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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.

Introduction

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 Smart Techie Magazine. Because of its consistent performance and success, it has been successful in getting regular investments from Info Edge (India).

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.

History

Zomato started as the website Foodiebay.com, by Deepinder Goyal, a post-graduate from IIT Delhi. Foodiebay officially started in July 2008 with a list of 1,200 restaurants in the Delhi NCR region. This database expanded to 2,000restaurants by end 2008. Expanded its reach to Kolkata ,Mumbai, Bangalore and Pune within the next six months That is when Info Edge (India), the parent company of the Naukri.com group, invested 4.7 crore (US$1 million) in the business.. The brand name was changed due to a possible move outside of the food vertical and also to avoid a possible conflict with eBay, because the earlier brand name Foodiebay contained.

Research Methodology

The paper is based on primary and secondary research. Primary data was collected from respondents and food bloggers through a set of questionnaires prepared to Understand the perception of the brand 'Zomato'. Secondary data was collected from consumer food blogs, newspaper research articles & social media pages of Zomato.

Investment

Between 2010-13, Zomato raised approximately US$16.7 million from Info Edge India, giving them a 57.9% stake in Zomato. In November 2013, it raised an additional US$37 million from Sequoia Capital and Info Edge India.

In November 2014, Zomato completed another round of funding of US$60 million at a post-money valuation of ~US$660 million. This round of funding was being led jointly by Info Edge India and Capital, with participation from Sequoia Capital.

In April 2015, Info Edge India, Capital and Sequoia Capital led another round of funding for US$50 million.

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In October 2018, Zomato raised $210 million from Alibaba's payment affiliate Ant Financial. Ant Financial received an ownership stake of over 10% of the company as part of the round, which valued Zomato at around $2 billion. Zomato had also raised an additional $150 million also from Ant Financial earlier in 2018.

Acquisitions

Zomato has acquired 12 startups globally.In July 2014, Zomato made its first acquisition by buying Menu-mania for an undisclosed sum. The company pursued other acquisitions such as lunchtime.cz and obedovat.sk for a combined US$3.25 million. In September 2014, Zomato acquired Poland-based restaurant search service Gastronauci for an undisclosed sum. Three months later, it acquired Italian restaurant search service Cibando.

Zomato acquired Seattle-based food portal Urban spoon for an estimated $60 million in 2015. Other acquisitions of 2015 include Mechanist in an all-cash deal, the Delhi based startup Maple Graph that built Maple POS (renamed as Zomato Base and Next Table, a US-based table reservation and restaurant management platform).

In 2016, the company acquired Sparse Labs, a logistics technology startup and the food delivery startup, Runner, in 2017. In September 2018, Zomato acquired Bangalore-based food e-marketplace Tongue Stun Food for about $18 million in a cash and stock deal. The same year, in December 2018, Zomato acquired Lucknow-based startup Tech Eagle Innovations that works exclusively on drones, for an undisclosed amount. Zomato said this acquisition will help them pave the way towards drone-based food delivery in India, creating a technology that will power hub to hub delivery network.

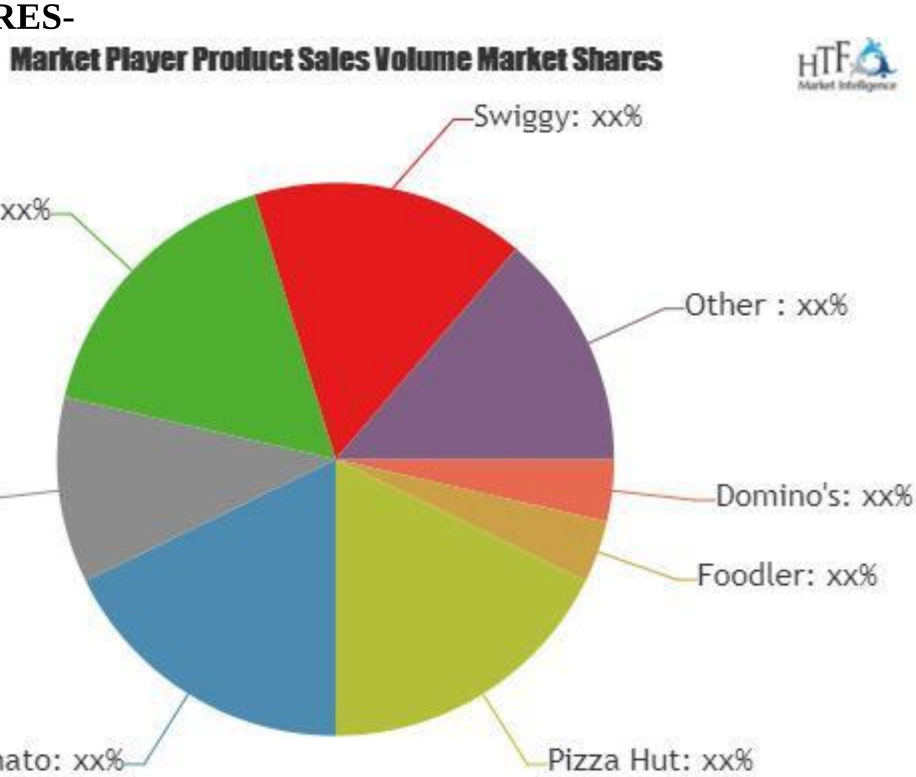
Controversy

In November 2017, Zomato had to apologize after the "MC BC" ad went viral. There were mixed reactions regarding this ad on social media and some found it very offensive due to which Zomato had to take the advertisement down immediately. It is said that it was one of their marketing strategies and though they pulled down the hoarding, it created a buzz that the brand needed.

