

# Zomato

## Food Delivery Case Study

Strategic Analysis & OKR Framework

Comprehensive Cohort Analysis, Funnel Optimization & Retention Strategy

# Executive Summary

Market Share

**58%**

Monthly Transacting Customers

**22.4M**

Daily Orders

**650K**

Cities Covered

**800+**

## Current Performance Challenges:

- ▶ **Engagement:** 3.4 orders/month (5x potential)
- ▶ **Conversion:** 46% abandonment → ₹2800 Cr loss
- ▶ **Retention:** 38% at 90 days
- ▶ **Payment:** Only 78% success vs 92% benchmark

## Root Causes:

1. Checkout friction (MOV, payment failures)
2. Weak personalization
3. Low habit formation (insufficient reorder nudges)

# Zomato Official KPIs

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## Financial & Volume Metrics

KPI	Value	Period
Consolidated Revenue	₹4,799 Cr	Q2 FY25
Food Delivery GOV	₹13,384 Cr	Q2 FY25
Adjusted Revenue	₹2,657 Cr	Q1 FY26
Net Profit	₹176 Cr (+389% YoY)	Q2 FY25

## User & Order Metrics

### User & Order Metrics

KPI	Value
MTC	20.6M (+12%)
AOV	₹425–₹440
Order Growth	+13%

### Operational Metrics

KPI	Value
Blinkit Stores	1,544 (+152)
Store Target	2,000 (2025)
Delivery Charges	₹1,334 Cr (+98%)

# OKR Defined

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## Objective 1: Increase Frequency & Retain Users

### KR 1.1 — WAU

30.7M → 35M

Weekly nudge + personalization

### KR 1.2 — 7-day Repeat

30–35% → 42%

Improve habit loops

### KR 1.3 — Inter-order Time

4–5 days → 3.5 days

# Objective 1 (Continued)

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## Success Criteria

2+ Orders/week

**40%**

Monthly Churn

**18%**

Gold Pro

**18%**

Improving frequency directly lifts LTV and protects against Swiggy/Blinkit competition.

# Objective 2: Frictionless Ordering

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## Core Problem

60–70% reach discovery but only 30–40% add-to-cart.

## Targets

Metric	Target
Funnel Conversion	+5–7pp
Abandonment	50%
Payment Success	90%+

## Objective 2 — Key Results

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KR 2.1

ETA 22–25 → 18–20 min

KR 2.2

Checkout 70–75% → 90%

KR 2.3

Availability 85–88% → 95%

# Supporting KPIs

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## User Engagement KPIs

KPI	Target	Why It Matters
Session Duration	5:34 → 6:30 mins	Longer sessions improve basket size
Pages per Visit	3.83 → 4.5	Signals healthy discovery
Add-to-Cart Rate	42% → 52%	Critical conversion stage
Search Success	73% → 82%	Reduces drop-offs
App DAU	12.4M → 14.5M	Key engagement indicator

