



UNIVERSITÉ DE FRIBOURG  
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Master Thesis

***Quick Commerce – An Analysis of Super-  
fast grocery delivery services in Europe***

*by*

Tim Reif

*supervised by*

Prof. Dr. Dirk Morschett

Chair for International Management

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## List of Abbreviations

DE	Germany
EU	European Union
EUR	Euro
FT	Financial Times
GDP	Gross domestic product
IPO	Initial public offering
M&A	Merge and acquisition
NY Times	New York Times
PLC	Product life cycle
R&D	Research & development
SAM	Serviceable available market
SOM	Serviceable obtainable market
SQM	Square meters
TAM	Total addressable market
UK	United Kingdom
US	United States
USD	US-Dollar
USP	Unique selling point
VC	Venture capital

## 1. Introduction

In 1997, one of the first online grocery shops in the world was launched in Switzerland called leshop.ch (Migros 2021). In the beginning, the online grocery shop only offered 1,500 dry food products for sale. However, when leshop.ch launched their online grocery market, only 10% of the Swiss population had access to the internet.

Twenty-four years later, more than 90% of European households have access to the internet. In Switzerland, Germany and the United Kingdom, the access rate is over 95% (Eurostat 2020). According to BFS (2021), most of the Swiss population made at least one online purchase in 2019. Although the online purchase of clothes and electronic devices has become widespread in the past few years, online grocery sales have not increased as rapidly as other goods until 2020. However, the onset of the COVID-19 pandemic around the world in 2020 compelled many people to stay at home to protect themselves or prevented them from visiting physical grocery shops due to government closures, thus resulting in a sharp increase in online grocery shopping (KPMG 2021).

The appeal of this fast-growing market engendered the emergence of several new start-ups in the online grocery delivery sector. The key focus of the multiple new companies is on speed in the delivery of groceries. These new players deliver not only within the same day but also within hours, often even within minutes, and with the additional benefit of low delivery costs for customers. Through this approach, many problems of online grocery shopping have been instantly solved, such as the absence of delivery slots for customers that forced them to wait at home for their groceries or the elimination of the demanding cooling chain because products are delivered so quickly.

This new and highly competitive market of super-fast grocery delivery services is thoroughly explored in this master's thesis. The manner by which the business model of the quick grocery delivery industry works, the features that distinguish this model from traditional e-commerce and the stakeholders comprising this business model are also explained. Furthermore, the financial situation of this business model is described and the response of the established retailers in the grocery market is analysed. The results of this study are intended to increase the understanding of how the super-fast grocery delivery model in Europe works.

## **1.1. Research questions**

Based on this initial situation from the problem definition, the following research questions are defined:

1. How does the business model of quick commerce work in Europe and what are the roles of the different stakeholders in this relation?
2. How do the different super-fast delivery services differentiate?
3. How do the turnover and profitability of selected companies in this business model look, and what efforts are undertaken to make the business (more) profitable?
4. How do large established grocery retailers react to this new phenomenon of super-fast grocery delivery?

Overall, the new phenomenon of super-fast online grocery delivery in Europe is examined in this master's thesis to enhance the understanding of the current market situation and the players in the industry. An in-depth analysis of three players in the European market is performed, which is expected to assist the paper with examples.

## **1.2. Structure of the thesis**

In the theoretical part of this master's thesis, different innovation theories, product life cycle models and entrepreneurship theory are examined. The methodological approach adopted in the case study is subsequently explained. The main part of the master's thesis, the case study, is then discussed. The case study provides an overview of the quick commerce market in Europe and presents an in-depth analysis of three quick commerce companies in three different countries. The various stakeholders in the market are addressed and analysed. Moreover, the financial situation is examined and the reaction of established retailers is presented. In the final part of this master's thesis, the results are presented, classified and discussed, and a market outlook is given.

## 2. Theoretical framework

The paper starts with a theoretical approach to innovation and describes the different types of innovation, with a focus on recent developments in this field. The factors that a start-up requires to cross the chasm are described from the theoretical perspective (Moore 2014), and the means of reaching a decent size to run a successful business according to the product life cycle (Kotler/Armstrong 2012, p. 604) and scientific inputs from entrepreneurship and start-up theory is explained.

In the second part, an overview of the online grocery market in Europe is given and the market potential in online grocery shopping is explored. A definition developed for quick commerce is part of the theoretical framework.

### 2.1. New business models

In this chapter, a theoretical approach is adopted to explain new business models. First, innovation theory is used for exploring how new business ideas reach the market. Second, another theory with a sociological perspective is utilised to investigate how business models can reach the mass market. Further, the product life cycle is described to illustrate the various steps of a new business model.

#### 2.1.1. Business innovation.

According to Du Preez/Louw (2008), innovation models can be classified into six generations. The first generation is innovation through technology push; it involves the development of new products in a highly linear manner, with the emergence of new opportunities driven by innovative technology. Customer needs do not arise at the beginning of the process, but they materialise in an already advanced stadium; hence, products created through this approach are unsuitable for market requirements (Rothwell 1994, pp. 7-8). The second generation of innovation is market pull theory, in which the market reacts to customer needs. The process is similarly highly linear, with a focus on optimisation and incremental change rather than radical change (Rothwell 1994, p. 8).

The third generation, which is referred to as coupling-innovation, includes feedback loops and combines further technological advancement, along with marketing and sales. The fourth generation integrates push and pull methods. Coupling-innovation also involves the simultaneous performance of innovation steps and non-waste of time and money, and it is characterised by linearity. Moreover, the fourth-generation innovation is externally linked with joint group meetings.

For the fifth generation of innovation management, the theory states that the innovation process is a circle instead of a chain with a vast amount of knowledge accumulation

between the various stakeholders among the time (Du Preez/Louw, 2008). The innovation is viewed as a project with a focus on time and costs.

The sixth generation is denoted as the open innovation model (Chesborough 2012, p. 23). It is a combination of internal and external ideas in an open model, such that customers and even external partners are included in the innovation process to achieve the best possible outcome.

To summarise the business innovation model process based on innovation theory, strictly linear models initially emerged, which were subsequently adapted to more cyclical models and are currently at an open level; thus, not one ideal solution is available, but a combination of many solutions is existent (Du Preez/Louw 2008).

### **2.1.2. Crossing the chasm**

A second theory with a sociological perspective relates to the innovation curve (Rogers, 1983 pp. 242-250). In this innovation curve, the population is divided into five groups of adopters of a new product or service. These five groups are innovators, early adopters, early majority, late majority and laggards.

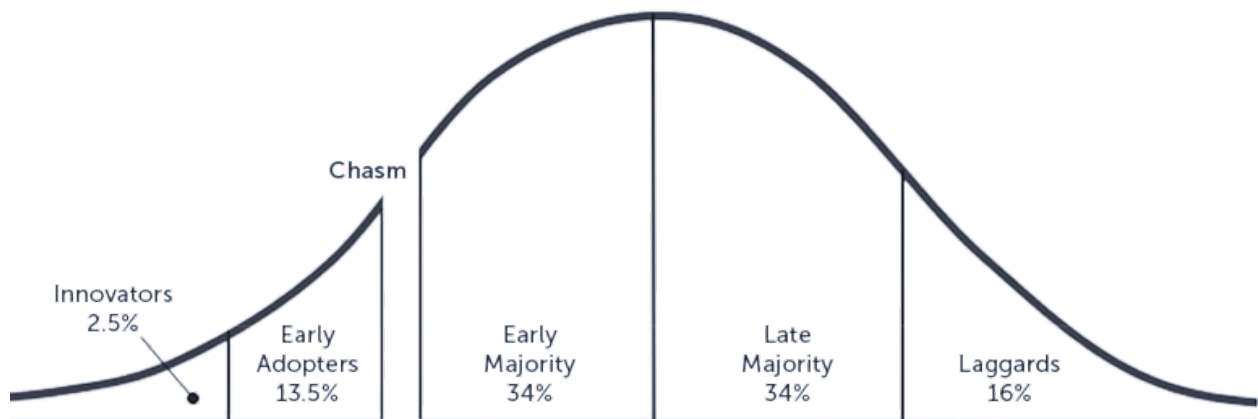
Innovators comprise a small group of the population; they are enthusiastic about innovative technology and interested in trying out new products and services (Rogers 1983, p. 248). Early adopters are also enthusiastic about new items. When making purchasing decisions, early adopters are influenced not only by their own opinions but also by references from previous buyers. Early adopters are pivotal to opening additional segments for the mass market and winning the early majority as a large customer group, as early adopters have a strong influence on them. A company that can manage to cross this chasm (i.e., fully convince early adopters of a product or service) has an opportunity to steadily grow with the early majority and eventually reach the mass market.

Late majority and laggards exhibit a delayed interest in new products or services and typically buy when most of the population is already aware of the new product. At this point, innovators and early adopters might seek another product or service; hence, selling an updated product or service should be considered to avoid a decline in sales.

The early majority are difficult to reach. In his book titled *Crossing the Chasm*, Moore (2014) describes the challenge of reaching the mass market because customers trust the references of people who belong to their group of adopters. A chasm between early adopters and the early majority, as can be seen in Figure 1, is especially evident in terms of the invention of an innovative technology (Moore 2014).



**Figure 1: Crossing the Chasm**



*Source: Adapted from Moore 2014.*

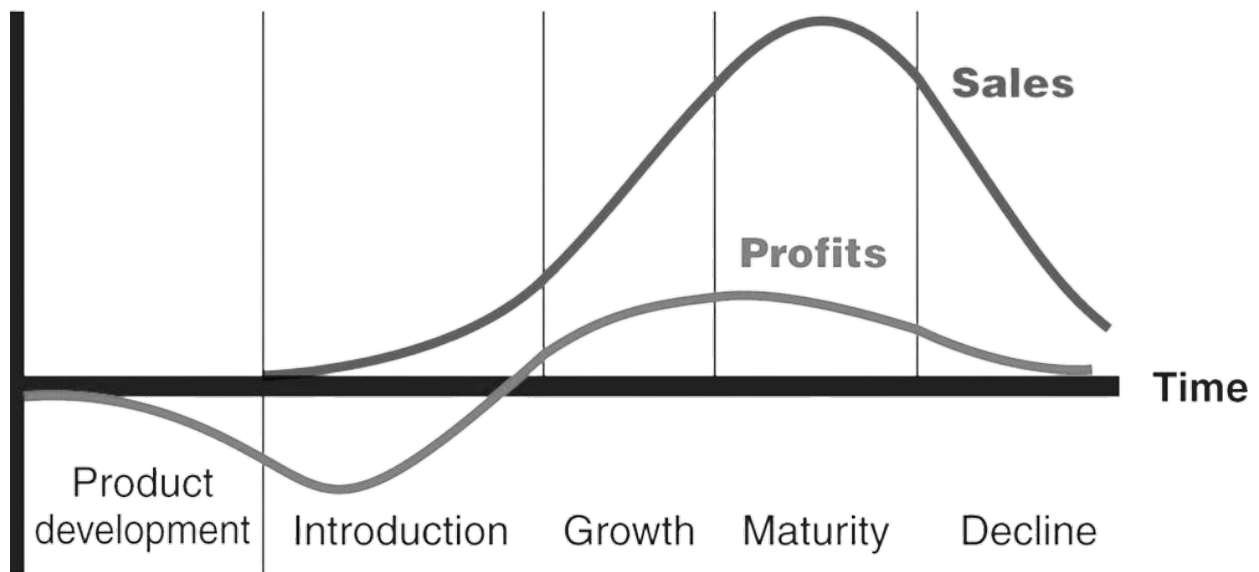
To cross that chasm, Moore (2014) recommends that companies should only focus on one step at a time to effectively reach the customer group and target their needs. When a sufficient number of people from the early majority are convinced by a recent technology, the mass market is subsequently influenced and the chasm is successfully crossed.

### **2.1.3. Product life cycle**

The product life cycle (PLC) is a well-known theory for visualising the various stages of developing and selling a product (Eger/Drukker 2010, p. 47). The cycle includes different steps from launching a new product to gaining a decline in sales after several years. The curve is in a bell-shaped structure, and it typically consists of six phases, sometimes four or five phases (Rink/Swan 1979, p. 220).

As shown in Figure 2, the PLC begins with product development, in which expenditures are remarkably high because of the intensive development of the product and steep R&D costs (Eger/Drukker 2010, p. 47). In the product phase, the company identifies and develops a new idea for a product. As sales are not foreseen at this time and profits are not yet made, the company must invest vast amounts of money and resources at the outset (Kotler/Armstrong 2012, p. 604).

**Figure 2: Product Life Cycle**



*Source: Kotler/Armstrong 2012, p. 604.*

After the completion of the product development phase, the introduction phase commences, in which customers are made aware of the product and prompted to purchase it. At this stage, sales are slowly growing, and a vast amount of money has to be invested to increase the familiarity with the product. A noticeably large loss is still made in this phase (Kotler/Armstrong 2012, p. 605). In most cases, demand for the product has to be generated, ensuring that more customers buy it.

According to the Harvard Business Review (1965), the duration of the introduction phase depends on the complexity of the product, the presence of a consumer need for the product and the availability of competitive substitutes. As this phase can be time consuming and expensive, companies wait for other firms undertaking the pioneering work and then immediately follow upon realising the presence of a demand for the newly invented product (Harvard Business Review 1965).

The growth phase commences as soon as the product gains customer acceptance after the introduction phase (Eger/Drukker 2010, p. 47). In this stage, sales rapidly increase; thus, profits can be made with the product for the first time (Kotler/Armstrong 2012, p.605). This phase also involves overseeing potential competitors that monitored the process but refused to initiate the pioneering work and eventually entered the market with comparable products. Increasing competition consequently ensues.

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Product and brand differentiation begins to occur, and new companies attempt to provide customers with similar products in a new way, whether in the form of an innovative design or adapted functions (Harvard Business Review 1965).

In the growth phase, customer acceptance of the new product increasingly grows, along with the demand for it. Selling the product to customers through other sales channels or collaborating with partners are no longer difficult, as the partners equally recognise the potential of the product (Harvard Business Review 1965).

The maturity phase then transpires, in which the rate of sales growth slowly starts to decrease. In this phase, the turnover reaches its peak and then begins to decline. One reason for this occurrence is that poorly positioned competitors disappear from the market and other substitutes replace the product (Eger/Drukker 2010, p. 47).

Most customers who desire the new products have already acquired such products. The fine-tuning of the details consequently transpires to convince the remaining customers. Moreover, the competition is intensifying in this stage. The maturity phase can have a short duration, as is the case with clothing, for example, or it can last for a long time, as is the case with steel or beer, for instance (Harvard Business Review 1965). Profits are also decreasing because the remaining competitors must defend their positions in the market with high outlays, as sales figures simultaneously decline (Kotler/Armstrong 2012, p. 605).

In the final phase of decline, both sales and profits sharply decrease. The overstocking of products increases along with a considerable reduction in customer interest. The business therefore becomes unprofitable for many vendors, and it disappears from the market. The product similarly gradually disappears from the market. Only a handful of sellers eventually remain in the market and hope for a revival, as is often the case in the fashion industry, for example (Harvard Business Review 1965).

The PLC provides an overview of the different stages that a product undergoes. However, the duration for each product can substantially vary in the individual stages. For example, some products rapidly grow, but they enter the decline phase relatively sooner and disappear again. Other products may remain in the maturity stage for a long period. The PLC is therefore a supportive theory; however, in practice, the identification of the stage that the product is currently in and drawing conclusions about how the sales figures will develop can be difficult (Kotler/Armstrong 2012, pp. 605-606).

#### **2.1.4. Entrepreneurship theory**

The business world nowadays is fast-paced and globalised. Therefore, companies need to constantly review their core business to fulfil the needs of various stakeholders. They should also constantly redefine their markets and adjust their business models. Hence, involvement in a constant process of entrepreneurial action is more important than ever (Morris/Kuratko/Covin 2008).

Entrepreneurship is the process of creating an innovative new business model, developing and managing a company that can serve customers and users with new services or products and changing the way that organisations and people live and work (Faltin/Ripsas 2011, p.7). Most of the new business models are often built by entrepreneurs or special entities in a company.

A traditional approach to entrepreneurship was developed by Schumpeter 1997. Schumpeter (1997, pp. 100-109) differentiated five possibilities, each of which can generate such a strong economic force that existing market structures can be replaced by new ones. The five possibilities are as follows:

1. Manufacturing of a new product or a novel product quality
2. Introduction of a new production method
3. Development of new sales markets
4. Acquisition of a new source of supply
5. Implementation of a new organisation, such as the creation of a monopoly position or the breaking of a monopoly

Several factors must be reconsidered in the creation of a new venture. According to Timmons (1977, pp. 5-17), three main elements underline the entrepreneurial process of creating a new venture. The first one is the identification or recognition of an opportunity itself. The second element pertains to an effective entrepreneurial team. Finally, the third element relates to the careful selection of resources to efficiently exploit the idea.

The task of the entrepreneur is to discover opportunities, some of which may already exist but are yet to be used (Kirzner 1978, p. 39). Moreover, this entrepreneurial function is expanded to include the recognition that new combinations of production factors can generate profits (Kirzner 1978, p. 39).

### 2.1.5. Start-up theory

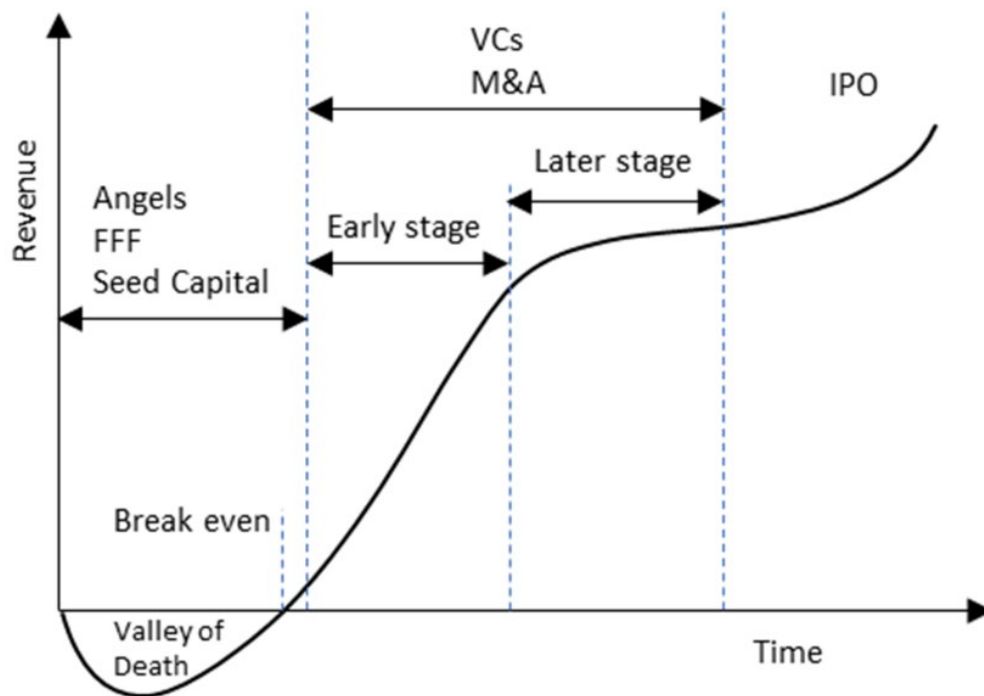
According to Ripsas/Schaper/Troger (2015, p. 266), the result of an entrepreneurial activity is a start-up. As new ventures have a high aspiration to rapidly grow, they take many risks to succeed (Weiblen/Chesbrough 2015, p. 66). Several differences exist between a start-up and an established company. As Weiblen/Chesbrough (2015, p. 66) emphasise, start-ups have promising ideas, a willingness to take high risks and a strong focus on rapid growth. By contrast, established companies often do not follow this path, as they are unwilling to take high risks and more likely to primarily focus on their already profitable business (Weibel/Chesbrough 2015, p. 66). Moreover, established companies have an immense amount of available resources, including money, relationships and supply partners, which start-ups do not have. Established companies also have thorough knowledge of processes to efficiently operate a solid business model (Weibel & Chesbrough 2015, p. 66).

