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## Instant Access, Infinite Opportunities

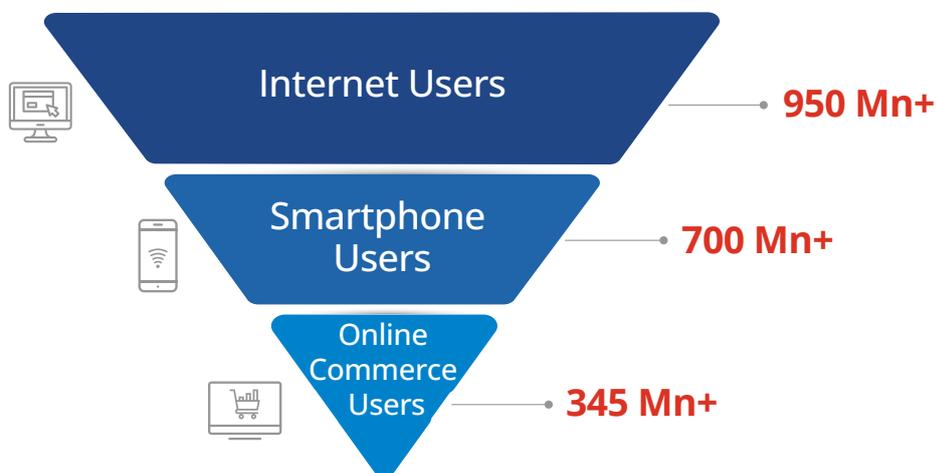
Quick Commerce Driving  
New Growth in Indian  
Consumer Markets

Deep distribution strength, particularly through direct reach, and a diverse product portfolio are often underappreciated yet critical moats for the longevity of consumer businesses in India, where general trade continues to dominate. In the country's rapidly evolving consumer landscape, robust distribution networks and product diversification have become essential pillars for success. Sector leaders have meticulously **built expansive distribution systems over decades, leveraging traditional kirana stores to reach millions of households across India.**

However, as millennials and Gen Z consumers increasingly shift toward **convenience, quick commerce, and digital-first shopping habits**, the distribution game is poised for transformation. These changes, particularly with the rise of quick commerce, will challenge the traditional distribution strengths and product strategies that consumer companies have relied on, especially in smaller towns and cities.



## Digital Funnel India



Close to 100% of PIN Codes in India have seen e-commerce adoption. More than 60% of transactions and orders in India come from tier two cities and smaller towns.

\*Source: Statista Invest India

This younger generation's preference for **speed, variety, and personalization** is driving consumer brands to rethink their product lines and distribution models to stay competitive in a rapidly changing market.

For instance, India's biggest fast moving consumer goods firm HUL has been witnessing robust sales growth through the quick commerce or Q-commerce channel, and the route now contributes to a sixth of the company's e-commerce sales<sup>1</sup>.

## India's evolving distribution narrative

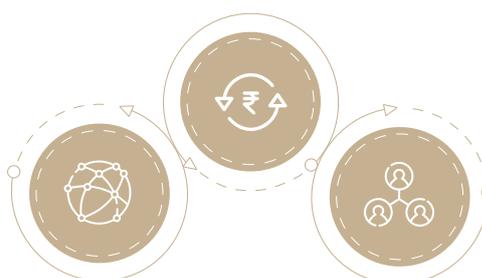
Distribution strength, particularly direct reach, refers to a company's ability to deliver its products directly to retailers and end consumers without relying excessively on intermediaries. This strength is vital for several reasons –

### Cost efficiency and better margins

Direct reach reduces intermediaries, cutting costs and improving profitability. This efficiency is crucial in the competitive consumer staples sector, where price competitiveness and quality are paramount.

### Improved supply chain control

A robust distribution network allows companies to quickly respond to market demands and disruptions. In a geographically diverse country like India, it enables businesses to cater effectively to varying regional preferences.



### Enhanced retailer relationships

Direct distribution strengthens relationships with retailers, impacting product placement, shelf space, and promotions. Reliable supply fosters retailer loyalty, further solidifying market position.

<sup>1</sup><https://www.moneycontrol.com/news/business/quick-commerce-is-now-one-sixth-of-huls-e-commerce-sales-hul-ceo-rohit-jawa-12790305.html>



## Distribution strength of leading players

	Retail Outlets	Distributors	Direct reach
<b>HUL</b>	9 Mn	3500	3 Mn +
<b>Dabur</b>	7.9 Mn	7214	1.42 Mn
<b>ITC</b>	7 Mn	6718	2.3 Mn

\*Source: Company annual reports FY24 HUL : Direct Reach (including outlets reached by Shakti Ammas

## The role of a diverse product line

A diverse product line refers to a company's range of products catering to various consumer needs and preferences. In the context of consumer staples, this diversity means offering a wide array of products across different categories, such as food & beverages, personal care, beauty & make-up home care, and more.

