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# *ZOMATO - A CASE STUDY*


*"Unlocking happiness by discovering more places to eat around you!"*

***Zomato*** *is an On demand delivery app, a brand that envisages shaping the future of food. The brand aims to change what people eat by improving how they eat. The brand that was earlier famously called "**Foodiebay"** because it is solace for those who are foodie to the core. The brand realizes that food has a distinguished existence and an important connotation with happiness in people's lives, and it continually strives to package and parcel happiness to people. That brand is Zomato.*

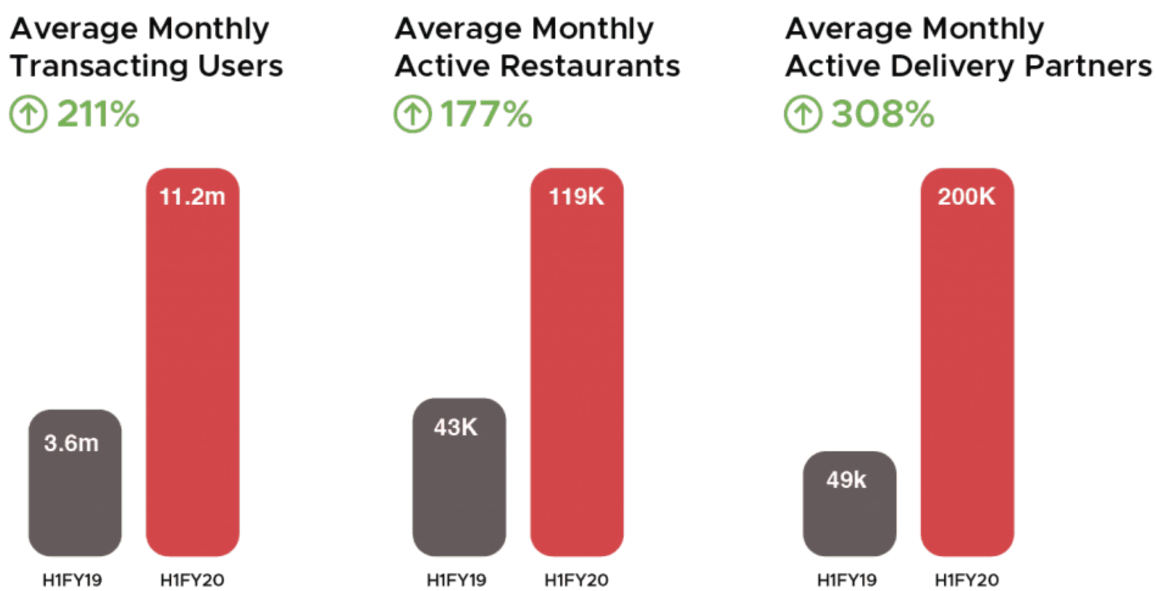
- *Zomato began life as FoodieBay, which was an online restaurant directory.*
- *Besides discovery and food delivery, it has entered segments such as live events, restaurant reservation, loyalty programmes.*

The foodtech unicorn was founded by Deepinder Goyal and Pankaj Chaddah in 2008. Today, more than a decade later, the company has added components to its business such as online food ordering, restaurant reservations and loyalty programmes, enablement for restaurants, consultancy services and a lot more.

**INVESTORS : -** Zomato received a total number of 909.6 million from different investors. Their recent funding was from Private Equity in 2020.Info Edge is a leading investor of Zomato. Other than that, Ant Financial, Delivery Hero, Shunwei Capital, Vy Capital, and many others are the investors of Zomato who have contributed their major stack to make Zomato popular worldwide.Now let’s have a look at some interesting figures about Zomato’s funding history.

| Date | Investment(in millions) | Investors |
|---|---|---|
| Nov 2013 | 37 | Sequoia Capital and Info Edge India. |
| Nov 2014 | 600 | Vy Capital, Info Edge, and Sequoia Capital |
| Sep 2015 | 60 | Temasek and Vy Capital |
| Oct 2018 | 400 | Alibaba and Ant |

It can be seen from the below graph that the Average monthly users have grown by 211% and there is a surge of 177% in the active restaurants listing . Also Active Delivery Partners are key for their business and today their number is more than 200k . Their revenue in FY19 has increased to about three times that in FY18.These all are only due to their effective business model.




**Zomato's Business Model : -** The success of Zomato lies in its robust Business Model. Essentially Zomato is an application whose business model encircles the provision of food delivery services, provision of information, user reviews, and menus of partner restaurants. Zomato stands as the pioneer for other online food-based applications. Following are the critical elements of their business Model:

- **Customers -** Zomato has customers which can be divided into three segments:

1. *Users* - They have designed an online platform for foodies so that they can find nearby restaurants. Also there is a doorstep delivery service perfect for the people who prefer to have food at home.

2. *Local Restaurants* - Zomato platform is significant for restaurant owners who want to promote their business in order to grab the target user's attention.

3. *Delivery Providers* - Zomato offers part time / full time service , they can generate a decent source of income.

- **Value Propositions -** Zomato enables users to order food online with a wide range of options nearby their vicinity . Also if you are new to the food market and want to make a strong online presence, zomato allows you to promote your food business on their platform.Zomato fills the gap between the restaurant owners and consumers. Users also get many facilities like tracking their orders in real-time with an estimated arrival time. With advanced search and filter options , so that they can place their orders without any hassle.

  Also Zomato provides Gold Membership to build a strong customer base and foster loyalty. Zomato's Gold service comes with many additional perks like customers can enjoy heavy discounts on their order.

- **Key Partners -**

**Uber Taxi -** 1) Zomato has tied up with Uber taxi , if any customer wants to book a ride to a restaurant to dine out they can do it directly through their app.

2) It means there is no longer any need for using two apps; they can book a cab and find nearby restaurants altogether with the same app .

**Other Business Partners -** They also made partnerships with electronic payment companies like Visa and PayPal.

Also they have partnership with Restaurant owners , Retail grocery stores and with their delivery providers.

