# Will quick commerce change customer experience as retail knows it?

# Will quick commerce change customer experience as retail knows it?

On-demand grocery delivery has moved from a fringe concept to a common service to a crowded space in a very short period of time.

In the past 24 months, almost £10.6 billion ($14 billion) has been invested globally in start-ups promising to get grocery essentials to the customer's door in just 10 to 15 minutes.

**£10.6 billion.**

As an early leader in the field, Turkey-headquartered Getir is now worth a reported $7.6 billion, serving 3.5 million active users. Gorillas, founded in Germany in 2020, is now reportedly worth $2.1 billion.

All of this has happened against a backdrop of a global pandemic. A unique set of circumstances that has forced people across the world to spend increased quantities of time at home has resulted in a spike in ecommerce sales.

With this has come companies looking to grab a share of the money. As such, delivery has become a point of competition.

The rise of these on-demand superfast delivery companies has also shone a light on the larger role delivery plays in customer experience.

It's one that has often been overlooked, yet it can be the pivotal factor in whether a sale happens. In fact, 45% of shoppers have reportedly changed their mind about making a purchase due to poor delivery options, according to research from Whistl.

As retailers begin to pay more attention to what happens between a transaction being made online and the customer receiving it in their home, two schools of thought have emerged.

One is the headline-grabbing activities of the ultrafast on-demand grocery companies such as Getir, Gorillas, Gopuff, Cajoo and Flink. The other is an emerging field of delivery with added services as demonstrated by companies like Maker&Son, Enjoy and Toshi.

In this report, we explore what these new models mean for customer experience, and whether they have a future.

# Is quick commerce a bubble or the future of delivery?

Superfast delivery, ultrafast delivery, rapid delivery, quick commerce, q-commerce. Whatever you call it, the process of getting online orders to our door has really sped up in the last two years.

Nowhere is this more apparent than in the grocery sector where a multitude of start-ups have sprung up offering on-demand delivery of convenience goods and grocery staples from dedicated micro-fulfilment spaces in as little as 10 minutes.

Despite many of these companies having only been founded in the last two years, they have collectively accumulated billions in funding in record time as investors look to capitalise on the growth in online shopping caused by the global coronavirus pandemic.

With consumers across the world experiencing lockdowns and encouragement to stay at home, retail has increasingly been coming to our doors. In February 2021, ecommerce reached a new record share of overall grocery sales in the UK at 15.4%, up from 8.7% in 2020.

But is it a trend the wider retail world should be paying attention to?

# Growth is the priority in superfast delivery

Quick commerce is a fierce competition ground. To put the trend into context, IGD reported that quick commerce is currently worth around £1.4 billion in the UK with the potential to reach £3.3 billion. IGD also found that 1 in 3 UK shoppers have either used or are interested in quick commerce. Meanwhile, an InMobi user survey found that 1 in 3 rapid delivery users in the UK are using the apps to replace their weekly shop.

On the flipside, the same survey noted that just 12% of UK city dwellers were likely or very likely to try quick commerce delivery apps. According to a report by Coresight Research, the sector will generate between $20 and $25 billion in US retail sales this year.

Notably though, industry leader Gopuff accounts for 70% of the US market on its own. It's clear then that size matters when it comes to securing sales. As a result, fast delivery firms are snapping up as much money as possible – the aforementioned £10.6 billion globally in the last two years – in order to grow their operations faster than their rivals.

Speed is also the point of differentiation for their businesses. The ultrafast 10 or 15 minute delivery speeds that define the business models of these young start-ups not only give consumers a reason to try them over the ecommerce offerings of traditional grocery retailers, but also set them apart from their competition as they look to shave minutes off their rivals' times.

As such, brands such as Getir, Gorillas, Flink, Cajoo, Zapp and Jiffy are all beginning to gain traction among consumers throughout Europe from the UK, Germany and France to Belgium, the Netherlands and Spain.

# Acquisitions are a way to circumvent operational challenges

As quickly as these start-ups appear though, it seems that they are being swallowed by one another. If the previous 18 months were defined by the number of new quick commerce ventures launched, the latter part of 2021 has been defined by merger and acquisition.

Founded in 2015, Turkey's Getir is one of the oldest rapid delivery grocery firms with operations in nine countries including the US. It moved into the UK in January of this year, but has also announced the acquisition of UK quick delivery rival Weezy, which itself was only founded in 2019.

For its part, Gopuff, in an attempt to gain a foothold overseas, has acquired the UK-based superfast delivery start-ups Dija and Fancy.

Dija, which was only founded in late 2020, promised 10 minute grocery delivery to customers in parts of the UK, France and Spain. Meanwhile, Fancy was founded in January 2020 and offered grocery delivery in 30 minutes or less across a number of key UK cities.

The main driving reason for these acquisitions is apparent.

With so much competition, there is a race to be first, to scale fastest and to become established in a new location before anyone else in order to stay in the game.

However, a business model built around delivering products in just 10 or 15 minutes has some significant operational demands. Quick commerce companies have to open their own dark stores close to customers where orders can be picked, packed and shipped out.

In turn, this can limit the locations where the model can be effectively deployed as there needs to be a high density population so that there are enough potential customers to target. A single dark store also needs to be carefully positioned to cover as large a customer area as possible.

In order to be located in urban areas close to customers, these dark stores have to be relatively small in footprint. They also need to be small from an operational perspective so that employees can pick orders at speed. This means that typically a quick commerce company will offer 1,000-3,000 product lines compared to the tens of thousands in a traditional supermarket.

