

Zomato - Market and Consumer Analysis

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Abstract-Some start-ups in the Indian Food & Beverages industry have revolutionized the way we look around for places to dine. The scenario has changed from previous practice when we had to actually go to restaurants to select the restaurant and have the experience. Today, choice for the best places to have food is just a click away. One can choose the best rated place and then decide to enjoy there with friends and family.

I INTRODUCTION

Zomato

Zomato is an online website which provides restaurant search and discovery service. It provides its customers a platform to evaluate choices for great places to eat. It has set foot on 22 countries including India. The Gurgaon headquartered company Zomato was named among the top 25 most promising internet companies in India by SmartTechie Magazine. Because of its consistent performance and success, it has been successful in getting regular investments from Info Edge (India).

II PURPOSE

The purpose of this case study is to do an analysis of the way Zomato has scaled up its operations, expanded its business into various countries. We also plan to find out the strengths, weaknesses, future opportunities and threats of their business model. This will ultimately help us understand the F&B industry and build our opinions about few business scenarios which will help us build solutions to them.



III STRENGTHS

- A 2008 startup recently entered the \$1-billion valuation league according to New York-based venture capital tracker CB Insights
- Revenue growth 8.5x from Rs. 11.4 crore in FY2012-13 to Rs. 96.7 crore in FY2014-15
- 90 million unique monthly users; Up 300% from last year; Alexa rank 146 in India and 1,210 in the world as of June 2015
- 43 offices worldwide spread across 22 countries with 2000 plus Zomans from 65 nationalities
- Listing more than a million restaurants spread in over 10,000 cities across 22 countries
- Focused solely on food and restaurants, its content is created by its own employees rather than crowd-sourcing it
- Focused on the social layers on the website and on maintaining a rock solid content platform which is funny and interactive at the same time
- Mobile application app has recorded 2.5 million downloads; 45% traffic comes from mobile application
- Forayed overseas in September 2012 by launching services in UAE, followed by swift expansion across south east Asia, UK, South Africa, Europe
- In 2014 acquired 5 companies valued between \$1 and \$3 million in the Czech Republic, Slovakia, Poland, New Zealand and Italy
- Acquired Urban spoon in January 2015 for \$55 million; establishing operations in the US, Canada and Australia; And coming in direct competition with global players like Yelp, Foursquare
- Acquired Next able (US based table management platform) to launch table reservation service in US, India and Dubai
- Profitable in India and the UAE; Hoping to break even in South Africa, New Zealand, Indonesia and Portugal by October

IV WEAKNESSES

- With expansion to various countries, it now has competitors like Yelp (revenue \$377.5 million) which are much older and bigger than Zomato, something which it has not faced.
- As a result of hard focus on global expansion, Zomato lost out on the first mover advantage in the field of online food delivery to Tiny Owl, food panda.



- Quality and veracity of data; in many cases the information regarding menu cards is either incomplete or old. For example, in certain restaurants, menu card without prices is mentioned. In certain other cases, the menu is partial
- One of the main sources of revenue for Zomato is the promotion of restaurants. This brings a possibility of conflict of interests and lack of clarity of ratings

V OPPORTUNITIES

Opportunities can be broadly classified into 2 categories:

- **New/Emerging Markets**
Emerging Markets: With India's Internet population poised to rise to half a billion by 2018, Zomato's market is all set to grow further. The number of people using their phones to access the Internet has grown spectacularly from 90 million in June 2013 to 185 million in June 2014; such a growth rate results in a huge market to tap. Being an acquisition hungry company, it wants to expand globally with India's market share at only 8%; Zomato's CEO Deepinder Goyal next move will be to increase penetration in global markets.