- **Key Activities -** Core Activities of Zomato are :

1.Managing multiple networks

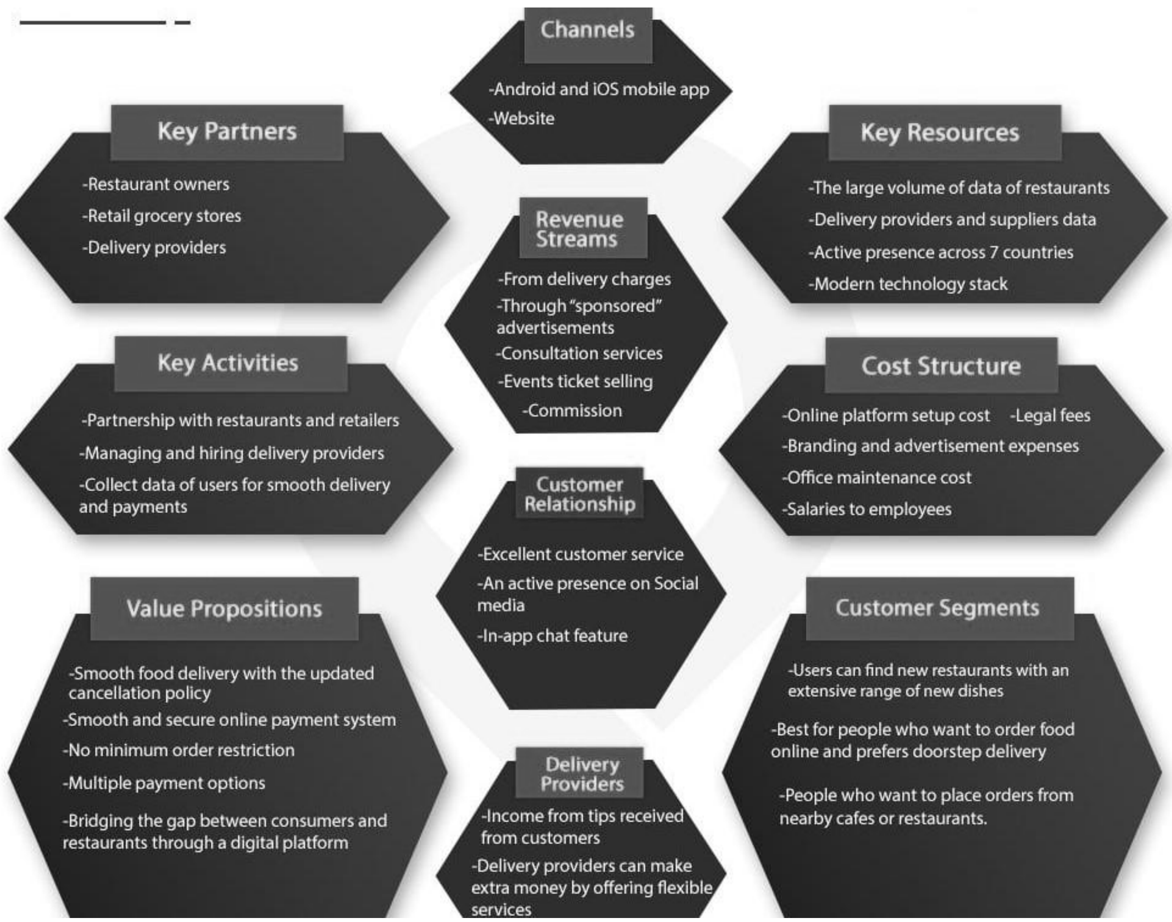
2. Manage advertising and sponsored content

3. Enhance customer service

4. Increase brand image.

- **Cost Structure -** Zomato's cost structure is as follows:
    1. Online platform setup cost .
    2. They pay a lot in their Branding and advertisements .
    3. Legal fees.
    4. They have to pay salaries to employees.

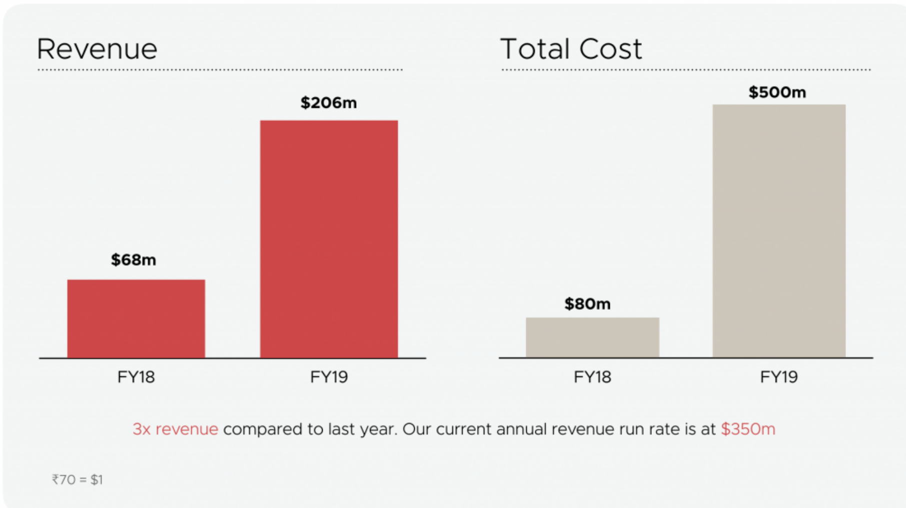
5. Office maintenance cost.




This is the altogether Zomato's business model

## Revenue model of Zomato:-

Zomato has strengthened its presence in the food market at a global level since its inception. Zomato has generated lots of income sources, and certain are listed below, which helps you understand in detail how Zomato earns huge profit through its business model and diversification.




