and they're like, "I finally got a free moment. I am not, NOT, going to the goddamn grocery store.” (E08)

Quick commerce and its link to in-home food waste

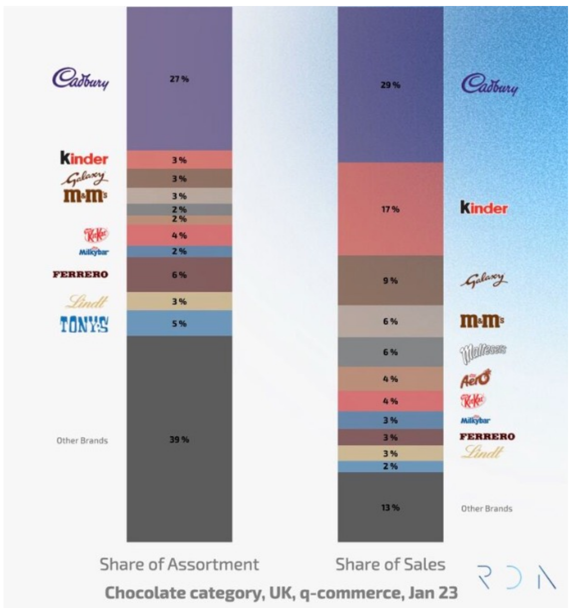
Some experts see the on-demand nature of quick commerce as an opportunity to reduce food waste.

- "Instead of shopping out of fear that you will run out of something at home, [quick commerce] allows consumers to minimize food waste, and rethink how they stock their fridge and kitchen. So instead of a supply-driven industry it becomes more optimized around the last moment of consumption." Podcast, Berker Yağci from Getir
- "And when they've [Gorillas Germany] spoken with the consumers, the consumers are suggesting that although it costs them more, … they're saving money because they're wasting less." (E01)
- "We go and buy a lot of stuff. We think that I'm going to need this; but today, you're in a happy mood, tomorrow, you're going to be miserable, you might not want to even cook. And that food that's going to go out of date, that's wastage." (E06)
- "It could open up a whole world of sort of people actually buying what's fresh and using what's fresh rather than predicting what they'll use a week ahead." (E10)

Consumer brand purchase behavior in quick commerce

Quick commerce providers need big brands to attract consumers, it also gives them a better negotiation position with them.

- Market leading brands have a lower share of assortment, with a higher share of sales in quick commerce
- For instance, Kinder or M&M have 3% share of assortment but 17 and 6% of sales
- Quick commerce providers might try to differentiate themselves with more unique brands, but their sales are generated by market leading brands
- This signals brand equity, and it means it is not necessary to dominate the online shelf to generate sales.



Source: Dyatlov, 2022, Rapid Delivery Analysis

Target group for quick commerce

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Experts see younger and urban target groups as most suitable for quick commerce, partly because of their on-demand and digital socialization.

- “More likely younger, convenience-oriented customers … they are not that socialised yet to think they could just pop into the corner store, they are more digitally socialised that everything they need they get through some app such as an Uber. … Spontaneity is a big topic, they don’t want to plan, they are not pantry-type of people.” (E11)
- “I think still one of the best is Gopuff. They stared in university towns, so their target is young, reasonably well-educated people with some money in their pockets … university and ultra urban, the only place where they're going to have the right consumer profile, the right density.” (E04)
- “Definitely like a very young generation under 30, urban areas, very busy, or very gimmick ones, who just like to try new things. … mid-upper class who are educated and are familiar with the technology, with paying online, getting stuff through apps, et cetera.” (E05)

Quick commerce consumer segmentation

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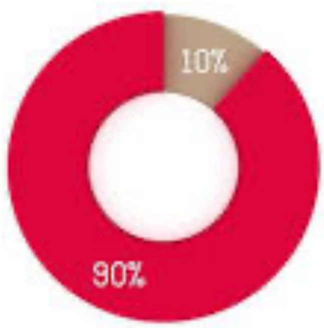
According to Kagan Sümer, CEO of Gorillas they split the market into following three market segments and have mastered the first two.