Online Services

- **Zomato for Business:** A subscription-based model wherein merchants have access to their listings. This allows them to share daily discounts, promos or special menus, increasing their interaction with consumers on a real-time basis
- **Cashless transactions:** Currently available only in Dubai, diners at participating restaurants pay through the Zomato app, eliminating the need to use cash/swipe cards. On every such transaction, Zomato receives a percentage cut on the total amount. There is huge opportunity for such a venture in the other existing markets like India and the US
- **Online Ordering Service** - Launched in Delhi, Bangalore and Mumbai in mid-April, soon to be launched Pan-India. Currently with 2000 restaurant partners, Zomato aims to partner with 10000 restaurants across India.
- **Zomato Book:** To be launched in Australia, India and UAE, through acquiring NexTable of USA, this is a platform for reserving restaurants and managing tables

VI THREATS

- Aggressive expansion in a huge market landscape – Zomato has been continuously acquiring companies for expansion – which may not be a bad thing. But when this comes at a cost of losing out

domestic ground, it may not be the best thing to do. Zomato may be missing out on strengthening and innovating on the existing network by focusing on expansion.

There are a lot of things which they can do to get more people to use their services for e.g. Online delivery – they lost out on the first mover advantage by not focusing on this and allowed breeding ground for startups like Foodpanda to get into this space and stand up as a competitor. Tomorrow their might be some other startup which may give some other service which Zomato doesn't provide and gain market share for itself. Hence, it may not be the best policy to ignore the existing market while being on the mission of expansion. As clearly evident in the mentioned above image, there is a huge scope for improvement for Zomato. There are so many avenues that it needs to get into before its competitors get in.

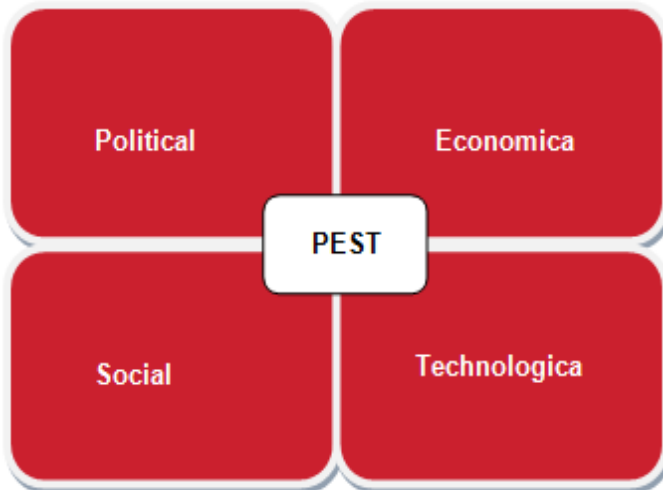
- Intense competition from national and international brands - With expansion to various countries, it now has competitors like Yelp (revenue \$377.5 million) which are much older and bigger than Zomato. On the other hand, we have small players which are slowly covering ground in domestic area like –
 - Foodpanda
 - Tiny Owl
 - Burpp
 - Yelp
 - TimesCity guide

Similarly, there are 18 startups in various stages of evolution – all set to become threats to Zomato.

- Restaurants low on ratings may never be able to get good number of patrons – not everyone has the funding to improve standards – they may actually lose out their existing customers. All such restaurants owners may resort to protest.

Political

- Digital India Campaign launched by Prime Minister Narendra Modi will help in getting more Internet penetration in India which will lead to greater access to almost every market. Under this, National Optical Fiber Network campaign recently launched will help to reach even Gram Panchayats. Zomato can take advantage of this by getting restaurants of cities covered under Digital India Campaign.
- Recently launched Pradhan Mantri Kaushal Vikas Yojana will be focused on enhancing and developing the skill of youth which in turn will help to get many people with knowledge and skill. Zomato, to increase market penetration and reach, will require skilled people to establish themselves in the new market. Hence, PMKVY will help to provide skilled people which could be hired by Zomato



- Indian government's focus on Ease of Doing business will help bring more investments in form of FIIs and FDIs. Zomato can be benefited with the expected investment, which would help it to grow.

Economic

- Zomato grew 1399% from 2011 to 2014. Its revenue was 96.7 crore INR in 2014-15. Zomato is present in 22 countries and contributing to respective economies of the countries
- Increase in service tax from 12.36% to 14% will lead to increase in prices of services which in turn will impact Zomato
- Zomato is starting cashless transaction which will create jobs in various cities. Currently, Zomato employs 2319 employees
- Zomato is attracting various investments and funding from Indian as well as foreign investors which in turn is good for Indian economy.

