



# 2021

## Competitive Strategy Assignment

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## Section 1

### Section 1.1: Summary of Article

#### 1.1 Summary of the Article

Zomato began as a cuisine discovery and rating platform in 2008. The company has now grown to become one of India's largest restaurant aggregators and meal delivery services. As of December 2020, it covers 526 cities in India, with over 350,000 active restaurant listings. The company has also expanded its operations to 23 different nations. Among Zomato's investors are Ant Group, Uber, Temasek, YV Capital, and Sequoia Capital.

It also filed for an IPO this year with a goal of raising up to \$1.1 billion. After a \$250 million fundraising round led by Tiger Global, Kora, and others in February 2021, the firm was valued at \$5.4 billion. As India's lockdowns in reaction to the Covid-19 pandemic lessened around the end of May 2020, Zomato's food delivery business began to revive in the third quarter of fiscal 2021, according to their prospectus. They had the greatest GOV (gross order value) of any quarter from now until December 2020. In August, Zomato declared a resurgence in its business. According to the firm, the number of eateries that transport food has increased to 70% of pre-pandemic levels.

Zomato's prospectus also cautioned investors that the company is likely to stay unprofitable in the near future, noting that it has a history of net losses and that future expenses are expected to rise. Zomato lost \$ 92.1 million in the nine months ending December 2020 as a result of the Covid-19 epidemic. After a statewide coronavirus lockdown affected its business in May, the company had to lay off 13% of its employees and cut salaries.

## Section 2

### Section 2: Components of Porter's Competitive forces of model

2. Zomato general business environment from the perspective of each of the five components of Porter's competitive forces model

Below are the five components of Porter's competitive forces model applied to Zomato.

#### 2.1 Competitive Rivalry:

Swiggy, Doordash, Grubhub and Dunzo are the biggest rivals of Zomato, Uber Eats was also one of the top rivals in India but Zomato took over the Indian operations of Uber Eats for \$ 350 Million (*Zomato's competitors, revenue, number of ... – Owler, n.d.*). Swiggy has created over 1,000 cloud kitchens of its own, allowing eateries who exclusively deliver online to rent ready-made cooking facilities, it also introduced food delivery and a service that allows customers to hire couriers for more unusual tasks, such as picking up flowers from a market or retrieving a misplaced phone charger from home, last year from (Parkin & B, 2020). In India, the food app industry is rapidly expanding. According to statistics, online food orders have increased by more than 100 percent in recent years (Parkin & B, 2020). So, it's safe to say that online food ordering and delivery is a popular business concept right now, and it's only going to get hotter with each passing year.

Zomato has achieved EBITDA (earnings before interest, taxes, depreciation, and amortization) profitability for its meal delivery operation, according to the Goldman Sachs study, also according to sources, Zomato is now profitable at the EBITDA level in the meal delivery sector (was losing c.US\$40 million in cash per month 15 months ago, but now generates US\$3-4 million in profits). The startup in FY19 generated \$192 million with a loss of \$277 million and by FY20 company had a revenue of \$394 million with a loss of \$293 million from (Zomato and Swiggy have never been this close to making profit, say Goldman Sachs analysts, 2020). Zomato dominated 43% market share, whereas Swiggy dominated 44 % market share in 2021 Q1 from (Zomato vs Swiggy – who leads the Food Delivery Race in India?: DFD News, 2021). The competition in this business is heating up. According to the statistics above, players are burning money at an alarming rate in order to stay ahead of the competition. With this rivalry, the Indian food delivery sector is being transformed from Blue Ocean to Red Ocean (RED OCEAN VS. BLUE OCEAN STRATEGY, n.d.). The acquisition of Uber Eats by Zomato has reduced the number of participants, resulting in Moderate Competition Rivalry.

## 2.2 Bargaining Power of Customers

According to (Jain, 2020), the price discrepancies amongst competitors in India are nearly same; for example, Zomato's average order value is 5.5 \$ and Swiggy's average order value is 5 \$. Customers are looking for the best value for their money in the midst of so much variety. The only distinction is the delivery offers that they present on orders. From (Swiggy vs. Zomato | G2, n.d.), Swiggy offers greater advantages in terms of ease of setup, convenience of administration, and ease of conducting business with, but reviews believe that Zomato fulfills their business needs, roadmap direction, and feature and quality of continuous product support updates better than Swiggy.

## 2.3 Bargaining power of Suppliers

Regardless of geography, the customer wants a same experience with each food he orders. Though these raw materials are simpler to obtain by in Tier 1 cities, they can be difficult to come by in subsequent levels. It is probable that they will lose clients as a result of insufficient tie-ups with certain prominent restaurants in the area. Although, each raw material category has several companies competing in that area, Bargaining power of suppliers can still be called as Moderate due to the supply chain challenges.

## 2.4 Threat of Substitute Product or Service

The possibility of substitution is very significant now that all of the food delivery chains' apps are available on mobile devices. Switching between the options is simple because these platforms are too attractive to be used and are simultaneously available (Borkar, 2018) to users on mobile phones. Promos are one of the most prevalent reasons for looking for alternatives (Shrivastav & Pawa, 2019). Food aggregators are offering promotion discounts, even on well-known brands, in an effort to increase OPD (Order Per Day).

