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Quick Commerce Fuels D2C Brand Boom

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As shoppers on q-com look to shop beyond groceries, D2C brands are flocking to these platforms for scale and discovering that the fast lane costs more - q-com is demanding but rewarding. Meanwhile, FMCG is balancing q-com enabled growth and its impact on legacy distribution moat and margins.

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Quick Commerce

Fueling D2C brand boom

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D2C brands have catapulted on the back of quick-commerce platforms – a symbiotic relationship that has seen the platform benefit in turn from higher AOV/margins, given the premium positioning of these brands and high dependence on q-com. Key takeaways from our intensive primary interactions with brands (D2C, FMCG, and consultants): (1) shoppers are keen to go beyond groceries and into BPC, wellness, and health foods on q-com, which bodes well for D2C; (2) it costs more to do business on q-com (ads and commissions) but yields higher rewards; (3) FMCG sees lower salience on q-com – which fuels growth but jeopardizes their distribution moat and pits them against intense competition in high-margin products; (4) fashion has not found its feet on this track; and (5) Blinkit is the crowd favorite, followed by Instamart.

Q-com offers D2C brands strong salience

Online salience for large incumbents is 8-10% of sales, with q-com increasingly commanding a higher share (~50%), given it is the fastest-growing channel. For D2C, this is even higher at 20-80%. However, q-com onboarding is not a shoo-in, with many young brands taking as much as 18 months to get onboarded. Despite these challenges, D2C brands are lining up as shoppers go beyond groceries to shop on q-com for higher ASP categories/premium SKUs in wellness, BPC, health foods, and electronics. The fashion segment's logistical complexities (high returns, hyper-local inventory, repackaging, user preference for browsing) have kept it off this track. Our sensitivity analysis shows a 5% rise in D2C salience to Blinkit/Instamart's GOV can lead to ~11-12% uptick in revenue/~130 bps CM expansion.

Fast lane costs more: higher commissions and ad spends

The cost of doing business on q-com is high. For a D2C brand, commissions could go as high as 35-40%, with ads spends an additional ~10-15% of sales. For a large FMCG brand, margins are 15-25% on q-com vs GT at ~14-20% (for commoditized segments like foods). Q-com activity is search-, not discovery-led – a shopper would, for instance, search for 'Safola Cooking Oil' rather than 'cooking oil'. Advertising is therefore all-critical for a new/D2C brand to enter a shopper's consideration set. Q-com's search/banner ads tend to offer high RoAS due to limited/niche listings vs e-com, mitigating the higher (10x horizontal) cost per mille (CPM). FMCGs also seem to be moving away from ATL to BTL on sharper targeting, improving RoIs, aiding q-com.

Q-com for FMCG: boon and bane

The emergence of q-com has altered the retail/distribution landscape in India, especially in urban markets. For traditional FMCG companies, q-com offers both opportunities and challenges. It does allow for faster consumer access, high-margin experimentation (premiumization tailwind), and improved ad targeting, but it also introduces higher competitive intensity through D2C brands, leads to distribution dilution and margin pressures. We believe q-com negatives currently outweigh the positives for FMCG companies.

Flipping the lens, from q-com platforms to the brands they feature

Our brand-led research of q-com utilization stretched across several months of intensive interactions with key brands. We had discussions with 15 founders, category managers and consultants. In this report, find more compelling insights from our interactions – on rising q-com salience, commissions structure, and ad spends, all of which impact q-com's growth and profitability. The long tail of niche D2C brands becomes the key differentiator for q-com's AOV/margins given D2C's premium positioning and heavy reliance on q-com.

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Exhibit 1: The symbiotic relationship between D2C brands and quick-commerce

D2C

Sales

Share of online sales is increasing; within which we see q-com growing even faster. For D2C brands, the q-com sales salience could vary from 20-80% of the total.

Some brands have seen super-normal growth (as high as 400%) in the last year due to q-com.

BRANDS X Q-com

Commissions

Commissions for D2C brands are significantly higher vs FMCG brands even in similar categories; even goes up to 2x the commission rates paid by FMCG brands.

Ad Spends

Ad budget for brands are in line with sales salience. Search + banner ads see higher RoAS on q-com vs e-com. Large FMCG players can spend 4-6% of sales on q-com depending upon the strength of their brand. This can be as high as 15% for a D2C brand.

Discounting

Base level discounts are borne by brands; additional discounts through Maxxsaver + free cash/coupons borne by platforms. Some q-com list at high discounts resulting in channel conflict. Q-com players seeing pricing convergence due to players running daily crawlers on each other's platforms to remain competitive.

Our takeaways

D2C & Q-com have a symbiotic relationship

We flip the lens and look at q-com from brand's perspective through conversations with founders/category managers/ consultants. D2C and q-com have a symbiotic relationship – q-com helps brands scale up exponentially while D2C helps q-com increase AOV/margins (higher commissions/ads) given their premium positioning and high reliance on q-com.

CHALLENGES

Fashion in q-com

Fashion/apparel is unlikely to find success in q-com mainly due to logistical issues like high returns, hyper-local inventory.. Besides q-com is a search led platform while fashion is a browsing-led category.

Within fashion, more commoditized items like socks, undergarments, etc could find salience.

Onboarding

Onboarding on q-com has become difficult; pre-2024 it would happen quickly, but in the last year, it has significantly increased to 1-1.5 yrs.

If the platform is driving a certain agenda (eg, festives, toys, electronic, etc), the brand would then get catapulted to the front and be onboarded rapidly..