Social

- In a span of six years Zomato has become India's favorite online Restaurant Discovery tool. It has influenced and changed the way how people select their restaurants
- There has been an increase in the middle class Indian working population and substantial change in lifestyle pattern. Gone are the days of 9 to 6 job, people are now working around the clock. More and more people especially youngsters and new age working couples love to eat out. As per the survey released by national Sample Survey Commission the proportion of expenditure of dining out has increased steadily from 19% in 2000 to 30% in 2012
- The biggest social factor of Zomato is User Engagement. Reviews and Ratings make the website very engaging which ensures customer participation. The concept of incentive based rating

has also caught up with people and has made them socially active and responsible

- Customer Service of Zomato is also very amazing. Prompt and friendly replies ensure that Zomato keeps its customers loyal. Customer Service is an important aspect of any service company and Zomato has definitely taken a lead here over other Indian Companies

Technological

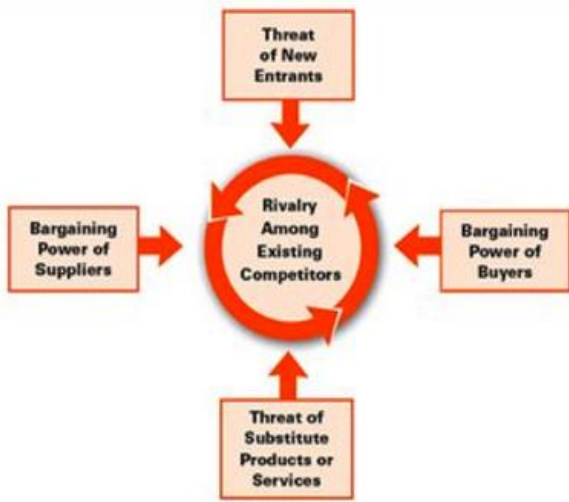
- The biggest advantage of Zomato is it has a beautifully designed UI (User Interface), which is beautiful and at the same time easy to browse differentiating it from other Indian tech start-ups. The speed with which the website opens is amazing and the mobile app is also very fast. The only problem around the same is with the menus you need high resolution otherwise it gets too cluttered to read
- The restaurant finder module is also very well made. It has been integrated with the app as well which is the highlight because one will need to find the restaurant on the go. The restaurant information is well thought out and organized which makes sure you get the information you are looking for without any hassle
- The number of vote options adds a lot of context to the rating. There is also a focus on personalization with the personalize option and thus you can play with the interface the way you like
- The website is SEO (Search Engine Optimization) friendly which makes sure that it pops up on the search engine. There is a huge challenge that Zomato will have to face from Google because it is promoting its own restaurant finder and booking tool. Zomato will have to constantly evolve and innovate and add value if they want to sustain in the market
- The business model of the Zomato Revolves around gate keeping of information, which means that when you call a restaurant, its number gets masked, and you are being routed through Zomato. It also requires you to login to use the service. The reason behind this is Zomato needs to compete with companies like Google and thus to get the funding they need more registered users. Even if with the gate keeping feature they miss on a small percentage of users who are skeptical about their privacy they will surely add a lot of information from people who register.

VII PORTER's FIVE FORCES ANALYSIS

Threat from Substitutes

Zomato is of the strong belief that their focus on restaurant discovery and facilitating a holistic dining experience gives them an edge over competition. As Deepinder Goyal, founder, Zomato, says, Zomato is driven to constantly improve our product within the space with a small margin of error.

Zomato realizes that it is a winner-takes-all and is therefore focused on dominating the competition within its space.



