TEAM VPRS

UBER EATS

ZOMATO

VINAY DAKSH
PAARTH MINEAR
RAKESH BHUTRA
SITESH GOYAL
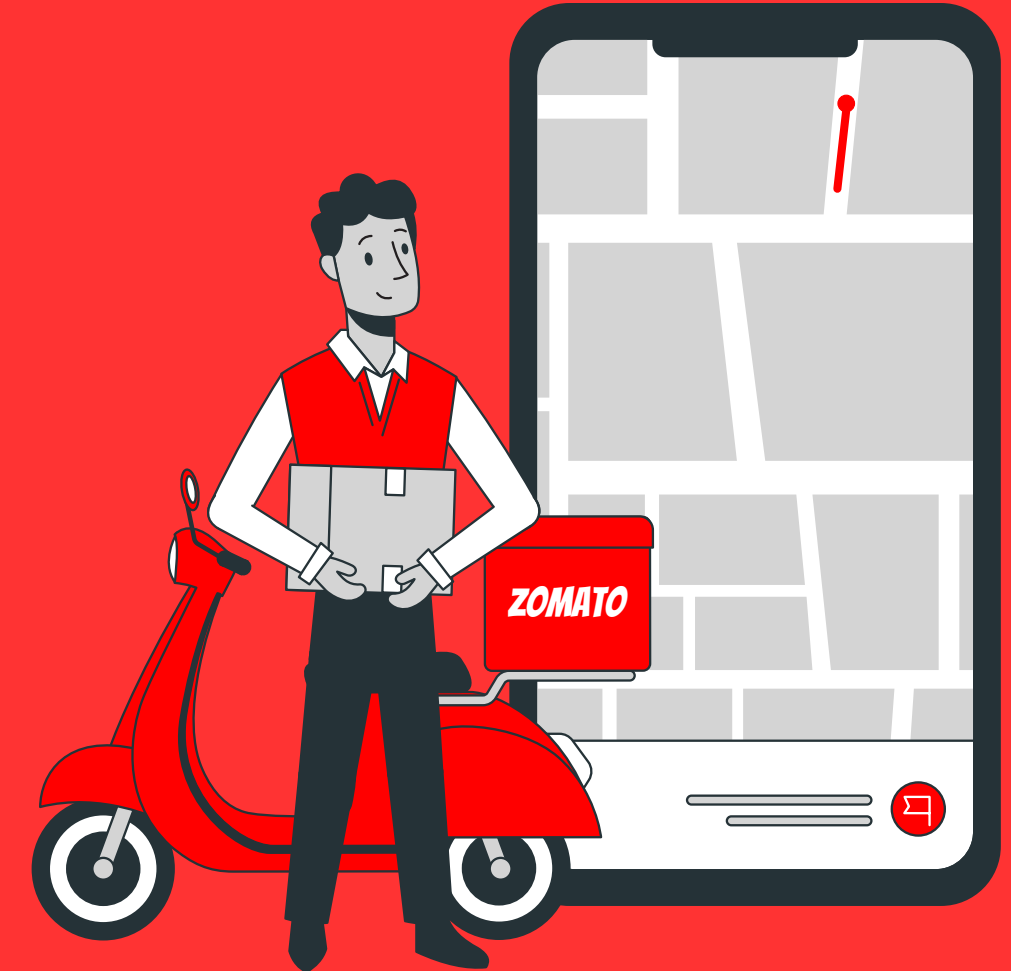
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ZOMATO EATS UBER?