A broad product portfolio allows companies to tap into multiple consumer segments and reduces dependence on any single product or category – this diversification spreads risk and ensures that the company remains resilient even if one product line underperforms. For instance, a company that sells both food items and personal care products can offset a decline in demand for one category with sales from another.

Moreover, a diverse product line enhances cross-selling opportunities. Companies can leverage their existing distribution networks to introduce new products, reducing the time and cost required to bring these products to market. For example, a company with a well-established distribution network for packaged foods can easily introduce a new line of beverages using the same network.

## Product line of leading players

Brands		
<b>HUL</b>	<b>50+</b>	19 brands with turnover of ₹1,000 crores per annum
<b>Dabur</b>	<b>8</b>	World leader in Ayurveda with a Portfolio of over 250 Herbal / Ayurvedic products
<b>ITC</b>	<b>25+</b>	800+ products across the brands

\*Source: Company annual reports and website ITC FMCG Brands



## Connecting the dots in the Indian context

Distribution strength and product line diversity are interdependent, creating a synergistic effect that enhances a company's competitive edge. A strong distribution network accelerates product introductions, reducing time to profitability, especially in fast-moving sectors like FMCG, where speed to market is crucial. A diverse product line, in turn, boosts distribution network efficiency by achieving economies of scale—spreading fixed costs across a larger product range, thus lowering distribution costs per product.

In India, where traditional trade (small retailers or kirana stores) dominates, despite the rise of modern retail formats, deep distribution strength is particularly valuable. Companies must navigate a fragmented retail landscape, with logistical challenges in rural areas where modern trade is less prominent. Leaders like HUL, ITC, and Marico leverage robust networks to penetrate these markets, rapidly introducing products and securing market leadership.

For long-term success in India's consumer staples sector, companies need to invest in adaptable, data-driven distribution networks. Equally important is expanding product portfolios through innovation and market trend analysis to cater to diverse consumer preferences. Agility in responding to shifts in demand and proactively identifying growth opportunities are key factors that sustain leadership in this competitive landscape.

## The Disruption of Quick Commerce and Changing Consumer Habits

Immediate access to goods has been the norm for consumers throughout history. **It is only in the past 25 years, with the rise of e-commerce; that we have adapted to the idea of delayed gratification,** largely driven by the promise of greater variety and better prices. While this shift worked to some extent, it came at the cost of instant fulfilment.

Quick commerce bridges this gap by **combining the convenience of immediate delivery with the expanded assortment and competitive pricing of e-commerce,** which is why it has resonated so well with consumers today.

- Quick commerce, known for fast product delivery, is reshaping consumer habits, especially among millennials and Gen Z, who value convenience and speed.
- Consumers have evolved from traditional shopping, where they visited markets, paid, and bought products, to the e-commerce model of paying, waiting, and receiving goods.
- Now, Q-commerce (quick commerce) taps into their innate desire for instant gratification by delivering products almost immediately.
- While consumers always wanted fast access to their purchases, Q-commerce has made this possible digitally, revolutionizing the way we shop with lightning-fast convenience.

