



Pre-work Assignment: Strategic Acumen

☰ Deliverables	Answer the following two questions in a 2-3 page document
☰ Key Learning	Identified factors that increase the value of the Zomato business
☰ Reading	HBR article on <u>What Zomato's \$12 Billion IPO Says About Tech Companies Today</u> .

Q1. Identify the value drivers powering a Click & Mortar business model in comparison to Brick & Mortar (1000 word limit).

Value drivers are factors that increase the worth of a **product, service, asset or business**. In the case of a **product**, it could be a **differentiating capability that makes the product a must-have for customers**. For a **business**, it could be **economies of scale, skilled staff or a loyal customer base that increases the value of the business for shareholders and potential buyers**. It is essential for Click & Mortar business

model like Zomato to recognise and appreciate the value drivers that will **improve cash flows and reduce the risks linked to the business**. There are numerous value drivers that can be attributed to a business, some of which are specific to particular industries.

Below are major value drivers for Click & Mortar business model like Zomato. If we put all these things together, we can easily see an exponential growth in Zomato business.

1. First is, of course, the increased **smartphone penetration** which will be helping Zomato to get more users on to the platform. However, Zomato already proven technological expertise better through the development of products that address emerging customer needs, luring customers into choosing modern high-performance products.
2. The second growth driver is **penetration into Tier-II and Tier-III markets**. Due to economy of scale the costs per unit typically go down with an increase in customer base and average order value increased exponentially because due to pandemic more people order food from good restaurant. It may be through the spread of capacity costs over growing customer base.
3. The third growth driver is **increased frequency**. In metro cities, the penetration of online food delivery is somewhere close to 60-70%. So the only way to get growth in the top 10 cities would be increased frequency. Due to current pandemic as most people are staying at home and order frequency per week increased exponentially last one and half years and most of the Brick & Mortar restaurant partner with Zomato to deliver food to customer.
4. The fourth is **access to Capital**. Sudden growth in the food delivery business attract potential external investor to invest in Zomato which make Zomato IPO successful.

Q2: Would you invest in Zomato? If yes/no, why/why not? (500 word limit).

Yes, I would prefer to invest in Zomato. Because now mindset of people in India changed and gradually more people are preferring to order food online due to large

no of restaurant option to choose, variety of cuisine to try and predictable food quality and time to get the food.