This graph is posted by zomato in their annual report FY19. This shows the revenue becomes three times from FY18 to FY19

## Advertisements

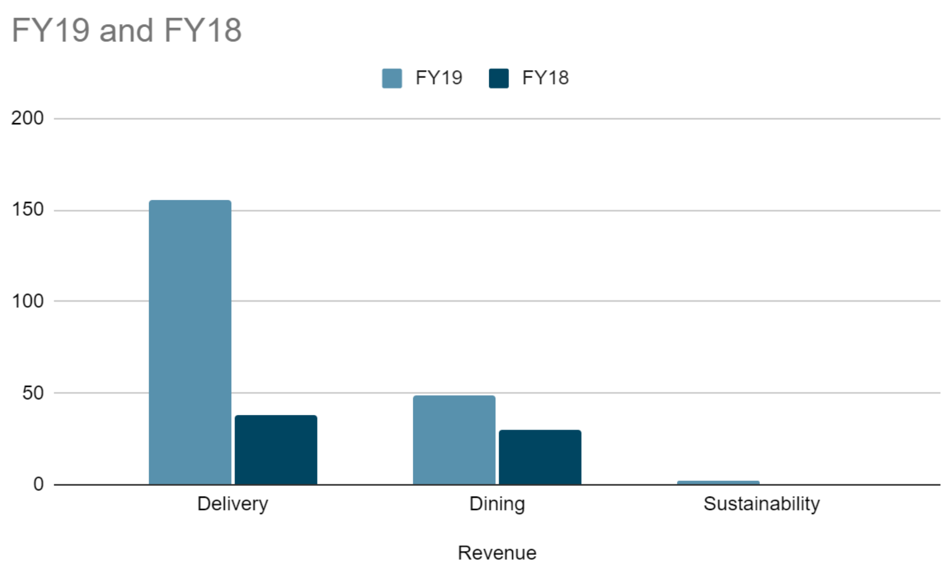
Advertisements are one of the trusted and main sources of income for Zomato as it offers advertising policy to restaurants who want to maximize its profits and customer base. It generates more than 70% of its revenue through this channel. It allows restaurant owners to put their banners on their site to increase visibility.

## Zomato Subscription

With the help of advanced tools and software, Zomato can predict user's behavior like what they are searching for, what they are not searching for, which dish is trending, which food is in more demand, etc. Restaurant owners need to pay a certain amount to Zomato in exchange for this information. Based on that, they can improve their services and meet customer's expectations.

## Zomato Food Delivery Services

Zomato charges a 20-25% commission from the particular restaurant for each order placed. In some regions, the commission rate may vary from 5-7%.This commision amounted to $155M (this is just 4 times annual growth).




This graph is drawn according to this data given in the annual report FY19 of zomato.

| REVENUE | Delivery | Dining Out | Sustainability |
|---|---|---|---|
| FY19 | $155m | $49m | $2m |
| FY18 | $38m | $30m | $0 |

## Zomato Event Organization

In collaboration with certain restaurants, Zomato hosts multiple events such as Christmas Eve, New year's Eve, or any other event to boost sales. People have to purchase tickets who want to attend these events.

## Zomato Kitchens

This is a kitchen infrastructure service offered by Zomato, where they will work with certain restaurant owners who want to expand their business to more locations with minimum cost. It means entrepreneurs can easily establish their restaurant at the right location with a minimum fixed and operating costs.

## Zomato Gold

This concept aims at providing premium services to subscribers . This system helps the customer in enjoying complementary food and beverage services offered if they have gold membership. This service alone generated a whopping $49M In FY19 and $30M in FY20 .

**Valuation Of Startups : -** Investors invest in any project or any startup if they are able to see future benefits from that and for that they calculate the valuation of the startup.

For instance , In Feb 2018, Ant Financial invested $200 Mn in Zomato, online restaurant discovery and food delivery platform, with a pre-money valuation of $ 945 Mn and reached the elusive "Unicorn" tag, nearly 14 times of turnover and loss of $ 12 Mn as of March 2018.Zomato made a loss of Rs. 44 per delivery.Ant Financial further invested $ 210 Mn in October 2018 valuing $ 1.8 Bn on a pre-money basis.

Again in march 2019,German food tech major Delivery Hero lead group invested about Rs 441 crore ($62.5 million) in Zomato valuing at more than Rs. 15000 crore [$ 2.2 Bn] pre-money valuation. In one year, Zomato has doubled its valuation.

But if we look at Zomato financial , we will realize that the company is far from profitable yet. As on financial closing, the Company achieved a turnover of $ 206 Mn and incurred a loss of $ 294 Mn [Approx Rs. 2000 Crores]. What would make Zomato so special that investors would be willing to invest in a company's equity?

The answer is hidden in their revenue data  or we can say their **growth** .

Zomato’s turnover has risen up to 3 times in FY19($208M) as compared to FY18 ($68M).from here even if the company shows a growth rate of 50% then also they will achieve a turnover of $700M . Zomato is present in 24 countries and about 10000 cities with over 1.4m active restaurants and 70m active users which are increasing with 5 m new user registration and 11m app installations every month . In India zomato is serving about 250million people from 300 cities . They launched Hyperpure to supply fresh , clean ingredients to restaurants. They give the tag of Hypercure Inside to those restaurants who buy it .

In September they acquired “Tonguestun” which aggregates caterers and restaurants for office canteen and cafeteria .

But growth sustainability is a big 'IF' for Zomato which suffers from a price discount, and higher competition from firms like Swiggy and Uber Eats. Zomato epitomizes many of the problems that arise in valuation of a new business: high growth potential, very limited financial history, many financial indicators such as **EBITDA** or Net income are negative or very small, and risk of failure is high.

Valuation poses the most challenges at the firm since there is little useful information to go on. All those factors make it very difficult to apply a traditional valuation method to estimate the enterprise value.

Factors affecting Start-up Valuation

Generally, entrepreneurs are too optimistic in their value of businesses and when the valuation is too high then raising the funds becomes very difficult. Value unlocking is an important and iterative process. Following steps will help entrepreneurs to unlock their value in business -

**1. Market Size:** Start-up companies work on new innovative ideas, hence the market size for the same is unknown. How the market will react with the new technology is a big challenge for the Start-Up Company. How the demand and supply of their products and services are also important for valuation.