Platform feedback

Blinkit supposedly the best in class, Instamart levelling up

Blinkit seems to have the highest q-com salience for most brands and is perceived to be more premium q-com platform, aiding higher commissions. Instamart on the other hand also receives a positive review but requires improvement in automation as well as ad engine. Both have healthy brand relations

Miles to go before they sleep

The newer platforms which are currently transitioning to q-com are still nascent, expanding and developing their operations. Will take some time before they can scale up to the top 3 platforms

Source: Company, Axis Capital

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Executive Summary

Q-com platforms are offering systemically unprecedented rates of growth to smaller/niche D2C brands. In return, such brands are helping improve take rates by way of higher commissions and ad revenues, consequently improving profitability. We studied the symbiotic relationship between brands and platforms and the inherent balance of power by speaking to 15 segment leaders/ domain experts, including founders/ brand managers/ FMCG consultants/ D2C brands, e-com channel managers, marketing agencies, and digital strategy consultants. In this note, we summarize the key points from these interactions.

Our conversations with founders and brand makers mainly focused on the impact of q-com on a brand's scale and margins (commissions, ads), pricing and discounting, changing consumer behavior, fashion as a category in q-com, onboarding, and platform feedback.

What do our takeaways mean for the distribution moat for FMCG brands including implications for consumer access, margins, competitive landscape, ad spend, and pricing control? Importantly, what are the implications of our findings for the leading q-com companies, Blinkit and Instamart?

Sales salience moving to online and from there to q-com

Our discussions with brands unequivocally suggest that sales across brands and categories are increasingly moving towards online, and within online, towards q-com. Larger FMCG players, which are distribution-led, still generate most of their sales through offline channels (modern and general trade), but the share of online sales is growing, within which the share of q-com is growing even faster.

Q-com's salience within the online segment is now broadly similar and could even be higher for categories like food and impulse purchases.

- For some FMCG players, about a year ago, online comprised ~6% of total sales, which was further split into ~75% e-com and 25% q-com. Online sales have now increased to ~10% from 6% and the split between e-com and q-com is now roughly even. In some categories like food and impulse purchases, the q-com share is even higher than e-com.
  - For distribution-led FMCG players, the offline channel remains the most important, with general trade and modern trade accounting for a majority of sales.

D2C brands' salience to q-com can be as high as 60-75% of total sales.

- For D2C brands, q-com sales are more prominent. For some of the smaller D2C brands, the salience to q-com can be as high as ~60-75% of total sales. On average, the salience to q-com in in the range of 20-80%, depending on the category and scale of the brand.
  - Apart from the fact that D2C brands find higher resonance on q-com due to their more premium positioning, building an offline distribution channel is also hard and time-consuming
  - There are also brands like BoldCare which have grown ~400% in the past 12 months solely due to q-com listing and expansion.
- The growing salience of q-com at the expense of horizontal-commerce players is despite the former's smaller assortment/SKU availability, given dark stores' space constraints.
  - This has also led to a slowdown in the growth of brands sales on horizontal platforms.

Ad spend a necessary evil for D2Cs – higher RoAS makes it palatable

Q-com being search-led, not discovery-led, means brands, , especially D2C, need to advertise.

Q-com platforms are search-led, not discovery-led like some of the other vertical e-com platforms like Nykaa, Myntra, etc. On q-com, users generally shop with focused keywords like 'Aashirwaad Atta', 'Gilette Razor', 'Maggi Noodles', etc., instead of generic category words like 'atta', 'razor', 'noodles'. This means if the product is not visible in the first five to six results, the user might fail to discover the brand/product, since they are unlikely to scroll beyond the first few results. Thus, for a brand to be in the users' consideration set, it must appear in the top few results of the search, for which advertising is critical. This is especially true for D2C brands, which tend to be more premium products in each category, and they need to spend considerable amount on search ads.

Large FMCG brands spend 4-6% of their GOV on ads, depending upon brand strength, can be as high as 15% for D2C brands.

Large FMCG brands spend 4-6% of their GOV on ads, depending upon the strength of the platform. This can go as high as 15% of GOV for D2C brands. As such, ad revenues, which currently form ~4% of the GOV for q-com platforms, have room for growth and could even go up to 6-7% of the GOV, given the rising salience of q-com both for FMCG players as well as the growing proportion of D2C sales within q-com. 6-7% is in line with global peers and horizontal incumbents in India (Flipkart/Amazon).

Our conversations with D2C brands suggest that the ad budget for brands on q-com is largely in line with the sales salience, though with a slight skew, given the superior growth rate on the platform. Some of the brands targeting a niche audience (e.g. healthy noodles brand, personal/wellness brand, etc.) that we spoke to also highlighted the need for ATL (above the line) advertisements, on which they spend ~50% of their ad budgets (e.g. social media platforms like Instagram, Facebook, etc.), and the rest 50% on BTL (below the line; e.g., bidding for keywords, brand banners on marketplaces, sampling, etc.) on q-com/e-com platforms. However, we see some FMCG players (in certain categories) moving away from ATL and towards BTL due to better RoIs.

Highest CPM but also highest RoAS

Interestingly, q-com's return on ad spends (RoAS) is not exactly comparable with other horizontal e-com platforms, since the former is more niche with lower assortment listings/SKUs.

