

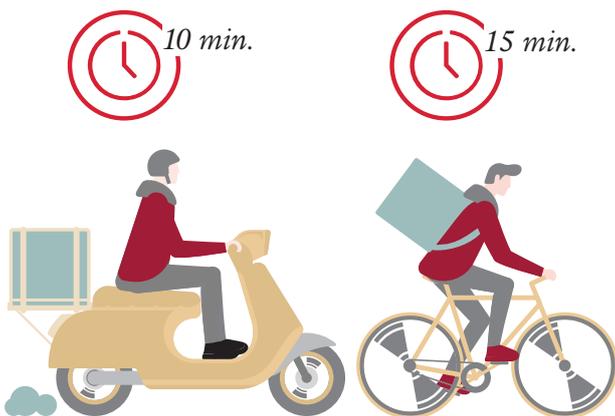
# Real Estate to go

## Quick commerce: the next generation retail

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### Against the clock delivery service

‘Quick commerce’, ‘q-commerce’ or ‘on-demand delivery’ services are ruled by the clock. Unlike e-commerce which offers delivery services within a matter of days, q-commerce aims to deliver items within minutes, with some operators promising service fulfilment within 10-15 minutes of placing an order. To facilitate this speed of delivery, orders tend to be smaller quantities dispatched from stores or warehouses within city centres. Operators tend to use fleets of bicycles or mopeds to avoid traffic delays.



### Five-star reviews for quick commerce

The benefits to this sector are threefold. Firstly, the fast speeds at which a product is delivered should enhance sales volumes as research identifies efficient delivery times as an important consideration when buying a product online<sup>1</sup>. Secondly, reliability: integrated technology provides high inventory accuracy so in-demand items can remain available. Lastly, the low reliance on fuel-based transport and packaging allows overall business strategies to be extremely sustainable.



### A fast-evolving sector being targeted for investment

Digital spending software has identified three q-commerce start-ups that currently lead the market across Europe, Weezy, Getir and Gorillas, with a further 27 operators competing for a share. The latter, Gorillas, generated approximately €215 million revenue throughout 2021, representing a 4300%<sup>2</sup> increase from 2020. Clearly, consumer demand for ultra-convenient retail increased during the pandemic and this is likely to moderate in the short-term. As the sector stabilises and matures, significant consolidation activity is expected.



Source: Turnover and utilisation statistics Gorillas (2022) – Business of Apps

### Location first, size second

As opposed to traditional ‘last mile logistics’ warehouses which, due to size, are located within peripheral urban markets, micro-fulfilment centres adjust their size requirements to suit the location. Typical units range between 25–500 square metres in order to be situated within 2–3 km of the customer<sup>3</sup>, and operators use integrated software to effectively track and manage inventory; IT systems can identify fast and slow-moving products to avoid space wastage from unwanted items.



<sup>1</sup>PWC Global Insights Pulse Survey Dec-21; <sup>2</sup>Gorillas Revenue and Usage Statistics (2022) – Business of Apps; <sup>3</sup>Savills ‘How quickly will Q-commerce continue to grow? Jun-21

## Innovative solutions

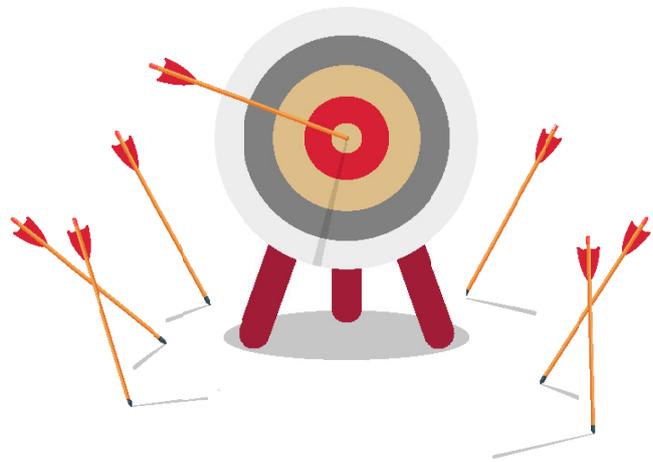
Location and delivery times are significant determining factors as to what makes an operator successful, and those who adopt innovative solutions are likely to outperform. Establishing dark stores (stores exclusively for online retail) in garages, shipping containers and excess retail space can support effective land utilisation, demonstrated by Gorillas who have expanded into three Tesco superstores<sup>4</sup>. In addition, operators who utilise high-accuracy delivery platforms such as 'what3words' will be able to service customers without the requirement of a postal address, enabling delivery to any location, including parks and other public spaces.



<sup>4</sup>Rapid grocery dark stores in UK set to number 1,500 by 2030 | News | The Grocer

## Long-term trend or short-term fad?

Headwinds to consumer spending are growing and discretionary spending is expected to fall. This is creating significant challenges for q-commerce operators, with some questioning the ability for consumers to continue to pay the higher prices for rapid delivery. Several operators, including Getir and Zapp, have already announced significant cuts to headcount in order to protect their margins. We expect the combination of digitalisation and increased consumer demand for convenience to support this sector in the medium term. However, in the short-term, q-commerce is likely to see significant volatility, from which winners and losers will emerge.



## Contact



**Rachel Singleton**  
rsingleton@mayfaircapital.co.uk



**Francesca Boucard**  
francesca.boucard@swisslife-am.com

Are you interested in our range of services and the research published by our company?  
If so, contact us at: [info@swisslife-am.com](mailto:info@swisslife-am.com)  
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