



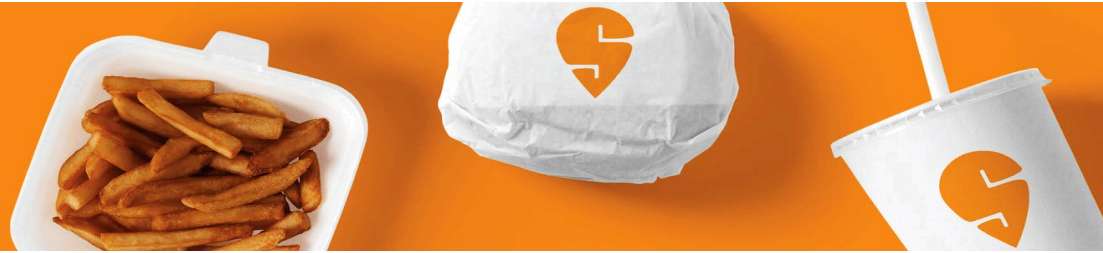
Think Food. Think Swiggy.



Stefania Menini

Data and Decisions
BMIB2

Professor Maithily Erande
Hult International Business School



Swiggy: winning the “Hunger Games” in the Indian food tech industry

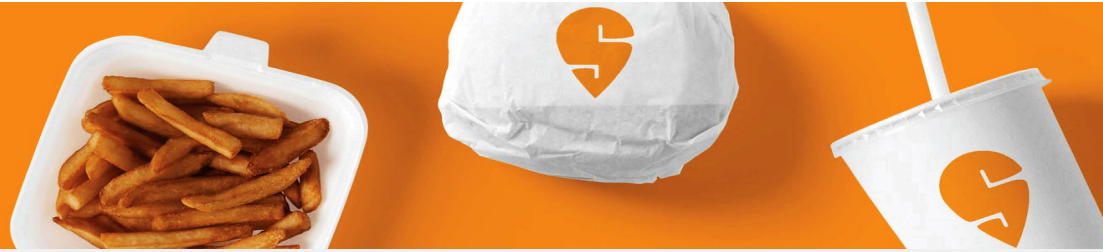
The online food ordering and delivery industry is estimated to be the largest e-commerce market globally, boasting value around c.USD 350bn (JM Financial Institutional Securities Limited, 2017). Hence, by the end of 2015 more than 4,700 food-tech start-ups have been launched, promptly catching investors’ attention. Since the Indian online food delivery industry is now moving rapidly toward the growth stage of its lifecycle, a high rate of failure is cutting out many of those new players. By a couple of years, it is expected that only 2% of those 4,700 food tech companies will survive until the maturity stage transition, leaving investors’ funds to the strongest market players. In the following months, a strong growth will define the Indian online food delivery industry: the Indian platform-to-consumer delivery segment revenue is estimated to double by 2024, reaching USD 6751M, despite a strong price competition (see Excel Sheet: Online Food Delivery Industry). As the multiple regression “Food Service Industry, Estimated Market Growth” displays, the growth of Indian foodservice market size (dependent or response variable) will be driven by three main explanatory

variables (independent variable): a) percent of urban population, which forecasted to rise till 36,6% by 2024 (see Excel sheet “Population”); b) GDP per capita, projected to reach USD 2168 by 2024 (see Excel sheet “GDP and Economic Growth Indicators”); c) percent of internet users, expected to touch the 40,56% in 2024 (see Excel sheet “Infrastructure”). The Adjusted R Square, equal to 0.9957, highlights that 99.57 percent of a change in the foodservice market size can be explained by a change in the explanatory variables previously listed. Furthermore, low independent variables’ p-values indicate that the relationship between independent and dependent variables is not just random luck and all the predictors taken into consideration are statistically significant. Lastly, residual plots display randomly distributed errors and the standard error highlight a reasonable approximate standard deviation of the statistical sample. Hence, the #1 Regression could be viewed as a good model to predict the future growth of the foodservice market size in India (see Excel sheets “#1 Regression ATT_3”).