- This also makes banner ads more expensive on q-com (CPM – could be nearly 10x) vs e-com giants, most likely because q-com has a niche proposition and its decluttered interface offers higher visibility and thereby a better RoAS.
- In a keyword search, due to the high number of listings implying more bidders for a word, ads on e-com tend to be more expensive.
  - Thus, search + banner ads combined tend to be cheaper on q-com vs peers.
- RoAS at the initial stage for a brand on q-com though can be very low, given the platform only slowly ramps up the SKUs/assortment of a brand as it sees traction, given the limited shelf space.

Pricing converge across platforms; brands see some channel conflict

Heavy discounting on q-com in the past few months have led to channel conflict, brands creating specific q-com entry-level SKUs as 'opening price points'.

Item-level discounts have largely converged across platforms (e-com, slotted-commerce, and q-com), also confirmed through our fortnightly checks. This is because, while brands list products at a similar price across platforms, some q-com platforms take it down further (funding the remainder on their books). Other q-com platforms run crawlers on peer apps to match and equalize pricing at least across their important product lines. This tends to create problems for brands, as the prices on q-com then become lower than other channels, creating channel conflicts.

The past six months have seen intense pricing competition amongst q-com players, which has led to channel conflicts for certain categories for brands.

- For example, a distribution-led FMCG player will continue to have its traditional channels as important – ~90% of sales offline (GT/MT). Hence, brands are increasingly focusing on avoiding channel conflicts.
  - For staples like atta, dairy, etc., the bargaining power of MT players is much higher vs q-com's, as the brands' salience to offline remains high. FMCG companies believe that due to their large distribution through offline channels, for certain brands their

salience to GT/MT will remain disproportionately high and will be largely unaffected by q-com.

- To avoid channel conflicts and be q-com-friendly, D2C players are using 'floor pricing strategy' (below which the item cannot be listed on any channel).
- Given that D2C products tend to be more premium listings in most categories, brands are trying to attract consumers and circumvent floor pricing on q-com by 'opening price points,' which are essentially low-ticket items (like products for Rs 99/Rs 299) to lure in users.

The wait for once-a-year 'mega sale' is behind – q-com makes it more regular

Interestingly, there has been a shift even in consumer's shopping behavior towards q-com. For instance, in categories like beauty and personal care (BPC), small electronics, and wellness, more users seem to be adding products to their basket a lot more frequently (while shopping on q-/slotted-/e-com) than earlier.

Channel dynamics have also changed significantly along with consumer behavior. Earlier, large discount events like BigBillionDays, etc., used to come by only a couple of times a year, Q-com has now made this more frequent – least one weekend per month.

- Thus, users are now shopping more frequently on such large-discount days more on q-com these days.
  - For instance, versus earlier times, only 60% of shoppers these days wait for large-discount days like Amazon Prime and Big Billion Days.

Fashion, not so quick in q-com uptake

Most categories have now been onboarded on to q-com, but fashion bucks the trend. Apparels/fashion have not found success on q-com yet, as there are issues related to both platform logistics and user behavior. Bringing fashion to q-com seems to be a logistical issue entailing high returns, hyper-local inventory, and quality issues due to return-to-platform model (vs return-to-seller) – all of which could lead to compromised customer experience. Additionally, shoppers tend to browse on different platforms and are willing to wait for the delivery, which makes q-com an unsuitable proposition.

However, more standardized clothing items like undergarments, leggings, socks, etc. might work in the q-com format, as these see lower returns and user browsing and have already been adopted by q-com players. Our conversations with an apparel brand owner also suggest that a pureplay fashion platform is more likely to be successful in scaling fashion/clothing on q-com vs a horizontal q-com player. This is because a pure-play fashion would be optimizing for category-linked inefficiencies like variety, quality, returns, etc., vs the incumbent's one-size-fits-all approach.

New brands find it increasingly difficult to onboard, but it is worth the wait

It takes 1-1.5 years for brands to get onboarded now on q-com.

Onboarding on q-com has become increasingly difficult, especially for small/new brands. Our conversation suggests that earlier (pre-2024) it was easier to get listed on q-com. However, of late, it has been taking as long as 1-1.5 years for a brand to get onboarded. This is especially the case in certain crowded categories.

However, if the platform drives agendas for categories like festive, toys, electronics, etc., the brands' onboarding could be fast-tracked. Interestingly, platforms charge a listing fee from these brands too.

Also, our conversation with a D2C platform suggests that these platforms (especially Blinkit) follow the '1 city – 1 SKU' rule, whereby the brand initially is allowed to add only one SKU to the platform as a trial run. This makes it slightly more difficult for the brand to perform, since it must compete with other brands which have multiple SKUs. However, as the sales momentum picks up, the platform allows multiple SKUs, thereby improving momentum. Thus, initially, a new brand might struggle with sales momentum and RoAS, but over time, if it does well, then it could see exponential growth.

Qualitative feedback on platforms – Blinkit is most favored

From our conversations with brands across different categories, Blinkit has unequivocally emerged as having the highest sales salience, at ~50-55% of q-com sales. For some smaller/D2C brands, it even forms 40-50% of total online sales (q-com + slotted-com + e-com). Blinkit is also perceived to be a more premium q-com platform, helping it charge higher commissions from the D2C brands, given their own premium positioning. It has also received strong positive feedback, on having structured backend operations (advanced real-time data reporting dashboards, orderly stock replenishment, demand estimation, etc.) and strong relationship management.