# Supporting KPIs (Continued)

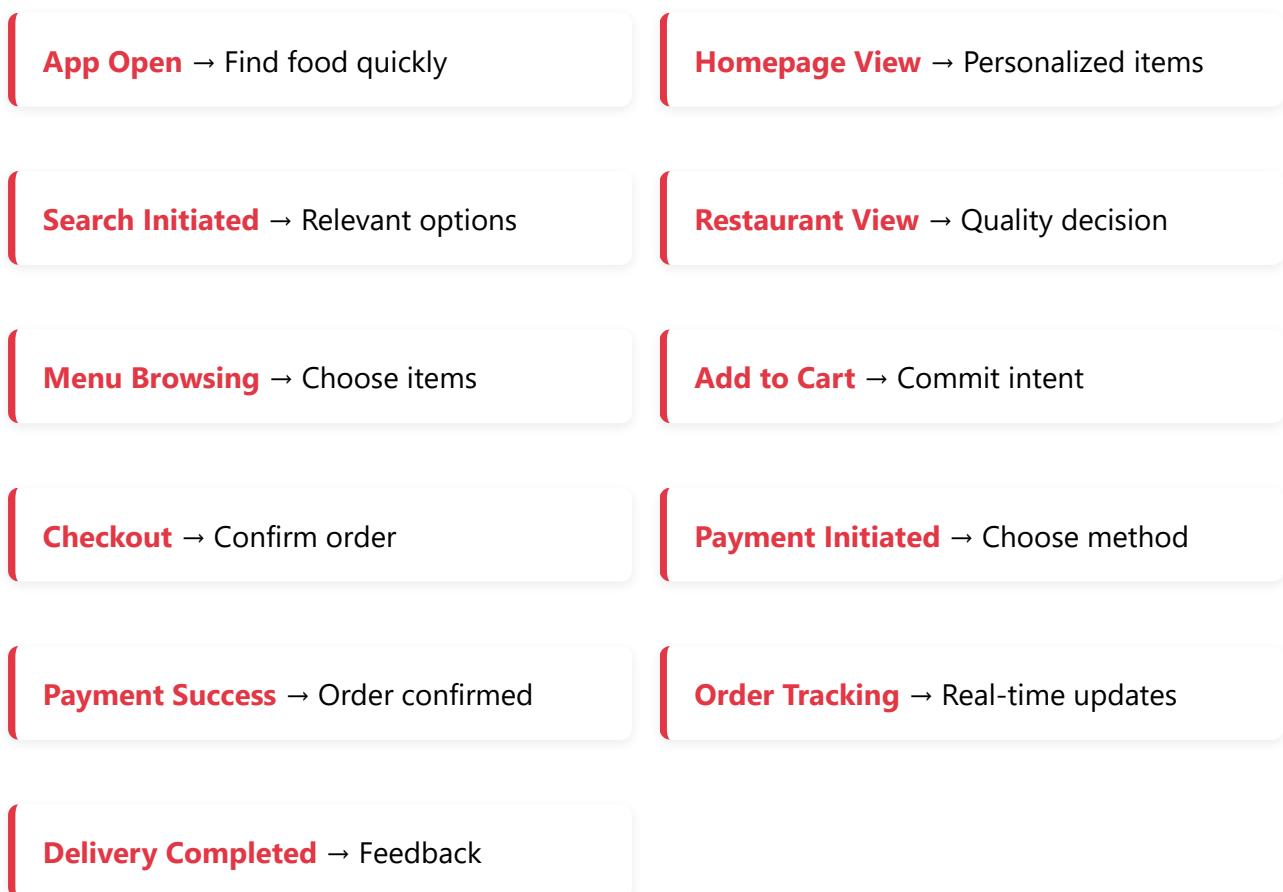
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## Operational Efficiency KPIs

KPI	Target	Why It Matters
Orders per Rider	18 → 22/day	Improves cost efficiency and earnings
Restaurant Response Time	3.2 → 2.5 mins	Speeds up whole funnel
Peak Capacity	87% → 93%	Peak hours drive majority revenue
Failed Payments	8.2% → <5%	Reduces abandonment significantly

# User Journey Funnel Analysis

## Key Stages



# Funnel Analysis (Drop-offs & Hypotheses)

## Drop-off Points

Stage	Drop-off	Why
<b>Menu → Add to Cart</b>	<b>60–70%</b>	High price sensitivity, unclear MOV
Add to Cart → Checkout	35–45%	Surprise fees
Search → Restaurant View	30–35%	Low relevance
Checkout → Payment	20–30%	Payment friction
App Open → Homepage	20–25%	Weak personalization

## Hypotheses

### Menu → Add to Cart

**Hypothesis:** MOV nudges lift conversion +15pp.

**Intuition:** Clear savings increase impulse ordering.

### Checkout → Payment

**Hypothesis:** One-tap UPI retry increases payment initiations.

### App Open → Homepage

**Hypothesis:** Personalized favorites reduce 22% drop.

# Tier-1 Funnel Conversion Rates

App Open (100%)

▼ 22% drop

Homepage (78%)

▼ 13% drop

Search (68%)

▼ 34% drop

Restaurant View (45%)

▼ 16% drop

Menu (38%)

▼ 61% drop

Add to  
Cart  
(15%)

▼ 40%

Check  
(9%)

▼ 28%

Pay  
Init  
(6.5%)

▼ 20%

Pay  
Success  
(5.2%)

# Cohort Analysis Framework

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## Step-by-Step Cohort Setup