**2. Team:** This is one of the most important factors for the success of the Start-Up. Investors invest in a team who is working on a start-up. An investor should be convinced that the team is capable of executing the start-up ideas practically. The team should be talented, innovative and goal oriented. So, start-up valuation considers management as a major factor which affects the success or failure of a start-up.

**3. Traction:** Business Traction implies how much business has users or revenue or customers. This provides judgment for doing the valuation of a start-up. It can vary from industry to industry. E.g. app installation or subscribers

**4. Stage of Company:** Whether the start-up is only in the ideation stage, they have made a prototype or they launched their successful operations. Investors will always prefer the start-up which has been accepted by the customers/markets so that risk of failure will be reduced to some extent.

**5. Comparable:** The best way to know the price of a company is to know how similar companies are priced. Comparable company is also one of the factors affecting valuation.

Limitation of Traditional Valuation Method

Below are traditional approaches which are used for valuation and how these are having limitation while valuing the start-ups:

### DCF Method

Discounted Cash Flow, The most common and more logical method for valuations. Limitation for using this method is as follows:

**1. Business Forecast:** To value the Start-ups, business plans or revenue forecast should be accurate or near to accuracy. The DCF method depends on the Business Plans. This is easy for a stable company as a business plan can be derived from history. We generally do not have such a history for a start-up.

**2. Terminal Value:** Most of the value is embedded in Terminal Value. Terminal Value is calculated after an explicit horizon period over [stage where the company reaches maturity]. Terminal Value for start-ups generally represents 90 or 100% of firms value. No one can have an idea of the time when a start-up reaches maturity.

**3. Discount Rate:** It is the rate of return that investors expect from investing in the company [typically WACC]. Generally, it is computed by using the comparable listed company's unlevered Beta. But for finding comparable will be difficult for the start-up,

**4. Asset generation:** DCF method evaluates cash flows from existing assets but also expected growth from both new investment and enhanced efficiency on existing assets. In the case of start-ups, their existing assets are small and it is hard to estimate the real performance of those assets because of the lack of financial data. Therefore, most of the value will come from "growth assets", namely the assets that the firm will put into place with future investments but we do not indicate their profitability.

**Comparable Multiple Method:**

The best way to know the price of a company is to know how similar companies are priced. This method uses various multiples like P/E, EBITDA, EBIT or Industry specific revenue multiple of similar industry/company for valuing factor. There are three major limitations under this method which are as follows:

**1. Comparable Company:** Start-up Company will not have the same as a listed company or comparable company. While scouting for the comparable company following characteristics should be kept in mind i.e. same growth rate, same risk, same margins, same tax rate, same investment, and financial structure. It is unlikely that a comparable company with the same characteristic will be available

**2. Negative bottom-line:** In a start-up, multiples like P/E, EBITDA, EBIT is meaningless as the profit will be very less or negative hence valuation using multiples will be meaningless.

**3. Similar Funding:** Comparing with the start-up company who has done the funding in recent period will also not give correct valuation as terms and condition of funding into that company is unknown. [e.g. shareholders agreement]

### Net Assets Method

Asset light method is now becoming very popular. In this method, start-up companies rather than purchasing the fixed assets, enter into leasing, renting, licensing agreements with the owners of the assets for using the assets. So, this is becoming the limiting factor for valuing start-up using the Net Asset Method. As start-up companies do not own significant assets. Valuation with a net asset method will not be useful. In 2014, Facebook agrees to pay $ 19.6 Bn for Whatsapp, which has only 55 employees and no assets

Start-up Valuation

Method

## Venture Capital Method

Venture Capital Method was published by Mr. Professor William Sahlman in the year 1987. This is the most popular method used by the venture capitalist to determine the post-money valuation. Before, understanding Venture Capital Method, we must first understand the following terms which are been used in the Venture Capital Method:

1. **Harvest Year:** The year in which the investor wants to exit. For Example, if the harvest year is the 5th year, this means that Investor wants to invest in the start-up company for 5 years. After the 5th-year investor wants to exit.
2. **Pre Money Valuation:** The Valuation of the company before the investment is made.
3. **Post Money Valuation:** Post Money Valuation of the company is a total of Investment Made and Pre Money Valuation. This can be written in equation form:

Post Money Valuation = Investment Made + Pre Money Valuation

Process of Valuation under Venture Capital Method under two steps:

1. **First,** derive the terminal value of the business in the harvest year.
2. **Second,** work backward using the desired ROI and investment amount to derive the pre-money valuation.

**Example:**

A venture capitalist is looking for an investment of INR 100 Lakhs in a start-up technology for 5 years. The company is expected to earn INR 200 Lakhs profits in 5th year. Comparable companies in the peer group have a PE Multiple of 12 times & the VC is negotiating a return of 20% on its investment

The valuation will be at the 5th year = Profit * PE Multiple 200*12=2400 lakhs

The required future value of investment (20%) = Investment X (1+required return) ^5

= 100 * (1.20) ^5 = 250 lakhs (Rounded off)

So, VC's stake 250/2400=10.41%

## Berkus Method of Valuation

Berkus method of valuation is a method for valuing the Startup Companies. Berkus Method was designed by Mr. Dave Berkus in the mid-1990s and it has been used since then. This method is mostly used for technology startups, but it can be used for other start-ups also. According to Mr. Dave Berkus, 1 in 1000 startups earns the revenue as projected by management. So, he doesn't rely on financial projections.