To enhance the understanding of the different stages of a start-up, Reisdorfer-Leite et al. (2020, p. 429) have summarised the various financial life cycle steps of a start-up into a PLC management diagram, as illustrated in Figure 3. The start-up life cycle is divided into the factors of revenue and time, and it comprises numerous stages. Nine out of 10 start-ups fail (Krishna/Agrawal/Choudhary 2016, p. 798), and this reality depicts the first stage of the start-up life cycle, which is referred to as the valley of death. According to Krishna, Agrawal and Choudhary (2016, p. 798), start-ups fail at the outset due to poor management or lack of seed capital, among other reasons. Seed money pertains to the funding money right at the beginning to start a new business (Economiesuisse 2020). Hence, for start-ups, surviving the valley of death requires an ample amount of money. The money is primarily obtained from family, friends or angel investors (Reisdorfer-Leite et al. 2020, p. 431).

Another key to surviving the valley of death is the founding team itself. As Finkelstein/Hambrick/Canella (2009) assert, a founding team with a top-notch quality is important because they significantly shape the strategy, culture and structure of the start-up, and these factors are pivotal to success.

The next step is the early stage. According to the start-up life cycle, the break-even point should already be crossed at this time. Even if the break-even point is the best example for the proof of concept (Economiesuisse 2020), it does not mean that every start-up already reaches the break-even point after ending the first cycle (refer to Section 4.4.3 for further details).

**Figure 3: Start-up Life Cycle**



Source: Reisdorfer-Leite et al. 2020, p. 429.

In the early stage, both the revenue and the funding money from more established players such as venture capitalists rapidly increase. The early stage is detached from the late stage. In this phase, the company becomes more mature, but the revenue does not increase that quickly anymore. Both the company and venture capitalists subsequently prepare for the initial public offering (IPO) or for an exit, which involves selling the company to another firm.

As shown in Figure 3, this phase is also the final stage (i.e., IPO) of the start-up life cycle, whereby the enterprise is no longer a start-up (Reisdorfer-Leite et al. 2020, p. 432), and the company obtains a vast amount of fresh money that can be used for further driving growth.

## 2.2. Online grocery shopping

In this section, an overview of the classification of grocery shopping into three generations is presented. In addition, the emergence of quick commerce is explained and a definition of quick commerce from the theoretical perspective is developed.

### 2.2.1. Classification of online grocery shopping

Delivery Hero (2020) offers an overview of commerce. In their article, the process of grocery shopping is classified into three generations, namely commerce, e-commerce and quick commerce (see Table 1). At Delivery Hero (2020), commerce as the first generation of grocery shopping occurs when customers directly go to the supermarket, pick up their shopped groceries at the store and bring them home. Either the quality or the price attracts people to a specific store. According to Zentes/Morschett/Schramm-Klein (2017, p. 141), store-based retailing nearly always begins with a single outlet. Compared to other industries, the retail industry is easier to enter because it does not require high entry costs. Additionally, retailers can immediately profit from the economies of scale in terms of operations and receiving better conditions from suppliers when sale numbers are growing (Zentes/Morschett/Schramm-Klein 2017, p. 141).

The emergence of the internet has prompted customers to buy groceries online and have these items delivered to their homes. This phenomenon illustrates e-commerce, the second generation of grocery shopping. At the outset, only a few people had access to the internet, but the number of internet users rapidly increased from the early 2000s onward, along with the possibility of grocery shopping online (Eurostat 2020).

A growing number of supermarkets consequently started to offer their products online via e-commerce channels, and the number of customers who use that offer steadily increased (Statista 2019). Most of the supermarkets nowadays offer a full range of products. From one central warehouse, products are delivered to customers within a few working days or sometimes also on the same day. Deliveries are typically made through a large van or a truck. Many supermarkets offer free delivery for a certain amount of basket order; otherwise, they charge a delivery fee. Some retailers also ask for a minimum basket order to use their service (Coop 2022).

Finally, the third generation is denoted as quick commerce (Delivery Hero 2020). This new generation of e-commerce has multiple new features and advantages for consumers compared to the second generation. Its most notable feature is the significantly faster delivery time of groceries

**Table 1: Comparison of different Generations of Commerce**

	<b>First generation “Commerce”</b>	<b>Second generation “E-commerce”</b>	<b>Third generation “Quick commerce”</b>
<b>Availability of products</b>	Depending on the opening hours of the physical outlet	1-3 days delivery time	Delivery within hours, often also minutes
<b>Selection</b>	Wide range of products	Wide range of products	Smaller selection, more premium products
<b>Delivery</b>	Pickup by customer	Delivery with larger truck or vehicle	Delivery by bike, e-bike or motorcycle
<b>Costs for delivery</b>	No costs, own pickup	Depending on order value: If order value is low than higher costs, if order value high than low costs or free	Low delivery fees or even free of charge
<b>Minimum order value</b>	No minimum purchase	Most of the time a minimum value order is required	Mostly no minimum order value required
<b>Warehouse</b>	Large distribution hubs deliver various stores	Large warehouse for one area	Small warehouses in central locations
<b>Average basket</b>	Large baskets	Large baskets	Small quantities, also ready to eat products
<b>Unique selling point</b>	Price and quality	Price and quality	Speed and availability

Source: Adapted from Delivery Hero 2020.



Quick commerce players frequently deliver within an hour, sometimes even within minutes. To achieve this target, warehouses must be located very close to their customers. Thus, the warehouses of quick commerce companies must be centrally located; furthermore, these warehouses are considerably smaller than typical warehouses because rents in central locations are extremely high. The product selection in the third-generation commerce is therefore drastically smaller than the ones in the previous generations.

In quick commerce, deliveries are made in a highly sustainable manner via bicycles, e-bikes or e-scooters; in addition, oftentimes no minimum order value is required, and the delivery fees are substantially lower than the ones in second-generation e-commerce (Delivery Hero 2020).

Customers choose quick commerce because of the limited range of products or the affordable price. However, the unique selling points of quick commerce are speed and immediate availability.

The aforementioned discussion does not indicate that a generation replaces another generation, but it highlights that every new generation of commerce provides customers with further improvements (Delivery Hero 2020).

### **2.2.2. Emergence of quick commerce**

A significant movement has occurred in the online grocery shopping market after years of grocery shopping being dominated by established retailers (Müller-Sarmiento 2021). In particular, the COVID-19 pandemic and the resulting lockdowns that prevented people from pursuing their daily routine or even from leaving their homes have vastly changed the behaviour of shoppers and shifted grocery shopping to an online mode. Additionally, consumers have increasingly used their mobile phones or social applications (apps) not only to inform themselves about products but also to buy their groceries online (Roland Berger 2020). Hence, customers have adopted an online means of grocery shopping, while simultaneously seeking products that are sustainable and of high quality.

This shift in consumer behaviour engendered a new generation of players in the realm of online grocery shopping; the focus of many fresh players was on the provision of mobile-friendly online shops with superior quality products and a fast delivery service. These new players, otherwise known as quick commerce players, also attracted many venture capitalists, along with a massive inflow of capital; these investors view this business model as highly promising and one that is worthy of an investment (Müller-Sarmiento 2021). Since the onset of the COVID-19 pandemic, more than US\$14 billion have been invested in this business model, which has resulted in multiple new start-ups that strive to obtain a portion of this money and the emergence of a key business model (Müller-Sarmiento 2021).

### **2.2.3. Definition of quick commerce**

A definition of quick commerce is proposed in this section to gain a better overview of the topic. As its name indicates, quick commerce is all about speedy deliveries. According to ChannelSight (2021), quick commerce is characterised by the delivery of goods in less than an hour. For Delivery Hero (2020), quick commerce is typified by the delivery of items in less than 30 minutes. Quick commerce grocery stores are appreciated by younger consumers who are comfortable with mobile apps and averse to wasting time in going to the supermarket for small purchases (Tugberk Ariker 2021, p. 141).

Another important feature of quick commerce is that only small quantities are frequently ordered, especially in cases where people run out of a specific product or simply prefer to buy ingredients for a meal that they intend to prepare immediately after the order (ChannelSight 2021). Hence, ordering at a quick delivery company is highly different from a typical weekly grocery shopping at a large supermarket. Among the typical products that customers order are dairy products, freshly baked goods, chocolates, snacks and chips, soft drinks and alcoholic beverages, vegetables and fruits, personal hygiene products, and ready-to-eat meals (Tugberk Ariker 2021, p. 141).

The delivery of these products within a short time frame involves the use of agile two-wheel delivery fleets such as e-bikes or motorbikes (Delivery Hero 2020). Furthermore, delivery fees are very low, and prices for the products are approximately in the same range offered in supermarkets.

Another feature of quick commerce is that it is only possible if the area has a highly dense population; otherwise, from a financial standpoint, the delivery of goods from small local warehouses would not be feasible (Villa/Monzón 2021, p. 2). Therefore, warehouses must be in central locations in large cities to achieve success in the use of this business model. These small, centrally located warehouses, also known as dark stores, are reserved for employees of the company, indicating that customers are forbidden from entering. As the location of these dark stores is highly central, the rental costs are significantly higher than in areas outside of the cities. Hence, dark stores usually have only the most popular products in stock and in small quantities; in contrast to large department stores, dark stores do not have a huge selection (Bloomberg 2021).

In summary, quick commerce is a fast delivery service of daily needed groceries in urban areas. The small baskets are delivered via two-wheeled vehicles for low delivery fees.

### 3. Methodology

In this chapter, the research design used in this master's thesis is explained. In this context, the exact procedure is described based on the selected research design. Moreover, the data collection and the concepts developed in this process are discussed.

#### 3.1. Research design

As the topic of quick commerce is relatively new, the scientific literature on the specific model of quick commerce is scarce; nonetheless, the literature on online grocery shopping in general is abundant. Individual behaviour is not manipulated in this research and in-depth findings and context are explored; hence, a case study is the method selected for this research. According to Yin (2017, p. 2), three conditions must apply to the use of the case study method. First, the purpose must be to answer 'how' or 'why' questions. Second, the researcher must acknowledge that control over events is limited. Third, the focus of the research must be on a current phenomenon in a real situation. All these conditions apply to this master's thesis. Additionally, as the topic is examined in an in-depth manner, an explorative case study is performed because the theoretical framework is expanded (Eisenhardt 1989, p. 537). Notwithstanding the thorough analysis of the topic, an embedded case study is the goal because multiple cases are investigated; otherwise, it would expand the size of this master's thesis (Yin 2017, p. 64). The focus is therefore on successful examples.

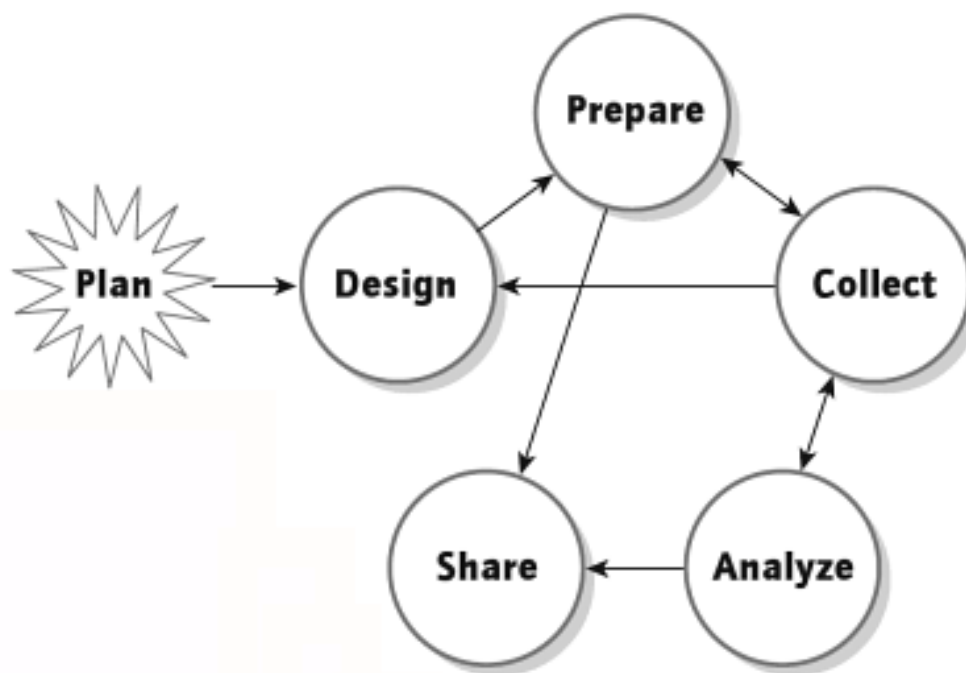
In addition, a multiple case study is performed because the phenomenon can be better explained with different cases than with the analysis of only a single case.

The theoretical basis for the executed case study in this thesis refers to the work case study and applications by Yin (2017). Designing a case study is both a linear and an iterative process (Yin 2017, p. 2). As shown in Figure 4, performing a case study involves several steps.

In the first step of planning, the idea of whether the case study is the appropriate scientific method for the research question is ascertained and the decision to perform a case study is made. After the selection of a specific topic for a case study, the design of a case study is initiated. In this phase, the cases to be studied are defined and the theories and propositions are outlined. The linking of the data with the propositions is rationalised and the criteria for interpreting the findings are defined. The decision to use a single, multiple, holistic or embedded case study is also finalised. The selected design is subsequently tested with the four criteria (i.e., construct validity, internal validity, external validity and reliability) for the quality of a case study. These four design tests are extensively used in social science methods (Kidder/Judd 1986, pp. 26-29) and are therefore used in a case

study to represent a logical set of statements. One test that must be performed is construct validity. It is about using multiple sources of evidence for the data collection and to have the draft case study report checked by essential informants in the case study field (Yin 2017, pp. 43-44).

**Figure 4: The Process of a Case Study**



Source: Yin 2017, p. 2.

The first test relating to construct validity involves the use of multiple sources of evidence for the data collection and the checking of the draft case study report by informants in the case study field (Yin 2017, pp. 43-44). In the second test pertaining to internal validity, matching patterns are tested, addressing opponents' explanations and using clear models. External validity, the third test which should make clear that the findings can be also used beside of the direct study. This can be achieved through using theory in single-case studies and using replication logic in multiple-case studies (Yin 2017, p. 43). The final test is the reliability test. It is performed to make sure that succeeding researchers can follow the same procedures to obtain the same results achieved by the previous researcher. Therefore, a protocol should be created to record this (Yin 2017, pp. 43-44).

After conducting these four tests, the preparation phase begins. This stage is all about preparing to be an effective researcher, which means asking the right questions and being a good listener when interviewing experts. Obtaining approval for the data, screening candidates and selecting the final cases are also important in this stage (Yin 2017, p. 80).

The next phase involves collecting the data and determining the sources of evidence to be used. Sources can be interviews, documents, archival records, direct or participant observations or physical artefacts. To increase the quality of the case study, several principles need to be followed (Yin 2017, p. 126). One principle entails the use of multiple sources of evidence, and another one requires storing all the obtained information in a database. Maintaining a proper chain of evidence is another principle.

After the data collection phase, the analysis phase commences. One advantage of the case study method is that it allows for the analysis of the data in a relatively free manner without strong regulations. The challenge is to effectively present all the collected evidence to derive plausible interpretations and ensure that the most important points of the case study are addressed, such that those points fit well into the previous literature and thinking (Yin 2017, p. 164).

In the final phase (i.e., sharing stage), the results and conclusions of the case study are presented. It also includes the provision of sufficient evidence to enable people to draw their own conclusions. As illustrated in Figure 4, the preparation phase is linked with the sharing phase; in other words, adequate preparation is also essential for the subsequent composition of the case study. The sharing is ultimately significant, in that the cases should be extraordinary and of general public interest, the case study must be complete, and it should include alternative perspectives (Yin 2017, pp. 242-247).

The undertaking of the aforementioned steps facilitates the success of case study research.

### **3.2. Data collection**

As the collection of data for a case study entails various inputs, the case study is characterised by a mixed-methods design (Yin 2017, p. 63). Data can be gathered through literature research, interviews and newspaper observations to answer research questions (Eisenhardt 1989, p. 537). The literature research and the preparation for interviews are both labour-intensive.

Sufficient time is also allotted for evaluating the interviews, writing up the results and requesting the final permission from the interview candidates. Time buffers must be planned for the expert interviews that run the risk of having to be postponed.

To restrict the focus and avoid exceeding the scope of the paper, the data collection is primarily based on the literature, news and interviews relevant to the European market. The American or the Asian market is intentionally excluded.

As previously stated, the topic of the case study is relatively new, and scientific articles and papers on this subject are scant. Nevertheless, some scientific journals have contributed some articles to this research field in the past years. Furthermore, numerous articles about the quick commerce topic are available in the mass media. Reliable sources, including well-known newspapers or magazines, can therefore be used for gathering the data. Other formats such as podcasts and TV reports can also be utilised for data collection.

In this case study, interviews with experts are similarly important. With adequate preparation, information that has not been covered in the research literature can be obtained from the experts. The experts are primarily contacted via their email addresses or their social media accounts (i.e., LinkedIn profile) if such accounts are available and are the only means of reaching these experts.

