

# **A Case Study on the Marketing Strategy of Zomato**

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## **ABSTRACT**

From online shopping to ticket bookings, the life of an Indian consumer has been touched by e-commerce in almost every field. One such field is e-food industry, where e-commerce platform has been very efficiently utilized not only for food review but also for food ordering and delivering business. Zomato pioneered the e-food business segment in India. It's an online restaurant aggregator where customers can search for good places to eat, can provide feedback for a restaurant, and can even order food online or book a table.

Zomato tried various marketing strategies, products and offers over the span of 10 years with most of them giving a good response to the brand. Maximum revenue of the company is generated through advertisements while other products like Zomato Gold and online delivery also add-up to the total revenue. It has acquired 12 startups globally thus enhancing its global presence and its image as an international brand. Zomato has always been there for its customers which again proved to be an advantage for the brand. Instead of investing heavily in commercials, Zomato focused more on Social media strategy and digital marketing as the prime techniques which do not incur cost but are guaranteed to yield a return.

**Key Words:** Zomato, Online shopping, Restaurant, Marketing Strategy.

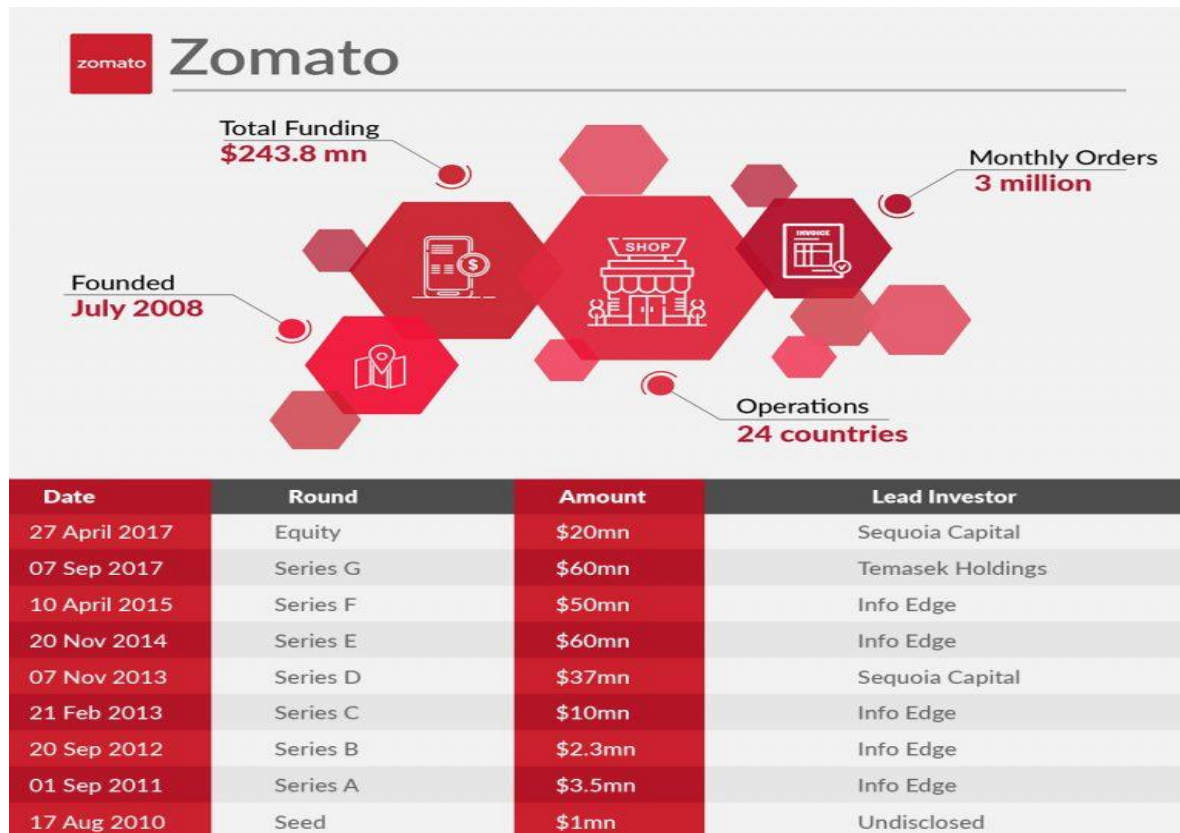
## **INTRODUCTION**

Zomato was founded by Mr. Deepinder Goyal in the year 2008 and was initially named as Foodiebay. In a span of 10 years, Zomato has witnessed over 1.5 million restaurant listings across more than ten thousand cities in 24 countries. It has made itself into India's largest online and mobile restaurant discovery app. Being a late entrant in online food ordering space, it decided to keep its commission rate much lower than the segment average. Compared to 15-20 percent commission charged by its competitors such as Foodpanda and Tiny Owl, Zomato only issues a margin of 7 percent of each order size. The brand is very popular nowadays especially among the youngsters as they want to explore new restaurants every day and dine-out with their friends and family.

## **Investments**

Zomato got its first funding in the year 2010 of \$1 million from Info Edge, India. The second round of funding was raised by the same financier in September 2011 with an amount of \$3.5 million. Zomato was subsequently funded for the third and fourth time by the same investor- Info Edge, India with an amount of \$2.5 million in 2012 and \$10 million in early 2013 respectively. This made Info Edge the highest stakeholder in Zomato with 57.9% to its rights.

Sequoia Capital and Info Edge, India funded Zomato with another \$37 million after seeing its rapid growth and future in November 2013.



Source: <https://entrackr.com/2017/09/who-will-win-food-delivery/>

## STRATEGIES AT ZOMATO

### Business Model

Zomato enables its users and restaurants to interact and engage with each other through various channels and platforms. Following services are being provided:

- Search and Discovery: With its rich content, it helps the consumer to discover the best restaurants around him.
- Food Ordering: With just a click away, ordering food online has become much more feasible.
- Table Reservations: The consumers do not have to wait anymore as they can reserve a table through Zomato.
- Zomato Gold: A new service started by the brand providing an exclusive membership to the consumers to discover new restaurants around them and enjoy limitless dining privileges. Zomato Gold was launched in the year 2018 in India with more than 150,000 subscribed users and 2000+ partnered restaurants. Zomato started this product with a vision of “Terms and Conditions Free” for the end user which they were able to achieve up to 99.99%. Zomato Gold was based upon the idea of getting the BEST restaurants on

the board and hence it targeted approximately 1% of the restaurants from 100k+ restaurants in India. Zomato was forced to impose a restriction on the number of subscriptions because of the overwhelming response it received. This was more of a reactive strategy than a proactive one. The ratio of restaurants not abiding by the guidelines and forbidding the customers from accessing Gold services is less than 0.5% and has subsequently decreased overtime. The pricing of the product is 2.5 times more than that of the launching price and the rate of conversions are still holding up on the plan page. Reviews and referrals played a vital role for the Gold services. Referrals helped to generate around 40% of the total sales. Good reviews and smooth experience that user encounters are proven to be the icing on the cake.





The business practice followed by Zomato is comparatively simple. When Zomato penetrates into the markets of a new city, it assigns a specific number of people with the job to collect information about all the restaurants and clubs in that city. This information collected is cross checked for validation and processed further by a centralised team to be subsequently put on its website. Once the website has enough traffic, it monetize by selling ads. A separate team for advertising has been setup to attract the restaurant owner to advertise with Zomato. Various models have been tried throughout the years from cashless payment to loyalty programs like Gold which have worked really well. Around 70% of the revenue is generated from ad sales, 25% from online ordering and Zomato Gold and other businesses contribute to the remaining 5% of the revenue.

### **Zomato Infrastructure Services:**

Zomato has regarded its strength as a distinct business in the following:

- User penetration and market share: Zomato can also generate demand for discrete locations by promoting restaurants in these areas to the users visiting its site or application.
- Rich data about our users: On the basis of app traffic data, Zomato can deduce information about supply/demand mismatch in conspicuous location.
- Supplier relationships: Zomato maintains good relationships with the restaurants using its service, with the latter also possible acting as an investor in the brand.