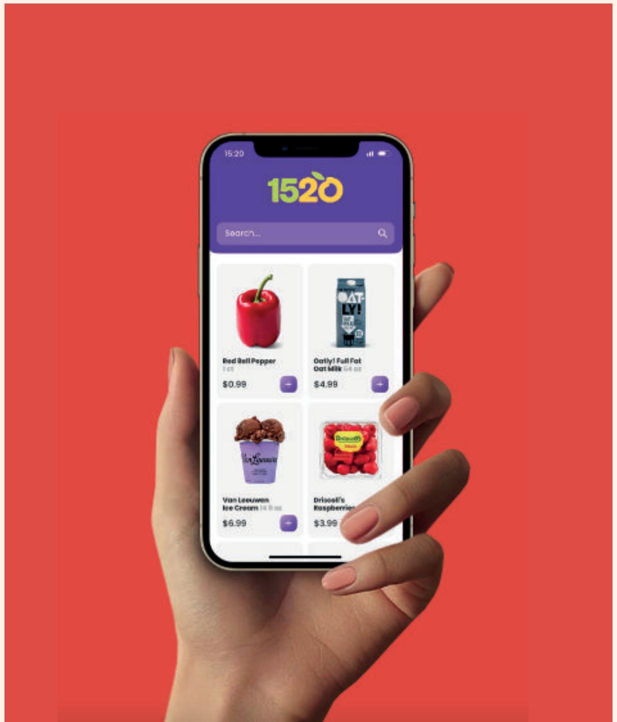
Then there are the marketing campaigns including TV ads, billboards and social media to build customer awareness, as well as the tech powering the app and the behind-the-scenes ordering system.

All of these things cost money. They also take time to put into place. Acquiring a rival which has valuable assets in locations – either a city or country – that a superfast delivery company doesn't already cover enables them to fast-track their growth. The reported closure of New York rapid delivery startup 1520 highlights these challenges. Having launched in January 2021, less than a year later 1520 is reportedly shuttering its operation after running out of funds.

Although 1520 says it was able to turn a profit on a per-order basis, reportedly it was the high cost of attracting new customers that was its downfall. This further underlines why ultrafast delivery companies are in a race to grow faster and acquire customers before others, or to acquire other companies and their existing customer base.

However, unlike other quick commerce companies, 1520 - at present - has not been acquired by a competitor.

The reason is likely down to location. Ultrafast delivery companies are acquiring others to gain a foothold in cities and countries that they don't already have a presence in. With New York a hub of quick commerce activity in the US, it's likely that any competitors already on the ground would already have their own micro-fulfilment spaces close to 1520's.




***"The strategy seems to be, get too big to fail, or get bought. It's Uber again.***

***They're successful currently because of VC money. We're effectively dining off of VCs in Silicon Valley, and low interest rates over there. So it's subsidised, and therefore cheap and convenient. Of course millions are ordering – fast and cheap works. And dark stores are currently better set up for rapid fulfilment than a local convenience store could ever be."***

**Nick Brackenbury**
Co-Founder and CEO, NearSt

# Can ultrafast delivery turn a profit?

Growth, then, is one thing. Profitability is another.

It's important to note that this is not the first time that ultrafast delivery has been attempted. In 1998, Kozmo.com launched in New York and spread to a handful of other US cities, offering free one-hour delivery on everything from magazines, books, food and essentials to entertainment items like videos, games and music. It also delivered Starbucks coffee. It went out of business in 2001 after failing to turn a profit.

It was a similar story for UrbanFetch which offered free one-hour bike delivery of DVDs, music, books, snacks and more in Manhattan and London. It began operations in 1999 and was shuttered a year later in 2000.

Webvan launched its delivery service in 1999 which allowed customers to choose a 30-minute window for receiving their goods. It had a presence in a number of key US cities but ceased operating in 2001 after losing $800 million.

While these are some of the failures, there are other established online delivery companies that have remained in business over the years. However, the majority offer one or two-hour delivery, and occasionally 30 minutes, rather than the sub 20-minutes of the new start-ups.

Notably, even with these slower speeds profitability is still hard to come by with some, such as Instacart, only becoming profitable for the first time because of pandemic buying behaviours.

At present, few of the new class of ultrafast delivery companies are turning a profit aside from Getir which claims it is profitable in its home market of Turkey.

They are well aware of this fact though. Of the costs involved in running a quick commerce business, a Netherland News Live interview with Getir founder Nazim Salur revealed Salur's view: *"If you're in that position, you could lose millions in a week or month – it doesn't matter. The point is: how much money do you have left and how long can you survive with it. In ordinary life, millions a week sounds like a lot, but to us it isn't. It is money well spent."*

Even Gopuff, which achieves an average delivery speed of closer to 30 minutes, isn't turning a profit as a company. It claims this is down to its pursuit of growth.

The challenge of turning a profit at an individual order level is clear. Although most ultrafast grocery delivery companies add a mark-up to the products they stock (thought to be around 5-10% more than a standard supermarket), the costs associated with delivering at super speeds typically outweigh the benefits - even if a delivery fee is charged and/or minimum order values imposed.

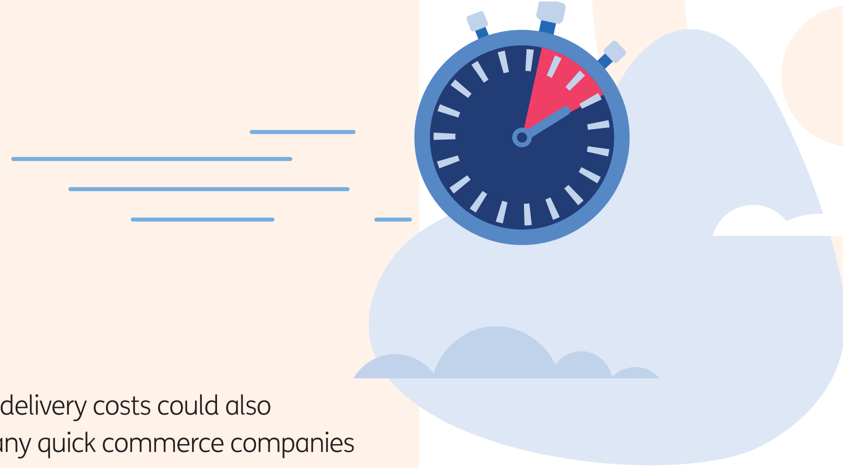
Analysis by Reuters reveals that the average £20 order may net a quick commerce firm £7. But labour in picking, packing and delivering orders costs £20 per hour. This means that just to break even companies need to be fulfilling an order every 20 minutes.