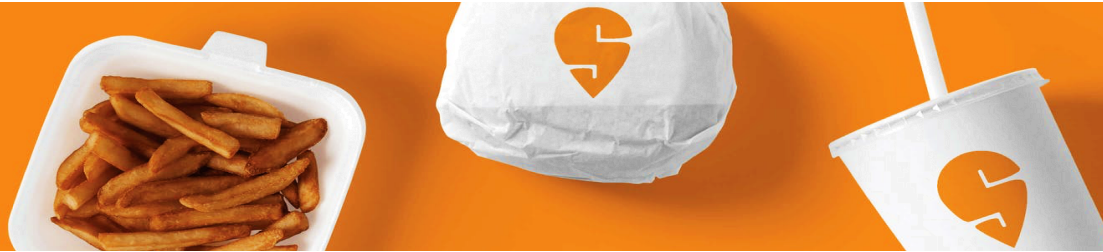
Online food ordering and delivery industry operators can be split into two main categories: “aggregators” and “new delivery platforms”. Since Swiggy was founded in 2014, it is now widely recognized as one of the most

popular Indian “new delivery platforms”, which is progressively standing out from Zomato, current Indian “aggregator” market leader. Zomato and Swiggy are emerging as clear leaders, turning the market into a two-player race. While Zomato lead in the restaurants listing space, relying on third-part delivery, Swiggy is enhancing its customers’ experience by controlling the entire logistic of food delivery. Currently, Swiggy is gradually closing the gap with Zomato, reeling on a consolidated positive networking effect: since user retention is high in the platform-to-consumer segment, the greater number of restaurants are on the platform, more users are attracted. It is estimated that around 80% of the customers, who sign-up for a platform, never or rarely switch for another (JM Financial Institutional Securities Limited, 2017), giving incumbents companies a great favorable position.

After 6 years from its foundation, Swiggy can now claim more than 140K partnerships with restaurants and shops, in 500 Indian cities, getting closer to Zomato, which has reached 270K restaurant listing in 2019. Geographically, Zomato is the leader in major cities, such as Mumbai and New Delhi, whereas Swiggy in Hyderabad and Bengaluru (see Excel sheet “Google Trends”).



SWIGGY BUSSINESS CANVAS MODEL										
KEY PARTNERS			KEY ACTIVITIES		VALUE PREPOSITION		COSTUMER RELATIONSHIPS		COSTUMER SEGMENTS	
PARTNERS TYPE		DETAILED INFORMATION	ACTIVITY TYPE		Users' side	RELATIONSHIP TYPE	DETAILED INFORMATION	Multi-sided Platform, India		
D U A L P A T N E R S H I P M O D E L	Fast Food Chain	Domino's Pizza Subway Pizza Hut McDonald's Burger King KFC	#1 Grow the Swiggy's platform through partnership with restaurants, shops and eateries; #2 Manage hyperlocal on-demand food doorstep delivery operations in less than 30 minutes (1.4 million food orders daily; 43 orders every minute; 18-Oct-2020); #3 Acquire new costumers, providing vualue and a great customer experience; #4 Hiring delivery providers or freelance deliverers; #5 Manage costumers orders; #6 Manage delivery process; #7 Manage payment process; #8 Handling costumers' concerns		#1 No-restriction order policy: Swiggy does not have a minimum order requirement value for delivery; #2 Provide convinient and easy access to a huge variety of delivery restaurants and cusines; #3 Efficient online payment system (8 different payment methods): digital wallets(Pytm; PhinePe; Freecharge; Mobikwik); cards (debit and credit cards); others (LazyPay; Cash-On-Delivery);	#1 Personal Assistance	24/7 active Costumer Service; Customer Support Chat; Person-to-person delivery; (4.2 rating based on 1,607,394 votes; 5-Mar-2020)	Users (more than 42 million monthly users; 22-Jan-2020)	People who don't want to cook; People who don't wan't to go out; People who want order online and want to get it delivered at their doorstep; Urban based food lovers; People who want to order from groceries, pharmacies, electronics and flower shop (recent business expansioon)	
	Local Restaurants & Shops	Biryani Blues Keventers BombayKery				#2 Co-Creation	Rating, review, feedback system;			
	(over 140K restaurants and shop partners access across 500 cities; 7-Oct-2019)									
	Groceries	Sodhi Super Marche Garg Dastak Zappfresh.com Best Baske		#9 Provide customers a differentiated a wide choice of restaurants with a wide collection of cusines; #10 Manage IT infrastructure's logistics and updates		#3 Resaaurants can obtain costumers who don't want physically go out; #4 Restaurants can obtain costumers who might not come across their cuisines in a online search	#3 Community	Over than 1.5 million community's members..	Restaurants & Shops	Restaurants and shops who do not have delivery personel; Restaurants and shops want to make use of Swaggy audience;
	Pharmacies	MedPlus Medlife Guardian Pharmacy PharmEasy					CHANNELS			
	Flower Shops	Recent business expansion					CHANNEL TYPE	DETAILED INFORMATION		
	Electronincs Shops	Recent business expansion					Mobile App (for Android and iOS,	More than 5M mobile app instalations, 03-Oct-2019		
	Delivery Providers	SuprDaily Freelencing job						1,730,506 monthly app downloads (1-Mar-2020)		
	(2.1 lakh active delivery partners; 7-Oct-2019)	Swiggy's own-delivery Fleet					Website	Monthly Download Growth: -16,16% (1-Mar-2020) 12044066 monthly web visitors. (1-Mar-2020)		
	Web Mapping Services	Google Local Guide					Social Media Channels	Facebook 927,337 followers		
Technology Platforms	Indifi Technologies						LinkedIn 447,600 followers			
Corporate Venture Capital	Napsers Ventures Accel DST Global						Instagram 194,000 followers			
Law Firms	Shardul Amarchand Magaladas & Company Latham & Watkins L&L Patners						Twitter 107.300 followers			