## Zomato Competitors

<b>Comparison of Zomato and its competitors</b>					
					
		<b>zomato</b>	<b>Swiggy</b>	<b>Uber Eats</b>	<b>Food Panda</b>
		<b>Zomato</b>	<b>Swiggy</b>	<b>Uber Eats</b>	<b>Foodpanda</b>
Founding Date		2008	2014	2014	2012
Type		Private	Private	Subsidiary	Subsidiary
Tags		Food & Beverage	Food &	Food & Beverage	Food & Beverage
Locations		Gurgaon, IN	Bangalore, IN	San Francisco, US	Berlin, DE
Employees		4,889	6,034	112	1,249
Valuation (\$)		2,800,000,000	3,300,000,000		
Facebook likes		1,465,327	488,305		2,648,503
Twitter followers		1,391,784	31,863	897,175	921
Monthly Orders		13,000,000	21,000,000		2,000,000
Latest funding round		39,740,000	1,000,000,000		

## Marketing Strategy

Direct mailers and SMS were the direct marketing techniques that Zomato used initially. It targeted 6 lakh unique customers through direct SMS as a first stage. It blasted those customers with 6 SMS per month irrespective of their responses. Next came direct email, where Zomato targeted corporates in bulk which eventually helped them to reach the professional employees whom they consider to be their main target. The brand resorted to a unique strategy of designing emails in such a way that it went unnoticed as spam mails until the user opens them personally. Zomato also started issuing monthly newsletter to the subscriber which was sent via direct mail. Attractive and quirky pamphlets that related to its business were distributed in certain areas further consolidating its popularity and advertisement.

Zomato is popularising itself as food network business in today's market. Zomato has gained a loyal customer base by posting consistent and high quality contents on various social media platforms. They have gained trust in their system by always being there for the customers and sending only the best contents to them.

Zomato uses Facebook and Twitter actively for the purpose of spreading out in the market but both these platforms are used for different purposes and targets. Facebook is used for delivering

its content and reaching out to more people while Twitter is used more for interaction and conversation with online consumers. When a user uses Facebook or Google account to log onto Zomato, it's details including their friends list are identified and automatically generated on Zomato's account for an easy follow up. Because a friend's ratings are given more value and consideration by users as compared to Zomato's own, therefore the influencing factor is heightened through social media. Besides this, Zomato's post have always been entertaining with excellent graphics and creativity which is again an advantage to Zomato. Zomato never fails to cash their latest happenings. They always create something for ongoing events. Zomato prefers quality over quantity. They offer a user friendly interface as an website and a mobile application for enhancing user experience on mobiles and tablets. For keeping the users engaged, they have even introduced coupons, price-offs and memberships.

### **Price in the Marketing Mix of Zomato :**

The restaurants hosted on zomato aren't charged for the display of their information on the latter's web page. The ultimate sources of revenue generation in zomato comes through the following activities:

- **Advertisements:**

The main focus of Zomato, besides hosting an online food network for users, is to provide a means for various restaurants to advertise themselves increasing potential customers. Advertisements is done through the use of two primary methods: Ad banners and additional exposures in collections, which both guarantee to increase the restaurant's visibility on web and mobile discovery platform. Zomato attracts a large number of restaurants to be advertised through ensured promises of- improved discoverability, targeted hyperlocal advertising, track performance and call tracking and recording.

- **Restaurant booking:**

Customers are not charged for table bookings in Zomato, instead the restaurant, in which the booking is made, is charged depending on the contractual terms and agreements between both the businesses.

#### ***Margin/Commission taken by Zomato from restaurants:***

Initially, the commission taken by Zomato depended on the rating of the restaurants. The better rating a restaurant got, the lower would be its commission to Zomato. It would start off with a commission of 7.5 percent based on slab based systems. A commission of 7.5 percent would be introduced on delivery rating of 4+/5. In the same way, 10 and 15 percent commission to Zomato was subsequently introduced for a delivery rating of 3-3.9/5 and lower than 3 respectively.