INDUSTRY ANALYSIS

The Indian food delivery market was valued at INR 26.73 billion in 2019 and is expected to grow at a CAGR of 25-30% to reach INR 80-85 billion by 2022
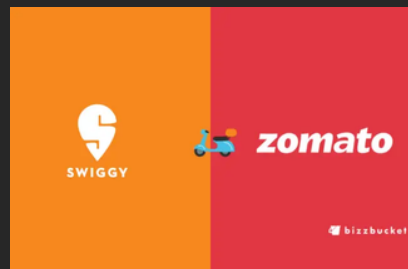
TOP PLAYERYS IN MARKET

SWIGGY,ZOMATO

COMPETITION STAGE

DUOPOLY

4-5 TIMES / WEEK

avg frequency of online food order

BRIYANI,PIZZA AND BURGER

highly preffered dishes in india

76.2 milllion
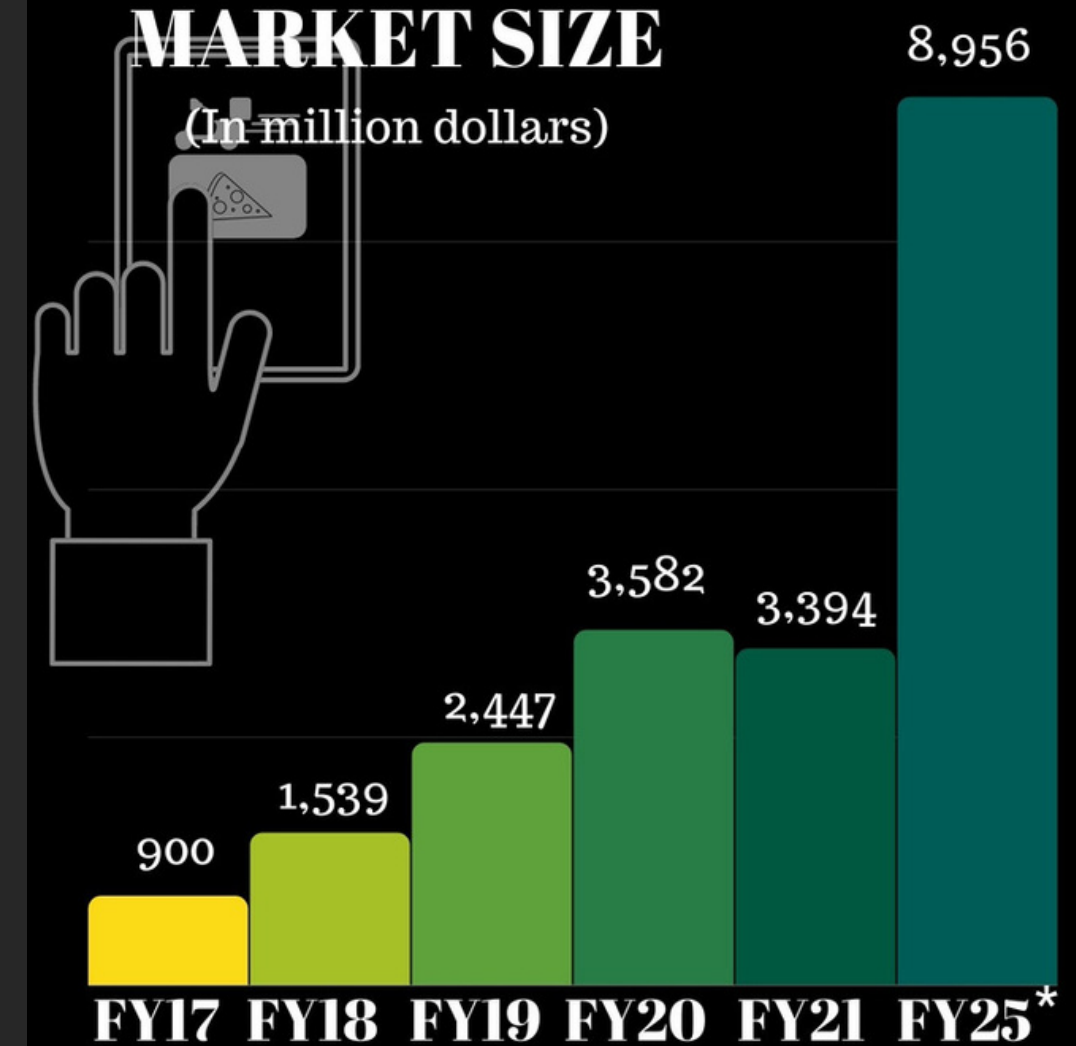
number of online food delivery users in india