To ensure diversity in the data collection, several stakeholders in the field of quick commerce are interviewed. The experts are interviewed to obtain their insights into the case study. The goal is to interview experts with a direct involvement in the daily business of a quick commerce company and hence gain their views on the operation. Insights from an investor viewpoint can be helpful in answering the research questions. The inclusion of an established retailer's perspective on this topic is similarly planned.

According to Yin (2017, p. 126), the combination of different data sources helps to ensure the high quality of the case study and brings diverse aspects, thus allowing for meaningful conclusions to be derived.

## 4. Quick commerce

In this chapter, the main part of this master's thesis, the case study of quick commerce in Europe, is discussed. The actors in Europe and their unique selling points are explained. The case study is supported by three example companies in three different countries, namely Getir for the market in the United Kingdom (UK), Gorillas for the German market and Stash for the Swiss market. The strategies of the selected players are examined through their individual performance of the business model canvas.

The various stakeholders in this business model are analysed in an in-depth manner. The focus is mainly on Europe; otherwise, the scope of this thesis would be exceeded. To examine the different companies, their environment and their business models, the research literature on strategy planning process by Grünig/Kuhn (2017) is used as a key scientific source.

The issues of where the business model currently exists, how the locations are selected and which factors influence the choice of the locations are also tackled. For the locations, a PESTEL analysis is performed to illustrate key elements (Grünig/Kuhn 2017, p.89). Moreover, the warehouses of quick commerce are examined in detail and the operation of a quick commerce company is described.

The products that are available for purchase at companies and the differences between a quick commerce firm and a traditional e-commerce provider of grocery products are clarified. The focus is especially on the supply chain and the suppliers. Another section of the case study features the technology behind the business model and the programs for operating the delivery service. The specific customers of quick commerce companies are highlighted. In the section on marketing and communication, the techniques for gaining visibility are identified. The working conditions at quick commerce companies are similarly described.

In a second step, the financial situation of quick commerce companies is discussed, including the investors in such firms and the process of constructing the business model in financial terms. A calculation reveals whether the operational business model is profitable, and the key points for increasing the profitability are highlighted. Finally, an overview of the established retailers' reaction to the new providers of online grocery delivery services is provided.

## 4.1. General overview of quick commerce players in Europe

Quick commerce has become increasingly important in Europe in recent years. The quick delivery of menus from restaurants has been highly popular in major cities for some time, but the focus on super-fast last-mile delivery has shifted to groceries (Sibson, 2021).

More than 10 different quick commerce companies currently operate in the Western European market; most of these firms were founded in 2021 or 2020 and were engaged in the delivery of grocery products (Euromonitor 2021). After India and South Korea, Western Europe has become one of the most attractive regions for investors in this business (Euromonitor 2021).

One factor that underlies this fast-growing market is the increase in the number of internet users and thus in the number of e-shoppers. At present, 91% of the population are users of the internet compared to 83% in 2017. The percentage of e-shoppers in the 27 countries of the European Union (henceforth, EU-27) has also increased. In 2021, approximately 75% of the overall population of the EU-27 made at least one online purchase in a year compared to 60% in 2017 (E-Commerce Europe 2021, p. 13). Most of the online purchases are clothes, shoes and accessories, furniture and home accessories, or purchases at entertainment service companies (e.g., streaming services). Only 18% of online shoppers in 2020 ordered grocery food items and beverages on the internet (Eurostat 2020). As these numbers continue to rise, e-commerce increasingly contributes to the gross domestic product (GDP) of the EU-27. In 2020, e-commerce accounted for 4.3% of the GDP in Europe (E-Commerce Europe 2021, p. 7). Therefore, the fact that quick commerce is likewise on the rise is not surprising (Channel Insight 2021). The number of new participants in this business has consequently grown.

Furthermore, the entry of multiple quick commerce companies into the market, especially in the past two years, is attributed to the COVID-19 pandemic. The pandemic and the resulting restrictions in various countries and people's avoidance of large crowds have fundamentally changed the shopping behaviour for many people (Schweidler 2021). Although many of the restrictions have been eased or even lifted, the phenomenon of online orders is not expected to decline (Schweidler 2021).

According to Bitkom (2021), orders via mobile devices have rapidly increased, and social media channels have become more important than ever. Quick commerce companies can benefit from this development, as their ordering systems are normally designed to be mobile-friendly. People prefer sustainability and quality, which are the same aspects that many quick commerce companies have considered in their product selection.

The extremely low interest rates are another factor underlying the emergence of many quick commerce companies in the market, thereby indicating the availability of a vast



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amount of investment money. Investors and companies must invest their money; otherwise, they may encounter negative interest rates. Therefore, a large sum of investment money is currently available in the market. According to the Financial Times (2021a), globally, more than US\$14 billion have been invested in this new business, of which a large sum has been invested in Europe. In the first half year of 2021, over US\$1.5 billion have been invested in the quick commerce market in Europe (Schweidler 2021).

In the UK alone, more than seven players compete for market share in the super-fast delivery of grocery products, including some companies that are already active in other countries (Sibson 2021).

In Germany, more than six enterprises have entered the market in 2022, some of which were founded in other countries such as Finland and Turkey (Wirtschaftswoche 2021a). Furthermore, two major players, Gorillas and Flink, serve many of the larger German cities. In Switzerland, a country with a relatively small number of large cities, quick commerce players such as Stash serve multiple cities and aim to provide a significant portion of the Swiss population with their service by the end of 2022 (Stash 2022).

To obtain an overview of the most important companies in this business field, a comparison of players in Europe is presented in Table 2. Aside from the revenue, the current worth of the company, number of employees and volume of app downloads are shown and analysed. The number of warehouses is a vital factor in the overview. Some quick commerce players primarily operate in small cities with only one warehouse, whereas others only operate in large cities with several warehouses; hence, a key factor is the number of warehouses and not the number of cities where companies operate.

Only companies that deliver groceries in less than an hour are intentionally included in the table. Classic e-commerce solutions from retailers or quick commerce projects from retailers are similarly excluded to avoid exceeding the scope of this case study. Companies that primarily deliver food from restaurants and in the meantime offer groceries with their apps are similarly omitted.

**Table 2: Overview of Quick Commerce Companies in Europe (February 2022)**

Name	Founded	Head-quarter	Ware-houses	Invest-ments	Deliver-ing in	Em-ployees	App down-loads
<b>Getir</b>	2015	Istanbul, Turkey	>700	1.8 billion USD	10 minutes	5100-10000	38.1 million
<b>Gorillas</b>	2020	Berlin, Germany	>170	1.3 billion USD	10 minutes	1001-5000	4.1 million
<b>Flink</b>	2020	Berlin, Germany	>180	1.1 billion USD	10 minutes	1001-5000	3 million
<b>Cajoo</b>	2021	Paris, France	>20	47.2 million USD	15 minutes	501-1000	0.3 million
<b>Zapp</b>	2020	London, UK	>24	300 million USD	on-demand	501-1000	0.8 million
<b>Stash</b>	2021	Zurich, CH	8	No data	10 minutes	<500	No app
<b>Jiffy</b>	2020	London, UK	7	34.6 million USD	In minutes	501-1000	No data found
<b>Rohlik</b>	2014	Prague, Czech Republic	No data found	380 million USD	90 minutes	5001-10000	Multiple apps available
<b>Delivery Hero (mjam etc.)</b>	2019	Berlin, Germany	No data found	Public listed	Depending on each brand	5001-10000	Multiple apps available
<b>Dija</b>	2020	London, UK	-	Acquired by GoPuff	-	-	-
<b>Fancy</b>	2019	London, UK	-	Acquired by Gopuff	-	-	-
<b>Weezy</b>	2019	London, UK	-	Acquired by Getir	-	-	-
<b>Block</b>	2021	Barcelona, Spain	-	Acquired by Getir	-	-	-

Source: Own illustration from *Business of Apps 2022*; *Crunchbase 2022a-h*

## 4.2. Selected quick commerce players

As shown in Table 2, several quick commerce players aim to gain market share in Europe. The inclusion of all these challengers in the case study would exceed the scope of this case study; thus, only three quick commerce players were chosen. The selection depended on the size of the companies, given the availability of data for large companies. A local player from Switzerland was also included. Another essential criterion for selection was the sufficiency of news coverage and insights into the business model to allow for a thorough discussion of the various aspects of stakeholders.

The Turkish quick commerce company Getir was selected because it has the most funding rounds in Europe; additionally, it is one of the first movers in the adoption of this business model. Getir was founded in 2015, and it is active in Turkey and six other European countries, including the UK. Getir is used as the example for the UK market. Data about Getir are abundant, especially about its business in the UK. Getir recently raised nearly one billion U.S. dollars to continue its expansion strategy; at present, it is one of the largest quick commerce players (NY Times 2021).

A challenger in Western Europe is Gorillas. The Berlin-based start-up was founded in early 2020, and it has since become the fastest growing start-up in Germany. Gorillas even operates warehouses in the United States (US). Gorillas is one of the best funded start-ups in Europe, and it has an ambitious expansion plan (Wired 2021). Therefore, Gorillas is selected as another key quick commerce company, especially for the German market. An ample amount of data are also available for this example case.

The third company analysed in this case study is Stash. The quick commerce player founded by a Swiss start-up group based in Zurich, Switzerland, has been in business for one year. The focus of Stash is on the expansion of its business model to various Swiss cities. At present, Stash offers its service to large parts of Zurich, Geneva, Basel and Lucerne (Stash 2022). An interview with one of the founders contributed to the decision to include Stash in the case study.

#### 4.2.1. Getir

With a valuation of US\$7.5 billion, Getir is one of the most valuable quick commerce companies in the market (CNBC 2021a). Founded in 2015 by Nazim Salur in Istanbul, Getir serves more than 30 cities in Turkey. Getir entered the Western European market in 2021, and it has since served major cities in Europe, including London, Paris, Amsterdam and Berlin (Wirtschaftswoche 2021d). The primary focus of Getir is on large cities with growth potential, notwithstanding the competitors. To achieve this target, vast sums of expansion money were raised. Nearly one billion U.S. dollars were invested by several venture capitalists such as Silver Lake, Mubadala, Sequoia and Tiger. The last funding round in 2021 alone brought US\$550 million of fresh cash into the daily operation of Getir (CNBC 2021a).

The highly recognisable purple logo of Getir is found on e-scooters and delivery backpacks, thereby creating a high level of brand awareness on the street. Getir delivers more than 1,500 products, ranging from snacks, drinks and fresh products to cosmetics, mostly from well-known brands (Getir 2022). The company delivers to Germany day and night, for example from 7 a.m. until 12 midnight, six days a week, excluding Sundays. In countries such as the UK and Turkey where stores are open on Sundays, Getir delivers seven days a week. Getir employees are highly valued, especially drivers, and they receive fair working conditions and salaries (Getir 2022).

In contrast to certain competitors, Getir does not have major retailer partners; instead it has direct distributors for its purchases, as shown in the business canvas in Figure 5. Nevertheless, the goal of Getir is to establish itself as a major company; in this regard, the company has adopted the franchise model. In this model, private individuals can open their own dark stores and deliver goods in the name of Getir and via the Getir platform (Wirtschaftswoche 2021d). Additionally, Getir has bought a few competitors, including Weezy in the UK in late 2021, to further expand its operations (CNBC 2021c).

Getir sees itself as a company with an advantage over other quick commerce firms in that Getir has gained many years of experience in Turkey. Through these years in business, Getir has become knowledgeable about the most effective means of reaching customers and fulfilling their needs.

In this case study, Getir in the UK is primarily analysed.

**Figure 5: Business canvas Getir**

<b>KEY PARTNERS</b> -Suppliers -Employees -Investors	<b>KEY ACTIVITIES</b> -Delivering groceries in 10-20 minutes -Franchise Model -Platform development -Own Getir product line	<b>VALUE PROPOSITION</b> -Low delivery fee, or no delivery fee -Long opening hours -Quick delivery -Competitive prices	<b>CUSTOMER RELATIONSHIP</b> -Own product line -Marketing activities like sponsoring football teams -Discounts	<b>CUSTOMER SEGMENTS</b> -High-income urban people -Single household with less time -Spontaneous shoppers -People with no time to go to the convenience store
	<b>KEY RESOURCES</b> -Staff -Software -Customer data -Investors		<b>CHANNELS</b> -Getir App -Social Media	
<b>COST STRUCTURE</b> -Staff -Marketing expenses -Software development -E-Scooter Fleet -Dark store rents -Administrative costs			<b>REVENUE STREAM(S)</b> -Grocery sales -Partnerships -Franchise model -Delivery fees	

#### 4.2.2. Gorillas

Gorillas was established in June 2020. It opened more than 180 warehouses within a noticeably brief period and delivered over 4.5 million orders in the second half of 2021 (TechCrunch 2021e). Gorillas obtained nearly one billion U.S. dollars in investor funding by the end of 2021, including US\$230 million from former competitor Delivery Hero.

As stated in its manifesto, Gorillas is a company founded by delivery people building a people business rather than a delivery company built by business people (Gorillas 2022). Fondness for bicycles and recognition of teamwork are two features that characterise Gorillas. The primary goal of Gorillas is to sell high-quality products at prices that are the same than the ones offered by supermarkets as stated as a value proposition in Figure 6. These items include fresh products from local farmers and multiple favourite local food brands. Gorillas also considers itself as a sustainable company, given its efforts to combat food waste and offer deliveries in the city in an ecological manner (i.e., through e-bikes only).

However, the fastest-growing start-up in Germany is often criticised for its working conditions. Several problems at Gorillas in recent months have been identified (NY Times

2022). For example, several employees reported missing wage payments; others stated that they had to make deliveries using damaged e-bikes; and Gorillas terminated employee contracts without a reasonable cause. The company had recently dealt with numerous strikes and negative press.

Nevertheless, signs point to growth, as a Gorillas spokesman told the NY Times (2022). Many new warehouses are also set to be opened shortly.

In this case study, Gorillas is used as the example for the German quick commerce market.

**Figure 6: Business canvas Gorillas**

<b>KEY PARTNERS</b> -Suppliers -Employees -Investors -Delivery Hero -Loca grocery partners in various countries	<b>KEY ACTIVITIES</b> -Delivering groceries within minutes in big cities in various European countries -Platform for groceries	<b>VALUE PROPOSITION</b> -Quick availability of groceries for customers -Low delivery fee -Long opening hours -Local love brands available	<b>CUSTOMER RELATIONSHIP</b> -Personal touch -Offering local love brands -Discounts -Strong brand awareness	<b>CUSTOMER SEGMENTS</b> -Urban people -Single household with less time -Spontaneous shoppers
	<b>KEY RESOURCES</b> -Staff -Software -Dark stores -Delivery riders -Investors		<b>CHANNELS</b> -Gorillas App -Social Media	
<b>COST STRUCTURE</b> -Staff -Purchasing products from suppliers -Administrative costs -Marketing expenses -Software maintenance -E-Bike Fleet -Dark store rents			<b>REVENUE STREAM(S)</b> -Grocery sales -Partnerships -Delivery Fees	

#### 4.2.3. Stash

Stash was initially a pilot project from the Swiss Startup Factory, a private Swiss venture builder (Brunschwiler, 17.02.2022). Founded in 2021, Stash initially delivered only in two densely populated districts in Zurich, but it soon expanded its delivery area to other districts and cities. Stash currently delivers in four Swiss cities and plans to expand its service to more cities and agglomeration areas. The objective of Stash by the end of 2022

is to reach two million customers, along with the operation of 25 to 30 warehouses (Bilanz 2022, p. 20).

Compared to the online grocery delivery shops of major Swiss retailers Migros and Coop, Stash is considerably faster in delivering groceries. The goal of Stash is to deliver in as little as 10 minutes. To achieve this goal, deliveries are made entirely via e-bikes and directly from centrally located warehouses.

Another advantage of Stash is that it has no minimum order value; hence, customers can ask for the delivery of a single item, as can be seen in the business canvas in Figure 7. In addition, as the aim of Stash is to reduce food waste with its digitalised warehouses, the company has adopted a highly sustainable business model. The concept has attracted ample attention, at least in Switzerland. The famous Swiss cycling professional Fabian Cancellara has made an investment in Stash, thus boosting the awareness about the company (Bilanz 2022, p. 20).

In this case study, Stash is the quick commerce example for the Swiss market.

**Figure 7: Business canvas Stash**

<b>KEY PARTNERS</b> -Suppliers -Local brand partners -Riders -Swiss Startup Factory	<b>KEY ACTIVITIES</b> -Delivering groceries in around 10 minutes in big cities in Switzerland	<b>VALUE PROPOSITION</b> -Fastest grocery delivery company in Switzerland -No minimum value orders -Long delivery hours -Low delivery fee -Competitive prices -Local love brands available	<b>CUSTOMER RELATIONSHIP</b> -Personal touch through hand-written cards -Discounts -Fastest grocery delivery in Switzerland -Offering local love brands	<b>CUSTOMER SEGMENTS</b> -Urban population -Single parents -Spontaneous shoppers -House parties, groups outside
	<b>KEY RESOURCES</b> -Staff -Software -Dark stores -Investors -Partner products		<b>CHANNELS</b> -Stash website -Social media	
<b>COST STRUCTURE</b> -Staff -Software maintenance -E-Bike fleet -Dark store rents -Administrative costs -Marketing expenses		<b>REVENUE STREAM(S)</b> -Grocery sales -Partnerships -Delivery fees		

### 4.3. Stakeholders

Companies have many stakeholders with multiple principles and intentions (Grünig/Kuhn 2017, p. 77). Hence, the focus of this chapter is on the analysis of different internal and external stakeholders in the business model of quick commerce. To provide a comprehensive overview of the business model, eight stakeholder groups are identified, which are of great relevance for understanding the quick commerce business (Grünig/Kuhn 2017, p. 77). The findings are summarised in various tables and figures, thereby facilitating the identification of the most important points from the data.

#### 4.3.1. Locations and communities

A key factor in the success of a quick commerce company is the identification of an effective location that features not only a residential community but also a legal situation and local conditions that are suitable for the business model. Therefore, strategic planning involves global environmental analysis as one of the first steps (Grünig/Kuhn 2017, p. 87). This analysis helps to understand the markets and consequently develop an effective corporate strategy.

To understand the environmental aspects of quick commerce companies in Western Europe, a PESTEL analysis was performed (Grünig/Kuhn 2017 p. 90). In this analysis, political, economic, sociological, technological, environmental and legal factors are examined (see Table 3). The PESTEL analysis shows that the key opportunities for quick commerce are found in the major cities of Western Europe.

These cities are characterised not only by substantial purchasing power (the highest, thus far) but also by notable social factors. In addition, almost every individual has technological access to the platforms, as the numbers indicate. However, the strict laws in some Western European countries can increase the complexity of operating grocery delivery services.

