

A Case Study of Zomato

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Abstract

The last two years have been very harsh to the world's economy. Countries have witnessed to its drastic change in their demography structure, economic ups and downs, lockdowns, and a higher rate of Unemployment. Now every country is in dire need of adopting some measures to escalate their economic growth. Introducing new businesses in society can escalate countries' economic progress by providing wealth and creating new job opportunities for society. For example, Japan and the USA developed because

of their entrepreneurial culture. Every known company with an innovative business idea has come to light only from these countries. We can see within India; that economic disparity varies from state-to-state Gujrat and Punjab have seen rapid economic growth because of their entrepreneurial Venture. This paper is trying to analyze the importance of entrepreneurial contribution in a country like India and also explain the successful Indian venture story of “Zomato”.

Key Words: Inclusive Development, digitalization, street vendors, Economic growth.

Introduction

Any country's growth depends on many factors including economic, political, social, International, and environmental factors, etc. Every factor has its share to contribute to the country's development but among them, the contribution made by entrepreneurs cannot be denied. No doubt, the future of any country lies in its younger generation. If the young generation of a country has got the opportunities to cultivate and learn to take risks, the same country ends up having many entrepreneurial ventures. New entrepreneurial ventures (business) have been linked directly to the country's economic development. On one hand, entrepreneurs will earn their livelihood, on the other hand, they will create wealth for society, create jobs, help to keep a balanced regional growth, and also performs community developer role. Economic development cannot be achieved overnight. “Economic development is the process of upgrading a country's real per capita income over a specific period.” Merely technology upgradation cannot fulfill this goal of economic development. For effective utilization and

implementation of technology, the country needs entrepreneurs. A country especially a developing country like India needs entrepreneurs more than other developed countries who have the potential to take the risk and start their own business. The meaning of entrepreneurship is defined by many scholars. One definition given by Professor Howard Stevenson, is “entrepreneurship is the pursuit of opportunity beyond resources controlled”. Now, society is been through a big change or shift like rapid change in technological infrastructure. If a country is ready to harness the potential of this rapid shift, it has to reinforce and try to create an entrepreneurial society mindset in its younger generation.

India, a developing country, needs to reinforce entrepreneurial skills among the young generation. The Government of India is giving special attention to skill enhancement and the development of entrepreneurial culture and spirit among the youth. Last decades, India has seen many successful start-ups which have revolutionized the Indian business world. Start-ups like OYO Rooms, Your Story, Paytm, Ola Cabs, Zomato, Flipkart, MakeMyTrip, Biju’s and Big basket, etc. This paper explains the successful journey of Zomato. How a small company created only to fulfill its own office staff’s needs became a well-known venture in India.

Zomato

Zomato is an Indian online food delivery application that is focusing on Indian customers’ need for food. Primarily, it started to serve as an online restaurant discovery and search platform. From the time of its inception, it keeps on expanding its functions. Now, it provides an online platform for customers or its other stakeholders to search the restaurant

and food delivery options. The company was started by Deepinder Goyal and Pankaj Chaddah in 2008. Initially, it was known as a “foodiebay” application only meant for the intra-office staff. Later on, it changed its name from foodiebay to Zomato. Till 2011, Zomato constantly worked to expand its business across the country and the targeted cities were Mumbai, Delhi NCR, Chennai, Bangalore, Kolkata, and Pune. In 2012, it started expanding its business in foreign markets like UAE, Qatar, Sri Lanka, the UK, South Africa, and the Philippines. It again extended its operation to other countries like Brazil, New Zealand, Turkey, and Indonesia.

Idea Inception

The Idea of Zomato has come into Deepinder Goyal and Pankaj Chaddah’s minds while working in Bain and the company office. Deepinder Goyal was a management consultant and Pankaj chaddah was working as a senior consultant at Bain. One day they experienced difficulty seeing the office canteen menu because of a long queue. The idea came to their mind to create an intraoffice facility to get rid of this problem which generated “Foodiebay”. Foodiebay scanned the office canteen menu and uploaded it on the website (the company’s private network), soon office staff members started using the platform. After getting success in office the first time it opened for the public and the first menu uploaded on the portal was related to Hauz Khaz of Delhi. After getting so much popularity, it thought to change its name from foodiebay to Zomato. Accepting Zomato as a brand name diminishes its similarity with eBay and also it came with a bundle of services.

Based on Zomato Annual Report 2021-22, there are

some important functions performed by Zomato: -

- 1) **Food Ordering and delivering:-** By the time, Zomato added a food delivery option to its function and within a very short time it has covered a good percentage of the market.
- 2) **Hyperpure (B2B Supplies):-** It is an integrated effort to offer farm-to-fork supplies to restaurants in India. Under this scheme, Zomato gets fresh ingredients and raw materials from the farmers and supplies them to its partner restaurants directly.
- 3) **Dining-out and others:** - Zomato's first function was to search about restaurants in its menu cards and make a reservation of table.