Step	Description	SQL Logic
Identify Sources	Tier-1 orders only	WHERE city IN (...)
First Order	Earliest order per user	MIN(order_date)
Clean Data	Remove test/fraud	HAVING order_value ≥ 150
Create Cohort	Week of first order	CONCAT(year,'_W',week)
Retention Week	Days → Week index	FLOOR(days/7)+1
Active Users	Count unique	COUNT(DISTINCT user_id)
Retention %	Active ÷ Cohort size	(active/cohort_size)*100
Heatmap	Pivot table	PIVOT
A/B Testing	Compare cohorts	segment by experiment_id

# Cohort Segmentation Options

## Weekly vs Monthly Cohorts

Aspect	Weekly	Monthly
Granularity	High (7-day)	Medium
Noise	High (events, weather)	Smoother
Testing	Fast A/B cycles	Slow
Best For	Product decisions	Strategic planning

### Recommendation

Use BOTH: Weekly for PM tuning, Monthly for leadership dashboards.

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# Retention Metric Definitions

## Weekly Active Retention (Primary Metric)

**Definition:** % of users in a cohort who place at least 1 order in Week N after their first order

**Formula:**  $\text{Retention}_{\text{WeekN}} = (\text{Unique users placing } \geq 1 \text{ order in Week N} / \text{Cohort Size}) \times 100$

**Why it matters:** Week-to-week retention shows habit formation. Food delivery depends on frequent repeat orders.

### Day-7 Retention (Second-Order Conversion)

% who place 2nd order within 7 days of first order

#### Industry Benchmarks

**Good:** 35-40%

**Average:** 25-30%

**Poor:** <20%

**Strongest indicator of long-term customer value**

### Frequency Retention

Average number of orders per retained user in Week N

Shows depth of usage, not just active status.  
Important for understanding super-users and high-LTV customers.

**Example:** Week 4 retention = 20%, but if these users order 2-3x/week, the cohort is high value

# Retention Benchmarks (Food Delivery Tier-1)

| Rating            | Week 4 Retention | Week 12 Retention | What It Means                                                                            |
|-------------------|------------------|-------------------|------------------------------------------------------------------------------------------|
| <b>Excellent</b>  | >25%             | >8%               | Very strong value proposition, loyal user base, fast delivery & great personalization    |
| <b>Good</b>       | 18-25%           | 4-8%              | Healthy retention; some improvements needed                                              |
| <b>Needs Work</b> | <18%             | <4%               | Weak early experience; high drop-offs due to pricing, delivery delays, or search quality |
| <b>Critical</b>   | <12%             | <3%               | Severe retention issues; users churn after 1-2 orders. Needs immediate fixes             |

## Actionable Product Decisions from Cohort Insights

| Insight                                  | Problem                               | Product Action                                               | Expected Uplift  | A/B Test                           |
|------------------------------------------|---------------------------------------|--------------------------------------------------------------|------------------|------------------------------------|
| <b>Week-2 Drop (38%→25%)</b>             | Users forget Zomato; no habit formed  | Day-8 personalized push: "Welcome back! 20% off today" + SMS | +3pp Week-2      | Control vs offer vs recommendation |
| <b>Week-3 Decline</b>                    | Competitors offer faster delivery     | Lightning Delivery badge (<18 mins) + priority riders        | +2pp Week-3      | Ops + restaurant SLA tuning        |
| <b>Week-4 Plateau</b>                    | Users stuck to 2-3 restaurants        | "New Nearby" carousel + ML diversity engine                  | +1.5pp Week-4    | Variety & basket growth            |
| <b>Week-8 Super Users (7-8%)</b>         | Strong loyal base with big LTV        | Early Gold Pro unlock: free delivery, priority support       | ₹2,500 LTV/user  | ~80% convert to paid               |
| <b>Cohort Size Fluctuations</b>          | Paid channels bring low-quality users | Channel-wise: Organic > FB > IG → shift budget               | Better ROI       | Improve SEO + content              |
| <b>Bangalore &gt; Delhi (20% vs 16%)</b> | City preferences differ               | Geo-personalized: BLR→South Indian; DEL→Mughlai              | +1-2pp city-wise | Hyperlocal offers                  |

# PM Execution Framework

## Monitoring Cadence

### Daily (D1-D7 Focus)

- ▶ D1-D7 retention
- ▶ Payment failures
- ▶ ETA spikes
- ▶ New-user drop-off alerts

### Weekly (W1-W4 Focus)

- ▶ Cohort performance by channel & city
- ▶ Drop-off diagnosis
- ▶ Impact of nudges & offers
- ▶ Experiment results (A/B)