Instamart, on the other hand, has also received positive reviews. However, it requires improvement in automation and ad engine. Like Blinkit, Instamart too seems to share healthy relationships with brands.

Newer platforms which are currently transitioning to q-com (from e-com/slotted-com) are still in the nascent stages of expansion and developing their logistics/operations. They will take some time before they can scale up to the Top 3 platforms. Newer/transitioning platforms like Amazon Now will need to achieve a minimum scale before seeing momentum; a similar experience was seen in the case of Flipkart Minutes. Flipkart Minutes can do well in Tier-2/3 cities if it expands to those markets, given its horizontal platform's high salience to those markets. Our conversations reveal that ~80-90% of q-com sales remain with the Top 3 platforms.

Q-com for FMCG a boon (strategic growth) as well as a bane (distribution dilution)

Q-com offers compelling upside as an urban growth lever and a testing ground for innovation, while its structural implications for traditional FMCG companies are not so straight-forward. Q-com's rising salience will lead to greater concentration of distribution power on a few dominant platforms (unlike GT's fragmented nature), reducing their historical bargaining leverage. There is also rising friction with GT, with increasing pricing conflicts, internal channel cannibalization, and supply chain misalignment making q-com a challenging force within the existing distribution stack.

Also, q-com is empowering D2C brands to bypass traditional barriers to scale, alleviating physical distribution, brand-building through ATL, or retail shelf dominance. With its search-led interface, performance-driven ad model, and rapid onboarding of challenger brands, q-com is steadily dismantling the legacy moats for FMCG incumbents.

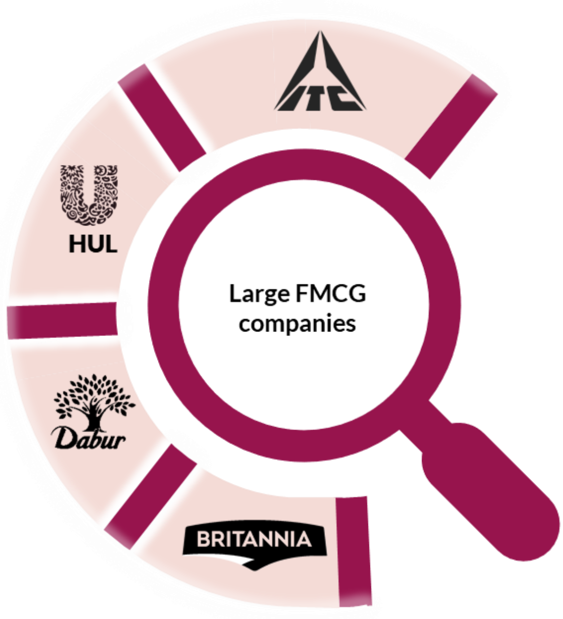
Overall, we believe the negatives currently outweigh the positives for traditional FMCG companies. Whether it turns out to be a value-creator or a drag depends on how effectively FMCGs transform their internal systems, GTM strategies, pricing discipline, and agility to evolve from distribution-led enterprises to platform-native, consumer-responsive organizations.

#1 In conversation with the category manager of a large grooming and personal care D2C brand

We spoke to one of the category managers of a large premium personal care and grooming solutions brand.

Key takeaways

- **Pricing parity – key focus for brands as channel conflicts escalate:** Due to the recent high discounting in q-com, brands' focus has been to avoid channel conflicts. To make it more q-com-friendly, brands have a 'floor pricing strategy', below which a platform cannot list its products. The brands are also creating D2C-specific 'opening price points' which are low-price SKUs, to lure users to q-com.
- **Commission structure:** 17-22% for electronics (e.g., beard trimmers, etc.; varies based on price points) and 28-30% for non-electronics. Whereas larger FMCG players' commission will be 15-25%.
- **Ads – a lifeline for sales on q-com:** For D2C especially, no ads = no sales. This is because q-com is largely a search-led platform where users come to with a pointed mission (65-70% is search-led) instead of browsing (like in Nykaa, Myntra, etc.). Thus, for a new brand to show up in a user's consideration set, the brand needs to advertise (bid for keywords, banner ads, etc.). It is equally important for them to spend consistently.
- **Shift in consumer behavior – enabling exponential growth in q-com``** Lately, there has been a positive shift in consumer behavior, especially when it comes to beauty and personal care (BPC). More users seem to be adding BPC to their baskets more frequently now. In addition, there used to be large discount events like BigBillionDays, etc. once or twice a year. Q-com platforms have now made these more regular. Thus, users who would typically wait for the large discount events are now shopping on more frequent q-com 'discount days'.
- **Platform feedback:** Blinkit is perceived as the more premium q-com player, due to which D2C brands are keen to get onboarded on it. This also helps Blinkit charge higher commissions. It has an exclusive tie-up with Meta to target users based on their search history. The click opens the Blinkit app, helping improve conversions. Instamart is still in the process of strengthening its ad platform.