Zomato announced that it would charge zero percent commissions from restaurants that qualify a set of predefined criteria. This criteria takes into consideration the number of orders a restaurant processes with Zomato on weekly basis and whether the customers are happy with the food and service of that particular restaurant.

According to Zomato, 70% of its restaurant partners qualify the above criteria to be charged zero commission. It is called as “*#MissionGiveBack*”.

The margin taken by Zomato from its restaurant partners is currently identified as 7% excluding delivery and payment gateway charges. After implementing the new program, restaurants having more than 50 orders will be charged no commission fees while the platform fees will be inverse to the number of orders per week. Restaurants that clock less than 50 orders per week, will however be charged commission as well as platform fees.

- **Event ticketing:**

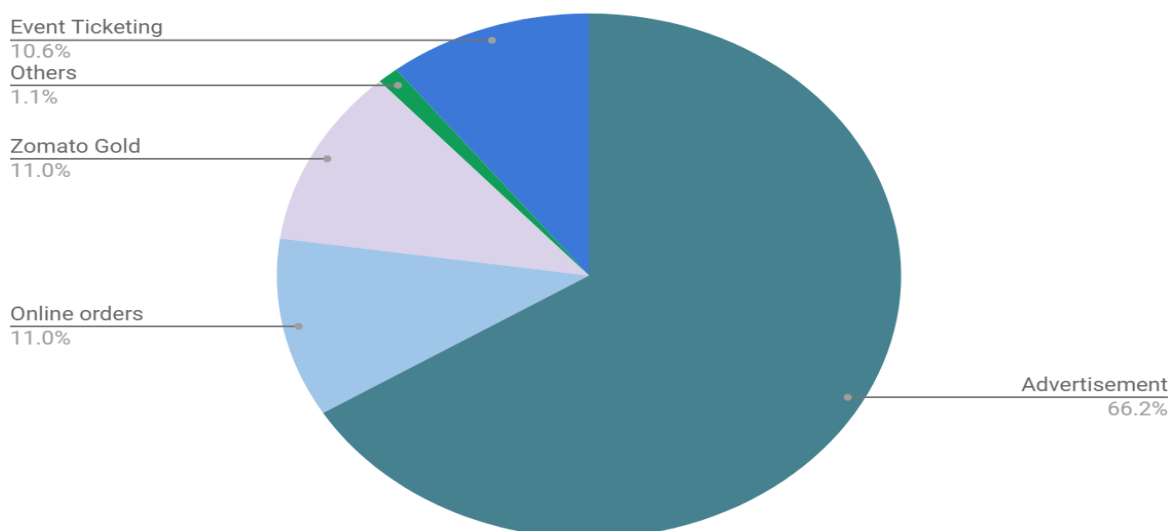
Large scale events and parties are promoted through Zomato. This type of revenue comes from restaurant based advertisers which use Zomato as an platform to advertise their events and therefore increase their discoverability. Tickets for specific events at restaurants venues are sold to the customers through the site. Event advertisement brings together 5 percent of Zomato’s revenue while Event ticket sales accounts for 10-15 percent of their revenue by imposing commission on ticket sales through zomato.

- **Consulting services:**

Zomato provides an in-built analytics platform for restaurants that runs a lot of queries and provides important information to them regarding their business strategy.

If a restaurant chain or a person wishes to open a new restaurant, they can ask for advice from Zomato which digs through terabytes of data to find out the success rate of opening a restaurant in a particular location. The owner can further find out the most popular type of food in that location and use this information to provide a complimenting service according to the needs of the customers.