Sustainability Core Areas of Zomato

Zomato is fully dedicated to the country's mission of reducing carbon emissions and developing sustainability for the present and future. For fulfilling this purpose, it has set six core areas to focus on. All six core area themes are aligned with the United Nations Sustainable Development Goals (UN SDGs). These six core areas are given below: -

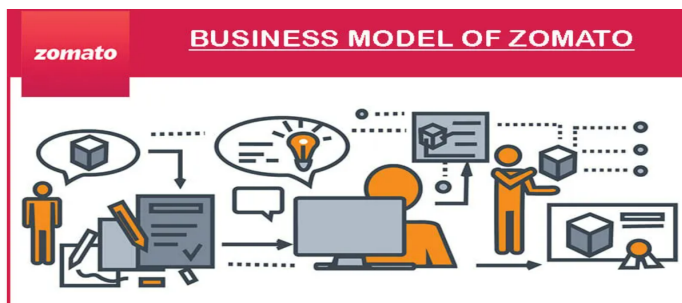
- 1) **Climate Conscious Deliveries:-** Having been a member of the climate group EV100 initiative, Zomato is adopting many practices to reduce carbon emissions as it decided to have 100% electronic vehicles by 2030.
- 2) **Waste-Free World:-** Being committed to a plastic-free environment, Zomato recorded 100% plastic-neutral deliveries from April 2022. It has reduced 300 tonnes of plastic use in FY, 2022.

- 3) **Zero Hunger:-** Zomato is committed to eradicating India's hunger and malnutrition problem. Feeding India is a non-profit organization founded by Zomato. Feeding India is a collaboration between the Government of India and Zomato. The main purpose to create this non-profit organization is to make India hunger-free.
- 4) **Sustainable Livelihood:-** Zomato is a technology-based platform that connects many restaurants and gives them a vast database of customers, their choices, and preferences on the other hand it allows choosing, reserving, and giving feedback regarding restaurant services their delivery services, etc and also provide flexible earning options to its delivery partners.
- 5) **Health Safety and well-being for all:-** Zomato is fully committed to the health and safety of its all stakeholders. During corona time, it has reimbursed all Covid expenses including vaccination charges.
- 6) **Diversity, Equity, and Inclusion:-** Zomato is a place that gives full equal opportunity to all people without having any prejudices based on gender, race, or religion. Its board of directors comprises 50%, female directors. Zomato is also following the Parental leave policy irrespective of gender.

Zomato's Target Audience

Being an online platform, internet availability is the first and foremost requirement of its functioning. Keeping that in mind, it targets people from the age group of 18 to 35 years old who have mobile phones with internet accessibility and are ready to use their applications.

Zomato Business Model



FY22 – Financial and Operational Highlights of Zomato

Adjusted Revenue

<i>INR billion, unless otherwise mentioned</i>	FY19	FY20	FY21	FY22
Food delivery	9.1	23.6	21.6	47.6
Hyperpure (B2B supplies)	0.1	1.1	2.0	5.4
Dining-out and others	4.8	6.6	2.8	2.4
Total	14.0	31.3	26.5	55.4
YoY % change	201%	123%	-15%	109%

Note: 'Others' includes dining-out and membership revenue (Zomato Pro) in India as well as UAE. It also includes revenue from food delivery services we offer to Talabat in UAE which is a pass through revenue (EBITDA neutral). Other businesses such as Nutrition, Fitso and our international operations in countries other than India and UAE have been discontinued during FY22.

Source: - Zomato Annual Report 2021-22
(https://b.zmtcdn.com/investor_relations_documents/zomato_annual_report_2022_1659701415938.pdf)

Adjusted EBITDA

<i>INR billion, unless otherwise mentioned</i>	FY19	FY20	FY21	FY22
Food delivery	-19.9	-19.3	0.4	-3.8
Hyperpure (B2B supplies)	-0.1	-0.5	-0.5	-1.2
Dining-out and others	1.0	1.3	-0.6	-0.2
Unallocated costs	-2.4	-3.5	-2.5	-4.5
Total	-21.4	-22.1	-3.3	-9.7
<i>Adjusted EBITDA margin (%)</i>	-153%	-71%	-12%	-18%

Note: Unallocated costs include server & tech infrastructure costs, corporate salary costs and other corporate overheads.