Even at scale, the returns aren't great. Analysts at Bain say that in a best case scenario an average £35 order will deliver 7% operating profit before tax and interest.

It's even worse for the companies starting out. According to Bain a new start-up would see an operating loss of £24 on a £17 order.

As such, quick commerce companies will likely try to diversify their income through paid promotions with brands including more prominent listing within results.

# Do customers even want speed?



While a lack of profitability at an early stage may be an accepted side effect of scaling, eventually it is going to become an imperative for investors. And this may be where quick commerce comes undone because while they're focusing on speed, their customers have other priorities.

Coresight found that the most important factor for consumers who are using services to get groceries for same-day delivery (including ultrafast options) is low or no delivery fees (60.6% of users). This is followed by the price of items (53.4%).

Speed of delivery (40.4%) was considerably less important to consumers. Similarly, a survey by Whistl found that most UK consumers are willing to wait an extra two or three days for online orders if delivery is free. Shopify also found that 59% of consumers say free shipping is key to a positive online shopping experience compared to 40% for fast delivery.

This suggests that quick commerce companies have created a rod for their own back as in order to maintain their superfast delivery speeds – which consumers don't especially want – they are likely to have to raise product prices and/or delivery fees – which is exactly the opposite of what consumers do want.

Any move to increase delivery costs could also hamper growth as many quick commerce companies have acquired their customer bases via introductory offers or free delivery.

This leads to consumers hopping from one platform to another in the quest for the best deal and, as a result, limited loyalty to a single service provider.

When the main path to profitability is to increase the cost to the customer, ultrafast delivery start-ups are facing an uphill battle to prove the value of a service that replaces a 10 minute journey to the local shop.

However, it is important to bear in mind cultural differences between countries when comparing the importance of speed over price. While in some countries, such as the UK and Spain, there is often an available alternative to ultrafast delivery companies due to late opening hours and 7-day-a-week trading, in others, such as Germany and The Netherlands, there is reduced accessibility due to strict rules about opening hours.

In those markets, there is arguably a greater potential for consumers to want or need a grocery item and have nowhere to buy it themselves before the next business day. It's here that the speed of

***"The pandemic created a monster for the UK's biggest supermarkets, and that monster is delivery.***

***Put simply, delivery is less profitable and less scalable than our customers visiting our stores. So our goal is for customers to come to the store – it's as simple as that.***

***But we compete for online orders because we have to. It's this sort of weird race that we don't actually want to be in.***

***So 15 minute delivery? Nightmare. It's just a worse version of a problem that already exists."***

**Supply Chain Strategist**
at Leading UK Supermarket

quick commerce companies may be of more value, and therefore price will be less of a concern.

One thing about quick commerce is that speed is not necessarily guaranteed. Notably, when some ultrafast delivery companies launched, including Dija and Weezy, they offered delivery guarantees in the form of x months of free delivery or credit if they didn't meet their advertised 10-15 minute delivery timeframe.

There is no longer any mention of this in their terms and conditions which suggests that as they scale quick commerce companies may be finding it tougher to consistently deliver the level of speed that has defined their model.

Yet, it seems that this may not be of great concern to the start-ups themselves. Cheddar reported that Gorillas' US Head of Operations Adam Wacenske said: *"I don't know if the customer knows the difference between nine minutes and 10 minutes... and 15 minutes is really fast to get anything."*

Either quick commerce companies are underestimating consumer expectations around these fast delivery times (which could be to their peril) or a difference of minutes makes little notable impact, which begs the question of what is the competitive advantage in striving for faster and faster delivery?

It may be because of this that some start-ups are eschewing the race to be the fastest in favour of being the most useful. Yababa in Germany offers same day delivery on a range of grocery products that are aimed at serving the Turkish and Arabic communities. This includes ingredients that may be difficult to get through a traditional grocery retailer.

Oja is offering something similar in London with a focus on the African and Caribbean communities. It delivers the same or next day.

Both companies are less concerned about reaching superfast delivery speeds of under 20 minutes, and more about creating value through curation and convenient purchasing of products that aren't always easily available.

This also makes their businesses cheaper and easier to scale as they require fewer warehouses and couriers in order to meet their delivery timeframes.

It could be that this 'slower' take on superfast delivery is key to building long-term profitability which further reinforces the challenge presented by 10 minute delivery.

***"Convenience is a race to the bottom in my opinion. I know all kinds of stats continue to show how important it is to customers, but where do you go next?***

***What comes after 3-minute delivery?"***

**Europe-based Retail Strategist**
at Global Coffee Brand

# Quick commerce is coming to existing grocery companies

The headlines and big investments scored by the ultrafast delivery companies aren't going unnoticed by the traditional major supermarkets.

Many are ramping up their own delivery services for online shoppers in a bid to remain competitive, even if they can't quite match the 10 minute promises.

UK online-only supermarket Ocado has operated a same-day delivery service, known as Ocado Zoom, since 2019. Customers within the catchment area of its mini warehouse in Acton, London can order from a reduced range of 10,000 products for delivery in as little as one hour. The company is now looking for other sites to expand to.

Tesco, the UK's biggest supermarket chain, has expanded Whoosh, its one-hour rapid delivery service, from a test site in Wolverhampton to parts of London and Bristol.