**Zomato's Revenue Generation**

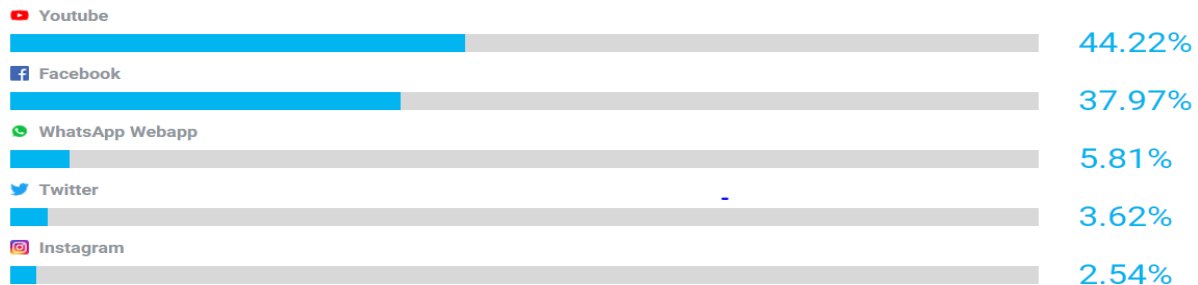


## **Social Media Marketing Strategy**

Zomato mainly aims to provide a place for foodies to hangout. To leverage its own Food Network, Zomato primarily focuses on 3 platforms: Facebook, Twitter and Pinterest. The strategy used for social media content primarily revolves around food and restaurant. Initially, the website failed to attract the users thereby having low traffic on these platforms. However, the company had now come up with more interesting contents that helps the brand to engage its users and thus increasing the traffic on their pages.

- Twitter: Zomato primarily uses Twitter for conversation. The brand has excelled at engaging people in conversation. Twitter is a Real time conversation platform and the brand has used this platform efficiently to reply to the queries of the users and asking them for further future suggestions and recommendations. Besides this, Zomato has also seen a great response from the contests that it runs periodically on Twitter like Foodie Friday.
- Blogs: Zomato's Blog is itself maintained by Deepinder Goyal and a close team for posting all the updates and information related to the brand. It provides a very understandable and user friendly content to consumers based on its activities, growth, policies and restrictions. The post and its content are really good, but it still needs to improve in this particular segment.
- Youtube: Zomato utilises youtube as a major platform to post its restaurant services and activities in the form of advertisements.
- Pinterest: What can be better than sharing a visual treat among the users to attract them! Pinterest provides that platform for Zomato. The contents shared on Pinterest with those amazing mouth watering food images are sure to lure in all types of foodies.
- Facebook: Zomato has 1.6 million follower in its Facebook community. It uses Facebook as event advertising platform to post updates on event and its occurrences. Even though Facebook is comparatively static, Zomato is known for its presence in the same as Facebook engagement.

## Social <sup>①</sup>



Source: <https://www.similarweb.com/website/zomato.com>

## Digital Marketing Strategy

One distinguishing characteristic in marketing strategy of Zomato is its vast investment not only in SEOs but also SEMs.

Search Engine Optimization(SEO) are strategies deployed by a company, in this case Zomato, to ensure its site is accessible to search engines. Internet users often rely on the search results of the first page and do not go further onto the next pages so the goal of successful SEO is intended to direct more traffic towards the brand's site which is done by assuring a placement of higher rank in the search results page of a search engine.

Zomato employed Search Engine Marketing(SEM) that includes a broader field of SEO, alongwith paid listings and often search-engine related services to increase exposure and traffic to Zomato's Website. Zomato's investments in SEMs which most of the companies do not necessarily follow through has proved its distinction in reference to marketing campaign. Zomato majorly takes advantage of keyword analysis and trends available to execute more SEMs campaigns.