In December 2018, Zomato was caught in a controversy after a leaked Twitter video showing one of its delivery executives eating out of a customer's delivery box went viral. In the two-minute video, the delivery boy was then seen resealing the packages and putting them back into the delivery bag.

In January 2019, more than 500 small to medium sized restaurants filed an online petition to the Competition Commission of India (CCI) and the Prime Minister's Office (PMO), alleging that online food delivery companies such as Swiggy, Zomato, Uber Eats and Food Panda were misusing their dominant market position. The consortium of restaurants cited that the use of deep discounting, in-house kitchens ainternal sourcing of orders were wiping out small restaurants. Unlike in Indian retail, FDI norms do not apply on the restaurant or food service aggregators.

MARKET SHARES-



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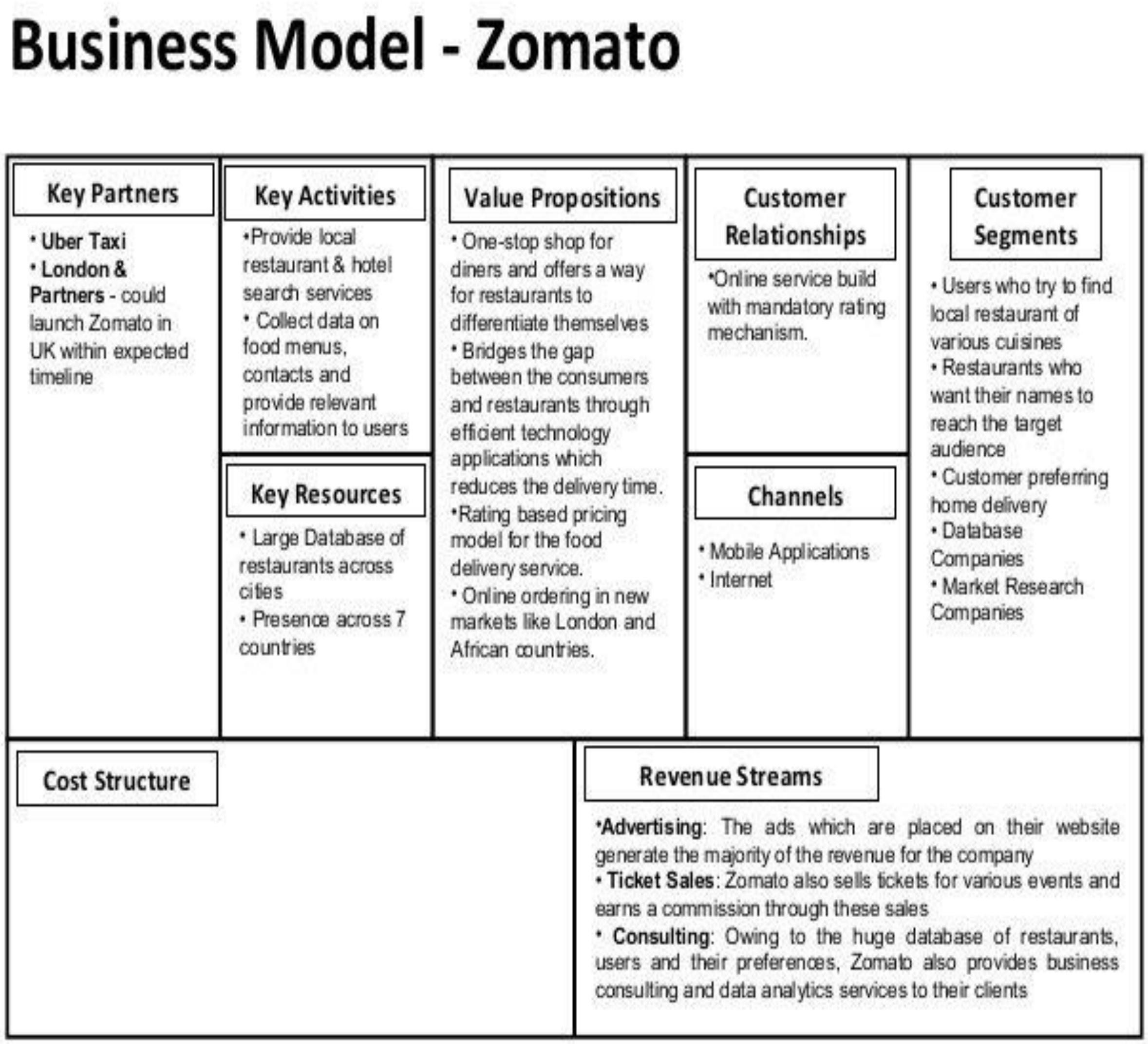
ANALYSIS OF CONSUMER RESPONSES

Zomato has an excellent Brand Equity. Most consumers are aware of the brand. Zomato Most consumers can easily recall the brand Zomato Consumers can recall the brand logo Consumers have a great degree of loyalty for Zomato.



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CONCLUSION-

It was found that social media platform is not being properly utilized. The Facebook page should be more active to interact with consumers. Also, Zomato needs to keep innovating. New features like virtual tour of restaurants should be added. Live video shots from café/pubs can be added if some famous band is performing over there. The brand should build on its most used features. It must ensure that Authenticity of the reviews should be maintained. Paid reviews should not be encouraged, as it will dilute the brand.

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