Google Maps - Latest release of Google Maps for desktops includes listings of restaurants in the neighborhood. It also facilitates restaurant search and provides photos, reviews, ratings and even the floor the business is located at. Zomato's advantage over Maps is that Maps hasn't started menu listings yet

Local Competition-

FoodPanda and JustEat- FoodPanda gained first mover advantage by launching the online order facility earlier than Zomato, thus resulting in Zomato losing relevant market share

JustDial- JustDial offers a wide range of restaurant listings; however, it loses out against Zomato as it doesn't have an equivalent collection of reviews, photos and user engagement. Also, in the minds of consumers, Zomato offers a specialized and differentiated service thus making it a natural choice

Global Competition-

Yelp- Basic difference between Yelp and Zomato is that while Yelp publishes crowd-sourced reviews, organizes social events and provides basic data about businesses, Zomato provides information (photos, menus and geographic coordinates) and allows users to create their own network of foodies for personalized recommendations. The flipside for Zomato: Total number of unique monthly visitors to Yelp is a staggering 139 million, amounting to four times Zomato's existing traffic of 35 million. In terms of revenue, Zomato earned \$6 million in revenue compared to Yelp's \$232 million in 2014.

TimeOut- Founded in 1968, it has become a global authority on entertainment and events all across the world. With a reach to 39 million people, it has a huge market share,

however is more known for providing information on events and happenings than restaurant listings and reviews. Since majority of users check rating and not reviews, it is very important to maintain fair ratings on the website.

Industry Rivalry

Foodpanda- foodpanda who has also acquired TastyKhana and JustEat is a competitor to Zomato in this marketplace. But, as per one of interviews with Mr. Deepinder Goyal, Zomato doesn't consider it as a threat because foodpanda in spite of being present in market for 3 years has clocked only 10,000 orders a day whereas people visiting Zomato has 1, 00,000 searches a day. Zomato's large sales team gives an added advantage to Zomato.

Burrrp! - Burrrp! is a competitor to Zomato. But due to its expansion from restaurant listing to other divisions such as events and retail outlets, the company's focus has been distributed whereas Zomato has stuck to its core functions.

TinyOwl - TinyOwl is an emerging start-up with business model of food ordering through App on smart phones. It is currently present in Bangalore, Mumbai, Gurgaon, Hyderabad and Pune.

Yumist - Yumist is a new player in this market started by Ex-CMO of Zomato which is targeting customers who want low priced daily meals market. Although it has received the investments worth US\$ 1 million, but these investments are till now not significant to compete with Zomato.

Other New Start-ups - There are other new start-ups which are nascent in stage but growing. Some of them are FRSH, Eatlo, Holachef, SpoonJoy, DELIVERY CHEF etc.

Industry Rivalry in Major International Markets

Yelp - Yelp is the biggest competitor to Zomato in US. It is present in 31 countries. To counter Yelp, Zomato acquired UrbanSpoon in US but still there is major gap to reach no.1 in US market.

HungerGo - HungerGo is major player in Singapore where Zomato doesn't want to enter due to tough competition poised by HungerGo.

Yadig & Timeout - Yadig and TimeOut are other major players in UAE but Zomato is market leader in UAE with 65% market share.

Barriers to Entry -

Barriers to entry are very high as there are already major players established in market. Zomato is very well established and market leader. There are other players such as foodpanda, TinyOwl and Burrrp which have already having decent market share.

Bargaining power of buyers

- Presence of various competitor apps in the market means that it is easy for the buyers to switch to other apps like food panda, Burrrp! Tinyowl, just eat.



- With improving features, and upgrades such as food ordering, people may switch to other apps offering better features.
- Since it is easy-to-use online platform, constraints related to distribution is eliminated. This removes a potential factor for bargaining of buyers.

Bargaining power of suppliers

- **Suppliers of Zomato** - Print media and online media - Editors' choice on play store
- Zomato has become famous through its publicity in print media, through play store, through advertisements in Restaurants. To add to this, there is also dependency on reviewers - they do not have any way to check the authenticity of reviews as of now.
- These all become the suppliers of Zomato. Thus the threats which they face are:
- What if restaurants do not want to list themselves on Zomato? What if they move to another app?
- Since the reviews are subject to the perspective of the patron, it may be a biased one - moreover, spam may defeat the purpose - Ratings may get subjective. They have a content team, but it needs to expand.
- Zomato does not have a system of rewarding the reviewers who spend a lot of time writing reviews - which may put them off from writing
- Incentives for reviewers are required - if competitors give them - they may switch to other apps - they should make sure the reviewers stay put
- Many restaurants are not available on Zomato. More publicity is required.