**Global Rank** <sup>①</sup>  
Worldwide

▲ 1,357

**Country Rank** <sup>①</sup>  
India

▲ 180

**Category Rank** <sup>①</sup>  
Food and Drink > Restaurants and D...

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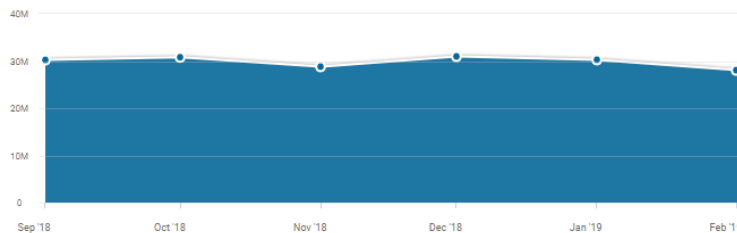


# Traffic Overview ①

Estimated Data [Verify Your Website](#)

## Total Visits ①

On desktop & mobile web, in the last 6 months



## Engagement

Total Visits	28.05M
Avg. Visit Duration	00:04:47
Pages per Visit	5.38
Bounce Rate	47.42%

Sources: <https://www.similarweb.com/website/zomato.com>

Zomato has a strong social media presence by using various platforms mentioned above. The brand understands the audience's nature and posts images on trendy topics due to which it easily engages the attention of youth on social media.

Content Marketing is the main underlying strategy of Zomato and it promotes relatable content that different user segments can like, comment and share. The designs and images posted by Zomato are witty, sober and attractive graphics that can easily convey messages in a minimalistic way. Zomato uses its social media engagement to interact with users online and increase the discoverability of various restaurants by posting appetizing images of their services and food. Through the aforementioned things, Zomato has established its presence in social media and subsequently a strong customer base.

## Growth Strategy

Zomato has been regarded as a limited-cost marketing brand. The brand undertakes activities to promote their business, product or service but they do so, through limited investment in their marketing strategies. As discussed above, Zomato has preferred and used social media platform effectively as a zero-cost marketing technique. Along with that through its blog, Zomato has established another way to draw attention of customers and restaurants to its activities and brand. The blog features Zomato's future growth strategies and its contribution to social causes in a way that can be easily understood by users and companies alike.

Using near zero-cost marketing in its approach, has guaranteed high Return On Investment (ROI) and low recovery costs for Zomato compared to other brands in which cost is incurred in heavy marketing such as TV commercials.

Zomato has attributed its growth to the following activities overtime:

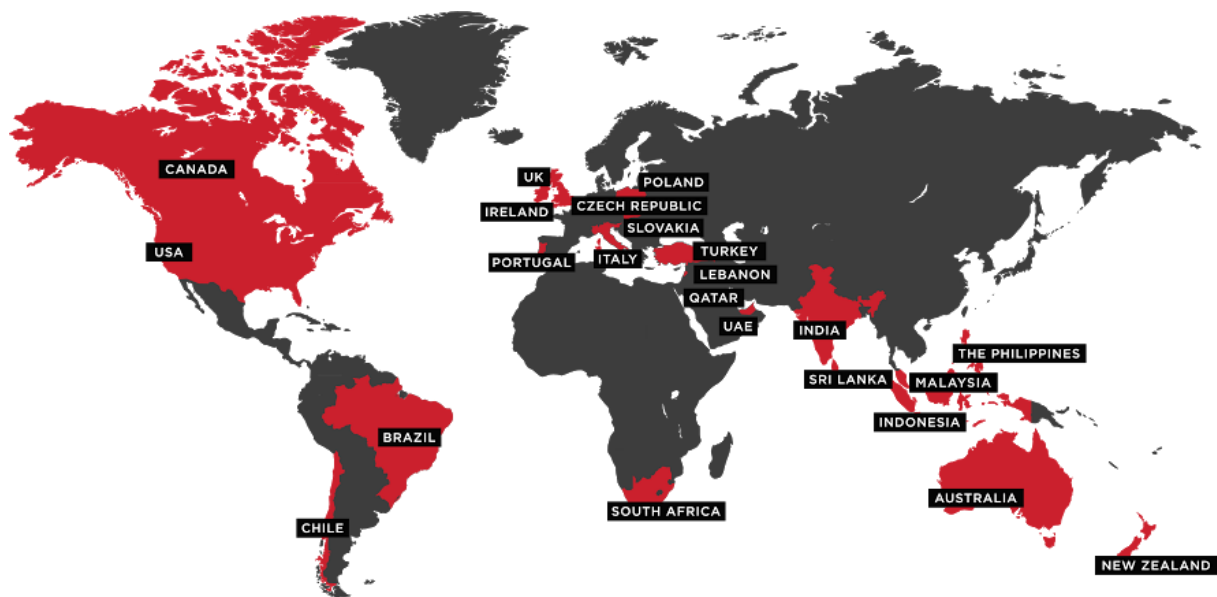
Zomato activated banner on top of its mobile page, inner search as well as highest viewing restaurant pages. It used techniques such as prompting the user to download the app after displaying few photos for the sole purpose of better experience. Zomato experienced 30 per cent