~50%

spike in number of orders during peak days(weekends)

~ 1 BILLION

total number of orders in 2019

MARKET SIZE
(In million dollars)

FY17	FY18	FY19	FY20	FY21	FY25*
900	1,539	2,447	3,582	3,394	8,956

DELIVERY AGGREGATORS
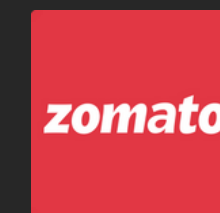
ZOMATO

ABOUT THE COMPANY:

Started in July 2008 by Deepinder Goyal (CEO)
Initially, it was named as FoodieBay.
90 million monthly visitors, 10000+cities
Domain name- Zomato. xxx and named as Zomato

ZOMATO BUSINESS MODEL

ZOMATO PRO

HYPER PURE

DINEOUT

FOOD DELIVERY

REASONS

>First mover advantage
>strong content platform
> Efficient employee
>Good rating mechanism and social platform

QAAA

Quality
Affordability
Accessibility
Assortment

STRENGTHS	WEAKNESS
• Wide reach • Innovative technology • Strong brand reputation • Diverse offerings • Robust data analytics capabilities • strategic partnerships	• Reliance on discounts • Limited geographic reach • High competition • Operational challenges • Dependence on the single market
OPPORTUNITIES	THREATS
• Expansion into new markets • Focus on sustainability • Diversification of services • Embracing technology and innovation	• Intense competition • Regulatory changes • Changing Consumer preference • Geopolitical risks • Cybersecurity risks

UBER EATS

Uber Eats entered India in 2017 May

Uber Eats India was valued at $2 billion in 2020

It has about 5 million active users by 2019.

Uber Eats has 27000 restaurants registered and was in 38 cities

Uber Eats was projected to have roughly 13% to 15% of the food delivery market share in India in 2019, competing with other significant firms such as Swiggy and Zomato.

It had over 1 million active users in its first year of existence. Uber Eats India employed over 10,000 people in 2019.

Uber Customer Base is retained and upsold as more services are offered via Uber Eats