More - Mobile companies which strike deals with Zomato to keep a pre-installed app may prove to be the suppliers for Zomato. They may charge more to allow Zomato pre-installed in their phones.

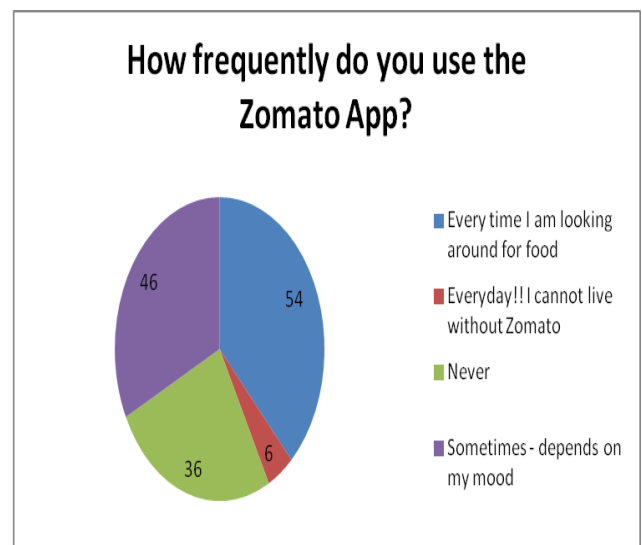
Threat of new entrants

- **Strong Brand Name**
A brand name is a must to survive in the industry. Zomato has been very effective in the past few years. However, they have been late in entering the ordering segment and Food Panda has taken effective strides in the same. Any new competitors will need to work extensively on their brand value in order to effectively compete. Thus this threat is low for Zomato however they need to constantly innovate in different verticals to ensure that they build on the advantage that they have created.
- **Advanced technologies**
This is another area where Zomato has taken huge strides. As mentioned earlier in the technological analysis, the app and website are aesthetically

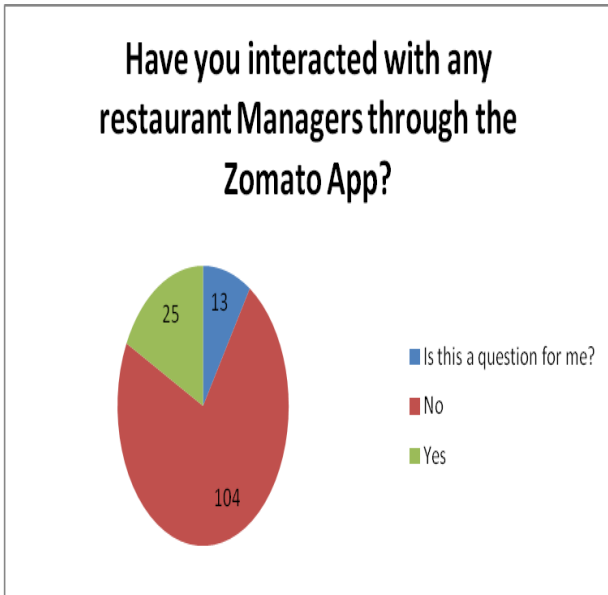
beautiful and the whole experience is enriching! Thus new entrants will have to come up with an overhaul of the whole strategy as far as application and technological advancements are concerned. Innovation in technology positively affects Zomato.