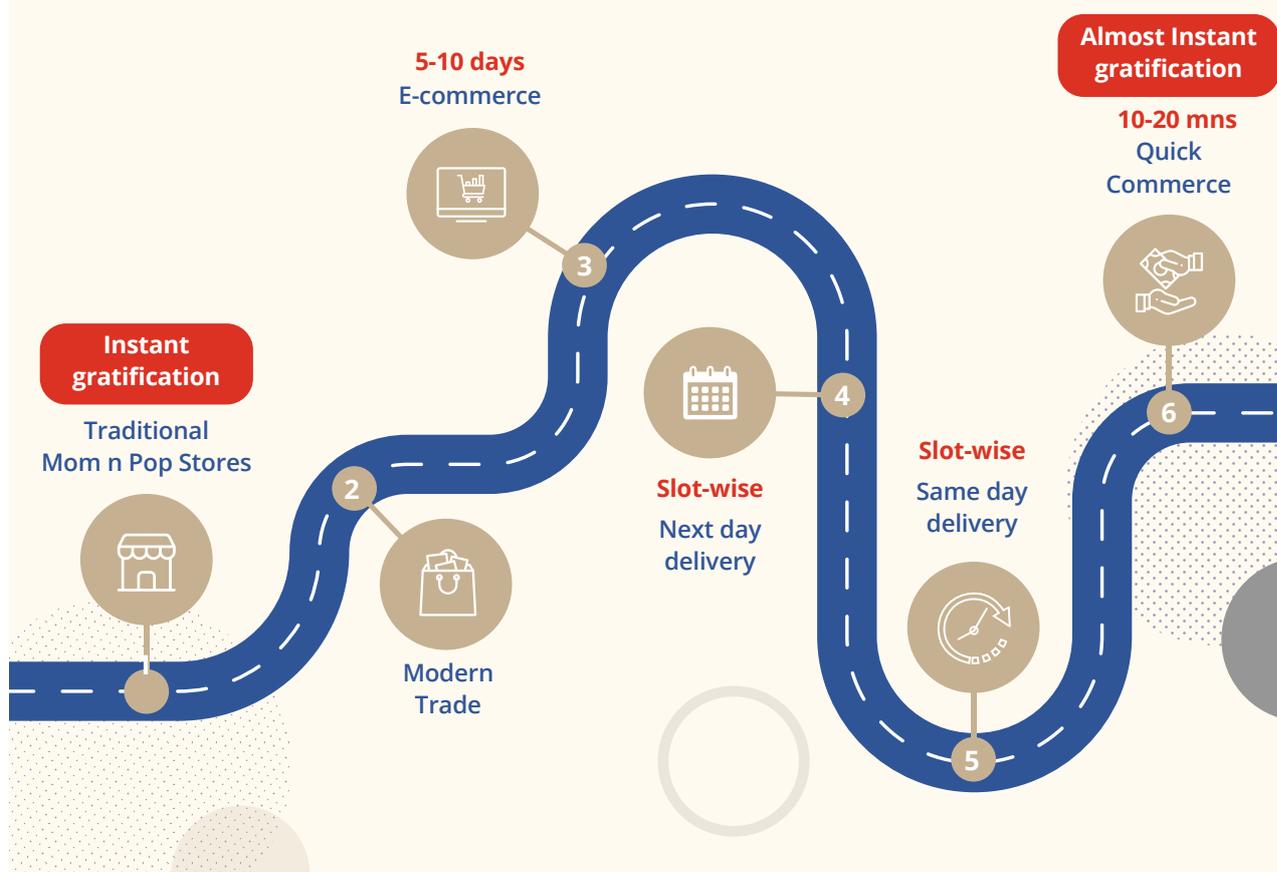


Quick commerce saw a **77% growth** in 2023, significantly outpacing traditional e-commerce by **5 times**.

Its market penetration rose from 4.4% in 2023 to 5.6% in 2024, reflecting a **31% increase\***.

- Quick commerce is becoming an increasingly important sales channel, reshaping market dynamics, especially in smaller towns and cities where retail infrastructure lags behind housing expansion.

The cycle of instant gratification has reached its peak, Consumers have always sought quicker solutions, and the convenience of online ordering combined with a focus on cost-effectiveness has driven the growth of e-commerce. With the advent of quick commerce, the demand for immediate satisfaction is now met alongside enhanced convenience.



\*Source: <https://www.moneycontrol.com/news/business/quick-commerce-is-now-one-sixth-of-huls-e-commerce-sales-hul-ceo-rohit-jawa-12790305.html>



## Adapting to the New Reality: The Role of Technology and Innovation

To remain competitive, consumer companies in India will need to adapt by integrating technology and innovation into their distribution strategies. **This might involve developing or partnering with quick commerce platforms, investing in last-mile delivery solutions, and leveraging data analytics to optimize supply chain operations.** By embracing these changes, companies can maintain their reach and relevance in a market where the consumer's path to purchase is increasingly digital and immediate. **Companies that are able to adapt themselves are well-positioned to be future winners by leveraging the rise of quick commerce, with traditional Kirana stores playing a crucial role in bridging gaps in the distribution model.**

Further, product line diversity will remain crucial but must be approached with a **focus on the evolving needs and preferences of younger consumers.** This means not only expanding product offerings but also ensuring they are available through the channels that these consumers prefer, such as online marketplaces and quick commerce platforms. The ability to quickly bring new products to market and adjust to consumer feedback in real time will be vital.

Going ahead, consumer companies are well-positioned to be future winners by leveraging the rise of quick commerce, with traditional kirana stores playing a crucial role in bridging gaps in the distribution model.

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