However, the company isn't going all in on quick commerce just yet with chief executive Ken Murphy noting: *"the truth is that we are not sure yet about the economic proposition and we're not entirely sure about what the customer need is. Is it 10 minutes? Is it half an hour? Is it an hour? "I would describe our view on it as we're very curious about what the proposition could look like. We're very curious about what the customer need really is and we're very curious about what a viable economic model could look like."*

Rival supermarket company ASDA is also trialling a one hour express delivery service from select UK stores. The service covers its entire online range of 30,000 products.

In South Korea, Lotte ON, the online shopping mall of retail giant Lotte, is now offering two-hour grocery delivery across the country. As well as opening new delivery service spaces to facilitate this, Lotte plans to leverage its existing network of Lotte Mart stores as hybrid distribution and in-person shopping locations.

Once again we're seeing evidence of mergers and collaborations in order to fast-track superfast delivery among established grocery retailers.

In Germany, supermarket company REWE Group has entered a strategic partnership with local ultrafast delivery firm Flink to supply the latter with merchandise. REWE has also secured a minority stake in Flink.

***"We aren't ignoring the noise being made. We see the trend. We know it isn't profitable – but we also recognise that some customers like it.***

***So we'll consider services that react to the consumer demand. Ultra convenient services – and there are many. They could be about click-and-collect, or check-out free – or yes, it could be to do with delivery.***

***I guess it's something to appease that certain kind of customer."***

**Supply Chain Specialist**
at Leading UK Supermarket

Meanwhile in France, Carrefour Group has acquired a minority stake in the French quick commerce start-up Cajoo, which was founded in February of this year. The deal includes an industrial partnership, focused on replenishment and operational logistics for Cajoo's dark stores.

Carrefour is also combining Cajoo into its on-going partnership with Uber. Starting with Paris, Carrefour will offer 15 minute grocery delivery via the Uber Eats app. The service, known as Carrefour Sprint, will make use of dark stores operated by Cajoo to fulfil orders.

Groupe Casino is forging a strategic partnership with superfast firm Gorillas, which will see the latter provide rapid delivery for orders on the Monoprix and Franprix platforms in key French cities. Groupe Casino is also taking a stake in Gorillas, in what looks to be a growing trend between established retailers and quick commerce start-ups.

It may well be that for rapid delivery companies investment from major industry players is another route to getting the money needed to stay in the game.

Another interesting development is a new partnership between Tesco and Gorillas. The pilot scheme will utilise five Tesco stores, starting with Thornton Heath in London, to facilitate 10 minute delivery via Gorillas' app. Gorillas will set up micro-fulfilment spaces at the stores in order to manage the deliveries.

It's an interesting example of what the future of quick commerce may be – particularly in terms of profitability.

For Tesco the collaboration enables it to offer greater convenience to shoppers without having to invest in new locations or develop the necessary technology. For Gorillas it's an opportunity to introduce its brand and offering to Tesco's huge customer base and to quickly move into a new location without the need to secure real estate.

One of the big benefits of ordering through one of the quick commerce companies over a major grocery company is that there are no substitutions.

The ultrafast companies maintain their inventory in real-time so that customers know that what they order is what they get. This is a significantly different model to the likes of Tesco where substitutes for out of stock products are a common occurrence. By partnering with Gorillas, it may be that Tesco is able to gather insights into how to improve its wider ecommerce offering.

# Can ultrafast delivery work outside of grocery?

The rapid delivery conversation is heavily focused on groceries with the majority of new start-ups launching in this area. There are a number of reasons for this, including:

- Groceries are a need rather than a want, which gives rapid delivery start-ups a built-in market.
- Rather than one-off or occasional purchases, consumers make multiple, regular grocery purchases.
- Groceries have an accessible price point and reach a wide range of consumers compared to other product types.
- Some quick commerce companies began life as takeaway food delivery start-ups and grocery is a close category to pivot into.
- Securing suppliers may be easier as manufacturers and wholesalers are used to working with multiple third parties.

That's not to say that other parts of the retail industry aren't considering quick commerce, but the majority of examples are either small scale pilots or are offering slower same-day or same-hour services.

Gorillas has teamed up with German beauty retailer Douglas on a short-term pilot to rapidly deliver a range of 25 cosmetics products to customers in Hamburg in just 10 minutes.

In the UK, fashion company Zara offers a same day clothing delivery option across London. Department store Marks & Spencer is also reportedly looking to launch a nationwide same day clothing delivery service.

Earlier this year, toy giant Hasbro partnered with Uber Eats to offer rapid delivery of toys to shoppers in parts of London and Manchester. The three-day initiative saw a curated range of seven toys delivered in under 30 minutes. The toys themselves were free with customers asked to pay only a £6 delivery fee.

Meanwhile, in China JDDJ (part of Dada Group) is demonstrating how one hour delivery can work in cosmetics through partnerships with Sephora and Perfect Diary. In both cases, JDDJ is leveraging the brands' physical stores in order to quickly fulfil online orders.

Finnish delivery company Wolt has gone further than most when it comes to the breadth of products

***"It isn't inconceivable that we might have rapid delivery as a kind of loyalty benefit – the fastest delivery for our most important customers. But we want to be inclusive and sustainable, and that's all about scaling and progressing with balance.***

***Rapid delivery just doesn't set a positive precedent. I can't see a positive end-game."***

**Retail Innovation Lead**
at Major European Clothing Retailer

available for delivery. Having started out in restaurant delivery, Wolt has since expanded into delivering groceries and other retail categories including pharmaceuticals, pet food and cosmetics. The company has also extended its services into most of Europe, Israel and even Japan.

While it is not yet promising delivery within the super short timeframes that others are, Wolt sees speed as a factor in the future. CEO Miki Kuusi has stated that *"we believe that the future of how people buy Nike shoes is a few taps on Wolt and some 30 minutes later you get any pair of shoes brought to your door."*

It is this vision, combined with expertise in operating last-mile delivery in challenging markets with high labour costs, poor weather conditions and smaller population densities, that presumably has led to DoorDash's recent $8.1 billion acquisition of Wolt.