CEO Recommendations

#1 RECOMMENDATION: ELIMINATE SWIGGY'S DELIVERY FLEET

Swiggy and Zomato have diverse business models: Swiggy manages the entire logistics of food delivery, Zomato, instead depends on restaurants and third-party logistics players (JM Financial Institutional Securities Limited, 2017).

If on one hand controlling delivery logistics allows Swiggy to supervise and enhance costumers' experience, on the other hand, Zomato's asset-light model seems to be more sustainable in a market where loyal users can progressively experience lower meals' prices, causing a heavy price competition which has forced the main market players to revised their pricing strategies.

Outsourcing delivery logistics looks to be a more sustainable strategy for Swiggy, even if this strategic move would lower customers' experience. Nevertheless, a loss in costumers' experience would be weighed by higher economies of scales: operating and technological costs, such as application and

website development and maintenance ones, would be spread over a larger base as a result of higher-order volumes.

The following table contrasts Swiggy's and Zomato's delivery business models regarding their unit economics.

	Restaurant s delivers to Zomato	Zomato's Delivery partners deliver	Own- deliver y fleet
AOV	480	375	500
Take Rate (Commission)	8.2%	8.2%	12%
Delivery Fee	NA	10%	NA
Gross Revenue	39.4	68.3	60
Delivery Cost	NA	NA	100
Ptr. Delivery Fee Paid	0	50	NA
Operations Cost	18.4	27.4	NA
Net contribution per order	21.0	-9.2	-40.0

**Source: Zomato, JM Financial*

**Note: number in INR*

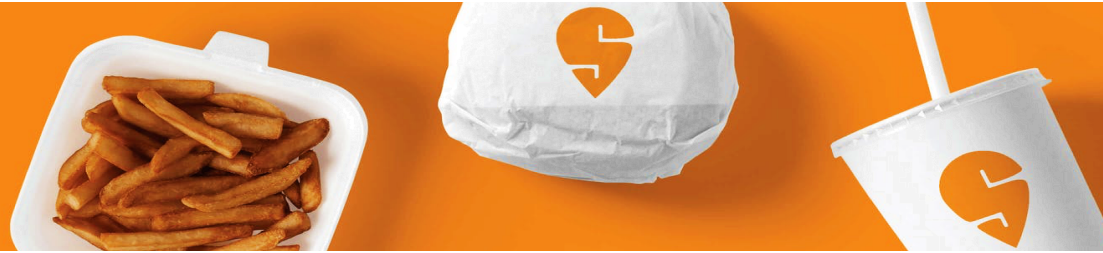
Although owing an own delivery fleet brings Swiggy many advantages, such as time constraints and free advertising, it also implies substantial disadvantages such as higher cost. Despite Swiggy performs slightly better in the average order value than its rival, its net contribution per order is considerably lower as a result of higher delivery cost. Considered the unit economics above, eliminate Swiggy's delivery fleet seems to be the best strategic move to cut fixed cost drivers and minimize Zomato's competitive advantage.