For valuation, he then designed his valuation method which is known as Berkus Method. According to Berkus Valuation, there are five major elements for the success of the Start-up Namely Sound Idea, Prototype, Quality Management team, Strategic Relationship, Product Rollover or Sales.In this method, value is assigned to each element according to its progress. According to Berkus Method, $500,000 is the maximum value that can be earned from each element, explained below:

If Exists:

Add to Company Value up to

Sound Idea (Basic Value) - $0 to $500,000

Prototype (reducing technology risk) - $0 to $500,000

Quality Management Team (reducing the execution risk) - $0 to $500,000

Strategic Relationship (reducing market risk) - $0 to $500,000

Sales (reducing production risk) - $0 to $500,000

Valuation of a company [Total] - [Sum Total]

Hence, the maximum value of a start-up company is $2.5 Mn. The investor can put the least amount for each element according to the risk and progress. This method is the simplest and convenient. Also, an investor can add critical elements for valuation as per the nature of Start-up Companies.

**Scorecard Valuation Method**

Scorecard Valuation Method also known as Bill Payne Valuation method. It was developed by Mr. Bill Payne in 2011. This method is an improved version of Berkus Method. It has a more market approach. It compares the other start-ups which got funding at a very similar stage with the Target Money.

First Step: Calculate average pre-money valuation of other start-ups which got the funding having similar business as of target company.

Second Step: Evaluate the target company in 7 Critical factors (Weights for each factor are given in the table below), rate them in between 0.50 to 1.50 and arrive at a weighted average rating.

Factor

Weights

Strength of Management Team - 30%

Size of Opportunity - 25%

Products and Technology - 15%

Competitive Environment - 10%

Marketing and Sales Channels/ Partnerships - 10%

Need for additional funding - 5%

Other - 5%

Third Step: Multiply the total average weighted rating factor as arrived in step two with the average pre-money valuation of other start-ups company as calculated in the first step.

**Risk Factor Summation Method**

Risk Factor Summation Method (RFS Method) takes into account the average pre-money valuation of comparable start-ups (as calculated in the Scorecard Method). This is the first step. Second Step is to evaluate 12 factors (as mentioned below) and assign them a rating in the range from -2 to +2 according to the risk associated with each factor.It is to be noted that 1 Rating is equal to $250,000. Third Step (Final Step) is to add the value of each factor into the pre-money valuation of other comparable start-ups to arrive at a valuation of start-up.

Below are 12 factors in RFS Method:

1.Management 2.Stage of Business 3.Legislation/Political Risk

4.Manufacturing Risk 5.Sales and Marketing Risk 6.Funding/Capital raising Risk

7.Competition Risk 8.Technology Risk 9.Litigation Risk

10.International Risk 11.Reputation Risk 12.Potential Lucrative Exit

## First Chicago Method

First Chicago Method is used by venture capitalist and private equity investors. This method was developed first by Chicago Corporation Venture Capital. First Chicago Method uses the three scenarios while valuing the Start-up. First is the Best Case Scenario, second is Base Case Scenario and third is the Worst Case Scenario.It values the business in all three cases by using either Venture Capital Method or Discounted Cash Flow Method. Next step after valuation in all three cases, you have to assign a probability of happening of each scenario.Then you multiply these probabilities by respective values and add them up. This gives you a weighted average of combined scenarios.

### Closing the Valuation Gap

Three most important reasons for Valuation Gap are as follows:

1. The first reason for the valuation gap is, they are too optimistic about their business, which ends up in high valuation of the business. Hence, this causes a difference in valuation.
2. The second reason for the valuation gap is choosing a different valuation method by entrepreneurs and investors.
3. The third most important reason for the valuation gap is the entrepreneur's expectation vs. investor's expectation.

To close the valuation gap, entrepreneurs should take professional advice from Registered Valuer.

s with Differential Voting Rights

Company limited by shares is permitted to have equity shares with differential voting rights as part of its share capital. It benefits the company for obtaining investments without offering voting rights to the investor. Issuance of shares with differential voting rights affords an opportunity to such private companies to broaden their capital base without having to lose control over or management of the company.

## Staged Closings

In Staged Closing, funding is done in tranches. For each tranche, some milestone or target is set. If that is completed, then only the next tranche will be released.If the pre-agreed milestone is not achieved, the investor can release the funds. In that case, an investor will receive additional shares in the company against the initial pre-money valuation, thereby increasing the overall stake in the company.

## Warrants

An investor who funds a company against Entrepreneur's higher valuation. By structuring call options at the same price, investors can protect their downside. He purchases the additional shares at a pre-agreed price if the company underperforms or does not meet pre-agreed milestones.

### Deferred Valuation

In this method, start-up investors can defer the negotiation of valuation to the next round. In simple words, Investor fix the same valuation for certain period say 6 to 12 month for the next round or ask for warrant coverage to acquire shares if the company require funding in this period

### Valuation Collars

Caps and Collars is a minimum and a maximum valuation that protects investors and entrepreneurs if the subsequent valuation is outside that collared range.

Here's an example that illustrates both perspectives. Say that investors and entrepreneurs cannot agree on a valuation. Investors want Rs. 100 Crore pre-money and entrepreneurs Rs. 150 Cr. To move forward, both agree on a 25% discount at the next round—without a collar. If the next round were done at Rs. 400 Crore pre-money, the 30 percent discount (Rs. 280 crore pre-money) would still be 2.67x higher valuation than the entrepreneurs would have taken for the current round. Even though such rocket-ship starts are highly unusual, investors should not give up that potential by not including a collar.

To protect the entrepreneur's interests, the agreement might be a 25 % discount to the next round with a collar of Rs. 100 Crore to 150 crore or Rs. 80 Crore to 170 Crore.

### Liquidation Preferences

An investor can ask for the preference shares of the company or convertible preference shares for closing the valuation gap. As preference shares are preferred over ordinary shares during the liquidation of the company.