***"We actually considered launching an app years ago that offered a version of superfast – it offered to deliver anything in under an hour. The timing wasn't quite right, and we realised we could have a much greater impact acting as the infrastructure enabling other businesses to deliver this kind of experience.***

***But we in no way doubted that the demand was there."***

**Nick Brackenbury**
Co-Founder and CEO, NearSt

# ‘Slow’ delivery is reimagining the way we shop from home

Delivery isn’t just affecting customer experience in terms of speed though.

Quick commerce presumes that online shoppers simply want to get their new purchases as quickly as possible. But some retailers are looking at delivery as a way to reshape the concept of customer service, which has typically been tied to the physical store.

Also known as commerce at home, this sees retailers adopting a ‘slower’ approach to delivery that uses mobile stores, expert staff and tech to bring service to the door as well as product.

In this context slow doesn’t mean that it takes days or weeks for a product to be delivered. It means that the customer is expecting to receive value added services alongside the delivery such as installation and set-up, advice and recommendations, training, workshops, tailoring and more.

One example would be ordering multiple items of clothing online and having them delivered by a personal stylist who would wait while you try them on, offer advice on styling with items you already own, and take away anything you decide you don’t want to keep. They could even take measurements then and there and then take items to be tailored

before returning them to you.

At present commerce at home is still underexplored with only a handful of companies currently testing the waters.

This may be set to change though as there is a significant opportunity in connecting with the customer in their own home.

With ultrafast delivery, the customer has already decided how much to spend at the point of placing the order. When the courier comes to the door, it’s the end of the transaction.

With commerce at home, the decision over spend can be directly influenced by the courier. Their arrival

***“Because we don’t have stores, we are eager to be creative in terms of offline experience – and I would say one of many possibilities is ‘slow delivery’, if you could call it that.***

***Essentially that may be whiskey tasting sessions at someone’s house, or cocktail making events somewhere else. It’s something to connect on a deeper level with the customer – and something that fits the premium approach of our brands.***

***Superfast is something for the retailers and sellers we work with to think about.”***

**Europe-based Digital Lead**
at Multinational Alcoholic Beverages Company

is almost the start of the transaction.

It may be for this reason that established retailers appear to be leaning towards commerce at home over ultrafast delivery.

While operating an enhanced delivery service is costly in its own right due to the need for trained staff and the ability to make fewer deliveries in one day, the potential for it to generate more sales makes it potentially a less risky investment than quick commerce.

It remains to be seen whether customers will be willing to pay for commerce at home appointments - which could come with a hefty delivery fee - given that we know that delivery fees are largely unappealing to shoppers. Or whether retailers would be expected to absorb these costs which could be unsustainable.

However, this may not matter too much to certain retailers who treat commerce at home as an extension of the luxury service their VIP customers expect. Covering the cost of providing an enhanced delivery service is justifiable if the customer is spending hundreds or thousands of pounds in the transaction.

This could see commerce at home limited to high-end brands and luxury retailers as opposed to a common delivery service.

In another difference to ultrafast delivery, established retailers and brands have a far greater hand in driving the growth of commerce at home compared to specially created start-ups.

One example is independent UK furniture retailer Maker&Son. Rather than opening stores which can only serve customers in a certain area, Maker&Son has created 'mobile showrooms' that can be driven to the door of customers in the UK, US and Australia.

These are vans that have been converted into room sets so that customers can sit on Maker&Son's furniture before they buy. A visit is booked through the company's website and customers can explore fabric swatches and colours through the mobile showroom. If desired, staff can enter the customer's home to advise on layout and colour schemes. However, there are some key new players that are working to make slow delivery a viable business model.

Enjoy partners with leading electronics brands in the US, UK and Canada, including EE, BT, Rogers and AT&T, to bring the best of the store to consumers at home.

***"We might not shout about it, but superfast delivery or fulfilment is something we've been interested in for years. But only in a highly targeted manner.***

***We see something like that as one of many VIP services – something to boost loyalty among our most important customer sets.***

***But at the same time, we're just as interested in slow services for that VIP customer. Personal styling, alterations – whatever.***

***Fast or slow, they're all just tools to help to strengthen your relationship with that customer.***

***But superfast as a trend in itself? It looks like a dead end to me. How does it scale? How does it work further down the line? For me it's a luxury service and it doesn't belong in mass market retail."***

**UK-based Senior Property Manager**
at Leading Department Store Chain

ENJOY

TOSHI

When purchasing a new smartphone or tablet online, customers can choose Enjoy as a delivery option. Their new purchase will then be delivered by a trained expert with a mobile 'retail store'. They walk the customer through their new purchase, help them set it up, answer questions and even suggest add-ons, such as cases and accessories.

It's the level of service that customers get from visiting the brand's store but in the comfort of their own home. Delivery via Enjoy is free for the consumer with the brand subsidising the cost.

Toshi is another company bridging the gap between online and offline retail to customers in London and New York. Its partners are leaders in fashion, beauty, fragrance and luxury lifestyle.

The company's tech seamlessly integrates into a brand's website experience - both from a consumer and retailer perspective. Customers book an appointment for delivery and can customise their experience by choosing which services they'd like to receive.

These include the courier waiting while they try the products, fitting services, receiving a size up and down in every product in case they don't fit, and receiving recommended additional items and accessories. They can even book to try products and only pay for what they keep.

Another use case for established retailers could be a subscription service where the customer can get consultations and styling services at home or at a retailer's location, depending on what is most convenient to them at the time.

One interesting new concept from Germany is LABELS. The app connects shoppers to independent brands and makers selling everything from beauty products to clothing with delivery to their door in just 30 minutes - for free.