1% — **Price-insensitive trendsetters who want ultraconvenience**

9% — **Conscious rapid followers, who are a bit more price sensitive, but also care about the environment and their consumption**

90% — **Practical mass market customer who wants lower prices and the right product selection**

GORILLAS



When we look at the data, we see that we have **successfully captured the first two groups**. If we completely adapt our proposition to this 90 percent, the early adopters may decide that it’s no longer exclusive enough for them. We therefore need to find a way to reach this large segment now, and we will consider these types of trade-offs as we grow.

McKinsey, Navigating the market headwinds – The State of Grocery Retail 2022: Europe

Study overview

COMPETENCE CENTER for on-the-go Consumption

- **Executive summary**
- **Market overview**
- **Empirical studies**
  - **Secondary data analysis and expert interviews**
  - **Qualitative consumer study on shopper missions**
  - **Quantitative consumer study on shopper behavior and channel migration**
- **Outlook and future developments**

Background: Qualitative study on shopper missions

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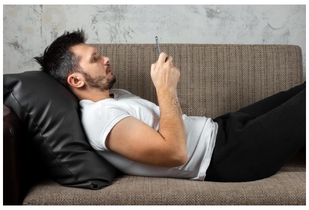
Shopper missions for quick commerce are broader than just “feeling lazy” and “missing cooking ingredient”. The qualitative study addresses this gap.

- **Status quo: “**feeling lazy” or “missing a cooking ingredient” are considered as *the* core shopper mission for quick commerce
- **Study aim**: Better understand consumer behavior: Identify shopper missions of quick commerce
- **Outside the scope**: Quantify the importance of these shopper missions (potential third study)
- **Sample**: Participants from four European countries, Germany, Austria, Netherlands and UK (n=100)
- **Data collection**: October 2022, participants were incentivized
- **Procedure**: Participants upload their order and write a story about this order



Too lazy to get up, nothing in the fridge

Missing an ingredient whilst cooking

Types of shopper missions in quick commerce

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Three types of shopper missions for quick commerce were identified in the study: internal, environmental and corporately triggered.

Internal shopper missions

The trigger to order at a quick commerce provider lies within the household, e.g., being ill, needing to mind kids.

Environmental shopper missions

The trigger to order at a quick commerce provider lies in the environment outside the household, e.g., spontaneous guests or bad weather.

Corporately triggered shopper missions

The trigger to order at a quick commerce provider comes from retailers, either the quick commerce provider itself or others, e.g., a voucher code or shops being closed.

Results from qualitative study: Key shopper missions

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Eight internal shopper missions were identified in the study: for instance, feeling unwell, being busy with other things, being bound at home or not wanting to carry.

Internal shopper missions


Core product missing for cooking


Bound at home


Feeling lazy


Busy with other things


Wanting a treat


Feeling unwell

Wanting a certain product


Not wanting to carry


Curiosity


Not wanting to give up parking spot

Source: qualitative consumer study 2022

Results from qualitative study: Key shopper missions

COMPETENCE CENTER for on-the-go Consumption

Four environmentally and three corporately driven shopper missions were identified, for instance unexpected third party preferences, spontaneous guests or having a voucher code.

Environmental shopper missions

Bad weather

Unexpected third-party preferences

Spontaneous guests

Forgot to buy a present

Corporate shopper missions

Voucher code

Opening hours local shops

Location local shops

Source: qualitative consumer study 2022

Results from quantitative: additional study shopper missions

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Following shopper missions emerged from the quantitative study, that were not previously mentioned.