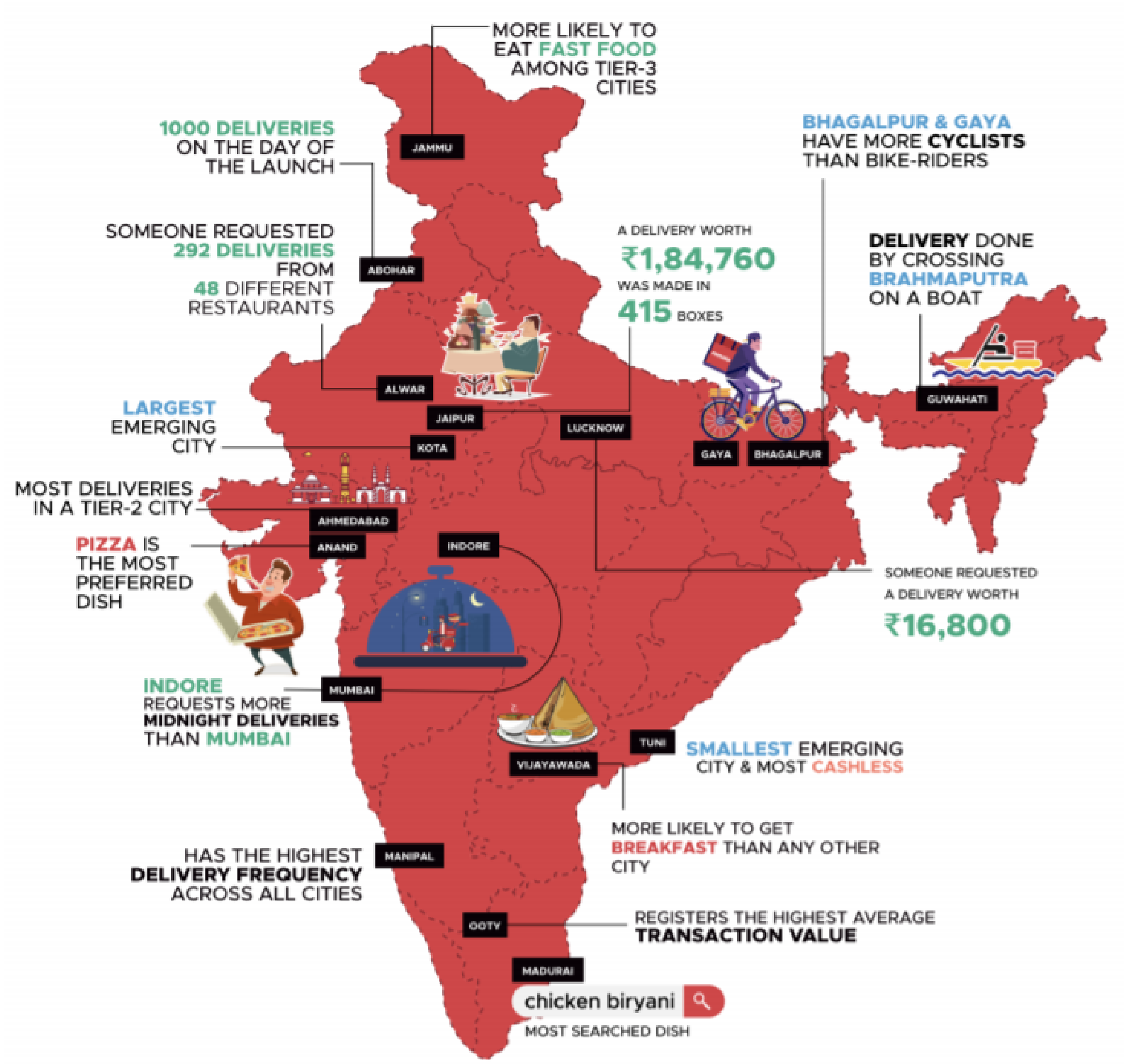
All we learn is that for investing in any company's valuation , the investor tries to make an estimate of the startup's valuation . As we have seen above the valuation or investments all demands on Company's reach , Company's Customer Base or on the Business Model and on the revenue model of the company.

**Marketing Strategy Of Zomato:-** from a small food review website, specific to foodies to a multinational giant serving over 65 million people every month, it's all being due to Zomato's marketing strategy.

At the core of Zomato's strategy lies innovation and agility. Being able to keep up with the increasingly dynamic food delivery landscape in a country full of foodies is Zomato's big secret. In an interview with ET, founder

Deepinder Goyal stated that the numbers surprise them all the time. Whenever a project doesn't go according to plan, the core team is more than willing to revisit it, make the necessary changes and pivot their strategy if necessary.

Below is an infographic released by Zomato last year which gives us a fun insight into how people consume Zomato's services across several cities in India.



This pic was released by Zomato on their blog which shows fun insight about how people use zomato's service all over in India.

Also , Zomato wasn't shy about making its way overseas - soon after its launch, Zomato started venturing outside. By 2012, Zomato had set up shop in the UK, Dubai, Philippines, Qatar and many more countries. They had a two pronged approach - launch their own product and acquire competition such as Urbanspoon (USA), Gastronauci and Uber Eats, being their latest in the long list on Indian turf.

Zomato Approach towards various marketing techniques are very effective .

**Zomato's Marketing strategy during Covid-19 : -**

Zomato with its large delivery network and logistic resources is in a perfect position to make a real difference during this pandemic and this is what they have done ,here is what they did :

- The food delivery giant set up a fund - **Feed the Daily Wager** (they set a goal of 50cr).
- Zomato has liaised with local state governments and the central government to ensure that their services keep running smoothly so that people are able to avail themselves of food delivery in these troubled times.
- They've also started contactless delivery where their delivery partners have been trained to leave packages outside homes.

Cash on delivery has been discontinued to minimize contact as well.

Even though this is not directly part of Zomato's marketing strategy, the clear takeaway here is that Zomato is focused on making a difference to the community and creating a connection with their customers. In the long run this translates to loyalty and perhaps a larger CLV ( customer lifetime value).

## Zomato's top 5 marketing campaigns: -

- **Zomato Premier League -** Zomato's IPL marketing strategy over the years has really gone from strength to strength - with a diversified kitty of TV ads and offers. Zomato has managed to crack the IPL code and appeal to the foodies watching cricket.
- **Zomato Gold**
- **Zomato's launch to food delivery -** In May 2015, Zomato launched food delivery in India. And the rest, as they say, is history. The best part about their launch campaign was their quirky ad strategy which was aimed at drawing eyeballs.

