

Revisiting and revising the marketing strategies of Zomato-A case study approach

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Abstract

Zomato is a very popular Indian restaurant aggregator and food distribution start-up. In India, Zomato has been a leader in food ordering and restaurant exploration, helping both restaurants and clients. It has rating review system that helps customers to discover their neighbourhood's best meals and restaurants. It is also one of the few Indian businesses to have gone global with over 1 million restaurants on its website worldwide. But recently Swiggy, its competitor despite having far less marketing appeal has achieved more users than Zomato. with a higher number of daily orders with over 1.5 million daily orders, to Zomato's 1.2 million, and Swiggy is valued at around \$3.3 billion whereas Zomato is valued at \$3billion. Swiggy also has a much variety of restaurants and grocery shops, especially in smaller cities. This paper aims to highlight some of the problems of Zomato that is leading customers and restaurants away from the platforms while also offering some solutions the company can take in order to gain the trust and interest of the customers and restaurants.

Keywords: Zomato, Swiggy, trust, start-up, restaurants, interest.

1. Introduction

Zomato is a platform for restaurant search & discovery, online food ordering, and restaurant table reservations founded in 2008. The company was founded by Deepinder Goyal and Pankaj Chaddah and is headquartered in Gurgaon, Haryana, India. Zomato has been a pioneer in food ordering and restaurant discovery in India, which has benefitted both restaurants and customers. Featuring a review system, Zomato allows foodies to find meals and restaurants in their neighborhood. A notable aspect about Zomato is that it is among the few companies that have gone global after starting operations in India. Zomato currently features more than 1 million restaurants globally on its platform.

Zomato currently serves in 10,000 cities across 36 countries having 1.2 million popular restaurants with 80 million foodies every month. It is available in 10 different languages and has 10 million reviews with 18 million bookmarks. It gives a platform to the restaurants owners to serves a large number of users a good quality of food. Zomato has acquired several companies over the years; with the most notable being the acquisition of US based Urbanspoon in 2015. Other acquisitions made by Zomato include Obedovat, Menu Mania, Lunchtime, MapleGraph, Sparse Labs, Gastronaucci, NexTable, Cibando, Mekanist, and Runnr.

In the past decade, the food delivery industry has transpired as one of the biggest online platforms in India with the addition of few new companies in the market. The market is being changed swiftly with competitors like Zomato, Swiggy, Foodpanda, Uber eats, and many others. The food industry market is flourishing not just in the metro cities but also in tier II and tier III cities as well, due to such huge contenders. The three probes are connected to the upper part of the devices that protrudes when the device is switched on. The part has a small

hole to allow water to come inside. But overall this decade was majorly acquired by two top startups- Zomato and Swiggy. Though, uber eats was able to mark his position in the competitors in the field of food delivery in India in terms of daily orders. The Zomato app is installed on 12% of all Indian smartphones, compared with Swiggy's 10%, according to data shared with Quartz by the market research firm Unomer. Other companies are in single digits

2. Target audience & marketing strategy of Zomato

2.1 Target audience of Zomato

The target audience of Zomato is individuals between 18 to 35 years who use smartphones and are agreeable in utilizing applications. In this age group, the majority of customers are either college students who live in hostels or the single working individuals. Zomato mainly targets:

- The individuals who need to have a meal at their home or at their workplaces(through food delivery) and don't have time to cook or prefer a tastier meal.
- Individual who like to dine in alone or with their friends and family (through gold membership program).

2.2 Marketing strategy of Zomato

- Featuring user friendly website and mobile app that is globally available, in order to search , order and give reviews on restaurants.
- Acquiring weak competitors: example, zomato bought urbanspoon for \$52 million to enter US, Canada and Australia.
- Simple review and rating system.
- Promoting sales by giving high discounts, offers for using certain credit cards , as well as offers in festive seasons such as IPL

3. Decision Dilemma

3.1 Poor review system

This is one of the biggest problems haunting Zomato. A lot of reviews (around 50%) of them are fake and this is noticeable by the fact that sometimes the reviewers only have 1 review on their profile and very few followers. Sometimes newly opened restaurant has reviews raise up to 4.3 in no time and their reviews are fake. Zomato doesn't care about it as long as they are getting new people to install their app.

Restaurants give diners and food bloggers free food, discounts and kickbacks in exchange of reviews. Zomato seems to be well aware of the restaurants that do this and they don't really care about this even though it is against their policy.

This makes it very difficult to trust Zomato outlets as many of times the food appears to have high ratings only to end up poor in taste or quantity. Also, the review system is very barebones, with no separate category for dining and delivery as well as other categories such as food quantity, packaging etc.

3.2 Paid Publicity

Normally a restaurant has to pay Zomato X amount of money for Y number of visits to the restaurant page. This is a way for Zomato to maintain its business So if it pays Rs.10000 a month to Zomato and they would in-turn send about 1000 restaurant page views a month (and these are not customers but just page views.)

This is typically how Google Adwords works, just that in this case the cost-per-view is much higher than Google. Usually each visit is charged between Rs.10 to Rs.15, worst of all, the

conversion rate is extremely low. So if a restaurant purchased about 200 visits in a week and got less than 20 users via Zomato that week, the cost per customer is almost Rs.200.

So a restaurant has to pay a lot just get eyeballs. This also isn't fair for small restaurants that serve good food, they will never be highlighted just because they can't afford this. Often heard are big chains of restaurants which pay several lakhs every month to Zomato to be always visible to the users. This is very painful for a small time restaurant owner and depressing for someone who is setting up a new restaurant.