After the participants of the quantitative (second) study were exposed to the shopper mission situations deduced from the qualitative (first) study, they were asked whether any relevant situations were not mentioned:

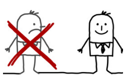
Following shopper missions were added to the overall set:

- Stuck in a hotel whilst travelling
- Just normal shopping / homeoffice
- Unable to drive due to alcohol consumption
- Avoid social contact
- Order for third parties (parents or friends)
- Too little cooling space for all products

Stuck in hotel

Normal shopping

Unable to drive



Avoid social contact

Ordering for others

Not enough cooling space

Overview: Key shopper missions for quick commerce

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Source: qualitative consumer study 2022
*no significance testing possible

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Background: Quantitative study on channel migration

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After identifying the shopper missions in the first study, the second quantitative study investigated which transaction are crowded out by quick commerce.

- **Status quo:** It is unclear which transactions are crowded out by quick commerce, e.g., shopping in the corner store, online shopping, or whether quick commerce transactions are incremental business.
- **Study aim**: Better understand consumer behavior what they would have done (or not done) to fulfil their demand without quick commerce
- **Data collection and sample**: February 2023, participants from Germany, Austria and Switzerland (n=427) were incentivized, attention checks were applied
- **Baseline quick commerce setting**: Participants were asked to imagine a 20 Euro minimum basket, delivery costs of 1.99 and products similar to grocery store prices
- **Procedure**: Participants were exposed to the identified quick commerce shopper missions and indicated for each of these situations how urgent the demand would be and how likely they would order at a quick commerce provider. For those mission for the consumers indicated ordering, they were asked what else they would have done without quick commerce.

Overview results: Urgency of quick commerce shopper missions

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The situations in which people have ordered via quick commerce providers differ in their urgency from below 3 (out of 7) to over 5 (out of 7).

Source: quantitative consumer study 2023
Descriptive results, significance test to mean value

Overview results: Probability of using quick commerce

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The probability with which people would ordered at a quick commerce provider differs from under 30% of consumers for e.g. feeling lazy to over 80% for feeling unwell.

Detailed results: Urgency, probability of using QC & gap

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The highest probability and share of consumers ordering via quick commerce is due to illness and when the local shops are closed or too far away.

	Perceived urgency (high)	Probability of using QC (high)	share with higher probability than 4
Feeling unwell	5.5	5.9	86%
Opening hours local shops	5.1	5.3	75%
Location local shops	4.2	4.6	71%
Wanting a certain product	4.3	5.1	70%
Voucher code	3.7	5.1	70%
Spontaneous guests	5.0	4.8	63%

Source: CCOTGC quantitative consumer study 2023
*descriptive results, averages urgency, average probability of using QC, share of participants who had a higher probability than 4 (mid scale)

Detailed results: Urgency, probability of using QC & gap

COMPETENCE CENTER
for on-the-go Consumption

Being busy, bound at home or having unexpected third-party preferences leads to a higher probability of quick commerce ordering, than a missing cooking ingredient.

		Perceived urgency (high)	Probability of using QC (high)	share with higher probability than 4
	Bound at home	4.6	4.7	62%
	Curiosity	3.4	4.8	62%
	Busy with other things	4.2	4.5	57%
	Unexpected third-party preferences	4.3	4.1	48%
	Not wanting to carry	3.5	4.1	46%
	Core product missing for cooking	4.6	4.0	45%

Source: CCOTGC quantitative consumer study 2023
*descriptive results, averages urgency, average probability of using QC, share of participants who had a higher probability than 4 (mid scale)

Detailed results: Urgency, probability of using QC & gap

COMPETENCE CENTER
for on-the-go Consumption

Feeling lazy, wanting a treat or not giving up a parking spot only triggers using a quick commerce provider in below 1/3 of the population.