## 2.5 Threat to new Entrants

Because the Indian food delivery sector is consolidating (Borkar, 2018), the threat of new entrants is diminished to some extent. This force's overall rating is likely to be low. Swiggy and Zomato are the leading players in this area, with an 87 percent market share in the first quarter of 2021 (Zomato vs Swiggy – who leads the Food Delivery Race in India?: DFD News, 2021). Swiggy led the way in terms of daily deliveries, followed by Zomato. Furthermore, the acquisition of Uber Eats by Zomato (Zomato's Competitors, Revenue, Number of Employees, Funding, Acquisitions, n.d.) has changed the game, consolidating the number of companies in the industry. In comparison to Swiggy and Zomato, Ola with Food Panda has slowed down on investing (Moneycontrol, 2019).

## Section 3

### 3. Business process and proprietary technologies of Zomato with respect to Porter's value model.

#### 3.1 Inbound Logistics

(Zomato - Online Food Delivery & Restaurant Reviews - apps on Google Play, n.d.) Editors' pick on the Google Play Store Zomato has become well-known as a result of advertisements in the media, on the Play Store, and in restaurants. Furthermore, reviewers are reliant on them because they currently lack the ability to verify the legitimacy of reviews. All of these become Zomato's suppliers.

#### 3.2 Operations

It refers to the activities involved in operations of Zomato. Zomato in the stage of operations is one of the most comprehensive and user-friendly apps for finding nearby restaurants and cafés, ordering food online, and having it delivered to their door in a timely manner. Additionally, it delivers genuine information about restaurants by providing a menu, reviews, and ratings from (Zomato vs Swiggy – who leads the Food Delivery Race in India?: DFD News, 2021). (Add a restaurant - zomato, n.d.) says that restaurants can partner with Zomato online with easy steps mentioned on their website and they are good to go. The restaurants get a dashboard to manage all orders and also has an API integration feature.

#### 3.3 Outbound Logistics

It refers to all activities that contribute to the final product's delivery to the customer. (Shastri, 2021) writes, people between the ages of 18 and 35 who have access to smartphones and are familiar using applications are Zomato's target demographic. It caters to two types of customers: those who like to order food, and have it delivered to their homes, and those who prefer to dine out. On many occasions, these groupings cross over. It provides food delivery for individuals who require it, as well as rewards for diners through its Zomato Gold program. Zomato's target demographic includes working professionals who require food in their offices, students who need food in their hostels, those who don't have time or space to cook for themselves, and people who prefer to eat out on occasion.

#### 3.4 Marketing and sales

This process includes the marketing of Zomato by attracting users. Zomato has spent a lot of time and money on SEO. It ranks in India for 10,569,332 keywords as of September 2021, and its organic traffic is 56,681,752 users per month, according to (Ubersuggest, n.d.). These figures are just incredible. From (Pragati, 2020), Zomato also interacts with its audience by making posts about current events. The brand is

aware of the nature of its target audience. As a result, it promotes material that encourages users to share, comment on, and revisit it. To communicate with viewers online, it uses trending topics and provides basic graphics. Zomato's digital marketing strategy will need to evolve to keep up with current trends. They'll have to come up with innovative strategies to grab the attention of their customers. They're doing a fantastic job right now. They will gain numerous benefits if they continue to work diligently on it.

### 3.5 Services

It refers to establishing a positive customer relationship. Customers can contact Zomato customer service at any moment. Furthermore, the representatives are quite pleasant and helpful. Customers can also get solutions to their questions in the FAQ area. According to (Swiggy vs. Zomato | G2, n.d.), quality of support is very well received with a rating of 8.3 out of 10. It also allows customers to cancel orders before they are shipped. If it is successfully cancelled, the customer can receive a refund for their order under specific conditions. After then, Zomato offers a premium subscription called Zomato pro. It offers substantial reductions on bills, does not charge for delivery, and assures that food is delivered quickly (Zomato Pro, n.d.).

## Section 4

### 4.1 Impact of Zomato in the market

With substantial consolidation and large investments from tier-1 investors, the online meal delivery business is undoubtedly witnessing revolutionary times. With its large delivery network and logistical resources, Zomato made a genuine difference during this Covid-19 crisis. They've made a significant impact in these difficult times, from bringing food to delivering groceries.

### 4.2 Recommendations

- **Travel Recommendations:** A cooperation with the travel industry should benefit Zomato customers. As a traveler, A customer would be eager to try new restaurants and seek for ideas. It would be amazing if Zomato could get that information up as soon as possible and book a package and receive recommendations for places to visit.
- **Split the bill:** Assuming a customer opts for a mobile wallet, why not address a common issue such as bill splitting?

- Home cooked food: Zomato promotes restaurants, but there is also a market for home prepared food, which is not well organized but may be if the suitable user base is found.

#### 4.3 Are they making right decisions to remain competitive ?

Yes, although initially Zomato was in loss, they acted quick during the times of Covid-19 and made a lot of revenue, better than previous years. With its marketing strategy, Zomato clearly knows what it's doing. Adding on, the IPO launch in 2021 also gave Zomato the funds it needed to compete with its rivals. Not only is it one of India's original unicorns and one of the largest players in the multibillion-dollar food delivery business, but its marketing technique is also refreshing, down-to-earth, and to-the-point.

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