#2 In conversation with a category account manager at a large FMCG company

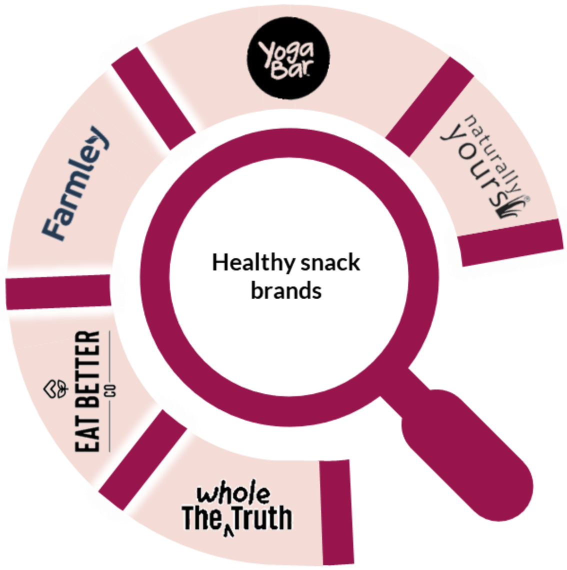
We spoke to the category manager of a large FMCG company for staples, which includes several categories like *atta*, *ghee*, spices, etc.

Key takeaways

- **For large staples FMCG companies, e-com channels see healthy growth. However, offline traditional distribution will remain the mainstay**: Previously (in 2023), e-com's salience to the *atta* segment was ~6%, most of which (~60-70%) was on horizontal e-com players and the rest on q-com. However, this seems to have reversed. E-com now forms ~9% of sales, of which q-com forms ~60-70%. Despite this growth, brands believe that offline channels (general and modern trade) will continue to dominate sales. Metros/Tier-1 continue to form 80-85% of sales despite the push to Tier-2 cities.
- **Commissions** are ~10-12% in case of marquee brands, while the average commission charged by the platforms can be 15-25% for other large FMCG players. Brands on e-com/q-com also spend on marketing (~4-5%) and promos/rebates (~20-30%). Commissions for D2C brands are significantly higher, leading to greater margins for q-com; this can be as high as 35-40%, given they have higher dependency on q-com.
- **Ad spend higher in q-com but so is RoAS.** For large distribution-led FMCG players, the cost of doing business is much lower in GT vs q-com, as traditional channels require lower marketing spend. FMCGs can spend 4-5% of sales on ads on q-com, which could increase to 5-7% for non-dominant brands (vs 3-4% in MT, 2-3% in GT). The spends relate to the mix of BTL, promotion, and Meta collaboration. While the commissions and ad spends on q-com are higher, the RoASs tend to be better vs other channels. This is because ad spends can be tracked at a more granular/micro level on q-com. In addition, the ad formats used are more dynamic, making the ad spend feedback loop faster. This has also led to some shift from ATL to BTL spend.
- **Q-com platforms are seeing item-level pricing convergence**: Brands list products at similar prices across platforms, while some q-com platforms take it down further (funding the

additional discount on their books). Q-com platforms run crawlers on peer apps to match and equalize pricing, which creates problems for the brands, as it gives rise to deep discounting on q-com vs other channels, leading to channel conflicts.

- **Platform feedback**: Blinkit's execution in terms of supply chain and tech is ahead of others. It forms 45-50% of a brand's e-com sales (not just q-com). The NCR remains its stronghold. Its lower discounts compared to peers also leads to lesser channel conflict. Instamart is also good but slightly behind. Both have good relationships with brands.



#3 In conversation with the founder of a D2C healthy noodle brand

We spoke to the founder of a healthy noodle D2C brand, which is present on both q-com and e-com platforms.

Key takeaways:

- **Platform salience – q-com likely to soon surpass horizontal:** The horizontal platform currently forms the largest proportion of its sales. However, q-com is likely to surpass it soon given the significantly higher growth rate from that platform. This is despite horizontal platforms like Amazon allowing even smaller brands to offer their entire assortments due to the availability of large warehouses. Q-com assortment, in comparison, needs to be more customized, given the limited space in a dark store, leading to limited SKU and assortment.
- **Ad rates are more expensive on q-com, but RoAS is better**: Ads on q-com platforms are significantly more expensive than on horizontal platforms like Amazon. CPM (cost per mille) can be nearly 10x on the q-com platform. However, given the former has fewer sellers (due to space constraints in a dark store), the RoAS on q-com is higher. Given the nature of the brand, 50% of ad-spends is on social media platforms like FB/IG, 30% on q-com, and 20% on horizontal e-com players.
- **Consumer behavior and insights**: Users on horizontal e-com platforms tend to do a lot more research before coming to purchase. However, unlike most categories in q-com, which are search-led, the company claims that for this category, even q-com users tend to do more generic search, like ‘healthy snacks’ or ‘millet noodles’, and browse through brands before purchasing. A lot of new customers are discovering the brand on q-com. Given the premium nature of their brand, its target audience is more q-com than horizontal e-com users.

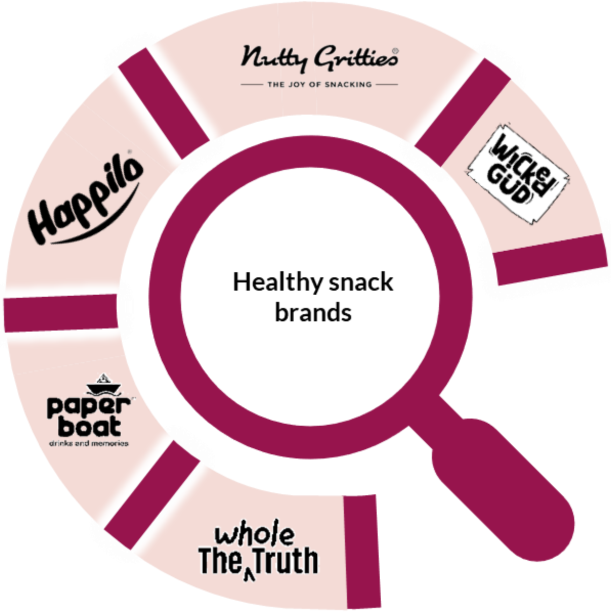
#4 In conversation with the founder of a prominent wellness and personal care D2C brand

We spoke to a D2C brand operating in the hygiene and wellness space. Here, we spoke to one of the founders.