		Perceived urgency (high)	Probability of using QC (high)	share with higher probability than 4
	Bad weather	3.5	4.0	45%
	Forgot to buy a present	4.6	3.9	43%
	Feeling lazy	2.8	3.2	29%
	Wanting a treat	3.3	3.1	28%
	Not giving up parking spot	2.8	3.0	28%

Source: CCOTGC quantitative consumer study 2023
*descriptive results, averages urgency, average probability of using QC, share of participants who had a higher probability than 4 (mid scale)

Results: Urgency – ordering behavior gap

Some situations are unresolved dilemmas (high urgencies, low ordering probability), some are external triggers (low urgency, high ordering probability)

Alternatives to address shopper mission

After indicating a high enough ordering probability participants were asked what they would do instead, if there would not be a quick commerce provider.

In these situations, if no quick commerce would be available, what else would you do?

Results: Alternatives to QC

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for on-the-go Consumption

Consumers feel comfortable asking their neighbors if they are unwell, in most other situations consumers remain inactive, go to the store or consume an alternative.

	Urgency of shopper mission[1]	Probability of using QC[1], share [2]		go to the store[3]	do nothing[3]	alternative product[3]	ask neighbors[3]	something else, such as…
Feeling unwell	5.5	5.9	86%	7%	12%	18%	61%	share below 2%
Opening hours local shops	5.1	5.3	75%	2%	43%	34%	18%	share below 3%, e.g., wait until the next morning, go to the petrol station
Location local shops	4.2	4.6	71%	34%	16%	35%	14%	share below 2%
Wanting a certain product	4.3	5.1	70%	10%	52%	33%	6%	share below 1%
Voucher code	3.7	5.1	70%	23%	66%	5%	1%	share below 5%
Spontaneous guests	5.0	4.8	63%	42%	10%	32%	14%	share below 3%

Source: quantitative consumer study 2023
[1]mean of population, 1=low, 7=high urgency / probability, [2]share of consumers above 4
[3]Share of respondents choosing this option

Results: Alternatives to QC

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for on-the-go Consumption

In three out of six situations consumers would have consumed an alternative product, in two they would have gone to the store.

	Urgency of shopper mission[1]	Probability of using QC[1], share [2]		go to the store[3]	do nothing[3]	alternative product[3]	ask neighbors[3]	something else, such as…
Bound at home	4.6	4.7	62%	21%	18%	46%	15%	Share below 1%
Curiosity	3.4	4.8	57%	31%	57%	7%	1%	share 4%, e.g. look at google reviews
Busy with other things	4.2	4.5	57%	26%	26%	37%	10%	share below 1%
Unexpected third-party preferences	4.3	4.1	48%	36%	21%	29%	13%	share below 1%
Not wanting to carry	3.5	4.1	46%	50%	14%	13%	16%	share 7% would e.g. order at a slow delivery service
Core product missing for cooking	4.6	4.0	45%	23%	7%	45%	25%	share below 1%

Source: quantitative consumer study 2023
[1]mean of population, 1=low, 7=high urgency / probability, [2]share of consumers above 4
[3]Share of respondents choosing this option

Results: Alternatives to QC

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In three out of five situations consumers would have not consumed any product, so left the demand unfulfilled, in one they would have gone to the store.

	Urgency of shopper mission[1]	Probability of using QC[1], share [2]		go to the store[3]	do nothing[3]	alternative product[3]	ask neighbors[3]	something else, such as…
Bad weather	3.5	4.0	45%	30%	27%	43%	4%	share below 1%
Forgot to buy a present	4.6	3.9	43%	74%	4%	12%	5%	share below 4%
Feeling lazy	2.8	3.2	29%	25%	39%	27%	9%	share below 1%
Wanting a treat	3.3	3.1	28%	34%	43%	21%	1%	share below 1%
Not giving up parking spot	2.8	3.0	28%	19%	45%	30%	4%	share below 2%

Source: quantitative consumer study 2023
[1]mean of population, 1=low, 7=high urgency / probability, [2]share of consumers above 4
[3]Share of respondents choosing this option