With regard to the specific reasons for opening different locations, no clearly identifiable parameters are adopted by the individual quick commerce companies. In an interview, Brunschwiler (17.02.2022) from Stash stated that although population density and other factors such as household income in different neighbourhoods are considered, the criteria for determining whether the company opens a new location are unclear. An examination of the three cases confirms that they currently operate in cities but not in the suburbs.



**Table 3: PESTEL analysis of the selected countries**

<b>Element</b>	<b>Factor</b>
<b>Political environment</b>	<p>Political stability is an important indicator for enterprises (Euromonitor 2014). With the political stability and absence of violence index any country can be compared.</p> <p>Overall political stability is good in western Europe but still there are even more stable countries like Switzerland, Portugal, Ireland and the Scandinavian countries and countries with a lower political stability index like France, Spain or the United Kingdom (TheGlobalEconomy 2021).</p> <p>Most of the western European countries have quite business friendly regulations, which is needed to quickly establish and grow a quick commerce start-up. UK and the Scandinavian countries still have more business-friendly regulations than France, Germany, Switzerland or Italy (Worldbank 2022).</p>
<b>Economic environment</b>	<p>When having a look at the purchasing power in western Europe, the highest power index can be found around the large cities like London, Paris, southern Germany northern Italy, Switzerland and in the Scandinavian countries (GFK 2021). This can be an indicator where people have better jobs and therefore use services like grocery delivery.</p> <p>Another aspect to consider is the unemployment level. Comparing that, Germany, the Netherlands and Denmark have the lowest rates, while Spain, Italy and France and Sweden report significantly higher unemployment rates (Destatis 2021). This can also provide information about the economic situation of the nation, but also show where it may be difficult to find personnel.</p>
<b>Sociocultural environment</b>	<p>In the last 50 years, more and more people have moved to cities, also in Western Europe, and as a result urbanization rate has increased and is currently between 70-90% in the various Western European countries (Worldbank 2020). This is an important factor for Quick Commerce, as mostly only densely populated areas are supplied.</p> <p>When shopping online, a sociocultural topic is that customers in Europe generally choose those companies who deliver goods quicker and cheaper than others (Kiba-Janiak/Marcinowski/Jagoda/Skowon-ska 2021, p. 1)</p>
<b>Technological environment</b>	<p>Over 90% of European households have access to the internet. In Switzerland, Germany, and the Scandinavian countries the access rate is even over 95% (Eurostat 2020), so access to quick commerce shops is given for almost everyone.</p> <p>With that high number of people having access to the internet, also the number of the E-Shoppers in the EU-27 climbed up to 75% of the</p>

	<p>population in 2021 compared to 60% in 2017 (E-Commerce Europe 2021, p. 13)</p> <p>65% of all online orders are made nowadays with a smartphone (Roland Berger 2021). Most quick commerce shops are only available via smartphone apps.</p>
<b>Legal environment</b>	<p>Regarding working regulations, quick commerce companies are in some countries like Germany or Switzerland not allowed to deliver on Sundays because of the government's labour law which is a disadvantage compared to other countries (Bilanz 2022, p. 20).</p> <p>There are often disputes between riders and the company regarding the working conditions. This sometimes leads to illegal strikes, like in Germany where Gorillas had already faced a couple of these so-called wild strikes (Sifted 2021).</p>
<b>Ecological environment</b>	<p>An ecological topic is the declining car usage in younger generations of western European countries. As Colli (2020, p. 273) states, millennials have fewer polluting travel lifestyles than baby boomers which means they also less own a car. Therefore, it is less common in these generations to go with the car to a hypermarket and buy groceries for a whole week.</p>

Summarizing the PESTEL analysis, it shows that currently the biggest opportunities for quick commerce are in the big cities of western Europe. Not only is purchasing power by far the highest, but also social factors play a role to go there. In addition, almost everyone has technological access to the platforms nowadays, as numbers show. However, the strict laws can make it a bit more challenging to operate grocery delivery in some western European countries.

When looking at the specific reasons for opening different locations, there are no clearly identifiable parameters that the individual Quick Commerce companies follow. When questioned, Brunschwiler (17.02.2022) from Stash responded that although population density and other factors such as household income in different neighbourhoods are considered, but there are no clear criteria as to whether the company opens a new location or not. If having a look at the three analysed cases, it can be confirmed that they are operating just in cities at the moment and not in the suburbs.

### 4.3.2. Warehouses and operation

In this section, the warehouse strategy and the involved stakeholders and their tasks in the daily operations of quick commerce companies are discussed.

In the quick commerce business, companies often refer to their warehouses as dark stores. This term denotes that only employees are allowed to enter the centrally located stores. Although dark stores look like small supermarket stores, they are optimised for delivery; thus, customers are prohibited from entering dark stores to avoid any disturbance of the dark store operations (Delivery Hero 2020).

**Table 4: Warehouse overview quick commerce**

	Quick commerce warehouse
<b>Location</b>	Centrally located
<b>Size</b>	200 – 700 sqm
<b>Stock availability</b>	Selection of daily needed products, small stock
<b>Items in stock</b>	1000-1500 articles
<b>Picking</b>	Done manually by employees
<b>Employees per warehouse</b>	5-20
<b>Delivery radius</b>	2,5 to 3 km
<b>Orders per hour per rider</b>	From 3 up to 5
<b>Transportation to customer</b>	Two-wheel vehicles
<b>Time from order to customer</b>	10-15 minutes
<b>Opening hours</b>	From early morning to midnight, if possible 7 days a week

A comparison of quick commerce warehouses to classical e-commerce warehouses indicates a major difference in the size and the location. As the warehouses of quick commerce companies are centrally located, space is often lacking, and the rents are considerably higher than the ones outside the city. According to Thread in Motion (2021), the

typical size of a dark store is approximately 300 sqm to 700 sqm; by contrast, Trending Topics (2021) reports a typical size of 200 sqm to 400 sqm. Based on Brunschwiler's (17.02.2022) experience with Stash in Geneva, finding a centrally located warehouse in this size can be complicated and time consuming. Furthermore, given the large number of players in the market and their intent to find similar sites and the overall strong demand for such sites, commercial rents in prime London locations for example are on the rise (CNBC 2021b). Small central locations that are of the right size for a dark store are particularly involved in an intense competition, and the tendency does not seem to decrease (CNBC 2021b). A summary of the specific findings for a quick commerce warehouse can be seen in Table 4.

Additionally, the product range in dark stores is much narrower than in large e-commerce warehouses. Getir stocks roughly 1,500 different products in its various dark stores (Sifted 2021); Stash offers approximately 1,000 products through its Swiss dark stores (Stash 2022); and Gorillas likewise has more than 1,000 products available per dark store (Gorillas 2022). Most of these products are daily necessities such as drinks, snacks, fresh fruits and ready-to-eat meals, as well as household products and local treats.

The dark store is arranged to fit as many products as possible into the limited space. Hence, the aisles are typically very narrow and the shelves are densely stacked. Fresh goods are stored in freezers, as dark stores are often non-air-conditioned. The most commonly purchased products are located at the checkout counter of the dark store to save even more time.

As soon as an order is received, it is immediately processed by so-called pickers. These pickers obtain the details of the order via their mobile devices, collect the products, scan the products when they take them out of the shelf and put them in the bag. A key characteristic of quick commerce warehouse operations is the exceptional speed: at Getir, pickers need less than one minute to process an order comprising 10 items (Sifted 2021). After the picker's completion of the collection of all the ordered products, the order is then directly handed over to a rider who then delivers it to the customer. All the quick commerce players in this case study deliver orders via two-wheel vehicles only. Stash and Gorillas solely use e-bikes, whereas Getir uses motorcycles for delivery.

A comparison of the different delivery fees can be seen in Table 5. Gorillas, Stash and Getir promise a delivery time of between 10 and 15 minutes; thus, the radius from the dark store to the customer is not very large. Stash supplies its customers from a dark store in Switzerland within a radius of 2.5 km to 3 km, depending on the population density of the area (Luzerner Zeitung 2021). A single dark store can often handle a limited number of orders due to its size; thus, the key strategy is to supply a region with several dark stores and thus further reduce the radius (Brunschwiler, 17.02.2022).

At Stash, the delivery cost is always CHF3.90 per order, and it is the only service that is analysed. Stash does not currently charge a fee for small orders, but it requires a minimum order value. By contrast, Getir charges £2 when the order value is below £20; the company offers free delivery for orders higher than £20 (Sifted, 2021).

Gorillas similarly delivers within a radius of approximately 2.5 km from its dark stores (Supermarket Inside 2021). Especially in major cities where traffic congestion is commonplace, delivery within minutes via a car in this radius would be impossible. Therefore, all the deliveries are made through e-bikes, such that riders can use the bike lanes to avoid traffic jams. This mode also helps to maximise the capacity of riders, as it allows them to reach more customers per hour because the rider does not waste time in traffic jams. Deliveries are accordingly more sustainable in this manner. At Gorillas, no minimum order is required, and the delivery fee is always €1.90 regardless of the size of the basket. However, Gorillas collects a surcharge for orders below €15 (Gorillas 2022).

**Table 5: Delivery Conditions at the three analysed Quick Commerce Players (February 2022)**

	<b>Getir</b>	<b>Gorillas</b>	<b>Stash</b>
<b>Delivery costs</b>	£ 1.99 if under £ 20  Sometimes free if above £ 20	EUR 1.90	CHF 3.90
<b>Minimum order</b>	£ 10	No	No
<b>Surcharge for orders under a specific amount</b>	Only a delivery fee applies	2.10 Euros for orders under 15 Euros	No

The small radius, the central location and the capacity to move agilely through the city with a two-wheeled vehicle allow riders to make multiple deliveries per hour. According to Brunschwiler (17.02.2022), the current rate at Stash is up to three deliveries per hour per rider. If the dark stores receive numerous orders, then the number can increase due to the delivery of multiple orders per rider. At Gorillas, the calculation is based on at least three rides per hour per rider (Supermarkt Inside 2021).

During busy periods, a Getir rider can make up to four deliveries per hour; a cash bonus for every extra delivery is given to riders to motivate them to further improve their fast-delivery performance (Sifted 2021). According to Locher (21.02.2022), riders can make up to five possible deliveries per hour, as riders can reach more people in densely

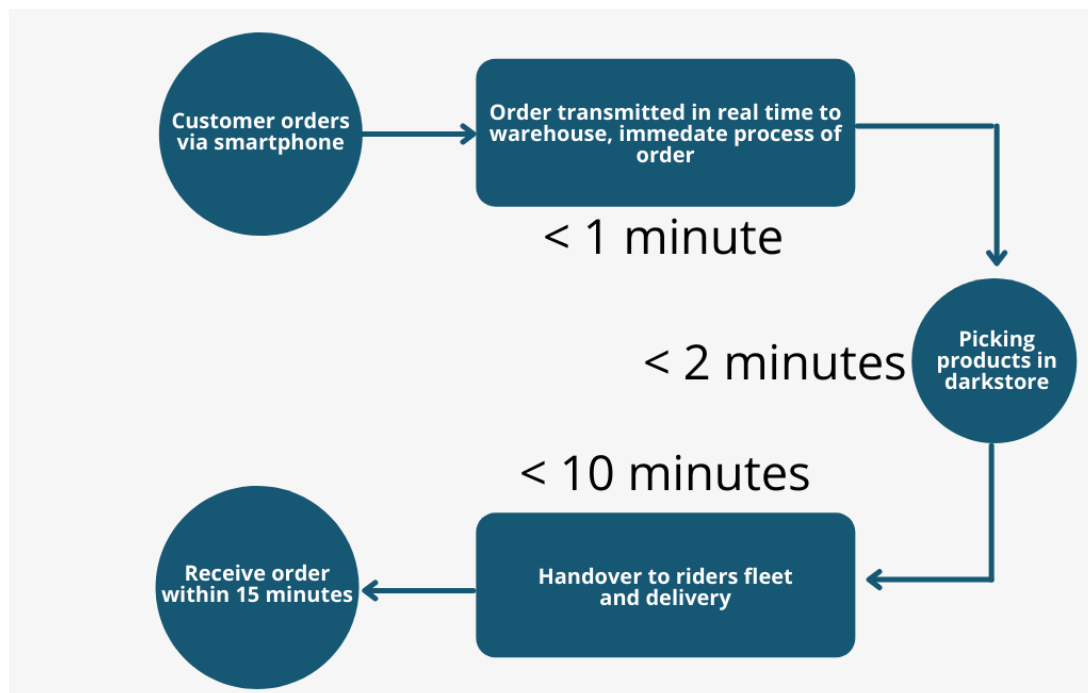
populated cities and even deliver two orders in one ride. This figure of deliveries per hour per rider has a great importance, as shown in the calculation in Section 4.4.3.

The entire operational process of a quick commerce company is illustrated in Figure 8. The data reveals that very limited time is calculated per step; hence, no time buffers are available for ultra-fast deliveries.

Riders have short delivery distances and customers are barred from dark stores; thus, the operational team of a location can function with only a few employees and a relatively small fleet of vehicles. According to Sifted (2021), Getir has approximately 20 employees per dark store in London. Stash has similar personnel plans, with three people permanently working in the warehouse, and these individuals are supplemented by up to 20 temporary staff members, mainly for delivering the goods (Luzerner Zeitung 2021). At Stash, about five e-bikes are simultaneously on the road per warehouse.

The employees are assigned to different shifts, as the warehouses are open for many hours during the day. At Stash (2022), the warehouses are open daily from 8 a.m. to 11 p.m. during the weekdays and until 12 midnight on weekends, except Sundays. At Getir in London, dark stores are open from 7 a.m. to midnight every day (Sifted 2021). Gorillas has similar opening hours in Germany, except Sundays, during which they are prohibited from making deliveries because of local regulations (Gorillas 2022).

**Figure 8: Quick Commerce Concept**



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#### **4.3.3. Products partners**

In this section, the specifics of product partners working with quick commerce companies are explored. The manner of organising their supply chain is also explained.

A quick commerce company is designed to deliver snacks, ready-to-eat products or drinks to customers as quickly as possible, or to replace missing ingredients or small purchases (ChannelSight 2021). According to Brunschwiler (17.02.2022), the goal of these companies is not to replace the weekly grocery shopping. Therefore, the assortment is different than the online assortment from a large retailer. As stated in the previous section, approximately 1,000 to 1,500 items are in stock, and such quantity is significantly smaller than the one at an online store of a major retailer.

Consequently, the assortment must be carefully selected. An in-depth examination of the Stash online shop reveals that the company sells more than 1,000 products in 17 different categories (Stash 2022). According to Brunschwiler (17.02.2022), the most popular products in the beginning were largely different beers. The trend has changed; the top products nowadays include colas, bananas and fresh bread products similar to the top products in supermarkets. Additionally, local brands are highly popular in the different cities where Stash is active. The same case is evident at Gorillas and Getir.

Another promise of quick commerce companies is that their prices are similar to supermarket prices. A comparison in Germany shows that the prices at Gorillas and other suppliers are indeed highly similar to the prices at major supermarket chains such as REWE and Edeka (Business Insider 2021). Some products at cheaper prices can be found at a delivery company than at a stationary supermarket. With regard to fresh vegetables and fruits, the prices are higher at a quick commerce players than at traditional supermarkets.

To analyse the offer of products in the assortment of a quick commerce player vis-à-vis a large supermarket chain, a comparison of the Stash shop in Zürich Kreis 5 and Coop online in Zurich was made (refer to Table 6). In the analysis, the products offered in each Stash category are added to derive an overview. Some products such as local brands can be found twice in the data, as these products belong not only to local brands but also to another category.

As shown in Table 6, snacks and non-alcoholic beverages are the most available products, followed by alcohol and tobacco and ingredients for cooking. A comparison of this product assortment to an online store of a classic retailer indicates that the quick commerce company has a much narrower product range and a stronger focus on quick consumption and local brands. At Stash (2022), nearly 10% of its assortment of ready-to-eat products and snacks and drinks represent more than 20% of the entire assortment; by contrast, at Coop (2022), ready-to-eat products comprise 2.5% of the range and snacks and drinks represent about 15%.

Table 6 also shows that quick commerce is incapable of replacing all the grocery shopping from traditional retailers. Coop offers more than 3,500 different ingredients, whereas Stash offers only 144, which is not even a twentieth of the quantity of Coop. Moreover, the hygiene, household, children and pet's assortment remains very small compared to the retailer Coop. The retrieved data for this table can be found in the appendix.

As Brunschwiler (17.02.2022) also explained, the goal of quick commerce companies is not to replace large retailers but to complement them and focus more on selling products from the favourite brands of customers. For example, Stash lists a wide range of local Zurich brand products, from local restaurants' ready-to-eat meals to local hand-crafted goods.

An examination of the products confirms that non-brand products are hardly available at Stash. Most products are from well-known brands and therefore expensive products from high-quality manufacturers. Roland Berger (2021) concurs with this assertion, further stating that quick commerce companies mainly rely on high-margin products that have high retail prices.

The fact that quick commerce companies sell multiple premium products and individually manufactured products also helps to increase the average basket price level with only a few products. For example, an average basket at Stash costs approximately CHF26 to CHF30 (Brunschwiler, 17.02.2022). In the UK, an average basket from a quick commerce company is about £25 (Locher, 21.02.2022); Gorillas reports an average basket value of €20 to €25 in Germany (Capital 2021). Brunschwiler (17.02.2022) underscores that the average basket value constantly increases, as returning customers place higher orders than new customers.



**Table 6: Articles available at Stash store Zurich district 5 compared to Coop Online in Zurich (February 2022)**

Category	Number of products Stash	Number of products Coop Online
Local brand products	100	no specific category
Fruit & Vegetables	61	450
Dairy & Eggs	69	1248
Ready to eat	112	429
Bakery	35	383
Snacks & Drinks	258	2700
Alcohol & Tobacco	158	2300
Ingredients	144	>3500
Ice cream & Frozen products	108	537
Hygiene, Household & Baby & Pets	114	>5500
<b>Total</b>	<b>1159</b>	<b>&gt;17000</b>

Source: Own illustration from Coop 2022; Stash 2022.

#### 4.3.4. Suppliers

Solid supply chain operations have become a crucial factor in keeping costs low and improving efficiency (Yu/Wangm/Zhong/Huang 2016). In the current case study, two supply chain management methods were used for collecting data.