3.3 High commission rate and steep discounts for small restaurants

Zomato takes 23% of the customer bill value (including GST) from the restaurant as commission. So if someone orders food worth Rs.1000 then they take away Rs.230 from the restaurant as commission. Users also expect restaurants to give discounts and Zomato themselves keeps asking restaurants to offer delivery discounts up to 50% sometimes. So if a restaurant has to offer 20% discount and have to pay 23% commission, that's 43% gone. This is their way of giving a stiff competition to Swiggy and boosting their app usage. But when they do this there is a huge surge in the number of online orders and typically restaurants incur a loss of 10% or more with each such order.

This is unhealthy for both the restaurants and the diners since this can lead to closing down of business. Once people get used to these discounts, they would expect restaurants to continue to do this and there are only a few ways this can be done- do it for a loss to get more visibility, reduce the quality drastically to bring down the price or bring down the quantity substantially. Though these offers will look very attractive to users this is bad for the ecosystem as a whole.

3.4 Lack of variety of restaurants and options

Because of these reasons, many of the small restaurants have difficulty setting up in Zomato and some restaurants opt off the platform. Thus, there are less variety of restaurants and food options usually only the large chain restaurants who can pay, are featured in the spotlight or front page. In smaller and less urban cities like Vellore, usually only few restaurants are featured and available.

During pandemic, Zomato has started delivery of groceries, but the number of shops and the types of items available for delivery is still very limited. Swiggy on the other hand, has plenty of different restaurants available in the day depending on breakfast, lunch or dinner. It also has plenty of groceries items and various items to deliver like frozen food, medicines, fruits and vegetables and other grocery items.

3.5 Zomato gold membership

Zomato Gold Membership is a subscription-based service that allows its members to avail exclusive deals at the Gold tagged restaurants, bars, lounges across India. The subscription to Zomato Gold Membership allows the consumer to get a complimentary food item or two complimentary drinks for 2 or more paid drinks.



The main problem was that the Zomato Gold scheme by Zomato was a selfish move by Zomato, where they kept the complete profit with them, while not sharing anything with the restaurants. The restaurants had to sell free food under the Zomato gold policy and initially they thought that it would be a good way to grow and advertise their business. So in this way Zomato gained money and the restaurants gained customers and it was working fine in the early stages. But as Zomato grew, they made the deals even more extravagant to gain more profits and compete with its competitors. However, the restaurants couldn't bear giving away so much free food and started facing losses. This was the start of the non-cooperation as Zomato did not share any profits from the Gold scheme with the partner restaurants. After this around 2000 restaurants cut their ties with Zomato Gold and went to other companies like Swiggy and Dine out. Even though both were mutually benefitting from the Zomato Gold scheme initially and would have prospered also, because both parties were not involved in making this policy, this caused them to ultimately face losses.

4. Solutions to decision dilemma

4.1 Food rating system

Food ratings are one of the most important aspects of the platforms, and false ratings can affect the restaurant brand as well as the Zomato platform as a whole. The system needs an overhaul. Dining ratings system should be separate from delivery system, each with its own categories. An example is after delivery of food allow customer to give star ratings on multiple categories such as food quality, food quantity, packaging, delivery, rather than a single category. If there is anything wrong in the categories there should be a feedback option to give suggestion on how to improve.

Also, when creating an account for Zomato, there should be mobile verification through OTP, to prevent multiple profiles being created to give false reviews, and customers should only be allowed to rate after the food is delivered or served. Algorithms should also be set in place to prevent particular profiles from giving suspicious reviews and flag restaurants known to solicitate the fake reviews.

4.2 Helping small restaurants and shops

Having variety of restaurants and shops is important because it gives the customer plenty of food options to keep them engaged in the app throughout the day. So it is important to help promote and advertise these places. When a new restaurant is added it should be featured in the spotlight or featured page and allowed less commission rate for at least a few days. So when it is in featured customers will be aware of it and thus bring more views to the page. Even if the restaurant is later no longer featured, customers who previously bought and liked the food will search for the restaurant, thus helping to maintain its publicity.

Zomato should also work to hire more local delivery persons in the area. With the number of jobs lost due to the pandemic, there are plenty of potential workforces available. This can help connect the platform to more shops and smaller restaurants in the area and since local people have more knowledge of the area as well as the language they can reach and deliver food to the customer's address quickly and more effectively.

4.3 Zomato gold membership

This kind of situations can be avoided if both the parties involved in the process from the beginning. Zomato should clearly explain the policy to the restaurants saying what benefit they will get from this program and what they will get if things don't go well. Some benefits Zomato could add are to distribute its profits and also others like lower commission rate, lesser cost per page view. These additional benefits will help incentivise the restaurants to join Zomato gold and maintain the status.

5. Conclusions

Zomato is the most widely known Indian food platform. It has global presence in both India as well as internal, has thousands of followers in social media and has steep promotions and discounts in festive seasons such as IPL. But it's lack of focus in the restaurant and customer interest means that its popularity and trust is decreasing, leading to them opt to go for Swiggy. There is also a severe lack of variety of restaurants and shops, especially in smaller cities like Vellore than Swiggy. Thus Zomato needs to shift its focus from marketing and advertising to reach broader audience to improving relationship and trust with the existing restaurants and customers.

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