Alternative to quick commerce ordering depending on mission

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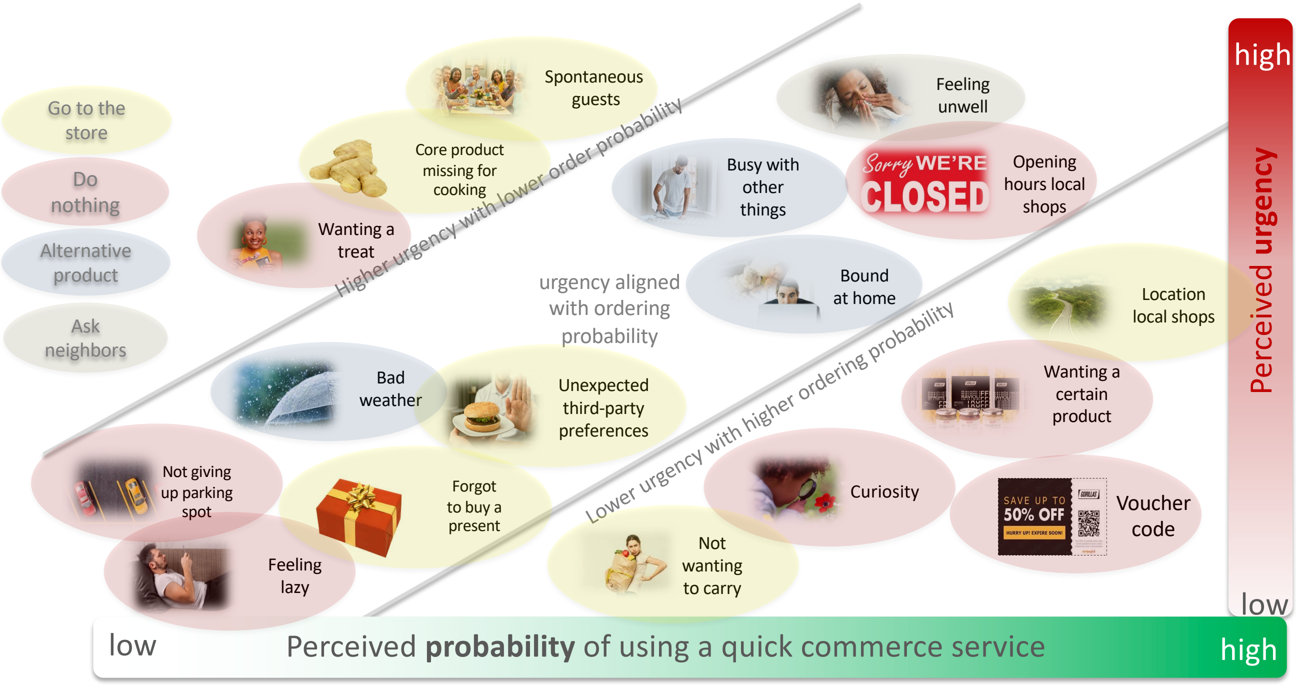
In 5 out of 17 situations consumers would have gone to a store, in 7 they would have left the demand unfulfilled, in 3 they would have consumed an alternative.



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Business model convergence and new players in quick commerce

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We have seen the platforms, previously focused on foodservice moving into quick commerce. It remains to be seen whether quick commerce providers will move into the profitable foodservice business.

Q-commerce
(current focus grocery)

Platforms
(current focus foodservice)

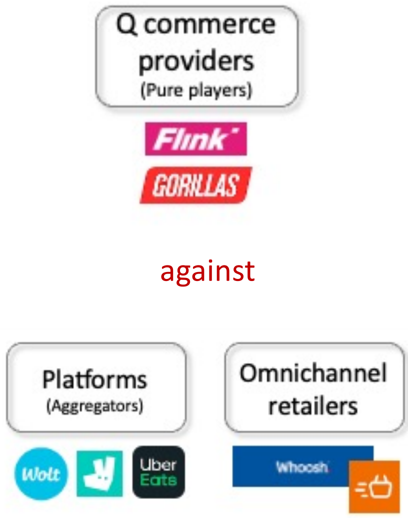
?