This superfast delivery is enabled by brands providing stock to LABELS's micro-warehouses (known as Superstores) for fulfilment. Apart from opening up ultrafast delivery to a new type of retailer - who would not individually be able to offer such a service - LABELS is also incorporating some elements of commerce at home.

It offers customers the ability to try on purchases at their door. LABELS says that try-on times are roughly 15-20 minutes, which means that from clicking purchase to having a product you know you want to keep takes less than an hour in total.

# Does quick commerce have a place in a sustainable retail future?

Sustainability has become a major theme across retail.

A study commissioned by PFS found that 48% of consumers are more conscious of how their online shopping impacts the environment than they were before Covid-19.

Interestingly, last year Gartner predicted that by 2025, many consumers would reject rapid delivery for most of their purchases, opting to hold retailers accountable for the environmental costs of two-day delivery.

Meanwhile, a survey by returns management platform ReBound found that 79.1% of UK ecommerce shoppers who'd made a return in the past 12 months said they would be likely or very likely to choose more sustainable delivery options if available.

Yet, the actions of consumers often say something different.

In the same survey, ReBound found that nearly 80% of shoppers wanted to pay £0.50 or less for a sustainable returns method.

Equally, a 2019 global survey by Nielsen reported that only 10% of consumers buy sustainable products on a regular basis. Yet 66% claimed they would pay more for sustainable products.

Quick commerce is in a difficult place from a sustainability perspective given that arguably the vast majority of purchases made through such platforms are unnecessary.

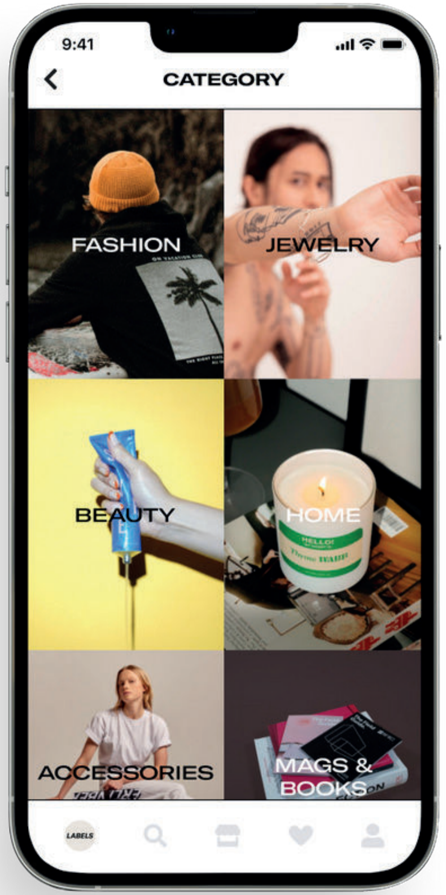
They are wants rather than needs and lots of one-off deliveries of just one or a small number of products are hard to justify compared to placing one larger order or going to a nearby store in-person.

Yet, it seems that for many consumers convenience trumps any sustainability concerns.

Interestingly Berlin's LABELS is positioning its 30-minute rapid delivery service as a sustainable option.

All brands sold through LABELS are given an sustainability impact score with the company aiming to help customers to make more environmentally friendly buying choices.

Orders are sent in reusable and returnable bags so there is no waste packaging and the company delivers via e-bike or e-van for zero emissions. It also minimises the returns issue as customers can try on products at the time of delivery and send back what they don't want instantly.



It also claims that shorter delivery times are more sustainable as products are travelling shorter distances - because they are locally created and stored - and don't have to be packaged multiple times as with traditional ecommerce logistics.

But while the e-bikes and e-vans used by many quick commerce companies may be a step in the right direction, the truth is that only 29% of electricity globally is generated from renewable sources.

What's more, all of the micro-fulfilment spaces have to be stocked regularly, which can increase emissions compared to a single journey to stock a traditional physical store.

That's before you begin to consider the wider supply chain and the environmental impact all grocery companies have to contend with when sourcing products that could be grown, produced, packaged and shipped from entirely different countries. Plus, the impact of keeping them edible throughout their journey up until the point of reaching the consumer's door.

As such, it's hard to justify superfast delivery on sustainable grounds, even for locally made goods.

Another key sustainability consideration is the human cost of facilitating superfast delivery.

Despite the interaction with the consumer being via an app, quick commerce operations are broadly manual with humans picking, packing and delivering orders. This is because manual operations are a faster and cheaper way to scale than investing in automated facilities.

However, the supply chain issues being experienced across the globe at present are a stark reminder that people can make or break a business.

Superfast delivery companies are now starting to experience the same pushback from employees that companies like Uber have faced regarding pay and working conditions, with strikes by couriers in Germany, the UK, Ireland, Italy and Spain.

Pay discrepancies, equipment and the firing of couriers are major points of unhappiness.

But there are a wealth of other things to consider including the weight of orders, access to toilet and food facilities, the cost and maintenance of e-bikes and other necessary equipment (which can be technically illegal to use on public roads), pressure to achieve faster and faster delivery times, high work hours, and safety.

***"Rapid delivery just feeds negative stereotypes of our industry – stereotypes we need to get away from. Fast delivery supports fast fashion – and fast fashion isn't where we want to be, or where any fashion retailers should want to be.***

***If we are trying to make affordable apparel more sustainable, we need to be looking at practical ways of improving our supply chain processes. Rapid delivery simply doesn't fit into that ethos.***

***Rapid collection? Absolutely. We have a big store footprint – and we want to use it constructively."***

**Retail Innovation Lead**
at Major European Clothing Retailer

In New York, quick commerce and food delivery riders have reported being attacked for their bikes. With many couriers employed as contractors, the cost of replacing essential equipment can be crippling.

Meanwhile, the EU has started a consultation process on gig platforms and workers.