Key takeaways:

- **The brand saw exponential growth in the past 12 months due to q-com**: Like most D2C brands, q-com has spiked its growth. Earlier, the salience to its own platform was the highest. However, after onboarding with q-com players, it saw an exponential increase in growth. Q-com's salience to its sales was 20% in 2024 which now stands at ~60%. It has witnessed 400% growth in the past 12 months. Growth in horizontal platforms, on the other hand, has slowed despite the latter's ability to maintain higher assortment/SKUs.
- **Adoption of hygiene and wellness category in q-com has been healthy:** Indian users respond better to a q-com or e-com platform vs D2C's own platform, especially in the hygiene, wellness and personal care space. This is the reason why D2C brands seem to be primarily focusing on q-com scale-up. Earlier, BPC and wellness shoppers used to shop offline and usually preferred the larger FMCG brands. However, with the advent of D2C brands and vertical e-com players like Nykaa, users increasingly started browsing for products in the category online. Shoppers are now using q-com for repeat purchases in the category and in some cases also tend to experiment with newer brands.
- **E-com has a more standardized playbook to success, while q-com has more variables:** E-com players like Amazon and Flipkart have a standardized playbook for growth which includes ads, conversions, etc. Brands do not have to analyze much of SKU/assortment, given there is no constraint on warehouse space availability. However, on q-com, apart from ads and marketing, a lot also depends on availability, given the platforms allow only limited SKUs to be listed due to the limited space in dark stores. This makes q-com insights for SKU/assortment at a hyperlocal level an important criterion for brands' success.
- **Ad spends:** Ad spends across various channels are typically in proportion to the sales salience, with some skewed to q-com given their superior growth. Q-com players are very selective in onboarding brands. SKUs per brand are also limited. This leads to low RoAS initially before sales ramp up. For instance, the brand's RoAS rose from Rs1.5 to Rs 6 within 10 months. As such, the absolute cost of banner ad is more on q-com, though it comes with better RoAS.

- **Platform feedback:** Blinkit is the most selective in onboarding brands. It took 1-1.5 years to enlist. It is also better than peers on the availability of the brand's products, likely because of more experience due to its Grofers vintage. Amazon Now will take time to gain user traction as it will need a minimum number of dark stores before momentum starts building up. Flipkart Minutes is seeing early signs of momentum increasing as its dark store count increases.



#5 In conversation with a founder who started a large healthy noodles brand and is currently building a premium dry-fruits brand

We spoke to the ex-/founder of a healthy noodles brand (pasta, chips, etc.)/premium dry fruits brand (trail mixes, nuts, chocolates, etc.). Both the brands are prominent players in their categories.

Key takeaways:

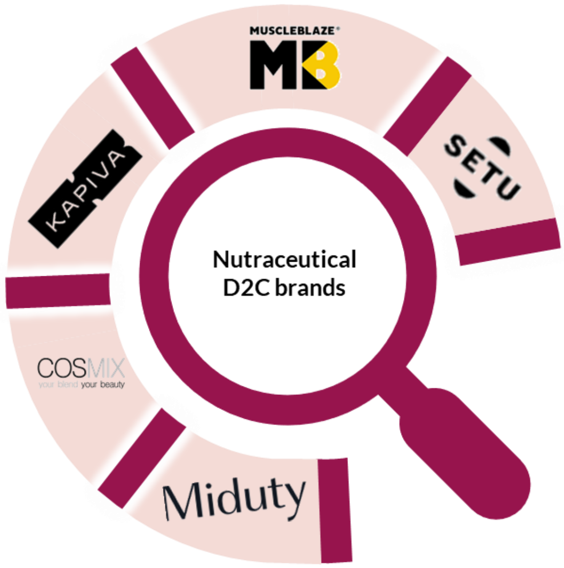
- **Salience to q-com:** Q-com is one of the largest channel contributors. Blinkit is the largest (55%), followed by Instamart (16-17%), Flipkart Minutes at 2-3%, and others at just 1%. Instamart used to be the largest for them before Blinkit overtook Instamart two years back. Coincidentally, the brand is stronger in North where Blinkit is also strong. Most D2C brands are increasingly betting on q-com; GT and MT also take time to build. Q-com works for their brand as it operates in a slightly premium category, which implies that Tier-2/3 cities are only just picking up and will take some time to resonate.
- **Advertising:** D2C brands, especially given they are new, need to advertise heavily on the q-com platforms to create awareness and generate sales. The number of brands per category is also increasing. Ad spends, as % of GMV, can go as high as 15%. Brands, however, are currently choosing growth over profitability.
- **Take rate:** Some of the pressure on q-com due to their expansion and discounting is being passed on to the brands. This along with ad spends impacted the brand's margins.
- **Platform feedback**: Blinkit is ahead of its peers, especially in operational efficiency, execution, and marketing. Instamart lost momentum in the middle but seems to be now improving. It got onboarded with Instamart in 2020 and with Blinkit in 2021.

#6 In conversation with the founder of a festival merchandize seller

The brand is a start-up, offering festive merchandize, designed specifically for q-com platforms. Here, we spoke to their founder.