Wolt	Uber Eats	Deliveroo
Flink	Sainsbury	Morrisons
Kamps	Coop	Whole Foods
Spar 2000	Boots	Waitrose
Subway	Asda	Coop
Blume 2000	Iceland	Sainsbury
Lush		Majestic Wine
Fressnapf		

Customer acquisition versus loyal customers

Because platforms are moving into quick commerce, at the same time quick commerce is becoming slower, the players aim for the same customers with the platforms already having loyal customers.

- “You've got a huge database of people who are already used to doing on-demand, but hot food via Deliveroo, Uber Eats, Just Eat who have now said, and now, you can get grocery." The fight for the attracting the customer must be horrendous for the pure-play fast grocery upstarts.” (E02)
- “If I was in a Gorillas or a Getir or a Gopuff, and I was trying to grow my customer base, I think you would be finding it extremely difficult to build loyalty. They fight against each other for the same customer.” (E02)



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Will discounters enter the quick commerce market?

Aldi is trialing e-food in Germany with employees and quick commerce in the US partnering with Instacart.

Aldi US in cooperation with Instacart has announced “Aldi Express” to enter the 30-minute grocery delivery market

Expert opinions:

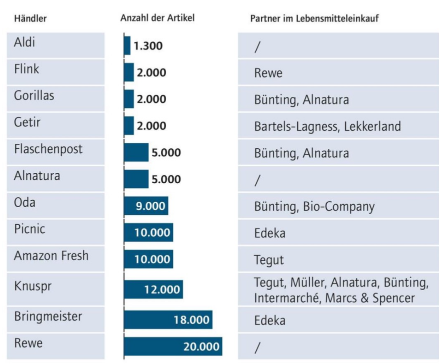
- “…companies .. that offer rapid delivery almost exclusively have scaled back offering an opportunity for grocers like Aldi to snap up market share in quick delivery.” Locher 2023
- “If the Discounters enter the e-food market, it will be tough for Gorillas… it is expensive to acquire customers from other providers, … every day they wait, it will costs them more because of the market entry costs” (Graf, 2022)

German market

- PwC predicts 11% market share for e-food in Germany (on-demand and scheduled) by 2023 (Rentz 2022)
- In May 2023 Aldi Germany has started an e-food trial with employees for which it does not partner with any provider and has the smallest assortment of all competitors (LZ, 2023)

ALDI Express

partnering with



Discounter geht seinen eigenen Weg

Aldi hat das kleinste Online-Sortiment und arbeitet ohne Partner

Händler	Anzahl der Artikel	Partner im Lebensmitteleinkauf
Aldi	1.300	/
Flink	2.000	Rewe
Gorillas	2.000	Bünting, Alnatura
Getir	2.000	Bartels-Lagness, Lekkerland
Flaschenpost	5.000	Bünting, Alnatura
Alnatura	5.000	/
Oda	9.000	Bünting, Bio-Company
Picnic	10.000	Edeka
Amazon Fresh	10.000	Tegut
Knuspr	12.000	Tegut, Müller, Alnatura, Bünting, Intermarché, Marcs & Spencer
Bringmeister	18.000	Edeka
Rewe	20.000	/

LZ GRAFIK; QUELLE: LZ-RECHERCHE, UNTERNEHMEN

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Better insights into quick commerce to be expected

▶ Insights on shopper behavior in quick commerce might become better in future since providers have signed contracts with Nielsen.

- Currently insights about shopper behavior in quick commerce is scare
- That might change in future, since in June 2022 Gorillas has signed a deal with Nielsen to provide data for the NielsenIQ panel (Nielsen 2022)

At the same time, experts see potential for traditional retailers to learn more about their customers:

- Quick commerce "is a no-brainer; on the businesses' side … because on the online, you can get access to the data you could never get from the offline operations." (E05)

Robot delivery for quick commerce

Various quick commerce providers are trialing robot or drone delivery, which could boost capacity.