- **Industry affects economies of Scale**
Economies of scale positively affects large producer by lowering the cost of the next unit of output at lower cost. Thus it is relatively easier and economical for Zomato to expand at a faster pace. Any new entrant will have to pump in a lot of investment to challenge Zomato because they will have smaller economies of scale. However, this is one area where if the new entrant can generate enough capital they can challenge Zomato on the ground level even though economies of scale are tilted towards Zomato.
- **Geographical Factors affecting Competition**
Food Panda is present in 200 Indian cities and has made huge strides in the recent past however it is still considerably lagging Zomato in terms of territory covered as Zomato has presence not only in huge number of Indian cities but also in 22 different countries and they are taking strides very fast. Tying up with restaurants and getting the information organized in the way Zomato has done is a huge challenge for any new entrant. However, seeing the pace at which Zomato has reached out and expanded it seems possible and thus Zomato will have to constantly maintain that advantage and keep coming out with new and innovative models.
- **Difficult learning curve**
Though Zomato has been able to do learn and grow in the market at a very effective speed; the learning curve for any new entrant into the market will be very steep.

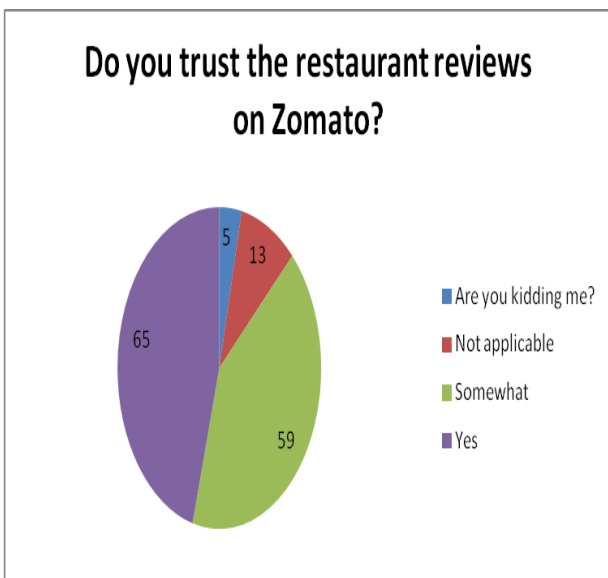
VIII CONSUMER BEHAVIOUR ANALYSIS



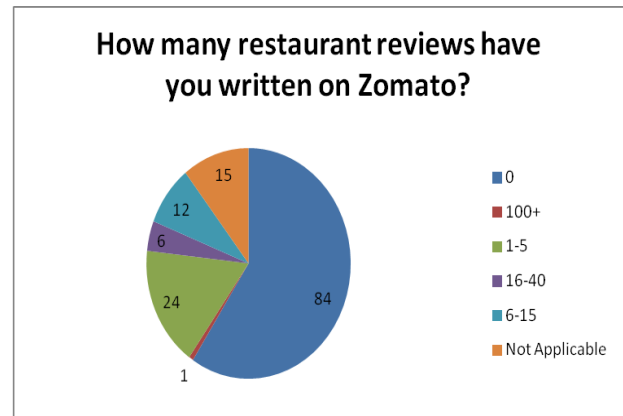
The above results indicate that the users of Zomato are enjoying the services being offered. Zomato is meeting its purpose of ensuring that its users do not have to go hungry. It is guiding patrons to places to have food.



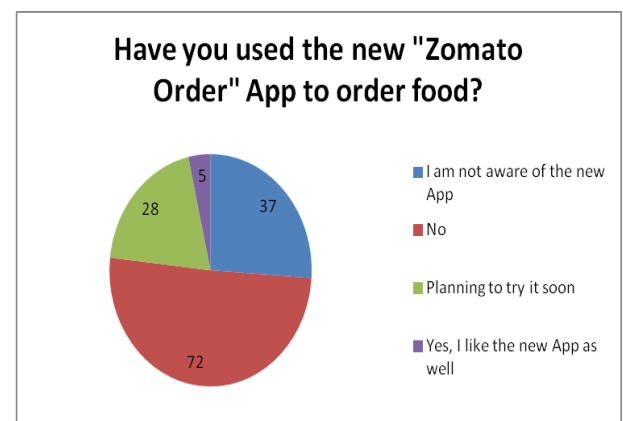
This indicates that there is still a lot of scope towards involving the consumer for value addition and co-creation. Managers generally interact with the audience to get their views for betterment of their restaurant.