growth in mobile downloads per monthly and 50 percent of downloads came through mobile web.

In addition, Zomato introduced 'order online' feature on its app and website which enabled users to order online. The distinction in Zomato's approach is that it does not ask payment from online ordering companies for getting the users to transact through their services as most users are already on Zomato while browsing for purchases unlike Google and Facebook .

Zomato has strictly based its policies against discount-based customer acquisition strategy. In discount-led growth, steep discounts are offered to customers from whom it is expected to try the brand's product and turn into full price customers. Discount-led strategy as been regarded as unsustainable way to grow and compete by Zomato as the users preferring discounting will continually switch between brands based on higher cost reduction rather than quality and trust.

#### FOREIGN EXPANSION:



Source: <https://officechai.com/startups/zomato-quietly-become-indias-first-truly-international-startup/>

In the above statistics, the presence of Zomato is shown all around the globe.

Zomato is currently being hailed as the true Indian start-up to have international presence. It has done so by acquiring 12 startups around the world.

The list of countries in which Zomato has expanded and is present at are:

Portugal, Australia, Ireland, Brazil, Chile, Philippines, Czech Republic, India, Indonesia, Italy, Lebanon, Malaysia, New Zealand, Poland, Qatar, Singapore, South Africa, Sri Lanka, Turkey, UAE, United Kingdom, Slovakia, United States, Canada.

On 1st of September 2012, Zomato launched its first market in Dubai marking the starting of international expansion of Zomato. Zomato Gold's membership program was first introduced in Dubai for marketing and testing before bringing it to the Indian audience. Subsequently it has established itself as a market leader in UAE. Currently Zomato has sold its UAE delivery business to Delivery Hero, a Berlin-based company for the price of \$172 million.

In July 2014, Zomato acquired Menu-mania in New Zealand. Other startups such as Lunchtime in Czech Republic and Obedovat originated in Slovakia were acquired by the company for a combined amount of \$3.25 million. It further pursued search service acquisitions such as Gastronauti(Poland) in September 2014 and Cibando(Italy) in December 2018.

Zomato, for the price of \$60 million, acquired Urbanspoon, a Seattle-based company in 2015.

At that time, Urbanspoon was the chief competitor of Yelp, biggest restaurant discovery app in the world and acquiring so, proved its biggest acquisition till date. Urbanspoon was renamed under Zomato and its traffic was directed towards Zomato's webpage. Yelp has been regarded by Zomato as its biggest competitor in US.

Zomato further acquired Sparse Labs in 2016 and food delivery startup, Runnr in 2017. As for 2018, it acquired TongueStun Food, Bengaluru-based online market for \$18 million in cash and stock deal. In december of the same year, TechEagle- a drone based company was bought by Zomato to initiate its vision of drone-based food delivery in India.

Zomato has focused on expansion based on growth in cities rather than countries. Zomato has its reach in more than 10,000 cities globally.

Zomato ceased its expansion to focus on the countries in which its roots had already reached the markets. Assuming its strength in Kuala Lumpur to be comparatively low, it focused on improving its presence and services there. Simultaneously, it also focused on high-potential markets where they were yet to be on the charts and high position like Sydney and Istanbul.

Zomato regarded UK to be one of the toughest market to penetrate into due to presence of already well-established and trusted competitors.