Key takeaways:

- **Q-com's out-right model helps small brands manage inventory risk**: Q-com's out-right model (where the platforms place a purchase order, taking off the inventory risk from brands) makes it easier for small brands to do business with them (occurs in a few instances). This is more attractive than the 'Sale or Return' model (SoR) where the items are returned to the seller/brand in case the inventory does not move. The former (out-right model) helps the seller better manage their inventory and working capital. This is especially true for products with short life or those that are time-specific (gifts/festival-based).
- **Onboarding on q-com has become increasingly difficult**: Getting onboard on q-com is expectedly difficult. In the past one year, the difficulty in onboarding has only increased as more brands want a slice of the rapid growth, especially small, D2C brands. However, the onboarding is category-specific. For instance, brands in the food category (usually more crowded), find it more difficult to get onboard and the wait could be longer (six to nine months). However, for a category like festival merchandizing, it gets easier if the platforms identify the brand as unique. The brand we spoke to had registered in 2022 when the onboarding time was only a couple of days.
- **Ads are a must for brands in most categories, but a festival-merchandize seller benefits from the organic boost given by platforms during the festive season**: Interestingly, while it is important for brands to spend on ads (keyword searches, banner ads, sampling, etc.), there are some categories like seasonal/festival-based where a brand does not have to proactively spend on ads on q-com. In fact, in multiple cases, platforms themselves promote the products, as that differentiates them from peers.
- **Platform feedback**: Demand estimation by q-com platforms has now become largely accurate. Blinkit's stronghold is North while it is Bengaluru for Swiggy.

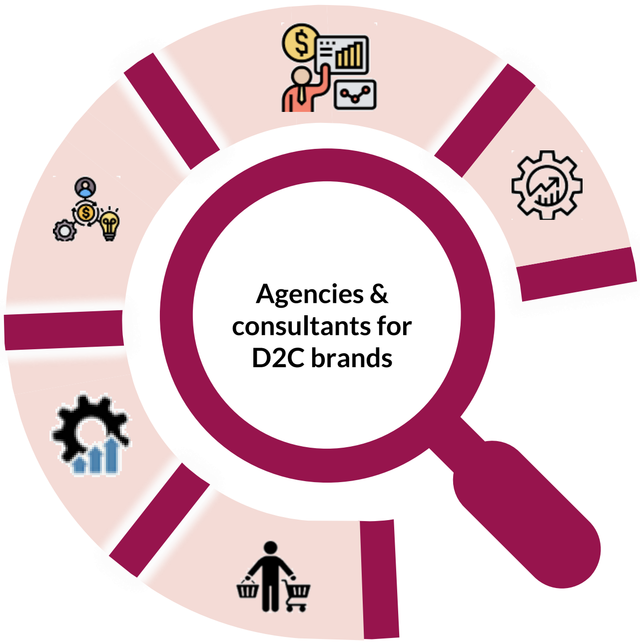


#8 In conversation with the growth manager of a nutraceutical D2C brand

We spoke to the growth manager of a D2C brand operating in the nutraceutical space. He is responsible for scaling the brand with focus on distribution, AOVs, brand campaigns, user retention, marketing investments, etc.

Key takeaways:

- **Since it is a nutraceutical brand, the concept is relatively new for users; hence it primarily used its own D2C channel for creating user awareness.** However, with growing awareness, its sales is shifting towards marketplaces (like Amazon, Flipkart, 1mg, Nykaa, Blinkit) over D2C. The earlier D2C-marketplace-split of 75:25 is now nearing 50:50.
- **Q-com channel is very new for this brand (only a few months) and mainstay remains Amazon/Nykaa:** The brand has not yet aggressively spent on marketing on q-com and thus is seeing slower growth. Interestingly, the growth of the brand on q-com was lower, as q-com is not discovery-led. The brand (like most other D2C brands) also has a higher AOV (~Rs 900-1,000) and is thus not conducive for impulse purchase.
- **Commissions on e-com are at 25-35%, with Blinkit at the higher end on its more premium positioning:** Despite the high commissions, the brand prefers the platform, as it helps in scale. Apart from commissions, item-level discounts are borne by the brand and the discounts over and above that (including cart-level coupons, cashbacks, etc.) are borne by the platform.



#9 In conversation with a D2C analytics platform

We spoke to the founder of an analytics platform which works with D2C brands, helping them unify data from different platforms like Shopify, marketplaces, and ad platforms.

Key takeaways

- **Onboarding** has become increasingly difficult for D2C brands. Once onboarded, they also create lower-grammage products to attract users, given the relative premium nature of the products.
- **Ad platforms**: Ad-spend is directly correlated to the sales salience of the channel with a skew towards q-com in some cases, given the high growth of these platforms. RoAS is the highest for q-com, while for social media it is the lowest. Blinkit is the most sophisticated amongst q-com platforms with respect to the ad platform, but Amazon/Flipkart remain ahead given their head start in e-com in India. The more granular an ad platform, the more the opportunity for it to be monetized.
- **Platform feedback**: Blinkit and Instamart have a large assortment of D2C brands. BigBasket, however, mostly has big FMCG brands and fewer new age/D2C brands listed on its platform.

#10 In conversation with a branding/e-com consultant who works with young, digital-first brands

We spoke with a consultant who specializes in D2C branding and e-com strategies, helping brands with their 0-to-1 journey, find the right product-market fit, and scale up. She has worked with many brands (D2C and FMCG) of varied scales, helping them set up their e-com growth strategies.