In the UK, both Gorillas and Getir have opted to directly employ their couriers as opposed to using the gig economy model, which is a positive step. As well as receiving higher pay and benefits such as pension contributions and paid leave (depending on the quick commerce company), being directly employed usually means equipment is provided reducing outlay for couriers and increasing safety.

Furthermore, DoorDash in the US is taking the step to directly employ couriers for the first time in order to deliver its new 15-minute service, DashMart, after fighting previously to have its existing workforce classified as independent contractors.

It remains to be seen what pushback this move may receive from existing DoorDash couriers and whether they will be looking for a similar type of contract.


***"Aside from not being especially relevant for us, I feel like superfast delivery is a bad look for us.***

***We are throwing everything we have at sustainability. And I believe that this rapid delivery trend, in any industry, is incompatible with sustainability.***

***We continue to open boutiques, and we see our customers engaging in a classic kind of commerce. They come in, they recycle their used pods, and they collect their new ones. It's hard to imagine a more sustainable kind of commerce than that."***

**Europe-based Retail Strategist**
at Leading Global Coffee Brand

# How will the fast and slow delivery trends change the high street?

As delivery models it's easy to think that the impact of quick commerce and commerce at home will be limited to the customer's home.

However, they're also having an influence on the way the high street looks and functions - both in terms of supporting their operations and in terms of shifts in customer experience.

We've most recently seen something similar play out with the rise of click and collect. As a result of more customers ordering online for collection from stores, physical retail spaces have shifted to accommodate this behaviour.

This includes everything from dedicated click and collect counters in store to automated package retrieval systems designed to minimise wait times. Retailers have also started adding click and collect lockers into stores, out front of stores and even on streets or in public spaces like train stations to help customers get their package even when stores are closed.

Curbside collection has pushed this even further with dedicated parking spaces for collections and even drive-through lanes for pick-ups.

The new fast and slow delivery trends are building on this localisation trend further, which may lead to a revival of the high street.

One of the biggest impacts of quick commerce is the proliferation of dark stores in urban areas. These stores need to operationally be located close to customers which makes the high street an ideal candidate, particularly at a time when there is often vacant space.

It's also likely that these dark stores will be increasingly automated with technology used to pick and pack orders. This may be key to quick commerce start-ups achieving profitability - as staffing is a major cost - and maintaining their fast delivery times.

UK online grocery retailer Ocado is already leading the way in automated warehouses and robotic picking. It has indicated that it will soon be able to bring this technology to very small warehouses, which could be a gamechanger for micro-fulfilment.

While customers can't visit these dark stores, quick commerce companies are often choosing to

visibly brand them - rather than hide their purpose - as a way to build recognition among customers. A shopfront has always been a fantastic branding and advertising opportunity, given its visibility to local residents, and may prove a vital element in gaining an edge in the competitive quick commerce market.

These dark stores also highlight the opportunity for smaller retailer spaces in general through leveraging ecommerce capabilities. While consumers will still be able to visit these stores, they can be smaller in size because they don't need to carry the brand's full product range.

Instead customers can use the store to order additional products online for delivery to their home. Some retailers have even experimented with small showroom spaces where customers can touch and interact with products but must order online rather than taking them home then and there.

As with quick commerce, the benefit of smaller stores is that they can be located closer to where customers live and work, especially as new hybrid work patterns emerge. For example, in recent years we've seen IKEA open small high street spaces in key cities which would never be able to accommodate its usual large format stores.

A smaller store is also typically cheaper to rent and to operate, especially if it's in a prime location.

Hybrid dark stores are another likely element of the future high street. These are omnichannel spaces where the primary function is a dark store for fulfilling online orders but customers can also collect an order - and potentially even shop a curated selection of items in person.

Gopuff has announced plans to open these sorts of hybrid stores in the US, which suggests that it may see click and collect as a valuable asset in the quest to become more profitable. If the future of rapid delivery does involve consumers collecting their own orders then arguably the concept has gone full circle from disruptive to derivative.

For legacy retailers though, hybrid dark stores could be a way to maximise returns from existing brick and mortar assets.

Superfast delivery's influence may also be seen in greater localisation of product ranges in stores.

Quick commerce companies are operationally limited to a smaller selection of items than a standard grocery store. As such, they have to hone in on what customers actually want to buy so they don't waste any space stocking the wrong products.

This increasingly includes using data to adjust the items on sale in each area. As each dark store serves a particular catchment area, quick commerce companies can change the assortment to target a very specific set of customers.

There are already cases of retailers doing something similar to determine what to stock in their store, such as Nike.

It's likely this trend will only increase as retailers look to break away from a homogeneous approach and become more integrated into the local community.

***"The irony is that superfast delivery only works in densely populated areas where everyone can easily walk to shops that sell exactly the same goods.***

***How is that sustainable? How does superfast fit into sustainability? I think there's something a little concerning about the superfast explosion happening at the exact same time that the business world appears to be waking up to the sustainability issue."***

**UK-based Senior Property Manager**
at Leading Department Store Chain

There's another side to this localisation trend in that local retailers from the high street can use technology to reach a wider audience.

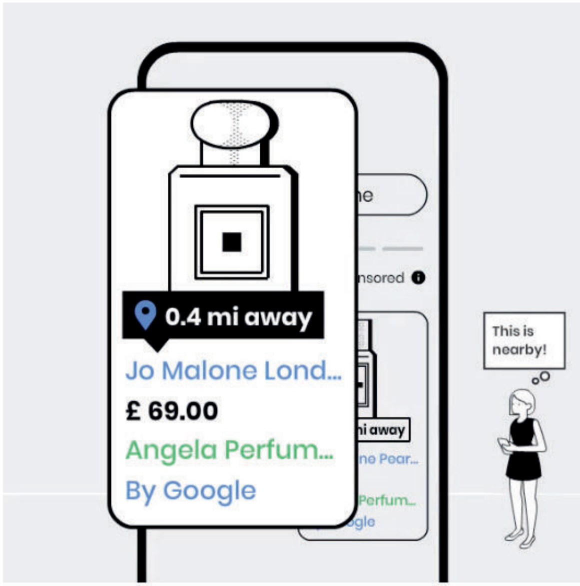
In New York, a fundraising campaign is underway for My Bodega Online, a delivery app developed for bodegas to compete against the quick commerce companies. The campaign and app are backed by three organisations, which collectively represent hundreds of bodegas.