- **On time or free**
- **Mother's Day**

## Zomato's digital marketing strategy: -

- **Google ads strategy: -** There are billions of google searches happening every month, people usually come to google for a solution to their problem, like for instance let's say they might be looking for a cafe nearby or any food delivery service. These searches make google a perfect platform to advertise. Also, you can guess the intent of people by the keywords they are using on google.

Some of Google ads Strategy ….

1. Zomato target keywords like "online food" to attract new customers, more than 10k people search for keywords like "Online food", "Order Food Online".
2. Nowadays Zomato also targets its own brand name like "Zomato food".
3. They also target restaurant keywords like "Asha's Kitchen, Singharia, Gorakhpur "
4. They also target Food related keywords like "Pizza", "Mutton Biryani" etc.

Now let's see the data related to expenditure on ads ...(with comparison to its counterpart)

| # | Some ad related matrices | Zomato | Swiggy |
|---|---|---|---|
| 1 | Target Keywords | 1300 | 132 |
| 2 | Traffic (visitors per month) | 224k | 165k |
| 3 | Traffic Cost | ₹5.1M | ₹5.4M |
| 4 | Average CPC (Cost Per Click) | ₹20 | ₹30 |

After having a greater number of visitors but their ads are well optimized that they cost lower than others. By this comparison we can see that Zomato's digital marketing campaign is way more effective and cost efficient than Swiggy and their other counterparts.

- **SEO Strategy: -** More than 90% of Zomato's traffic comes through google and this is only possible because they use SEO to make their website Google Friendly so as to make themselves higher in the google searches. Some of the techniques used are ...

1. Zomato has listed all the restaurants in India(more than 6500+ restaurants are registered) , it is like an ecommerce website for restaurants, where they can create and maintain their restaurant page.

Zomato employees also update the information every month. Zomato has about 54 million pages on their website (more pages are more likely to come up in the search results).

2. Zomato uses internal linking effectively. (It can be seen in the bottom section of their webpage)

Zomato's strategy is very effective statistically speaking ….

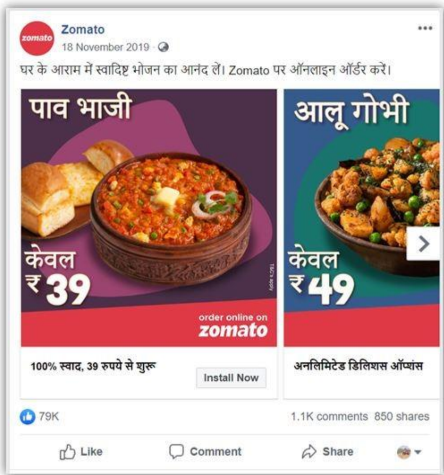
| # | Metrics | Zomato | Swiggy |
|---|---|---|---|
| 1 | Organic Traffic (per month) | 24M | 4.6M |
| 2 | Organic Keywords | 765k | 301k |
| 3 | Keywords in the top three position | 216k | 19.2k |
| 4 | Backlinks | 7M | 0.25M |
| 5 | Non-Branded Traffic | 83% | 35% |

We can see that 83% of their traffic is non-branded, meaning they are not due to the brand name. This is good for brand awareness because Zomato is reaching out to the people who are not. By comparing these two we can see that Zomato's strategy is working very efficiently.

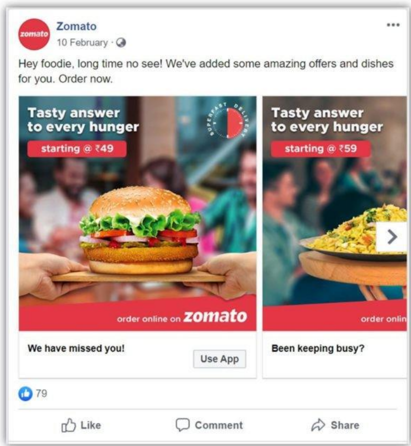
- **Facebook Ad Strategy: -**

**1. Attract new customers : -** Zomato uses Facebook ads to give huge discounts to attract and reach out to new customers by excluding customers who are already their customers. Notice there is a 'install now' button. Facebook optimizes ads by showing up to those who are more likely to install their app.

**2. Use local language ads: -** you can check their ads below.




**3. Attract existing customers: -** They attract existing customers by using ads like shown below.




**Content Marketing Strategy : -** Zomato has always used social media for communication and not just promotion. In an interview with social samosa Mr. Pramod Rao (VP marketing) said that “Being original is the key”

**Twitter** - Zomato uses twitter to respond to user's query and run some contests, some of their tweets also go viral.


**Instagram, Facebook–** They post Images on Instagram and update their new commercials, blogs ,posts.

**Blogs and youtube –** Zomato has a well-maintained blog where they regularly post articles on topics like technology, food, culture and community. They also have a huge community on YouTube. see below ….

| # | Metrics | Zomato | Swiggy |
|---|---|---|---|
| 1 | YouTube Subscribers | 104k | 154k |
| 2 | Facebook Page Likes | 1.89M | 911.486k |
| 3 | Instagram Followers | 482k | 236k |
| 4 | Twitter Followers | 1.4 M | 142.4k |

**Other strategies: -**

1. **Gold Membership –** Zomato came up with gold membership to build a loyal customer base, through this customer can get a great discount whenever they visit a restaurant. This is perfect for people who enjoy visiting new restaurants. People who buy this utilize its usage to have max value out of it and become loyal customers in this process.

2. **Better Pricing Model –** Zomato come up with better pricing model for restaurants to grow, Zomato's heavy discounts might looks like they are bad for restaurant owners but that’s not the case restaurants get more orders because of Zomato and since Zomato delivers food to customer home restaurants don’t have to waste table space and

rent and they save by various other means too, that’s why they don’t have any issue with giving service to Zomato customer at cheaper price.

**3. User Behavior Data –** Zomato collects the user data which they can use not only in making better user experience but also in many ways like Starting consultancy services for restaurants , since it has the data they can guide restaurants to right decisions about which to serve and what price to sell.