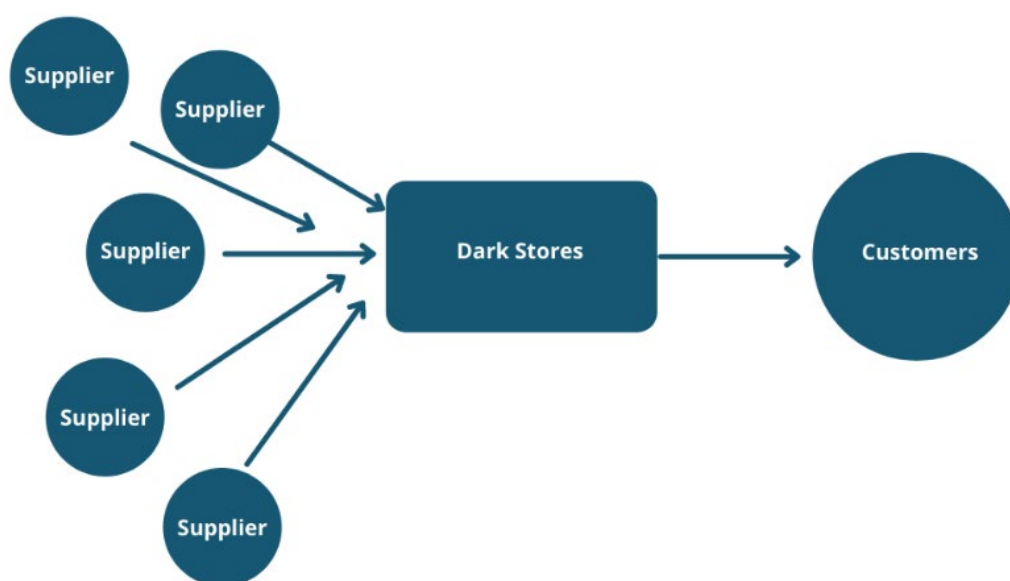
The first method illustrated in Figure 9 is a highly direct approach that Stash and many others presently employs. Stash operates a short supply chain. As Brunschwiler (17.02.2022) explains, Stash has suppliers that directly deliver to each dark store.

Stash currently buys directly from local and international producers, and these producers also directly deliver to different dark stores. Direct delivery from the dark stores to the customer is afterwards needlessly provided Stash, depending on the quantity of incoming

supplies (Brunschwiler, 17.02.2022). In other words, no additional warehouse must be provided and no transport from the warehouse to dark stores must be made.

However, this model has some disadvantages. For instance, ordering again from the supplier takes more time than ordering from an own central warehouse. In addition, a dark store cannot be re-stocked with products at short notice. Such deficiency can cause problems at the location of the dark store, as frequent deliveries to the warehouse from different suppliers involve a large volume of traffic. Gorillas, which adopts a similar concept, had to deal with numerous complaints from neighbours in Berlin (Supermarktblog 2021a).

**Figure 9: Supply chain method 1**

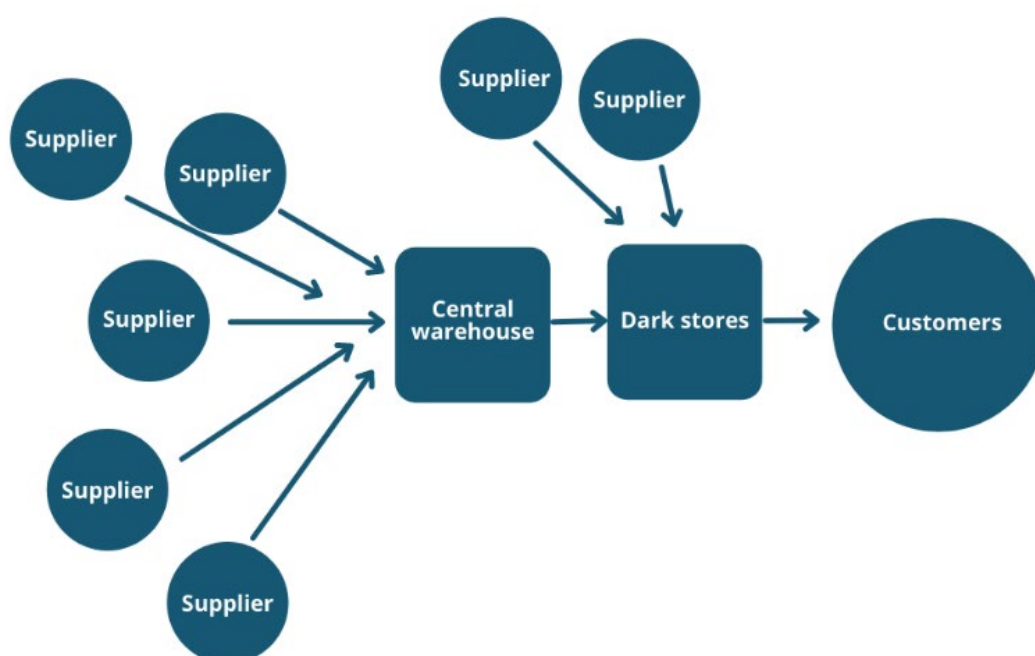


In this regard, Stash is rethinking its supply chain management in the long term, especially with its further growth and the planned opening of more locations (Brunschwiler, 17.02.2022).

A second method, which also includes several advantages, is the system of having an own central warehouse. The individual dark stores are then supplied from these central warehouses by the company itself. Only a few local producers directly deliver their fresh goods to dark stores. This method, which is employed by several quick commerce companies such as Jiffy in London, ensures a much easier refilling of dark stores than a supply chain without a central warehouse. Another advantage is that this method facilitates orders in much larger quantities and allows for their direct delivery to the central warehouse (see Figure 10). This approach provides better conditions for the company compared to single deliveries to the dark stores.

Moreover, if products are out of stock in a dark store, reordering them from in-house warehouses is considerably faster than if the supplier must be constantly contacted to reorder the products. This approach assures that customers obtain better availability of the products. In addition, the expensive and rare space in centrally located dark stores can be used more efficiently, as no space must be occupied for the storage of selected products. Finally, this method offers advantages for the surrounding area; in particular, it is comparatively emission friendly because only a few deliveries a day reach the dark store instead of each supplier individually (Locher, 21.02.2022). However, such a system inevitably requires more labour and incurs extra costs for the management of the central warehouse.

**Figure 10: Supply chain method 2**



To ensure the efficiency of the entire supply chain, the inventory should be accessible in real time, as is the case with Stash and Getir (Brunschwiler, 17.02.2021; Sifted, 2022). As everything is connected, orders are automatically placed if a product is out of stock. In this manner, an efficient supply can be guaranteed. In addition, at Getir, a precise analysis of product wishes can be performed based on the data for each department store. For example, some boroughs in London tend to buy more halal products than others, which Getir then offers (Sifted 2021). The expiration date is also automatically checked and a discount is created accordingly if the product is about to expire.

With regard to forecast planning, automation solutions in the market are relatively few, prompting the need to manually conduct many processes (Sifted 2021).

Concerning suppliers, high margins are essential for a company's success. For example, in Switzerland, Coop obtains a margin close to 30% when selling products, whereas the German REWE Group reports a margin of 25% in Germany (Swissinfo 2017). These retail chains are among the major ones in the European market and therefore the most important buyers of products from suppliers. They wield enormous power when negotiating about margins. By contrast, quick commerce companies do not yet have a high buying volume at the suppliers. Therefore, if quick commerce companies intend to profit from attractive margins, then a cooperation with a large retail chain is an effective solution. According to Supermarktblog (2021b), a few companies have initiated such partnership.

For example, Stash lacks a retail partner on its side and acquires deals with suppliers on its own. It also receives a very high margin on products because suppliers prefer the pioneering idea of quick commerce and intend to see their products at the new operators. Furthermore, suppliers find that Stash serves an attractive urban young target group (Brunschwiler, 17.02.2022). Thus, Stash obtains better conditions than other small companies.

Another business idea of quick commerce companies is to co-produce their own product lines with a partner (TheGrocer 2021). Such products can be sold with better margins; they are also unique, as they are only available at the specific delivery company. According to Locher (21.02.2022), own product lines can be further used for increasing customer loyalty and creating beloved products for customers, which are then only available for purchase at the corresponding delivery company.

#### **4.3.5. Technology**

All three players in this case study generally employ a highly user-friendly design for end users. Gorillas and Getir offer ordering only via app; by contrast, Stash also provides ordering via computer, but its store is primarily designed for mobile devices (Getir 2022; Gorillas 2022; Stash 2022).

Gorillas had to manage more than 40 dark stores in 12 different locations after one year; hence, it required flexible software systems that can be rapidly adapted to its current situation, are manageable for new joiners of the company and can be seamlessly integrated into new locations (TechCrunch 2021d). To avoid falling behind the competition, coding in-house software was deemed to be a solution; however, at the outset, only a few employees were available to undertake this task. Therefore, a new generation of software was necessary because solutions from established software providers such as SAP and

Salesforce were labour, money and time intensive for a speedy implementation (Wirtschaftswoche 2021c).

Without software collectively communicating in real time, deliveries within minutes would be impossible. Delivering within that brief period with only a few employees per warehouse requires automated updates about inventory and an automatic reorder process and calculation to operate (LogisticViewpoints 2021). As shown in Table 7, numerous software vendors support e-commerce companies; meanwhile, many challengers intend to outperform large software vendors. Other software start-ups help quick commerce companies to strengthen customer satisfaction while further learning about customer needs.

Commercetools is an extensively used software for quick commerce (Wirtschaftswoche 2021c). It is a software as a service model that runs in the cloud and works as a modular software system, enabling employees to quickly customise the program according to their needs (Commercetools 2022). This modern commerce software architecture that Commercetools and other players offer is referred to as microservices. With microservices, e-commerce companies such as quick commerce players can build individual services and shops for each location and then bring them together in a more complex application. Moreover, only the updating of a single microservice is possible and rebooting the entire system is not required as is the case at large software companies such as SAP (Wirtschaftswoche 2021c). In addition, with microservices, every team can build the most customer-friendly platform for their segment using the construction kit and without any extensive programming knowledge. This feature helps to further enhance the customer experience because the program is designed for each area by the respective experts.

**Table 7: Identified Software Systems in the quick commerce business**

	<b>Software systems</b>
<b>Shop as a System</b>	Spyker, Commercetools, Edress, Simply Delivery, Shopify, Salesforce, SAP
<b>Market intelligence &amp; customer satisfaction</b>	Skai, Zendesk
<b>Ordering from suppliers</b>	Rekki, Choco, Collectiv Food

With this custom-built software, many processes can be improved to achieve maximum results. For example, the ideal route in a warehouse is suggested to a picker and alternatives are also shown if a product is no longer in stock, which helps a picker to save time and significantly increases the efficacy of the work.

Connecting to a wide variety of devices is likewise possible. Apps and the website are roughly based on the same code, which is much more efficient because it has to be coded only once, rendering the service to look the same everywhere.

Data security is one of the problems arising from the non-development of own in-house software; Gorillas encountered this issue in 2021 with the software system Edress. The rapid growth of Gorillas led the company to build its entire system on the Edress platform without any coding effort from the side of Gorillas. When Edress was hacked, all the customer data of Gorillas had become accessible. In the meantime, Gorillas adapted a new software based on the lessons from this case (Wirtschaftswoche 2021c).

New software solutions are available, which help to develop a more efficient supply chain and to reduce food waste. The start-up company Choco allows suppliers to directly communicate and trade with potential buyers via its app and deals with all the previous paperwork through digitalised processes. In this manner, the individual assortments of quick commerce companies can be conveniently organised with the aid of the app instead of separately communicating with suppliers. According to OMR (2022, 20:15-21:30), Gorillas and many competitors already use the service.

#### **4.3.6. Customers**

In Switzerland, the trend of customers' online purchase of products has significantly increased in recent years (Oliver Wyman 2021, p. 2). In the online grocery shopping category, new quick commerce players are a particularly strong driver of growth. Roughly 3% of the Swiss population made at least one purchase at a quick commerce player in the last 12 months, whereas two years ago it was still 0%, as there was hardly any such service available. (Oliver Wyman 2021, pp. 7-8).

In Germany, 17% of the 16 to 29 age group ordered once from quick commerce players such as Gorillas and Getir, whereas 10% of the German population ordered at least once (Bitkom 2021). In the same Bitkom (2021) report, 61% of the population indicated that quick commerce players can change the shopping behaviour of customers in the long term. Additionally, nearly half of internet users stated that they are not planning to order via a quick commerce grocery delivery service any time soon (Bitkom 2021).

In the UK, one in three people have used quick commerce or would prefer to do so. The average age of a customer in the UK is 36 and the customer's place of residence is a

metropolitan area. The participants in a survey (IGD 2021) noted that quick commerce is primarily beneficial for obtaining missing ingredients for meals or for grocery shopping before a party at home or on public holidays.

Several studies have revealed that low delivery costs are highly important for customers, as high delivery charges can preclude them from making a purchase. Sustainable products and delivery are likewise essential (Oliver Wyman 2021, p.6).

Customers also recognise that online shopping saves them ample time, and they enjoy the direct delivery of products to their homes. Younger customers increasingly use their smartphones for ordering products online, in contrast to individuals aged 60 and older who still use a computer more than a smartphone for their orders (Bitkom 2021). As all three quick commerce companies analysed in the case study are built upon a mobile-first application, this development trend is highly beneficial.

With regard to the specific customers of a quick commerce player, Brunschwiler (17.02.2022) believes that at Stash in particular, no typical customer exists, but different types of customers use their service. The most distinct segmentation of customers can be made by geographic location. The quick commerce companies in the case study only serve relatively large cities thus far; in these cities, the city centres, not the suburbs, are mostly supplied (Getir 2022; Gorillas 2022; Stash 2022). This phenomenon is reflected in the Bitkom (2021) study, in which nearly 50% of customers who have never ordered from a quick commerce company say that the reason is that the service is simply not available for them.

At the locations where quick commerce is available, various types of users place their orders. At Stash, several user personas are created for different customers (Brunschwiler, 17.02.2022). One user persona is the full-time working individual who lives alone or together with a partner and simply wants to enjoy time after work. This type of user dislikes the idea of wasting time on groceries in the evening and therefore prefers to promptly order food at a quick commerce company. This individual has no fixed plans about what to eat at home and merely wants to decide as spontaneously as possible; such predilection explains why such individuals do not choose a delivery service that delivers the food the next day.

Another group of users comprises single parents who are preoccupied with their work and with the prime responsibility of raising their offspring. For these individuals, shopping regularly is difficult because they cannot leave the child unattended. Thus, quick commerce is a real relief in the daily life for this group (Brunschwiler, 17.02.2022).

Finally, spontaneous buyers constitute another customer group. Their shopping behaviour is characterised by spontaneity: they impulsively buy products before holding a house

party or any other event (IGD 2021). Brunschwiler (17.02.2022) also added that these people often order when they are out of stock of ingredients when cooking at home and therefore cannot leave the house. Further, this customer group also contains people who order at a quick commerce company when they are out of their home. These customers, who are for example meeting with friends in a park, ordering at a quick commerce company if they want some snacks and drinks delivered instead of walking to the nearest supermarket. So, these customers who previously went to a nearby convenience store, now ordering at a quick commerce company if the service is available in their area.

#### **4.3.7. Marketing and competitors**

In 2022, more than 10 different quick commerce players use a similar business model in Europe to gain customers, and most of them operate in the same cities. (Techcrunch 2021a). This strategy requires several marketing activities to draw attention to the company, especially if this firm adopts a business model that is similar to that of its competitors. According to Roland Berger (2021), market costs can constitute up to 30% of the total costs, especially at the beginning.

One method of attracting customers is to offer discount codes. All three quick commerce players analysed in the case study provide their new customers with generous discounts; discounts are also given to customers who refer a friend (see Table 8). Up to 50% of the average basket value is frequently given as a discount voucher for new customers, which indicates an aggressive strategy for enticing new customers (Techcrunch 2021a). Getir in London has gone beyond this approach by offering a £15 voucher code for all new customers in December 2021, which is redeemable for a minimum purchase of £16 (Standard 2021). Standard (2021) further reports that although marketing spending is extremely high in this industry compared to others, it is a requisite for recruiting more customers.

With the discount campaigns, quick commerce companies want customers to quickly become accustomed to having small purchases delivered to their homes within minutes. In addition, the intent of every company is to be the best known; therefore, firms must heavily invest in marketing to get noticed. As soon as the customer practice of regular ordering from a quick commerce company becomes customary, the heavy discount offerings should once again slowly disappear (Standart 2021).

Super-fast grocery delivery companies intend to attract customers only with discount vouchers. However, Getir, Gorillas and other players are including home advertisements in their strategy. Hence, an individual who walks through London is likely to spot a billboard with an advertisement from a quick commerce player (Standard 2021). The competition in London is so intense that companies do not restrain themselves from suing advertising agencies if the goals of these companies are not achieved. For instance, Getir



in London sued its advertising agency because the latter controlled the rollout of Getir campaigns on London cabs' passenger screens. After observing various taxi journeys, Getir was able to determine that the desired number of advertisements could not be seen in the taxis; at the same time, Getir found that even advertisements from the competition were shown. This situation resulted in a serious legal dispute with the agency (FT 2021b).

**Table 8: Identified Discounts at the three analysed Players (February 2022)**

	<b>Getir (London)</b>	<b>Gorillas (Berlin)</b>	<b>Stash (Zürich)</b>
<b>New customer</b>	15 pounds discount (>=25-pound basket)	10 Euro discount (basket: >20 euro)	10 Swiss Francs
<b>Refer a friend</b>	10 pounds off for each	5-euro discount for each	No discount

According to FT (2021b), quick commerce companies engage in a strong advertising battle to create top-of-mind awareness among people: they want to be the company that people think of first when considering fast grocery deliveries. As customers can only remember a few companies, advertising must be visible everywhere to the target group. Advertising must also be eye-catching so that people remember. Another means of achieving such goal is the use of sponsorships with famous sports teams. Getir announced a three-year partnership with the renowned British football club Tottenham Hotspur, whose players now wear tricots adorned with Getir advertisement (Sportsmarketing 2021).

Similarly in Germany, several fast delivery services for groceries are active in various large cities, and all of them seek the attention of customers using a highly similar business model. Analogue advertising, similar to various out-of-home campaigns, also entails a heavy investment. The steep expenses for these campaigns are not a major hurdle (Gründerszene 2021). Furthermore, as quick commerce companies have collected large sums of money from investors and continue to obtain fresh cash for their expansion, they can also spend a vast amount of money on advertising without carefully considering the revenue in relation to the marketing expenditure (Gründerszene 2021).

Advertising campaigns on posters are intended to attract as much attention as possible, and this goal is achieved by using provocative slogans and clearly recognisable brand colours. Quick commerce companies themselves are not directly responsible for the success of these campaigns because they hire creative advertising agencies for this purpose. For example, Gorillas has signed a contract with the advertising agency Mediamonks;

Mediamonks has taken over the management of various advertising campaigns since summer 2021 (W&V 2021). Furthermore, companies prominently advertise on social media for their target groups.