Meanwhile, the LABELS app is helping local businesses to offer the fast delivery speeds that retailers with bigger pockets and pureplay delivery companies can achieve.

NearSt is a local inventory data platform that retailers can use to make their in-store inventory visible to nearby online shoppers. This includes integration with Google search and social media.

Customers who are looking for the speed offered by quick commerce companies can achieve it by knowing if a store on their local high street has the product they want. By embracing platforms like NearSt, local retailers benefit from customer journeys that they may previously have lost to ecommerce companies.

Another consideration is the rise of super-aggregators such as Glovo which act as a single gateway to multiple retail purchases from multiple vendors. With an aim at helping customers find what they are looking for near them, these superapps could become a first port of call for consumers over and above a retailer or quick commerce company's own app or website.




Meanwhile, commerce at home demonstrates that there is desire among consumers for services and expert support. As such, the high street of the future may feature more service-driven spaces for customers to access before, during and after a purchase.

This can already be seen in Nordstrom's Local spaces in the US where consumers can access personal shopping, click and collect, tailoring and other services in a smaller store close to home.

Apple's Genius Bars and in-store classes are another example of how this approach can work within a physical store.

***"We don't deny that there might be a role for this in the future of retail – a space in the market.***

***But what's really interesting is the potential for the thousands of well-established convenience stores on every high street to connect with fulfilment companies and customers directly.***

***That could actually lead to some sort of fast delivery for all. Maybe not 10 minutes for everyone – how many use cases are there where you genuinely need 10 minute delivery – but a level of convenience that works. That's essentially what NearSt can do."***

**Nick Brackenbury**
Co-Founder and CEO, NearSt

These sorts of spaces may also be a way to offer the enhanced services of commerce at home in a more cost-effective - and therefore accessible - way. Rather than a courier having to come to the home, purchases could be collected by booking an appointment to work with an expert.

While the new delivery models may be set to change the way the high street looks, there is a question about whether the high street is ready for what these models bring.

Quick commerce, in particular, is having a significant impact already.

In London, residents have complained about the noise from dark stores located near their homes, which are often operational for long hours and into the night.

Few cities have the adequate infrastructure to accommodate the influx of superfast couriers. This includes poor condition of roads, a lack of bike lanes, and general congestion. Where there are bike lanes, these might not be wide enough to allow riders with large backpacks to ride safely.

Clashes with pedestrians can also be an issue as delivery riders fill up streets and paths in their quest to find the quickest route.

It's not just human couriers who may be pounding the pavement in the quest for quick deliveries.

Robots are also set to be part of the future make-up of delivery. One of the companies leading the way is Starship Technologies. Its autonomous robots have been delivering food and packages in Milton Keynes in the UK since 2018 and have since expanded to Northampton, plus campuses across the US.

The company partnered with Co-op in a first for a major UK supermarket to deliver grocery goods in as little as 20 minutes in select UK cities.

However, if robots do become widely used in delivery this will put additional pressure onto pavements which may not be designed for this type of traffic. Consideration also needs to be given to how these robots will interact with pedestrians safely at scale.

# Trends or tools

If price was the original race to the bottom, fast delivery could be the new one.

When looking at the world of quick commerce it quickly becomes apparent that there is nowhere for retailers to go. If they achieve delivery times of 15 minutes, with all the expense that comes with it, the next step can only be 10 minute delivery and so on.

Whereas commerce at home and slow delivery offer more room for innovation and a higher level of service than ecommerce has been able to offer previously.

Ultimately, retailers need to consider the impact of these new types of delivery on customer behaviour and expectations. What is most apparent is that both quick commerce and commerce at home may not actually be trends to react to, but are tools that retailers can use as required.

The customer experience is the lens through which the consumer views a retailer or brand. Delivery can play an important part in shaping that view.

For those whose business model relies on convenience and serving customer needs quickly, ultrafast delivery could be a competitive tool. For others, an enhanced delivery service is a better fit.

Knowing what to offer comes down to knowing the customer. For some retailers, it may be that both approaches are applicable for different segments of their customer base. To make that operational decision though, a brand must master its understanding of the customer and their relationship.

The other thing to consider is that neither of these approaches - whether it's getting high service at home or getting what you want in 10 minutes - are part of the new normal for retail, but are in fact two sides of the luxury coin.

In which case, they will always need to come at a cost. Consider that even Getir founder Nazim Salur has commented in an interview with Netherland News Live that the ultrafast delivery that his company offers is a luxury.

*"Yes, it is a luxury product. We provide convenience. For lazy people? We believe that someone who works hard is entitled to laziness. Why spend time on something you don't feel like doing? For a few euros more, we take that inconvenience away from you."*

***"We won't ignore the fact that customers seem to want this. Is this indicative of a step change in consumer demand? I don't think it is. But that doesn't mean it's insignificant.***

***In the right context, and for the right customers, it's a useful tool to make them happy. That's about as far as it goes for me."***

**UK-based Senior Property Manager**
at Leading Department Store Chain

***"I see superfast as yet another new type of customer journey.***

***We now have so many different kinds of customer journeys, and the next stage of retail is working out how they all fit together coherently. Superfast is the latest.***

***It doesn't change everything – it just adds another journey into the mix. Businesses who make sense of all these journeys are the ones who'll be most successful."***

**Nick Brackenbury**
Co-Founder and CEO, NearSt

twilio
020 3872 2527
www.twilio.com