Source: - Zomato Annual Report 2021-22
(https://b.zmtcdn.com/investor_relations_documents/zomato_annual_report_2022_1659701415938.pdf)

Food delivery

<i>INR billion, unless otherwise mentioned</i>	FY19	FY20	FY21	FY22
GOV	53.9	112.2	94.8	213.0
Orders (million)	191.0	403.1	238.9	535.2
AOV (INR)	282	278	397	398
Contribution as a % of GOV	-24.8%	-11.0%	5.2%	1.7%
Adjusted EBITDA as a % of GOV	-37.0%	-17.2%	0.4%	-1.8%
Average monthly transacting customers (million)	5.6	10.7	6.8	14.7
Average monthly active food delivery restaurant partners ('000)	61	131	110	180
Average monthly active delivery partners ('000)	81	189	120	285

Note: We have converted millions into single decimal billions and hence there could be some totalling anomalies in the numbers.

Source:- Zomato Annual Report 2021-22
(https://b.zmtcdn.com/investor_relations_documents/zomato_annual_report_2022_1659701415938.pdf)

Revenue Sources For Zomato

1. Advertising
2. Subscription
3. Event Organization
4. Zomato White label
5. Online Food Delivery
6. Zomato Consultancy
7. Zomato Gold

Advertising

Zomato is using an online platform providing access to the vast database of customers to explore restaurants, check their menu, to reserve their table if they select the dine-out option. Restaurants give banner ads on Zomato's site in return for this Zomato charges fee. In this way, restaurants get a large audience in a very short period. It is estimated that 50 to 70 % of Zomato's revenue comes from banner ads.

Subscription

Those restaurants which have subscriptions with Zomato. Zomato provides them with some analytical tools. Zomato has a good database regarding customers eating

habits, tastes, preferences, timing, etc. Zomato gathered customers' data through their store and their cookies. One of the analytical tools which zomato offers is Zomato order. It contains the data regarding customers' table booking frequency, preferences, and what are other features customers want while booking a table.

Event Organization

If any major festival or event is coming, Zomato plans to organize events for that event. Like new year's events, organized by zomato are very popular and zomato earns money through ticket selling.

Zomato White Label

Under this, tomato offers its connected restaurants to develop a customized app for themselves. By doing this, zomato also attracts money.

Online Food Delivery

Zomato is a very popular food delivery option. It charges a commission on each order to the restaurant.

Zomato Consultancy

Zomato is having good customer database. If anyone starts a new venture related to food or business, they can contact zomato and utilize its database, in return this tomato will charge a fee.

Zomato Gold

Zomato gold is a subscription-based customer-oriented service. Under this scheme, when a customer subscribes to this offer, they get complimentary food items and cold drinks at the time of placing an order.

During Covid -19 days, many people lost their jobs but the severe effect of unemployment can be seen mostly in unorganized sectors, especially in the case of street vendors. In the wake of the Lockdown, street vendors suffered a lot

financially, physically, and mentally. Having been locked up in their home and unable to do their daily business activities, which was technically their only source of livelihood, makes them hopeless and helpless. And more than that, not having any solution to overcome this problem posed a big question for their survival. To help and revive these street vendors, Zomato came up with a solution. Zomato tied up with the Government of India (GOI) in February 2021, to provide a wider database of customers to provide them online access. For this purpose, GOI has launched a revival scheme named “Prime Minister Street Vendor’s Atma Nirbhar Nidhi Scheme or PM SVANidhi Scheme”. This scheme is funded by the Ministry of Housing and Urban Affairs (MoHUA). This scheme mostly targets providing working capital loans, incentivizing regular repayments, and making them digital payment friendly. The purpose behind this opportunity was to make them up to date and economically independent by introducing a digital platform. To empower the vendors, Zomato also signed an MOU (Memorandum of Understanding) with the Ministry of Housing and Urban Affairs (MoHUA) to provide them access to the Zomato technology platform.

Feeding India

With having “Make India Hunger Free” mission statement, Zomato is trying to feed people in need. “Feeding India” one of the non-profit organizations created by Zomato is trying to eradicate or provide the necessary means to make India hunger-free. Having been established in 2014 by Ankit Kawatra and Srishti Jain. Later it merged with Zomato in 2019 and became “The Feeding Foundation “with a motive to speed up its efforts toward solving the existing hunger problem in India. It is a daily feeding program across India. As of September 2021, Feeding India has served more than 15.3 Cr meals. Going one step ahead, it also tries to help children

from underserved communities like slum areas, community development centers, creches, etc. Giving meals to these children will not only fulfill their hunger needs but also act as an example for bringing positive change in their life.

Conclusion

Zomato is one of the leading, successful, and popular online food delivery. Though, many new players have come to the Indian market like Swiggy, many local food delivery platforms, etc. which are giving stiff competition to Zomato. Zomato is not only a food delivery platform, it came up with a unique business model which is adding more and more features day by day based on the need of customers. Easy procedure, accessibility, assortment, and user-friendly interface make Zomato top in the market. Now Zomato is not only earning money on its own but also expanding its revenue options to its partners and collaborators. Uber, Paytm, restaurants, and many food bloggers are now getting new income opportunities through Zomato. With Innovation and development as its core values, Zomato keeps on adding and coming up with new ideas.

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