Gorillas deploys a versatile marketing strategy; it recently partnered with the Paris Saint-Germain football club. The online marketing platform OMR ranked Gorillas as the second most attention-grabbing brand in 2021 in Germany partly due to the enormous word-of-mouth effects that Gorillas had generated (OMR 2021).

The Swiss player Stash also relies on different advertising models. Brunschweiler (17.02.2022) cites as an example street campaigns where pedestrians get flyers with an accompanying voucher; more customers consequently order at short notice. However, not many returning customers could be won, thereby making the promotion highly unprofitable. Stash learned that the most successful campaigns are organic advertising such as referrals or simply word-of-mouth campaigns.

Another key marketing factor for Stash is customer experience. Stash offers customers special treatment by giving them special gifts such as hand-written thank-you cards (Tsüri 2021). Stash has also signed a partnership with the famous Swiss biking legend Fabian Cancellara, who supports the company's effort to be further noticed in public and to pursue its expansion plans (Bilanz 2022, p. 22).

In summary, quick commerce companies must prominently advertise to become memorable among their competitors. This goal can be achieved by creating a clearly identifiable brand identity, launching large-scale campaigns, allocating a large marketing budget and forming partnerships with well-known sports clubs or personalities.

#### **4.3.8. Employees**

Employees are certainly pivotal to the success of quick commerce business. However, a large part of the business model remains manually operated; for example, riders in this case represent the only regular personal contact with customers. Therefore, the focus of this section is on employees who are directly involved in daily delivery operations.

As stated in Section 4.3.2, 20 people on average work in a dark store. Compared to other e-commerce companies, quick commerce players require a large delivery staff, as these types of services mostly deliver one order per delivery. One factor underlying this need is the high level of time pressure, rendering the process of reaching several customers within a few minutes impossible to undertake. Another reason is the lack of space on a two-wheeled vehicle compared to an e-commerce company where one employee delivers multiple orders per ride with a large van or a truck from a central warehouse (Delivery Hero 2020).

Hence, quick commerce companies need to be attractive for people seeking work opportunities. Gorillas (2022) describes in its manifesto the exceptional teamwork of the 'Gorillas crew' and refers to the many openings for promotion for its employees. The sustainability of the business, stylish working apparel and enjoyable workplace are also advertised. Furthermore, the wages at Gorillas are supposed to be particularly fair according to the companies, waiting times are compensated and tips from customers can be kept. According to Gorillas (2021a), employees in Germany currently earn €12 an hour, which is currently above the minimum wage level in the country. Employees are also rewarded with a bonus of up to €5 per hour if they achieve certain targets set by the company. Gorillas views itself as the opposite of the gig economy; that is, in contrast to other delivery companies, Gorillas employs people on a permanent basis (Zeit 2021). Many of the workers are employed on a part-time basis and have diverse backgrounds. Aside from German citizens in Berlin, several immigrants and international students work at Gorillas; temporary employees from platforms such as Zenjob are also part of the operations of the delivery company (Fairwork 2022, p. 20).

Employees in Getir dark stores have diverse backgrounds, and most of them are in their mid-20s (Sifted 2021). The company founded in Turkey offers its drivers and pickers in London grants such as holidays, pension schemes and sick pay, indicating that Getir employees are not gig economy workers, in contrast to employees at competitors such as Deliveroo and Uber Eats (Sifted 2021). Getir also rewards its employees via a bonus system. In addition to the basic salary of £10.85 in London (a figure that is above the minimum wage level for drivers and pickers), drivers get 50 pence extra for every delivery that they make, and pickers can get up to £3 for fast picking (Sifted 2021).

Stash also reports that the company pays higher salaries than its competitors. It currently offers an entry wage of CHF25. According to Tsüri (2021), the working environment at Stash is also more encouraging than at other delivery companies. Employees mostly work in four- or six-hour shifts and get fully paid for that period. If they do not have an order, they can simply relax and wait for a new incoming order. The e-bikes for delivering the goods are provided by Stash; however, people who prefer to use their own two-wheeled vehicles are allowed to do so, and Stash pays for any repairs on their own vehicles (Tsüri 2021).

Employees apparently enjoy working at Stash. Many of them promote the job to their friends; hence, Stash has no difficulty in finding new employees, especially riders (Brunschwiler, 17.02.2022). Stash also provides its employees with a fixed contract on an hourly basis, and it does not only pay them according to the number of completed orders.

A comparison of different entry wages and employment contracts is shown in Table 9.

**Table 9: Salary Levels at the three analysed Quick Commerce Companies**

	<b>Getir</b>	<b>Gorillas</b>	<b>Stash</b>
<b>Entry wages riders /pickers</b>	£ 10.85	EUR 12	CHF 25
<b>Bonus</b>	50 pence per delivery	Bonus level up to 5 Euros	No information
<b>Minimum wage</b>	£ 9.55	EUR 9.35	CHF 20.35
<b>Employment contracts</b>	Yes	Yes	Yes

Sources: Own illustration from: Gorillas 2021a; Getir, 2022; Stash 2022; Tsüri 2021.

Even though companies in the grocery delivery service offer employment contracts that compel companies by law to pay at least minimum wages and compensate sick days, they still try to avoid certain employer responsibilities (Fairwork 2022, p. 2). Some companies take advantage of the fact that the vast majority of employees are immigrants and therefore sometimes have language barriers or limited knowledge about their legal rights (Fairwork 2022, p. 2).

Although different companies convey positive statements, employees and workers' councils express criticism toward working conditions. For instance, the enormous time pressure that riders experience to get the order to the customer in a few minutes is viewed as hazardous to their safety (Zeit 2021). Riders must also carry an enormous weight on their backs, as some of the orders are extremely heavy. Moreover, order volumes are the highest in inclement weather because customers are averse to visiting a supermarket. Riders also put themselves at risk when companies force them to deliver in poor weather conditions such as strong winds, snow or icy roads. Poor weather often promises a lucrative business for quick commerce companies; however, these companies often refuse to stop the service and risk injuries among employees (Fairwork 2022).

Gorillas obtained a significant amount of media exposure due to its working conditions and garnered an extremely low score in the latest rating scheme evaluating the working conditions in digital labour platforms in Germany (Fairwork 2022, p. 2). The practices at the Berlin-based service triggered the anger of employees, including the incorrect payment of wages, unpaid sick days, use of poor equipment for delivery and termination of workers for no recognisable reason and without prior notice (Fairwork 2022, p. 21). These incidents compelled workers to band together and form a workers' council on their own.

The media heavily reported on the employees' activism, which increased the pressure on the company. The employees' wildcat strikes also brought the Gorillas operation to a standstill several times (Fairwork 2022, p. 23). Even the minister of labour from Germany became eventually involved in this case. In its defence, Gorillas indicated that as a relatively new company with a rapid growth, systems and structures require constant adaptation; in the process, problems can sometimes occur (Zeit 2021).

The employee protests ultimately led to the improvement of the working conditions. The court also upheld the activities of the independent workers' council; since November 2021, the workers have been allowed to form an official workers' council.

The basic issue with these quick grocery delivery companies is that they spend vast amounts of money on their daily operations and confront intense competition in the market, but they are hardly capable of generating profits (Zeit 2021). As employees are among the major cost drivers in this business, the unsatisfactory working conditions are expected to continue to be a chief problem. The reason is that being more profitable than other companies entails maintaining low labour costs.

#### **4.4. Financial Situation**

The financial situation of various quick commerce players is explored in this section. One aim is to examine the investors in these companies. The amount of money spent on daily operations and the revenue that the business model generates are likewise analysed. Finally, a calculation is performed to verify the profitability of the business model in different regions.

##### **4.4.1. Investment reasons**

According to Roland Berger (2021), the major movement in the quick commerce market is driven by massive capital inflow. In 2021, nearly all quick commerce companies recorded large increases in their company valuation. One reason is that the European grocery market is humongous, with a total estimated value of two trillion U.S. dollars (Roland Berger 2021). Additionally, as quick commerce is all about a smaller product selection compared to other forms of commerce, delivery companies can maximise this opportunity to increase the sales of their most lucrative product lines, thus boosting the profitability of the business model.

In an in-depth estimation of the market potential for quick commerce in Germany, Schu (2021) divided the market into total available market (TAM), serviceable available market (SAM) and serviceable obtainable market (SOM). In his report, Schu (2021) underscores that quick commerce can only be successful in densely populated areas; in Germany, for example, only a quarter of all citizens live in these areas. Schu (2021) also calculated that

each potential customer could place 80 orders per year with a basket value of €20, thus resulting in a TAM of €33.6 billion in Germany. The SAM is the market share that quick commerce could achieve; Schu (2021) estimated a proportion of 10% by 2030, which results in an SAM of €3.36 billion. Finally, with regard to the SOM, among the factors that must be considered are competitors and the area of coverage of each player. Schu (2021) estimated the presence of three competitors in each city, and the players are predicted to serve 50% of the available areas, thus resulting in an available market worth €1.68 billion. In terms of dividing this available market into three competitors, the SOM per player is valued at €560 million.

To retrieve this SOM, a slight consolidation in the market is necessary, as more than three competitors are attempting to gain market share (Tagesschau 2021). A rate of 80 orders per customer per year is possible (Capital 2021); Gorillas customers currently order six times per month. The average basket can even increase, as probably more people can be reached if the suburbs are included as potential delivery areas.

The application of this TAM SAM SOM model to Switzerland entails a few adaptations. First, players in Switzerland such as Stash also target agglomerations, as the cities in Switzerland have relatively dense suburbs (Brunschwiler, 17.02.2022). Hence, approximately three quarters of the Swiss population live in a densely populated area; almost 50% of the country's land is not eligible for building houses (Swissinfo 2020). According to Bundesamt für Landwirtschaft (2021), the total grocery market in Switzerland is worth CHF30 billion. As a result, if taking half of the population as potential customers because the inhabited areas in Switzerland are much more densely populated than in other European countries (Avenir Suisse, 2012). The total available market in Switzerland could therefore comprise 4.4 million people (Swissinfo 2020), ordering 80 times per year with an average basket valued at CHF30 (Brunschwiler, 17.02.2022), thus resulting in a total of CHF10.6 billion. If the estimation that quick commerce will comprise 10% of the Swiss market in subsequent years is considered, then the SAM is worth approximately one billion Swiss francs. Meanwhile, in the analysis of the SOM, and calculating with two competitors as in Switzerland are fewer players in the market (Brunschwiler, 17.02.2022) and 50% coverage of the available areas, a total of CHF265 million can be achieved.

However, in order to retrieve this serviceable obtainable market, there still needs to be quite a bit of consolidation in the market, as there are currently way more than three competitors try to win market share (Tagesschau 2021). Regarding 80 orders per customer per year can be possible, so reports Capital (2021) that customers at Gorillas currently order six times per month. Also, the average basket can even be increasing as well as probably more people can reached if also suburbs to be added as potential delivery areas.

If applying this TAM SAM SOM model to Switzerland, a few adaptations must be made. First, players in Switzerland like Stash are also targeting the agglomerations, as the cities in Switzerland have quite dense suburbs (Brunschwiler, 17.02.2022). So, taking this into account, approximately three quarters of the Swiss population lives in a densely populated area, because in Switzerland almost 50% of the country's land is not eligible for building houses (Swissinfo, 2020). The total grocery market in Switzerland is according to Bundesamt für Landwirtschaft (2021) currently is worth 30 billion Swiss francs in 2021. As a result, if taking half of the population as potential customers because the inhabited areas in Switzerland are much more densely populated than in other European countries (Avenir Suisse, 2012). The total available market in Switzerland could be therefore 4.4 million people (Swissinfo 2020), ordering 80 times per year with an average basket of 30 Swiss Francs (Brunschwiler, 17.02.2022) which makes a total of 10.6 billion Swiss francs. If also taking the fact that quick commerce will be made up 10% in Switzerland in the next years, a serviceable available market of around 1 billion Swiss francs is given.

If looking at the serviceable obtainable market and calculating with 2 competitors as in Switzerland are much less players on the market currently (Brunschwiler, 17.02.2022) and 50% coverage of the available areas a total of 265 million Swiss francs can be achieved.

Among the three analysed markets, the largest serviceable available market is in the UK (see Table 10). The reason is that 80% of the population live in densely populated areas; furthermore, the estimation that more people will use quick commerce explains the very high number (Gov UK 2021). The calculation for the market in the UK is presented in the appendix.

**Table 10: TAM, SAM, SOM Market Analysis**

	United Kingdom	Germany	Switzerland
<b>Total available market</b>	100 billion £	33.6 billion EUR	10.6 billion CHF
<b>Serviceable available market</b>	15 billion £	3.36 billion EUR	1.06 billion CHF
<b>Serviceable obtainable market</b>	1.875 billion £	560 million EUR	265 million CHF

Source: Adapted from Gov UK 2021; Schu 2021; Swissinfo 2020; Statista 2021.

A review of these market estimations shows that being one of the market leaders in this field can generate extremely high revenues. Roland Berger (2021) further explains that the quick commerce business model can yield much higher profitability than traditional commerce due to significantly lower fixed costs. For example, quick commerce companies do not need to pay rent for large stores or parking spaces, and they have significantly lower personnel costs than individual supermarkets. They also need less cope with logistical tasks, which helps to boost their profitability (Roland Berger 2021). However, extremely expensive marketing campaigns are currently taking place to attract customers to their delivery model, and therefore revenue is currently far away from covering the actual costs (Techcrunch 2021a).

Nevertheless, venture capitalists invest billions of dollars in the business model partly because of the current low interest rates or even the negative rates (Capital 2021). Investors primarily seek quick commerce start-ups that ultimately manage to beat competitors to achieve a market leader position and generate profits.

#### **4.4.2. Venture capitalists**

As discussed in the previous section, venture capitalists invested massive amounts of money in the quick commerce business model in Europe in the past two years. According to Techcrunch (2021a), more than two billion U.S. dollars have been invested in European quick commerce start-ups until August 2021, and large funding rounds such as the US\$750 million round of Flink in December 2021 and the one billion U.S. dollars' funding round of Gorillas in late 2021 are not included yet (Techcrunch 2021b).

To obtain an overview of the parties financing quick commerce companies, the financing rounds of the three players were analysed. As shown in Table 11, the examination of the investments in Getir indicates that the company, which was founded in 2015, initially received modest amounts of money from investors; six years later, Getir was able to raise capital in large sums and in a short time interval (Crunchbase 2022c).

Silicon Valley-based Sequoia Capital is a strong partner for Getir. Sequoia Capital has invested in Getir since the latter's early stages and has continued to invest capital in each round. This venture capitalist is one of the largest in the world, and it has investments in hundreds of successful start-ups such as WhatsApp and Airbnb. Sequoia started investing in 1972 in companies such as Apple and Atari (Sequoia 2022). An interesting detail is that Sequoia also lists the delivery company DoorDash as among its investments. DoorDash is one of the major food delivery players in the world; it was formerly mainly active in the US, and it is starting to engage with quick commerce services together with partners in Europe (Forbes 2021). DoorDash could subsequently become a key competitor of Getir.



**Table 11: Investors of Getir**

	<b>Announced date</b>	<b>Lead Investors</b>	<b>Money raised</b>
<b>Series D</b>	4.6.2021	Sequoia Capital (USA) Tiger Global (USA) Silver Lake (USA) Mubadala (Abu Dhabi) Base Partners (BRA)	555 million USD
<b>Series C</b>	26.3.2021	Sequoia Capital (USA) Tiger Global (USA) Base Partners (BRA)	300 million USD
<b>Series B</b>	19.1.2021	Base Partners (BRA) Crankstart (USA) Foundation (USA)	128 million USD
<b>Series A</b>	16.1.2020	Sequoia Capital (USA)	38 million USD
<b>Seed round</b>	1.12.2017	Revo Capital (TUR)	4 million USD

Source: Own illustration from Crunchbase 2022c.

As depicted in Table 12, Gorillas' funding rounds have also occurred in very short time sequences, with the Berlin-based Food Labs as the initial investor group. Gorillas has since attracted the attention of international venture capitalists such as Tencent from China; Tencent is currently participating in 680 different ventures. Since autumn 2021, the largest sum of money has been invested by Delivery Hero. Delivery Hero, which primarily specialises in food delivery but is now also a major player in the quick commerce business, has an 8% ownership of Gorillas (Crunchbase 2022d).

For Delivery Hero, the motivation for this investment is the status of Gorillas as one of the leading quick commerce players, particularly its exceptionally high retention rate (Delivery Hero 2021).

**Table 12: Investors of Gorillas**

	<b>Announced date</b>	<b>Lead Investors</b>	<b>Money raised</b>
<b>Series C</b>	24.9.2021	Delivery Hero (DE) Tencent (CHI) Thrive Capital (USA)	1 billion USD
<b>Series B</b>	25.3.2021	Tencent (CHI) Coatue (USA) DST Global	290 million USD

<b>Series A</b>	16.11.2020	Coatue (USA), Food Labs (DE) Discovery Venutres (DE)	44 million USD
<b>Seed round</b>	12.8.2020	Food Labs (DE)	1.2 million USD

Source: Own illustration from Crunchbase 2022d.

As shown in Table 13, Stash, which was founded in early 2021, has not yet undergone as many funding rounds as its competitors. Project Stash was launched by the Swiss Startup Factory, a platform that seeks interesting business cases; together with an entrepreneurial team, Swiss Startup Factory builds up these business cases and supports them financially (Brunschwiler, 17.02.2022). As the new venture was highly successful at the outset, the company was removed from the program and consequently billed as an individual enterprise (Brunschwiler, 17.02.2022). Nonetheless, Swiss Startup Group continues to financially participate, along with additional investors such as the Swiss cyclist legend Fabian Cancellara (Bilanz 2022, p. 20).

**Table 13: Investors of Stash**

	<b>Announced date</b>	<b>Lead Investors</b>	<b>Money raised</b>
<b>Investor</b>	November 2021	Fabian Cancellara	unknown
<b>Seed round</b>	17.02.2021	Swiss Startup Group	unknown

Source: Own illustration from Bilanz 2022, p. 20.

#### 4.4.3. Operation calculation

The combination of all the collected data reveals not only the various factors that indicate quick commerce as an attractive market but also the significant costs in this business model. In the first step for obtaining an overview, the operative costs are compared to the income from the main business. In Table 14, the obvious costs for the delivery process are calculated and then counterbalanced with the most evident revenues. Marketing costs, storage costs for warehouses, administrative costs as well as any other costs and other incomes are not yet included in this table.

In the calculation, a rider in Germany and Switzerland is estimated to deliver three orders per hour (Brunschwiler, 17.02.2022). In the UK, some of the quick commerce players deliver with an e-scooter fleet; cities such as London are more densely populated than other areas, and people are more accustomed to order online (Sifted 2021). Therefore, the calculated rate is four orders per hour.