- The quick commerce range is about 3km around the (dark) store (Schuh 2022), which are feasible conditions for robot delivery, since they have a movement radius of 3km (erpecnews, 2023)
- Doora robot, tested, but discontinued by delivery hero / foodoora in Sweden
- Uber Eats and Nuro, signed a 10-year deal in September 2022 and Uber believes that "autonomous vehicles will be an increasingly important part of the transportation eco-system"
- German market: In May 2023 Rewe has launched a 3-months trial with Cartken for food delivery within two hours in Hamburg (erpecnews, 2023)
- For more rural areas Wing drones are tested by Doordash in Australia (Wing 2022)
- Expert views: "Autonomous delivery could help boost delivery capacity" (Soroka, 2022)

Doora test

Nuro vehicle

Wing Doordash drone

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Retail brands: possible future developments

One of the next steps in assortment development could be mystery or meal boxes or as trialed by Gorillas and Getir.

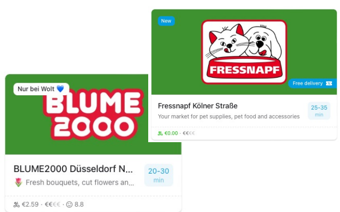
- Mystery Bags
  - As done by Gorillas
  - similar to “To Good To Go”[1] 17 Mio bags since 2015
  - Challenge: does value proposition work without food waste
- Meal boxes
  - Getir has started with meal boxes similar to “Hello Fresh”
  - Challenge: operational

Non-food and services are integrated into quick commerce

In future we might see quick commerce moving further into other sectors than just groceries, such as non-food or services.

- Instant all-demands delivery platforms, such as Instazap (Ireland) or Wolt (multi-national) do not only focus on food, but on various non-food items (e.g. flowers and pet food, Wolt) and services from babysitter to smart phone repair (Instazap)
- “And all drugstore products, if I’d get them comfortably and for the same price, brands that I like as well as retail brands, then this might be something that will increase the basket sizes and makes the delivery more attractive.” (E03)
- German market: for instance, Fressnapf or Blume 2000 on Wolt

“Instazap is going to be the bridge between the world today and future.”



Quick commerce moves into sustainability

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Food delivery providers try to offer more sustainability, which is very relevant for the German market due to regulations.

- Uber Eats trials reusable packaging for their deliveries e.g., in New York and London (trial period 6 months)
- Currently opt in for customers with various incentives
- Containers equipped with QR code allowing pick up for collection (partner company in the UK Again, partner company in the US, deliveryzero)
- Containers are professionally cleaned and returned to be used
- Other trials by doordash or toast, see here

The German government has made it obligatory for some restaurants (above $80m^2$ and five employees) to also offer reusable packaging starting 2023, see here

Uber Eats trials reusable takeaway packaging in Central London

Uber Eats is trialling reusable takeaway bags and containers in partnership with a string of restaurants in central London, and will also offer home collection of used packaging.

CIRCULAR ECONOMY TECH & INNOVATION

https://www.edie.net/uber-eats-trials-reusable-takeaway-packaging-in-central-london/
https://www.packagingnews.co.uk/news/markets/food/uber-eats-begins-ground-breaking-reusable-containers-trial-in-london-21-04-2023

B2B as future target group for quick commerce providers

COMPETENCE CENTER for on-the-go Consumption

In future we might see quick commerce providers moving into the B2B target group, for which urgency might be much higher and alternatives are more costly.