**Conclusion : -** Zamato is doing its marketing in a very effective and efficient way .They know what is good for their strategy and what is not.

Big learnings from their marketing strategy are :

- Simple, yet powerful messaging works. Humour is a great tool - one must leverage it whenever possible.
- Powerful visuals and bold colors are great for standing out - whether it is on a billboard in a crowded crossing or online.
- Sticking to brand identity and colors are really important - even without being told that Zomato is behind a certain ad/billboard we just know it’s Zomato because of consistency.
- Adding value - Zomato’s offers are always ones which are different, yet aimed at bridging some sort of gap in the market. You can tell that a lot of thought has been put into the offers.

- Creating a community is of utmost importance. This is at the core of Zomato's business strategy and you can see that this is definitely something they keep .

**Analytics used by Zomato :-** In today's world there is a lot of data , Zomato also collects the data on various levels to make Data Driven Decisions which are profiting the company and their partners too. Let's see a few instances where data analytics is doing the job for Zomato:

- Zomato also stores user's data about which food they like the most and what is their type. Do they prefer low cost food or they prefer the quality to be the best? According to that they do a complete analysis and provide consultancy to the new or existing restaurants who are trying to gain more .

- Also as Zomato has a huge user base they collect their data according to their daily orders and according to their location they according to the area they provide restaurants insights on what food to serve in that area to gain maximum profit out of it .

- Zomato uses location and route data to predict the maximum time in which the food will be delivered.

- They provide recommendations based on the user's latest searches and orders.In an interview their AVP Data Science and Analytics Naresh Mehta shared fact that “We have observed that the click-through rates and overall order conversions (in case of Online Ordering flow) improve by almost 15% when it is possible to personalise recommendations vs when we have to recommend the most popular options”.

- Mehta shared – when you have enough data points, one recommends restaurants on the basis of the user's affinity to specific cuisines, establishment types, locations, and price bands. Else you resort to what is the most popular and/ or exclusive/new at a given location & time.

- The engineering team also performs NLP on reviews that enables the team to extract the most discussed/popular dishes for a restaurant along with the sentiment of each review which then feeds into the overall sentiment for food, ambience and service of the establishment. This further helps the team present the user-generated content in a summarised way as review highlights.

- Sometimes they perform some surveys like one done in Bangalore where they get to know which city has the most number of restaurants and hence highest number of foodies. We also saw which city has a high number of well-rated restaurants, what all cuisines are mostly preferred by people etc.  Again they also got that in Bangalore people generally prefer to order food online not dining out in any restaurant.

So , we can say they are using data very efficiently as they are getting the results and they are working very much with the decisions that are data driven which is the one of the reasons behind their success.

## **Final Conclusion : -**

After looking all over this case study of Zomato.

There are various points that i want to conclude here:

- Primarily Zomato's idea was just to provide a list of restaurants nearby with their menus or you can say it works like a restaurant's online directory but they were not shy about expanding their services.
- Every startup wants to expand if they succeed in the start but the main issue is they have to make their step with a bag full of information about its pros and cons and how they are going to manage it .And by seeing this whole analysis anyone can say they have done a great job.
- They have started to deliver food at home and not only that they have also given options for dining out , pre booking  tables at any restaurants you want . So , they haven't left any foodie out of their scope, this increases their domain and also works well for their revenue too.

- Also , in any startup funding is the part which is very crucial and Zomato successfully grabs the attention of investors .
- They tie up with Uber and they also provide an option to book a cab, if you are going out for dinner. By this step they have increased their area of work and also increased the revenue from dining out.
- They have used Data Science very well and have taken many data driven decisions which led to increase their success rate .
- Zomato has helped many newcomers ( new in the field of restaurants) and provided them right consultancy according to the user data and which has also increased their trust for zomato.
- Their revenue model is great, still they are in loss but with an optimized cost structure and with an increasing revenue they were able to reduce their losses.
- Their marketing strategy is well planned and they have done it very effectively.Their SEO strategy ,fb strategy , Creating a friend like environment over Twitter worked for them .
- With their contactless delivery during the pandemic and the way they handled the Covid-19 , they showed that they can fight with whatever the situation comes their way.
- As they have plenty of user data .They worked over it, they did a lot of data engineering and found better and more efficient ways to do their task.

**Suggestions and Improvements Needed : -** There are always possibilities for improvement , these are few improvements and suggestions which i think can benefit them:

- There are few initiatives like Hyperpure that have been taken by Zomato , but they are not growing much , this is because they are working under the umbrella of Zomato. I think they should promote these initiatives on an independent basis so that they can earn more revenue .
- They have a great logistics network which they should use for increasing their revenue,for this they can do some tie ups with some other businesses and let them use it. Also in the time of this pandemic they can be used for helping people at home this will led to increase their goodwill too.
- Everything just looks perfect in their marketing strategy as they are not just attracting people to use their service,they are building their community which will act like a loyal customer base for them but I think they should work on their youtube channel to increase their community .
- I have seen a few cases regarding their delivery issue which they were not able to solve. These issues should be handled perfectly , Better user experience increases goodwill which automatically set up a loyal customer base .

- Nowadays most people are using online services very frequently but there is a need to attract conserative people and Zomato should work on their ads to make things work for them.
- Also we have to see if they can still do a better comeback after this second wave ,I think they will make a solid comeback .

**--This was all about my startup analysis--**

**...**

**Yes, I am a Startup Enthusiast person and i would prefer a startup in the field of technology** because i am from technology background but i want to use my knowledge in all the fields, as we all know if a Data analyst is eager to explore new ideas and ready to implement their tools, they can work in any field whether it is technical or non technical , in medical or in business field and i know one thing about me , i like to work in new environment of data .

Note - All of the images and information source was from the internet , some of the images are taken from Zomato’s 2019 annual report .I also wanted to thank you because I have also learnt a few things which I found really very interesting like “Evaluation of startups” .