The precise data for the salary are presented in Section 4.3.8. As the salary is the only compensation that employees receive, companies must pay an even higher amount because of social taxes. According to KPMG (2022), the taxes amount to 20% of the employee salary in Germany, 13.8% in the UK and nearly 7% in Switzerland. With the inclusion of all these factors, the cost per delivery is the lowest in the UK and by far the highest in Switzerland. The addition of picking costs to the delivery, which constitute approximately 5% of the total basket value (Locher, 21.02.2022), and the equipment costs for rented bikes (GetHenry 2022; Urbanbikes 2022) results in the total operative delivery costs. A similar amount to Urbanbikes (2022) was also used for the Swiss market.

**Table 14: Operation Calculation in the three analysed Markets**

	UK (London)	DE (Berlin)	CH (Zurich)
<i>Average basket value</i>	£ 25	EUR 22	CHF 30
<i>Average salary per hour</i>	£ 11	EUR 12	CHF 25
+ social taxes	£ 12.5	EUR 14.40	CHF 27
<i>Deliveries per hour</i>	4	3	3
<b>Costs per delivery</b>	-£ 3.13	-EUR 4.80	-CHF 9
<b>5% picking costs of average basket value</b>	-£ 1.25	-EUR 1.10	-CHF 1.50
<b>Equipment (Fleet)</b>	-£0.25	-EUR 0.10	-CHF 0.25
<b>Operational Costs</b>	<b>-£ 4.63</b>	<b>-EUR 6.00</b>	<b>-CHF 10.75</b>
<b>Delivery Fee per order</b>	+£ 1.99	+EUR 1.90	+CHF 3.90
<b>Gross profit per basket</b>	+£ 5	+EUR 5.50	+CHF 9
<b>Operative profit (before rent, taxes, interests, administrative costs)</b>	<b>+ £ 2.36</b>	<b>+ EUR 1.40</b>	<b>+ CHF 2.15</b>

Source: Own illustration from: GetHenry 2022; KPMG 2022; Locher 21.02.2022; Urbanbikes 2022; Swissinfo 2017.

Aside from the delivery fee, the gross profit margin of an average basket is the most crucial element to be added. In each country, the corresponding average basket value

from Section 4.3.3 is used in the calculation. For the gross profit, a similar margin such as the margins from retailers in each country (Swissinfo 2017) is obtained from the corresponding data. The margins that small delivery services receive on products are probably not as good as the margins obtained by established large retailers. Nevertheless, quick commerce players also offer many high-quality products from local manufacturers, on which they certainly receive attractive margins. Furthermore, several suppliers advocate quick commerce and assure them attractive margins. The reason for that is that these suppliers want to be a part of their innovative business model and reach an attractive target group with quick delivery companies (Brunschwiler, 17.02.2022).

With regard to the analysis of the total operative profit without any further deduction of costs, the extreme difficulty of earning money with this business model becomes apparent, even with generously calculated margins on products. If one also considers that the expenses for the dark stores' prime locations in the city centre are exceedingly high and even rents are foreseen to continue to rise due to the strong demand (CNBC 2021b), the small profit generated according to the calculation of the operative business will already be used up. Aside from the employees who are directly involved in the delivery, the administration, transaction and high personnel costs need to be considered.

However, the largest losses are the massive marketing costs that many quick commerce companies must spend to survive the competition. As Techcrunch (2021a) reports, marketing costs per order at a quick commerce company can be as high as 50% of an average basket, which would immediately result in a large loss per order for the company.

Delivery Hero is obligated by law to report losses because it is a public listing. With 781 dark stores operating worldwide, Delivery Hero generated a revenue of €374 million in the first half of 2021; however, its rapid growth in turnover sharply increased the losses to €106 million in the same period, comprising nearly one-third of the entire revenue (Wirtschaftswoche 2021b). According to Delivery Hero, these losses are caused by the high marketing costs, further indicating that the persistence of this situation in the next few years is likely, as margins in this business model are extremely small and competition is high (Wirtschaftswoche 2021b).

To generate a lucrative business model (i.e., quick delivery of groceries to customers), both marketing costs and other cost factors must be reduced.

For example, receiving more orders could be one means of increasing the revenue and improving the utilisation of labour and warehouses; however, the goal should be to boost gross profit with every order delivered.

The major factors include the costs for delivering the orders that are oftentimes individually delivered by riders. Given the difficulty of delivering at a more rapid pace and the

challenge of improving the capacity of drivers, the solution must be the bundling of orders during delivery. This approach is only possible when the speed of deliveries is reduced (Lebensmittelzeitung 2022). If companies could merely deliver one more order per hour because of bundling an order, the operative profit per order from Table 14 would be nearly double the amount in Germany and the UK, and even three times higher in Switzerland.

Another step to increase profitability is to include more premium products and thus also increase the margin and the average basket value (Roland Berger 2021). For example, quick commerce player Jiffy in London even started its own-label product line that helps Jiffy to not only become more outstanding and create products that people simply get from their service but also to increase their margin (TheGrocer 2021).

For example, Stash says they are profitable with only 150 orders per warehouse (Brunschwiler, 17.02.2022). In Switzerland, as the number of competitors is not as large as the ones in the UK or Germany, marketing costs are lower. Nevertheless, receipt of 150 orders per day indicates that a warehouse can receive approximately 3,900 orders per month, excluding Sundays. The multiplication of these 3,900 orders with the generously calculated CHF 2.15 profit per order shows that Stash earns roughly CHF 8,385 per month per warehouse; however, Stash must still pay the rent for the warehouse and all the other administrative costs for a working operation.

## **4.5. Involvement of established retailers**

As the aim of quick commerce providers is to offer spontaneous and small purchases, they do not view themselves as competing against large retailers (Brunschwiler, 17.02.2022). Nevertheless, quick commerce providers offer a decent range of daily essential products that can sometimes replace a purchase that is intended in a stationary retail store. Nevertheless, the head of Germany from Gorillas considers the e-commerce solutions from retailers as competitors to surpass (Wirtschaftswoche 2021b). In any case, nearly every generated turnover by a new quick commerce company is at some point missing somewhere else. Hence, the intent of established retailers is important to examine. As the focus of this master's thesis is on the quick commerce case study, this section is intentionally kept short.

### **4.5.1. United Kingdom**

In the UK, where online grocery shopping is well established and accounts for about 14% of the total grocery market, various large retail chains participate in the quick commerce business (Reuters 2021). For example, Tesco and Gorillas have joined forces, and Gorillas has been delivering Tesco products since autumn 2021. The undertaking is a pilot project, in which Gorillas and Tesco established co-located warehouses within a Tesco store and Gorillas is responsible for the fast deliveries (Gorillas 2021b).

Aside from retailers, several individual brands have also entered the quick commerce business. For example, BrewDog, a beer company from the UK, has announced a partnership with Jiffy. BrewDog products are thus delivered by Jiffy within a few minutes, and Jiffy can offer the popular BrewDog brand to its customers. Jiffy has not only great knowledge about storing and delivering, but also about the picking and packing process as well as calculating exact delivery times, so more partnerships like that could follow (Locher, 21.02.2022).

Delivery platform and technology company Ocado has also launched a service called Ocado Zoom, which delivers groceries to customers in less than 60 minutes. Ocado CEO views quick commerce companies as competition for small convenience stores in city centres rather than for large retailers and online grocery stores. Most retailers in the UK, including Sainsbury, Morrisons and Waitrose, are testing with their partners the business model for their products (Reuters 2021).

#### **4.5.2. Germany**

The German REWE Group has an identifiable strategy toward quick commerce. REWE, one of the leading retail chains in Europe, recognises the unique selling point of quick delivery services; thus, it has invested in the German quick commerce company Flink. The investment includes taking over the entire product distribution for Flink, thus helping Flink to achieve further growth (REWE Group 2021). This deal is highly beneficial for Flink because it allows it to rely on REWE's central warehouses and to offer REWE's own brands, which Flink can sell under very good conditions. At the same time, Flink can expand its product range without considerable effort and increase its margins. However, Flink does not sell its own low-priced brands, but the more expensive organic line products from REWE and ready-to-eat products. These synergies can help a quick commerce company to become profitable (Supermarktblog 2021c).

For the largest player in Germany, the EDEKA Group, the current focus is not on super-fast grocery delivery but on the expansion of their online grocery business together with partner Picnic from the Netherlands. The emphasis of Picnic is more on efficient delivery routes than on speed, ensuring that customers receive their orders within a time slot on a specific day and order from a wide range of EDEKA assortments. However, EDEKA is far behind in the aspect of providing online grocery order options for customers, and its mere reliance on partner Picnic to survive the competition could remain problematic (Wirtschaftswoche 2022).

### 4.5.3. Switzerland

In Switzerland, Stash currently does not report a partnership with any large retailer; however, the major retailers have their own projects. At present, Migros is active in the market with heymigrolino, a delivery service that transports convenience products to customers within 60 minutes. However, delivery costs are much higher than at competitor Stash, and the assortment is not as selected with individual products; the service simply offers the regular assortment from its heymigrolino stores. Nonetheless, one advantage of heymigrolino is that it delivers not only to the city centre areas but also to the suburbs (heymigrolino 2022).

Meanwhile, Coop, the largest retailer in Switzerland, has extended its online grocery service, and it continues to improve its service for customers by automating its delivery processes. For example, in Zurich, people can receive their orders on the same day within three hours. The advantage of the Coop online grocery service is that customers can choose from a much broader assortment than is the case with Stash or other fast delivery services (Tagesanzeiger 2022). Nevertheless, Coop online still requires a minimum order of CHF 100 for the use of its delivery service.

Valora, a company specialised in convenience stores and small kiosks at public transport stations, is another player that is impacted by quick commerce companies. For Valora, quick commerce players are a real substitute because they offer a highly similar range of products. Valora has therefore founded avecnow, a quick delivery service that currently delivers – free of charge – purchases over CHF20 and aims to deliver groceries in less than an hour. The product range of avecnow is significantly larger than that of heymigrolino, but not as individual with local brands compared to Stash. The service is currently only available in the cities of Zurich and Basel, and therefore not in the surrounding towns as it is the case with heymigrolino. However, deliveries are made by own drivers with e-bikes; in Basel, drivers already deliver within 20 minutes (Avecnow 2022).

## 5. Results

In this chapter, the case study about quick commerce is summarised and the most important findings are highlighted. The issue of whether the research questions can be accepted is addressed and the results are compared to the theory. The findings are also contextualised with the previous research and theory. In a second step, the significance of the results is explained and the limitations of the research are outlined. Approaches to further improve the business model are subsequently discussed. Finally, a brief outlook for the quick commerce market is presented based on the case study results.

### 5.1. Summarising research findings

Numerous quick commerce companies have been founded since 2020 due to a market pull (Rothwell, 1994) caused by the global pandemic, which resulted in a large number of customers suddenly choosing online grocery deliveries. In particular, new companies that provide customers with ultra-fast deliveries of their ordered groceries for a small delivery fee have launched their business in various cities in Europe and challenged established retailers and their online grocery delivery service. Linking this to theory, the new business model is a result of entrepreneurship (Faltin/Ripsas 2011, p. 7). The online grocery business is currently undergoing rapid growth, and it attracts not only multiple new customers but also investors who recognise a significant business model because of the large size of the grocery market.

The first research question (How does the business model quick commerce work in Europe, and what are the roles of the different stakeholders in this relation?) can be answered as follows: new quick commerce companies are alike in the way of delivering groceries within a very short time. Therefore, customers who order online no longer need to select a delivery slot and wait at home for their fresh grocery products. In addition, a minimum order value is no longer required, as is often the case with online services from large supermarket chains, and delivery costs are often very low or even free. Furthermore, fast delivery services frequently have a small assortment of convenience products or ready-to-eat products, and a limited variety of ingredients as is the case in supermarkets. The assortment of quick commerce companies is often stocked with very high-quality products, and it includes many local brands that are vastly popular in the corresponding city.

Deliveries are made emission-free via e-bikes or e-scooters; in contrast to other delivery service firms, quick commerce companies have drivers who are permanently employed and allowed to use the company equipment. However, working conditions are a problem for quick commerce companies, as the high delivery speed often creates hazardous working situations. In addition, the rapid growth of the companies can lead to employees not



being paid on time or being quickly terminated, as the expansion is also associated with many risks.

Large international investors invest vast sums of money in the quick commerce market. The companies benefit from extremely high financing rounds in extremely short time intervals. As a result, massive amounts of money can be spent on marketing, yet the business can remain highly loss-making. An analysis of the product life cycle suggests that profits are still negative, especially in the introduction phase (Eger/Drukker 2010, p. 47). Nevertheless, calculations of the case studies have revealed the difficulty of making money with the business model; moreover, factors such as the expensive individual deliveries of orders or the small shopping carts must be changed to allow the business to be successful in the long term without constantly receiving new money from investors.

The second research question (How are the various super-fast delivery services differentiated?) can be partially answered after the case study because only a few factors were found. Nevertheless, quick commerce companies relatively differ in the assortment. Most of them try to offer products that are as individual as possible. For example, some providers create their own brands, which are then made available only on their own platform. Other providers cooperate with well-known manufacturers and take over the distribution for them; some take private labels from supermarket chains and bring them into their assortment. In this approach, a certain customer's favourite product may only be available on one platform.

However, in terms of delivery times, prices, fees and opening hours, most quick commerce companies are quite similar. The only further distinction identified is the delivery area, which is sometimes only supplied by a single player. This aspect can also be linked with product life cycle theory in Section 2.2.3, which states that with customer acceptance, new players join the market and attempt to gain customers with a similar product but different approaches (Harvard Business Review 1965).

Concerning the third research question (How do the turnover and profitability of the selected companies in this business model look, and what efforts are made to make the business [more] profitable?), it can only be answered with our own calculations due to the missing data. At present, the business model may be unprofitable, as the revenues and delivery fees might secure the operational business; however, additional expenses such as rent, personnel or marketing cannot be covered yet with the current margins. More orders can result in the minimisation of fixed costs per order; in the long term, however, either the business model needs to be adapted or additional revenue streams need to be generated. Otherwise, as shown in the start-up life cycle, many companies cannot survive the valley of death (Krishna/Agrawal/Choudhary 2016, p. 798). Further revenue streams

are recognised, including the development of own label products, cooperation with brand partners, adoption of the franchise model of warehouses and establishment of an alliance with a large retail chain to gain better margins.

With regard to the fourth research question (How do large established grocery retailers react to this new phenomenon of super-fast grocery delivery?), no general answer is established, but various approaches are identified. The approaches range from the cultivation of a partnership to the further independent development of one's own quick grocery online shop. However, the theory states that constantly reviewing and restructuring one's own business model is critical to avoid being left behind (Morris/Kuratko/Covin 2008).

## 5.2. Discussion

The results of the case study show that super-fast grocery delivery services have drawn ample attention to the online grocery market and thus increased the proportion of people who buy groceries online (KMPG 2021). In addition, quick commerce companies have solved several problems that prevent many customers from ordering groceries online.

Customers previously had to spend a long time waiting for their orders at home, as groceries cannot be simply left on the doorstep compared to products that do not need to be cooled. The new services deliver groceries in so little time that people can order products at exactly the time when they need them. As Locher (21.02.2022) underscores, more than 40% of the purchases today are spontaneous, and with many large e-commerce providers, ordering groceries days in advance is possible. For example, the ingredients for a dinner on the same day or orders for out-of-stock items are much easier to handle with a quick commerce company than with a delivery service whereby customers must wait for a long time for their orders.

The technology that quick commerce companies use is highly user friendly and designed for smartphones that younger generations primarily use to order (Bitkom 2021). Furthermore, with so-called 'love brands', quick commerce companies offer the favourite products of each city from local bakeries or manufacturers in their app. Given the large amounts of money flowing into the business model from investors, quick commerce companies can offer great discounts for customers and excessively low delivery fees, despite the high losses that are currently reported. The business is also sustainable because the delivery is conducted via e-bikes and product purchases are well calculated. In addition, riders have permanent employee contracts compared to employees at many delivery companies, who are only paid per delivered order.

The business model is innovative and characterised by many advantages. However, an in-depth examination of the model reveals some concerns. One concern relates to the question of whether the business model adds value for a city or whether it is simply

making money on consumers' laziness. For example, most quick commerce companies operate in densely populated areas where a number of supermarkets, convenience stores and small grocery stores can be reached within a short time, as explained in Section 4.3.1. Hence, the matter is not about supplying people who have no choice to easily get groceries but one that is about people who are averse to go shopping themselves or who simply refuse to spend time on this task. If the unwillingness to go to the supermarket could be justified by the COVID-19 pandemic and the risk of being infected, then this argumentation may shortly be invalid. Nevertheless, the fact that customer behaviour also changes and the idea that not going to the supermarket for small purchases can become customary must both be acknowledged.

Quick commerce may provide real benefits in areas where reaching grocery stores is difficult for people. However, the delivery routes in these areas may still be longer because fewer customers live in the surrounding area, thus increasing the difficulty of maximising the warehouse capacity with a small number of customers in an area. In addition, the business model of quick commerce involves the individual delivery of orders from the warehouse and then the direct return to the warehouse. This model can become successful if the delivery routes are extremely very short; otherwise, delivery becomes highly expensive and time-consuming.

Consequently, the model can currently only work in densely populated areas. Companies' plan to consider agglomerations and to open warehouses there is an interesting scenario, as some firms have mentioned in their outlook. People in the suburbs have longer distances to the supermarket and fewer opportunities to go shopping and therefore could possibly place larger orders at quick commerce companies. However, if quick commerce companies indeed plan to also enter suburban markets, then they need to eliminate their promise to deliver groceries within minutes; in large suburban areas, single-order delivery is even more inefficient than in major cities.

The working conditions of quick commerce companies are also frequently criticised. Although workers are permanently employed, the job is still demanding and dangerous. Workers must drive through the city on e-bikes at a fast speed, despite the poor weather conditions, and afterwards carry the heavy load of products to the customer's door. The wages are usually barely above the minimum wage level, but the work is extremely strenuous for that amount of money. The job is indeed not designed to be undertaken for a long time, but companies rely more on temporary workers, as explained in Section 4.3.8. Most companies promise a bonus, but only if employees even work faster than specified. This situation can lead to employees risking accidents during deliveries to get the bonus. Additionally, quick commerce companies are often highly dynamic and immediately close locations that are poorly performing. The ones who suffer are the employees, who then quickly lose their jobs again.