- "… it's the sort of customers you don't think about as customers. Fish and chips shops that run out of tomato ketchup or pub that runs out of fags [tobacco], so it's those emergency purchases but not necessarily from shoppers. It might be from the trade or it might be from industry or commerce or commercial organizations. (E10)

Appendix

COMPETENCE CENTER
for on-the-go Consumption

- Expert interview questions
- Expert interview sample
- Prompts for qualitative study
- Questionnaire for quantitative study

Expert interview questions

COMPETENCE CENTER
for on-the-go Consumption

Personal background:

1. How would you describe your experience and expertise with regards to on demand delivery and its providers?

Perception of market development:

1. On demand delivery experienced a boost during the pandemic, in your opinion to what extent will this growth continue now that most countries have lifted restrictions relating to COVID 19?
2. The on demand delivery sector has seen substantial consolidation. To what extent do you think this will continue? And which providers will sustain this process?
3. Some on demand delivery providers (e.g. Gorillas) offer some products as retail brands (their own branded products). What is your opinion about this and how this might develop going forward?

Impact on competition:

1. What are the likely implications of incumbents, i.e., traditional grocery retailers?
2. Do you differentiate between on demand delivery of grocery items (e.g. Getir, Gorillas) and foodservice delivery (e.g. Uber Eats, Just Eat)? How are these two types of providers going to develop?

Consumers:

1. How would you describe the target group of on demand delivery?
2. What is your opinion with regards to which transaction on demand delivery replace, e.g. these are “new” transaction where formerly no purchase would have happened, they replace consumers going out to the store, they replace a normal shopping basket?

Expert interview sample

Number	Position	Expert based in	Minutes of interview
Expert 1 (E01)	Head of quick commerce, global FMCG brand	UK	38 minutes
Expert 2 (E02)	Consultant to manufacturers trialing quick commerce	UK	37 minutes
Expert 3 (E03)	Consultant and sector expert	Germany	34 minutes
Expert 4 (E04)	Consultant and sector expert	UK	32 minutes
Expert 5 (E05)	Supplier to quick commerce and sector expert	Europe	49 minutes
Expert 6 (E06)	Quick commerce provider	Ireland	54 minutes
Expert 7 (E07)	Consultant, investor and sector expert	Switzerland	45 minutes
Expert 8 (E08)	Consultant, investor and sector expert	US	56 minutes
Expert 9 (E09)	Journalist and sector expert	Germany	46 minutes
Expert 10 (E10)	Head of association and sector expert	UK	40 minutes
Expert 11 (E11)	Retail event organizer	Germany	47 minutes

Prompts for story qualitative consumer study

Query: Upload of screenshots of last order to ensure experience

Explanation of the order

Please try to remember this particular situation (from which you uploaded the screenshots) and describe your experience as detailed as possible. Following questions hopefully help to recall and write this up as a story:

- What kind of situation where you in? Were you with friends or alone? Were you at home or somewhere else, e.g., in a hotel? Which time of day was it? How was the weather?
- Why did you order? Was any of the purchases an emergency purchase? If so which of the product? Did you mainly order for yourself or for someone else?
- What would you have done without quick commerce?
- Did the delivery come in time? Were you satisfied with the products? Did you consume the products right away?

Questionnaire for quantitative study

- Introduction, clarification of quick commerce setting and consent

Questions:

- How often did you order at a quick service provider in the past year?
- Which provider did you order most often?
- In the following we describe various situations in which people have ordered at a quick commerce provider. Please imaging this situation as vividly as possible and indicate how urgent these situations are for you personally and how high your probability is to order at a quick commerce provider. Answer categories: 17 situations shown on slide 52 & 53 were shown to the participants. Answer categories ranged from not at all urgent (1) to very urgent (7) and not very likely to order (1) to very likely to order (7)
- Afterward participants were shown an open field in which they were asked, whether any situations (shopper missions) for quick commerce were not mentioned (results shown on slide 54)
- For all situations for which participants indicated some probability to order from a quick commerce provider (above 4 = midpoint), participatns were asked what they would have done alternatively, options are shown on slide 64.