Key takeaways:

- Category + consumption + disruption –> determines q-com success.
  - If there is a disruptor brand, or the category in which it operates is a disruptor, then starting out directly on q-com works.

- D2C profitability (at unit economics level) can only be arrived at on scale. Q-com helps D2C achieve this scale, albeit at a higher cost of doing business. D2Cs though are willing to trade profit for scale in the short to medium term.
- **Ad spend.** For D2C brands, running ads is indispensable, and the ad strategy is multi-platform – with a combination of q-com, Google/Meta, and their own D2C platform. Q-com works when there is decent brand recall. Advertising on q-com will then lead to high RoI for the brand. Promotions are more challenging for D2C brands on q-com.
- **Platform feedback.** Blinkit is believed to have gained from having an independent app, while Instamart, due to its separate app, has found it more difficult to gain an independent brand identity. Flipkart (e-com) is strong in Tier-2/3 cities and thus its q-com entry might be able to carve a differentiating proposition vs its q-com peers. This may help a brand if it wants to push products in Tier-2/3 cities.

Q-com: Disruption > Distribution for FMCG Incumbents

The emergence of q-com has significantly altered the retail/distribution landscape in India, especially in the urban markets. For traditional FMCG companies, q-com offers both opportunities and challenges. It allows for faster consumer access, high-margin experimentation (premiumization tailwind), and improved ad targeting. Simultaneously, it introduces higher competitive intensity through D2C brands, margin pressures, and pricing-control issues. In this section, we take a balanced view of q-com's overall impact on legacy FMCG players, considering operational, strategic, and financial lenses.

Strategic growth enabler: Positive implications

Q-com enables FMCG brands to expand rapidly in urban areas without requiring GT/MT buildout. Q-com platforms offer high-frequency engagement and serve as agile channels to reach consumers with smaller basket sizes and high purchase frequency.

Key positives

- Faster go-to-market in urban clusters.
- Trial-friendly channel for NPDs and alternate formats (mini-SKUs, festival packs).
- Higher RoAS vs ATL media through targeted search/banner ads.
- Real-time analytics and dynamic feedback loops for demand forecasting.
- Ability to leverage platforms for omni-channel strategies (e.g., sampling kits, co-branded campaigns).

Competitive intensity and distribution dilution

One of the biggest structural risks for FMCGs is the flattening of distribution advantages. D2C brands have leveraged q-com's curated and impulse-friendly platforms to scale quickly without investing in field force or GT networks. This undermines the traditional moat FMCGs built over decades.

Implications

- Urban category fragmentation, especially in BPC, wellness, and snacking.
- Rise of long-tail D2C brands crowding q-com shelves and digital space.
- Reduced discoverability and share-of-voice for legacy brands on search-led platforms.

Pricing control and channel conflict

Q-com's pricing algorithms and frequent use of platform-funded discounts have created friction with the GT/MT channel. FMCGs often face pressure to align prices across channels, risking conflict with key offline retailers and channel dilution.

Risks

- Enforcing floor prices is difficult, as platforms seek competitive edge.
- Aggressive discounting leads to brand dilution and loss of premium positioning.
- Backlash from MT/GT on pricing disparities may strain long-standing relationships.

Margin pressure and working capital impact

Q-com's model requires high replenishment frequency and SKU-level planning, creating operational friction for FMCGs used to bulk-dispatch GT models. Additionally, higher ad spends and commission rates can put pressure on margins.

Challenges

- Working capital cycles can stretch if sell-through slows in dark stores.
- Ad costs and high commission fees can erode profitability.
- Lack of automation and tech-readiness internally may delay response time to dynamic demand.

Execution complexity and internal realignment

Q-com success demands a digital-native approach, including real-time performance marketing, SKU flexibility, and localized supply. Many traditional FMCGs face internal challenges in aligning cross-functional teams around these demands.

Organizational hurdles

- Inertia in shifting ATL-heavy brand teams toward performance-driven BTL.
- Cross-channel P&L ownership creates silos in pricing and promotion strategy.
- Reluctance to risk channel conflict may slow q-com ambition.

Summary assessment: Net negative for FMCG companies

Q-com offers compelling upside as an urban growth lever and a testing ground for innovation, but its structural implications for traditional FMCG companies are not so straight-forward; we highlight three critical negatives:

- **Q-com's rising salience to lead to greater concentration of distribution power.** Unlike GT's fragmented nature, FMCGs are forced to negotiate with a few dominant platforms, reducing their historical bargaining leverage.
- **Rising friction with GT.** Increasing pricing conflicts, internal channel cannibalization, and supply chain misalignment make q-com a challenging force within existing distribution stack.
- **Acceleration in competitive intensity – Q-com is empowering D2C brands to bypass traditional barriers to scale**, be it physical distribution, brand-building through ATL, or retail shelf dominance. With its search-led interface, performance-driven ad model, and rapid onboarding of challenger brands, q-com is steadily dismantling the legacy moats for FMCG incumbents.

Overall, we believe the negatives currently outweigh the positives for traditional FMCG companies. Whether it turns out to be a value-creator or a drag depends on how effectively FMCGs transform their internal systems, GTM strategies, pricing discipline, and agility to evolve from being distribution-led enterprises to being platform-native, consumer-responsive organizations.

This note contains key excerpts from Axis Capital's report by the same name published on 18 August 2025.

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