Another critical point is that companies do not significantly differentiate themselves from each other. Players are attracted by massive amounts of investor funding; however, every large European city has numerous competitors that aim to win customers using the same business model. Furthermore, the companies' unique selling point is the same, that is, quick deliveries at exceptional conditions for customers. The names and designs of the companies are likewise noticeably similar and nearly indistinguishable for customers. As these companies are relatively new and have yet to establish a solid reputation, they must win customers via extreme measures such as heavily spending on marketing and offering discount codes for orders. However, this approach cannot be generally adopted, as such expenditures generate large losses. A market consolidation is likely to occur, whereby only a few companies eventually remain. In this case, the employees are largely affected, who will then lose their jobs and must seek new openings.

The issue of whether the business is ultimately profitable also merits a discussion. Customers will probably continue to use the services considering the desirable conditions that the companies provide. However, as shown in the calculations in Section 4.4.3, the margins are extremely thin, and little to no profit can be made. Quick commerce companies therefore need to adapt their business model in the long term, for instance, by charging higher delivery fees, offering higher basket values, ensuring a slower yet more efficient delivery and conducting automated processes.

Thus far, established retailers have reacted differently to the new companies. Some large retailers are cooperating with quick commerce companies and are already selling their products through these new channels, whereas others are waiting and still offering customers their e-commerce solution with minimum order values and long delivery times. Although this solution is more profitable for established retailers, the ensuing familiarity of customers with the new services raises the question of whether they will ever return to the old model of inflexible delivery times. This concern could result in established retailers not managing the transformation in e-commerce at a sufficiently rapid rate, losing market share and then having to re-gain these customers at even higher costs.

### **5.3. Limitations**

In the case study, a substantial amount of research on quick commerce was conducted. However, some limitations emerged in the process. One limitation pertains to the lack of a highly detailed analysis of the reactions of established retailers to the new quick delivery companies. Several attempts to contact the reference persons of the respective established retailers were unsuccessful; hence, the opinion of this group had to be dispensed with in this case. However, as the case study on quick commerce by itself offered a wide range of data and already was not able to be discussed there in quite as much detail as it could be, the main goal of this thesis was unaffected. The reactions of the established

retailers and the implemented measurements could be a starting point for further research.

Another limitation of this master's thesis relates to the missing financial statements of most of the quick commerce players. As the companies are relatively new and in most cases are only required to present precise figures to investors, finding data on incoming orders, advertising expenses and daily operations, for example, posed some difficulty. Delivery Hero, which was mentioned in this case study, is the only company listed on the stock exchange and thus is in a position to provide detailed insights into its numbers and figures. However, the on-going acquisitions could provide additional insights into this matter in the future, and further research on the business model of quick commerce could be pursued.

Finally, the fact that most of the companies are new and therefore constantly modify or adapt their business model represents a limitation of this research. During the research period (i.e., six months), many new announcements of the analysed companies were made or several changes in their business model transpired. Therefore, maintaining the overview or establishing the scope of the work caused difficulty. At a certain point, an effort to limit such instances had to be undertaken to ensure that the analysed models did not have to be constantly redefined.

#### **5.4. Market outlook**

As previously stated, several movements are occurring in the quick commerce market. All three players in the analysis intend to accelerate their expansion and increase their market share. In doing so, they are still backed by adequate financial resources. Notwithstanding the immense size of the grocery market, the number of challengers is likely to decrease because multiple companies are competing for customers using the same concept, and the unique selling points of the individual companies hardly differ.

The consolidation has begun; for example, Delivery Hero has decided to exit its own quick commerce service foodpanda in Germany after only six months in service. As CEO Nikolas Östberg explains, other markets present more potential than the quick commerce market (Tagesspiegel 2021). Another reason could be that Delivery Hero invested in former competitor Gorillas in late 2021 and is therefore still involved in the German quick commerce market (Delivery Hero 2021b).

Getir is similarly engaged in the consolidation of the market. Flush with large capital resources, Getir recently acquired several new partners. The latest deal involved the British quick commerce company Weezy, which Getir acquired at the end of 2021 for an undisclosed amount. Getir competes not only against European players in the UK but also against GoPuff, a major quick commerce player from the US. GoPuff had recently taken

over numerous large quick commerce companies in Europe, and it is shaping the hyper-competitive market in this manner, whereby more large companies are competing against each other (Techcrunch 2021c).

A particularly critical factor that will probably play a major role in 2022 is the end of the 10-minute promise on which many quick commerce companies originally advertised themselves. According to *Lebensmittelzeitung* (2022), nearly none of the surveyed companies advertises the 10-minute promise anymore, but most companies guarantee very fast delivery within minutes. A primary reason for this change is that with longer delivery times, orders from different customers can more often be bundled. Many companies used the 10-minute promise in the beginning to simply explain their business idea to the customers. In his calculation, *Lebensmittelzeitung* (2022) indicates that with slower deliveries, losses can be reduced by up to 43% because riders can more often deliver multiple orders per ride. This approach also improves the safety of the riders.

Aside from the reduction of speed, another trend is observed. As many quick commerce companies barely differ in their unique selling point, new market entrants precisely emphasise their unique selling point. For example, a new delivery company in Berlin called *Alpakas* entirely focuses on sustainability and delivers plastic-free and mostly unpackaged goods and within a short period (*Alpakas* 2022). Another new quick commerce-based service delivers Turkish and Arabic groceries within a short time, and it is currently expanding into several German cities (*Yababa* 2022). Other companies that are establishing themselves based on the quick delivery model via smartphones and with selected products outside of the grocery market are becoming increasingly visible in the market. The extraordinary inflow of capital and enormous attention to the super-fast delivery of groceries are foreseen to continue for many more markets in the future; hence, just as specialty food shops are presently available, specialty delivery services are likewise expected to thrive and be accessible.

The new business model has also attracted various start-ups that aim to improve parts of the business model. A start-up called *Noyes* is attempting to automate the picking process and the dark stores, which should result in a reduction in labour costs and the highly efficient use of the dark stores. At *Noyes*, an opportunity especially for quick commerce companies is detected. Its size of only 20 sqm allows *Noyes* to build a functioning nano warehouse with still a substantial assortment. Hence, this case might drive quick commerce companies to take a major step toward profitability due to lower rental and labour costs (*T3N* 2021).

Additionally, automated warehouses might be urgently needed because space for small dark stores in central locations is slowly becoming tight, as described in Section 4.3.1. As quick commerce companies seek similar spaces, prices are sharply increasing.

The fact that neighbourhoods are increasingly being disturbed and complaints about the dark stores are growing complicates the situation. The intense activity around a dark store in neighbourhoods and the reality that some players are making deliveries nearly all day, seven days a week, exacerbate the frustration of residents. Thus, in the Netherlands, an announcement regarding the discontinuation of the establishment of new dark stores has been made by the government. More precisely, no new dark stores may be built in Amsterdam and Rotterdam for at least one year.

In addition, the model could soon be applied in Paris and London (Reuters 2022). This situation could further intensify the competition or could prompt quick commerce companies to seek alternatives such as partnering with large supermarkets that are in possession of valuable space in the city.

In summary, the market is still very much in fluctuation. The quick commerce business model remains confronted with various problems, and it continues to find its way into the market.

## 6. Conclusion

As a result of the COVID-19 pandemic, a lot of consumers changed their shopping behaviour and started to buy groceries online. Driven by this situation, a new generation of online grocery deliveries called quick commerce has emerged in many major European cities. These new companies deliver groceries from centrally located warehouses within just a few minutes to customers, using low-emission vehicles like e-bikes or e-scooters. A quick commerce company is designed to deliver snacks, ready-to-eat products, or locally manufactured food products to customers as quickly as possible. Therefore, customers who order groceries online no longer need to select a delivery slot and wait for a long time at home for their fresh products. Another guarantee of quick commerce companies is, that they offer products at supermarket prices and for low delivery fees.

Due to these many advantages, which the quick commerce business model offers, the online grocery business is currently undergoing rapid growth, and it attracts not only multiple new customers but also investors who recognise a significant business model because of the large size of the grocery market. Nevertheless, calculations of the multiple case studies in this paper have revealed the difficulty of making money with the business model; moreover, factors such as the expensive individual deliveries of orders or the small shopping carts must be changed to allow the business to be successful in the long term without constantly receiving new money from investors. With longer delivery times, orders from different customers can more often be bundled and so profitability can massively be increased. Thus, the number of challengers is likely to decrease because multiple companies are competing for customers using the same concept, and the unique selling points of the individual companies hardly differ.

International investors still believe in the future of the business model, not only because of the immense size of the food market, but also because they primarily seek quick commerce start-ups that ultimately manage to beat competitors and take over a significant part of the online grocery market.

In conclusion, it can be stated that the business model brings a great benefit for the consumers due to the flexible and fast delivery times at very attractive conditions, and with the right adjustments to the business model, quick commerce can be a sustainable addition to the various online grocery shopping possibilities.



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## List of Interview partners

Brunschwiler, Timon, CO-Founder, Stash, Zürich, Online Interview, February 17, 2022.

Locher, Dominique, Co-Founder & Investor, Jiffy, London, Online Interview, February 21, 2022.

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## Appendix

### Appendix A: Interviews

Interview A1: Timon Brunschwiler, Stash

Date: 17 February 2022

Time: 45 minutes

Format: Online Interview with Microsoft Teams

Language: German

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Interviewer (Tim Reif) in: Bold italicized

Interviewee (Timon Brunschwiler) in: Standard

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***Congratulations to one your one-year anniversary with Stash. Which factors motivated you back in 2021 to bring quick commerce also to Switzerland?***

Stash is a project from the Swiss start-up factory. The Swiss start-up factory scouts ideas and then try to bring them to the Swiss market. This also was the case with the quick commerce project Stash. The main reason why they invested in a quick commerce pilot was the huge demand for grocery shopping online in Europe triggered by the COVID-19 pandemic.

***How long was the pilot phase?***

The pilot phase was from January 2021 till May 2021. After that, Stash became an independent start-up.

***You were not a lot of people working for Stash at the beginning, right?***

Yes, we were just two employees at the beginning. We also delivered orders at the beginning by ourselves.

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### ***What are typical orders from Stash users?***

There are not typical orders but more typical user profiles. One for example is an urban couple or single household, full-time working, and with no scheduled plans for dinner. These people also really enjoy their free time. Every night this kind of user is thinking about what to eat and is therefore very spontaneous. Another user is a single parent who does not have time to go grocery shopping. Or we also have this spontaneous user profile, for example, someone in front of the TV, and thinking about having an ice cream or a beer. Also, we have customers ordering extra drinks or food at a house party or we also get orders from people which relaxing in a park and want some drinks or snacks.

### ***How about orders from first-time users comparing returning users?***

First-time customers mostly order just a few items, but with returning orders also the basket value increases. Regarding the order, we also have more and more people who buy in larger quantities but do not replace the classical weekly grocery shopping. First-time users mostly just want to buy drinks or urgently need some ingredients for cooking.

### ***Do you have an average basket and maybe you can share some numbers?***

Yes, we have these so-called top products. In the beginning, the top products were mostly beers. In the meantime, it is Coke and Coke Zero, and then it is bananas and fresh bakery products, which are very similar products to the most bought products in a supermarket. Also, local brands are very popular.

An average basket at Stash is about close to 30 Swiss Francs, at the beginning, it was 22 francs, so we think it will still grow. Also repeat orders are often higher than first orders. So, people might not only buy a few things but also adding other grocery items they need. Nevertheless, we do not have to goal to replace the large weekly shopping basket made at a supermarket.

### ***How many customers order again?***

A lot. It depends on how we conveyed the customers. Street promotion is not working well for example, not a lot of people reached by this kind of promotion order again. Organic mouth-to-mouth marketing and referrals are the best way to gain loyal customers for us. About 60-80% of this group orders again because they like the service so much.

### ***Do you charge a fee from the brands you offer to customers, or do you receive extra discounts because the brands are listed on your quick commerce platform?***

No, we don't have this model. We receive a certain margin we need but we do not charge a listing fee. Especially local products are important for us so we do not have listing fees.

***You don't have a retailer partner at the side, so where do you buy your products.***

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Exactly, we don't have a partnership right now with a large retailer, so in the beginning, we really bought at a supermarket. But now we order directly from the producers. So, we order directly at Zweifel, Emmi, or Unilever for example. And these producers are so happy to be a part of this business project that they offer us with little orders already a very high margin. The producers benefit from the modern approach we follow with our business model, and they also reach an urban population through our platform.

***Stash already operates multiple dark stores. Do these producers deliver to the dark stores, or do you have a central warehouse?***

No, at the moment they deliver directly to the micro hubs (dark stores). But in the long-term, we need to rethink our supply chain and maybe add a central warehouse, but it's not defined yet and we are looking for the best solution, especially with our strong growth.

***How many orders per hour is a rider able to deliver?***

Now it is at around 3, but with more orders per dark store, we think we can even scale this number up. It also depends on how well the warehouse already is performing, because with more orders it is possible to deliver a bundle of orders.

***How about growth, do you have problems with finding more staff; locations; funding money?***

We don't have a problem finding riders, so we get a lot of applications. We also pay a good salary compared to other delivery companies. The most difficult thing for us is to find the right locations, this also stopped our growth last year because we did not find a suitable location in Geneva. Also, the real estate companies are sometimes quite slow or do not want a quick commerce dark store in their neighbourhood.

***How about delivery costs, is CHF 3.90 a current promotion or a fee also calculated in the long-term***

It is totally long-term, it is in our business plan, and we do not want to change it, also we can reach break-even with this amount. Of course, there can be changes in the future but at the moment it works quite well with this amount.

***When do you think to reach break-even?***

We calculate this per the warehouse. So, we calculate, that with 150 orders per warehouse per day we can reach break-even, and we are able to achieve these 150 orders per day in 9 months after launching a dark store. The first dark store of course took longer to reach this number, but now we are on track with the other dark stores.

***Why is there no other quick commerce company like Gorillas or Getir in Switzerland at the moment?***



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We always thought there will be a competitor, so we worked like a competitor enters the market at any moment. But we do not know why there is no competitor at the moment, but I believe because of the big competitor fights in the large European capitals they have currently other issues than entering the Swiss market.

***How do you choose your locations, like for example the recently launched Lucerne branch?***

So, it's not the size of the city, there are other factors that are important for us. It is more the surrounding like the density of population around the micro hub. And if there are enough potential customers around, we also enter a city with only one warehouse. For example, we do this in Lucerne, and because Lucerne has a great bike network, we can do it with one warehouse.

***But do you also follow some numbers?***

Yes, we partly take a look at numbers, but we are very open to also trying out something. But with Lucerne, we are very happy, and it works well. We also think about Schlieren for example, because they do not have so many options to grab a snack or quickly go grocery shopping. So, we do not just enter the big cities. We do not need such a big number of orders, so a warehouse does not only mean to be in a city, but also in agglomeration our business model could work.

***And do think that this business model also works in the countryside?***

No, we do not have plans like that, but maybe at some point in the future.

***Do you plan to deliver other goods than groceries, like medication or luxury goods?***

No, we want to keep our focus, we built a brand that stands for grocery, and we want a reputation for quick grocery shopping.

***Thank you very much for your time!***

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Interview A2: Dominique Locher, Jiffy

Date: 21 February 2022

Time: 45 minutes

Format: Online Interview with Microsoft Teams

Language: German

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Interviewer (Tim Reif) in: Bold italicized

Interviewee (Dominique Locher) in: Standard

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***What were the biggest differences founding a quick commerce company like Jiffy than founding Migros le-Shop back in 1997?***

Mainly the market itself. When we founded Migros le-shop, only around 10% of the population in Switzerland had access to Internet for example. During the last years, the infrastructure changed a lot. Nowadays, in Switzerland around 20% of all non-food articles are bought online, so the customers have a very different mindset than 20 years ago. And then with the pandemic in 2020, people were also forced to order online, it was more difficult to visit physical stores because of restrictions. Therefore, it was the perfect timing for founding Jiffy. Further, a major part of the customers spendings are for groceries but still only a small amount of the whole market is currently generated online. So, there is a huge potential right now in this market.

***Can you tell something about the quick commerce market in the UK and Jiffy?***

In the UK, an average basket from a quick commerce company is about £25. Jiffy has close to 2000 articles in their assortment, from convenience products to fresh products. Jiffy is a retail brand in the UK, and we buy directly at local suppliers and retailers. Jiffy has an own central warehouse and does the distribution to the individual dark stores by itself.

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***Why is quick commerce currently so successful?***

More than 40% of the purchases today are spontaneous. For example, the ingredients for a dinner on the same day or orders for out-of-stock items are much easier to handle with a quick commerce company than with a delivery service where customers must wait for a long time for their orders

***Can you explain the advantages of having a central warehouse in the quick commerce business model?***

The individual dark stores are supplied from a central warehouse by the company itself and therefore only a few local producers have to deliver directly to the dark stores. This method ensures a much easier refilling of dark stores than a supply chain without a central warehouse. Another advantage is that this method facilitates orders in much larger quantities and allows for their direct delivery to the central warehouse. Further, this approach provides better conditions for the company compared to single deliveries to the dark stores. Moreover, if products are out of stock in a dark store, reordering them from in-house warehouses is considerably faster than if the supplier must be constantly contacted to reorder the products. This approach further assures that customers obtain better availability of the products. Another advantage is, that the expensive and rare space in centrally located dark stores can be used more efficiently, as no space must be occupied for the storage of selected products. Finally, this method also offers advantages for the surrounding area; in particular, it is comparatively emission friendly because only a few deliveries a day reach the dark store instead of each supplier individually.

***How many deliveries is a rider currently able to deliver at Jiffy?***

This also depends on the location of the warehouse itself. Riders can possibly make up to five deliveries per hour, as riders can reach more people in densely populated cities and even deliver two orders in one ride.

***How much of a quick commerce company's total costs are for the manual picking in a dark store?***

The addition of picking costs to the delivery, which constitute approximately 5% of the total basket value, if it is done very efficiently, as for example at Jiffy, the percentage can be even lower.

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***You also sell your own product lines at Jiffy; can you share some insights?***

Co-producing own product lines with a partner has many advantages. Such products can be sold with better margins; they are also unique, as they are only available at the specific delivery company. Own product lines can be further used for increasing customer loyalty and creating beloved products for customers, which are then only available for purchase at the corresponding delivery company.

***Jiffy has already also expanded their business model and assists partners with fast deliveries, how does the business work?***

For example, BrewDog products are delivered by Jiffy within a few minutes. It has the advantage that Jiffy can offer the popular BrewDog brand to its customers. Jiffy has not only great knowledge about storing and delivering, but also about the picking and packing process as well as calculating exact delivery times, so more partnerships like that could follow.

***Thank you very much for your time!***

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## Appendix C: Calculation for the UK market

	UK
People living in urban areas	>40 million
Average basket	25 pounds
Average orders per year per customer	80
Estimation of market share of quick commerce in the online grocery market	15%
Competitors per city	4

*Source: Own illustration from Gov UK 2021, Statista 2021, Sifted 2021*