### Monthly (W1-W12 Focus)

- ▶ Long-term retention
- ▶ 90-day LTV
- ▶ Cohort LTV:CAC
- ▶ Quarterly OKR alignment

## Alert Thresholds

| Alert                | Threshold | PM Action                                           |
|----------------------|-----------|-----------------------------------------------------|
| <b>D7 Retention</b>  | <35%      | Fix 2nd-order journey, boost early-order incentives |
| <b>D30 Retention</b> | <16%      | Improve homepage recommendations + delivery speed   |
| <b>D90 Retention</b> | <4%       | Launch reactivation campaigns                       |
| <b>Avg ETA</b>       | >32 min   | Improve rider allocation + restaurant batching      |

# Next Steps After Actionable Cohort Insights

## 1. Fix the Biggest Leak: First → Second Order (D0-D7)

**Why:** 68% of users never return after 1st order — biggest retention drop

**Next Steps:**

- ▶ Launch automated 2nd order incentive flow (Day 1-6 nudges)
- ▶ A/B test offer strength: ₹60 vs ₹100 vs Free Delivery
- ▶ Add "Reorder in 10 seconds" smart card on homepage
- ▶ Improve delivery ETA accuracy for new users
- ▶ Build real-time Day-3 "Where did they drop?" diagnostics

Goal: D7 retention from 32% → 37-40%

## 2. Strengthen Habit Formation (D7-D30)

**Why:** D30 retention extremely low (17% vs 55% target)

**Next Steps:**

- ▶ Launch Weekend Ordering Campaigns (Friday 7 PM push)
- ▶ Personalized cuisine carousels based on order #2
- ▶ Add gamification ("Earn Gold Trial in 3 more orders")
- ▶ Introduce "Recommended for You Tonight" dynamic module
- ▶ Trigger referral reward after 3rd order

Goal: D30 retention from 17% → 27%

## 3. Build Long-Term Loyalty (D30-D90)

**Why:** Only 8% become high-LTV "Power Users"

**Next Steps:**

# Next Steps (Continued) & Reflection

## 4. Shift Budget Based on Channel Quality (LTV:CAC)

**Why:** Paid channels delivering poor cohorts (12-15% retention)

- ▶ Increase Referral reward ₹200 → ₹300
- ▶ Push App Store organic through ASO
- ▶ Reduce Facebook/Instagram paid by 20-30%
- ▶ Double down on SEO + content creators

Goal: Organic mix 14% → 22%+

## 5. Launch City-Specific Optimization

**Why:** Bangalore (20%) outperforming Delhi (16%)

- ▶ BLR: Promote South Indian quick-service
- ▶ DEL: Boost North Indian/Mughlai, late-night
- ▶ Hyperlocal offers (rain, peak traffic)
- ▶ Supply expansion for <18-min delivery

Goal: Delhi W4 16% → 19%

## North Star Metric Alignment

### Week-4 Retention > 20%

This is the single most important metric because it:

- ▶ Predicts lifetime revenue
- ▶ Reduces acquisition dependency
- ▶ Strengthens delivery + search ecosystem
- ▶ Improves GMV per user
- ▶ Raises subscription adoption (Gold Pro)

# Final Action Roadmap & Reflection

## Final Action Roadmap

### Next 2 Weeks

- D0-D7 incentive journey
- Homepage personalization
- Lightning Delivery experiment

### Next 30 Days

- Gamification + diversity engine
- Rebuild search ranking
- City-wise content modules

### Next 90 Days

- Gold Pro early unlock
- Premium support tier
- Referral revamp
- Channel budget optimization

## Reflection

### What insights surprised you during the analysis

Strong city-specific retention differences (Bangalore 20% vs Delhi 16%) underscored the critical role of hyper-localization. The identification of "super users" active at Week 8 (7-8%) revealed substantial latent monetization potential through subscription tiers. The disproportionate contribution of organic SEO channels over paid ads emphasized the power of content flywheels and long-term brand loyalty in high-competition markets.

### Any challenges in defining the right KRs or KPIs

Defining the right KPIs was challenging due to the need to balance granularity with business impact. First-time user identification required rigorous deduplication to avoid false positives. Choosing weekly cohorts helped capture actionable A/B test insights but led to data noise issues. These complexities reflect the dynamic nature of the food delivery market and Zomato's strategic emphasis on data-driven personalization, operational efficiency, and market localization.