NOTE: Before proceeding with a future elimination of Swiggy's delivery fleet, it is crucial to carry out a preliminary comparison between Swiggy's contribution margin per order (CMO) and the corresponding "Break-Even orders": a "Break-Even Orders" considerably higher than the current volume of daily orders would support #1 Recommendation.

#2 RECOMMENDATION: RISE ADVERTISING AND MARKETING OPERATIONS FOCUSING ON WORKING WOMEN USERS SEGMENT, AGE 25-34.

Swiggy, as one of the principals "new delivery platform" players in the food tech Indian market, has a prominent growth potential thanks to those long-term opportunities guide by specific key driver factors, such as digital ordering and mobile payments growth.

As the percentage of people eating out in India is one of the least among the major global economies, accounting just USD 9,207M revenue (see Excel sheet "Online delivery Industry"), it is commonly believed that a rise in women's participation within India's workforce would boost the consumers preference for prepared meals, trend also supported by an increased urbanization. As the linear regression



"Female Workplace, Estimated Market Growth" could prove, the 84.42 percent of a change in the foodservice market size could be explained by a change in the female labor force (explanatory variable). Furthermore, a low p-value highlights that the relationship between the independent and dependent variables is not just random luck and the predictor taken into consideration is statistically significant. Lastly, the residual plot displays randomly distributed errors and the standard error highlights a reasonable approximate standard deviation of the statistical sample. Hence, the #2 Regression could be seen as a good model to predict the future growth of the foodservice market size in India (see Excel sheets "*#1 Regression ATT_1*").

Currently, 69.7% percent of the online foodservice platforms' users are male, while 30.3% are female. Therefore, specific marketing and advertising operations directed the target segment of worker women, aged 25-30, could potentially be a good strategic move that would allow Swiggy to attract a wider pool of users not yet fully penetrated. This would increase Swiggy's competitive advantage over its rival Zomato.

#3 RECOMMENDATION: DEVELOPING COMPLEMENTARY PRODUCTS AND IMPLEMENTING AN DIVERSIFICATION STRATEGY ARE KEY MOVES TO WIN THE MARKET ARENA

Consumers can choose to order their meal via their mobile phone, cook a chef-quality dinner for their families via meal kit delivery, pick up a prepared meal from their local supermarket, or even order a home-cooked meal from their neighbor via a kitchen sharing app (Friend, 2016). Since so many alternatives are available, competition for foodservice is growing exponentially.

Diversification might be seen as a useful strategic move to enhance the company's competitiveness in a fast-growing market. By favoring diversification, Swiggy could increase the number of markets in which it operates, boosting its revenue streams. By adopting a diversification strategy, Swiggy will be able to diversify the market risk associated with any entrepreneurial and managerial choices, following a defensive perspective, and increase the profitability of its business operation, following an offensive perspective.

In a couple of years, diversifying operational activities into grocery delivery, concierge services, and cloud kitchens, Swiggy would be able to generate 30% of its overall revenue from beyond food delivery. A clear example of diversification is the current implementation of the pilot program named "Launchpad", which aims to fully penetrate the student population, widely considered a captive customer base, representing 27.5% of the total users. Therefore, Launchpad would potentially enlarge Swiggy's operational radius.

SOURCES:

<https://yourstory.com/2016/06/zomato-order-unit-economics>

<https://medium.com/@kaustubhagnihotri/indian-food-pie-fight-foodonomics-decoded-df97d6985a8b>

<https://tech.economictimes.indiatimes.com/news/internet/swiggy-set-to-roll-out-launchpad-to-enter-new-markets-through-educational-universities/67066995>

http://jmflresearch.com/JMnew/JMCRM/analystreports/pdf/JMFLI_NFOE_CompanyUpdate_17May2017.pdf

Passport (2019). DIGITAL DISRUPTION: THE RISE OF FOOD DELIVERY IN THE MIDDLE EAST. Euromonitor International

<https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/et-awards-want-30-pie-beyond-food-delivery-says-swiggy/articleshow/72177195.cms?from=mdr>