One of the key points in Zomato's business strategy to be noted is its flexibility. It adapts its marketing strategy and model according to the needs of the customer, the market environment, the dependency of people on restaurants and the competitors in a particular country or city. These strategies can be realistically regarded to capture people's attention in foreign countries with suitable and strong tech support.

Even though Zomato is operating in only 23 countries as of now but its international presence has crossed over 40 countries in the world. It has done so by preceding with bank accounts and opening in these countries and thus acknowledging its presence in legal documents. It has been considered a smart strategy in fast growing sector by experts.

### **Future growth Zomato:**

Deepinder Goyal, the founder of Zomato, has announced and shared the future vision of Zomato transforming itself into farm-to-fork company with the help of HyperPure.

HyperPure is a B2B company, operational in Bangalore, aimed at sourcing of quality ingredients to restaurants listed in Zomato directly from farmers. The restaurants using this service provided by HyperPure would get certified from Zomato on its web page indicating users that the respective restaurant uses antibiotic residue-free chicken and pesticide-free vegetables and other quality ingredients. Currently it has on-boarded 2500 restaurants from Zomato and claims to have an order book of \$5 million a month.

Vegetables, fruits, spices and poultry to beverages and eco-friendly packages are all sourced from HyperPure to restaurants with the former acting as an effective supply platform.

The raw materials are procured directly from farmers who are guaranteed that HyperPure will buy their produce if it's clean. Deepinder Goyal has related a lot of farmer as being ethical and reckons- "Financial pressure and lack of predictability of demand force them to go lax on quality. Nobody wants to produce bad stuff. People do it because they have to, not because they want to".

Zomato is not only extracting ingredients from farmers and suppliers who can provide quality products but instead its making a first-of-its-kind initiative in helping the farmers to produce such quality products. They are utilising eco-friendly projects like rainwater harvesting and composting of waste which is provided back to the farmers for growing produce organically rather than with the help of pesticides. Every sourced ingredient can be traced back to the farm it came from providing complete transparency to the buyers and suppliers.

Zomato with this initiative has targeted to fix the demand side of the chain that ultimately affects and improves the supply side also. More efficiency is being created as less people are involved at the supply side.

Pesticide-free vegetables are sourced from small independent farmers and FPOs(farmer producer organisations) while poultry is sourced from farms that guarantee antibiotic residue-free standards. Equinox Labs, an independent Testing and Compliance Organisation, are largely utilised by Zomato to ensure quality standards are met. They are handled with the responsibility of regularly testing samples and to ensure food safety management.

The massive use of antibiotic drugs in poultry sector- life saving drugs like colistin to fatten chicken, in Indian food industry has prompted Zomato to not only provide clean, healthy and safe produce to restaurants but to make a strong business proposition out of it. The increasing

awareness between customers about the abuse of antibiotics by poultry producers has introduced a strong business opportunity in front of Zomato.

HyperPure in its first month of launching, experienced a massive demand with 300 restaurants on board and claimed to have an order book of \$5 million a month. The company had to temporarily halt its supply as it ran out of farms within two weeks and couldn't meet the demand.

This feat, however, boosted the confidence of Zomato in its new venture with Deepinder Goyal stating- "It's a flywheel. Demand pushes the supply, which in turn creates demand."

Zomato has also taken into consideration, the American trend of spending more on restaurants than on groceries. The key factors- accessibility, affordability, assortment and quality are acting as base structure for Zomato's vision of American trend being inculcated in India.

Restaurants are becoming the preferred choice of people who have busy schedules or want to lessen the burden that cooking presents or just have taste for good food and this is further solidified by the service of food delivery provided by Zomato. Most of the traffic directed to Zomato's online site and application results in food delivery due to which it has invested largely on delivery employee, mass marketing and other features in delivery sector. The platform is logged in by an estimated 22 million user every month who haven't tried the delivery service and Zomato's is trying to convert this population into a profitable business proposition by promoting the use of delivery for convenience and additional incentives.

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