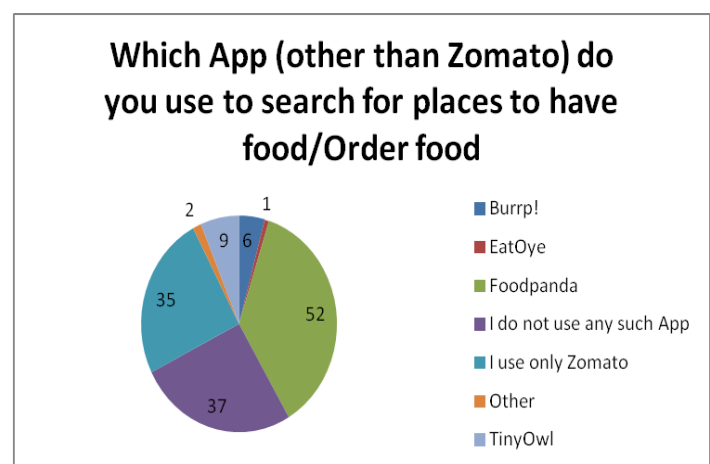
The responses above clearly indicate that though a large number of users roughly believe the reviews on Zomato, there are many who have second thoughts about their authenticity. Thus it is something which needs to be worked upon.



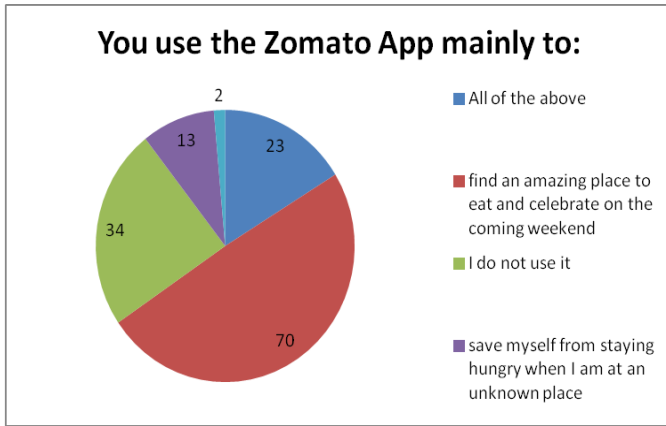
This is a direct medium to involve customers. Supplier and consumer of the information is the general public. A huge chunk of users does not feel the necessity to write a review – this can be worked upon by providing some incentive or recognition to them.



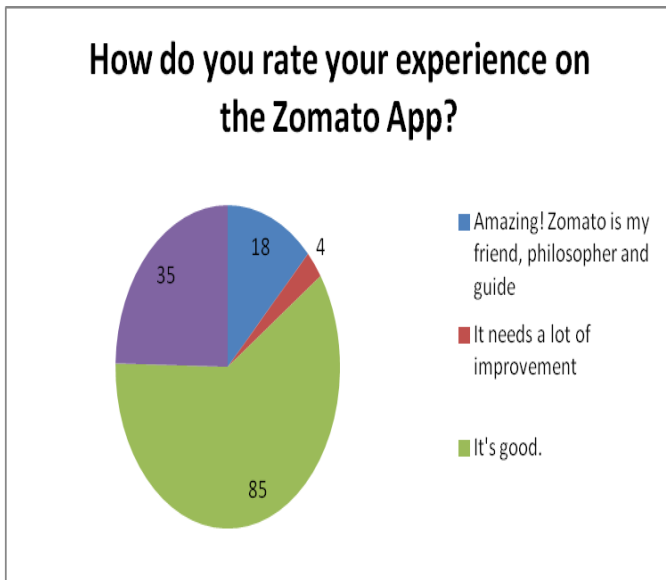
These responses clearly indicate that only a minor section of the users are using the ordering app. Many people are yet to hear about the new facility provided by Zomato. This is something to be deliberated on.



These clearly indicate towards the threat of competitors of Zomato.



Usage of Zomato for various purposes is clearly highlighted in the above graph. People use it mainly to find a good place to eat and celebrate.



This reflects the customer satisfaction of Zomato - shows a good overall satisfaction.

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