Eater

Order

Deliver

Pick-up

Restaurant Partner
Restaurants get more revenues

Delivery Partner
The existing Uber infrastructure makes supply reliable
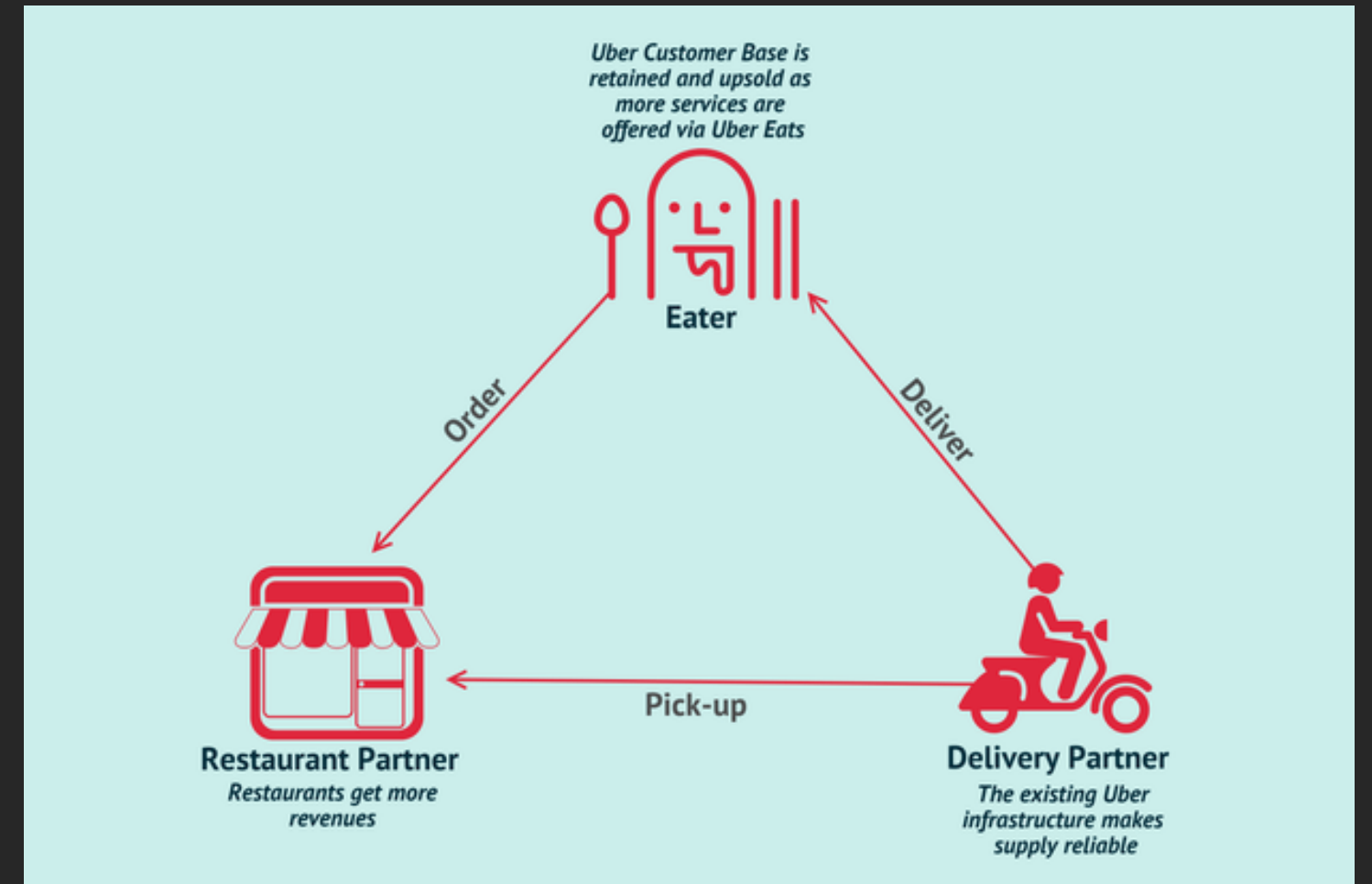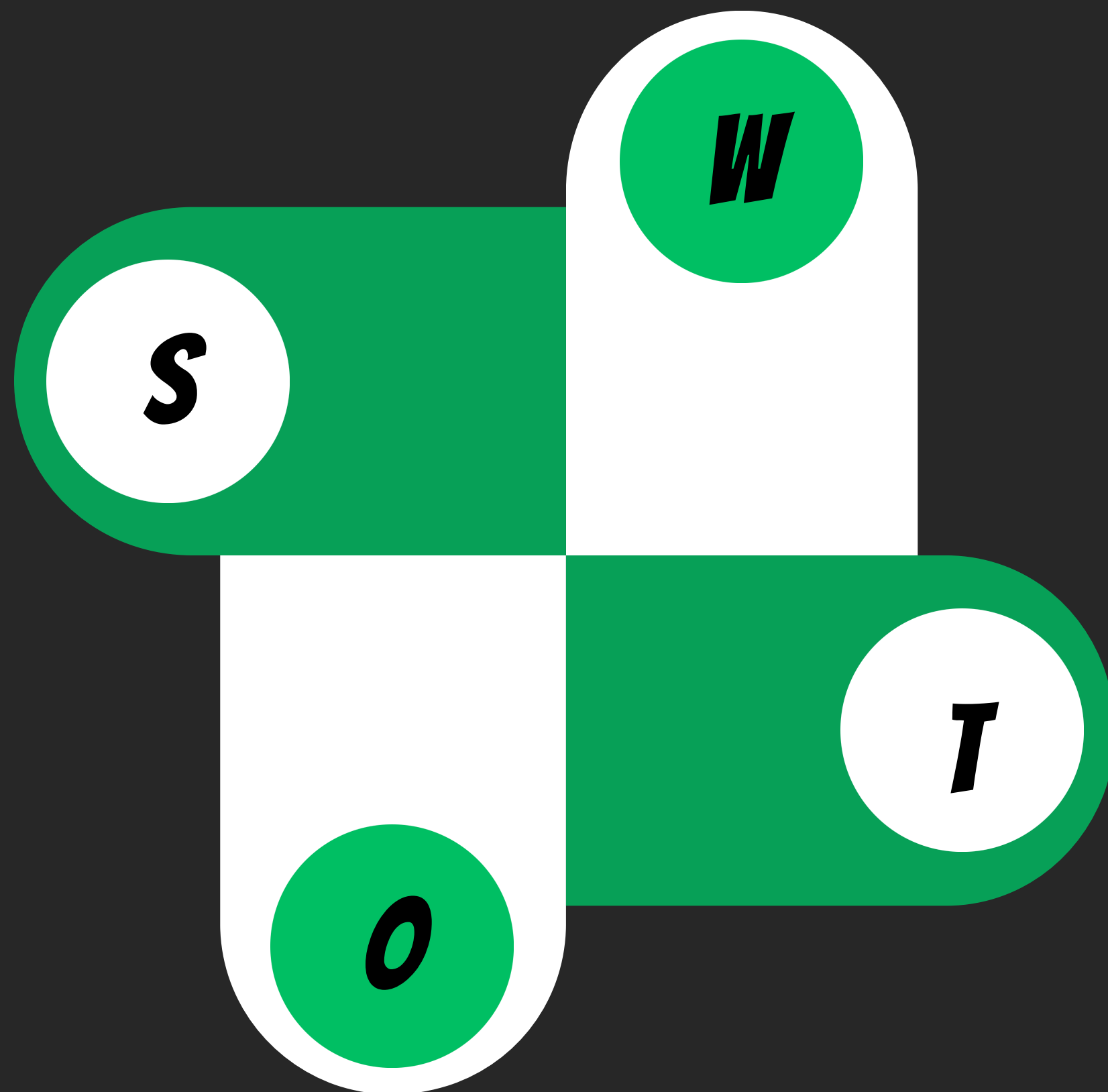
STRENGTHS	WEAKNESS
• Financial support: Backend by its major unit Uber Technologies Inc, Uber Eats doesn't run much risk of bankruptcy as startups are most likely to do when money isn't coming.	• Human resource • Customer support • Low pay • Less market share • Underestimation of the Indian market from the start
OPPORTUNITIES	THREATS
• Focus on sustainability • Diversification of services • To attract new raise in sales through app, Uber Ets can always come up with promotional coupons	• Hude competition: There is a massive duopoly between zomato and swiggy which would not favour Uber Eats. • Debt incursion: Investors would not prefer to invest in Uber Eats due to high losses and debt incursion

S · W · O · T

SITUATION OVERVIEW

Objective

Zomato's objective is to become India's premier meal delivery and restaurant discovery platform. Zomato can strengthen its market presence and competitive edge by acquiring Uber Eats India.

Business cycle

Zomato and Uber Eats India are both at the expansion stage of their business life cycles. Zomato has had enormous growth and market penetration over the years, but Uber Eats India has failed

Financial Considerations:

Zomato should closely review Uber Eats India's financial performance and assess its possible influence on Zomato's profitability, revenue growth, and overall financial health.

Zomato's strategy

Zomato's acquisition of Uber Eats India is consistent with the company's broader strategy. Zomato promises to give its consumers a smooth meal delivery experience while also delivering a diverse selection of restaurant options.
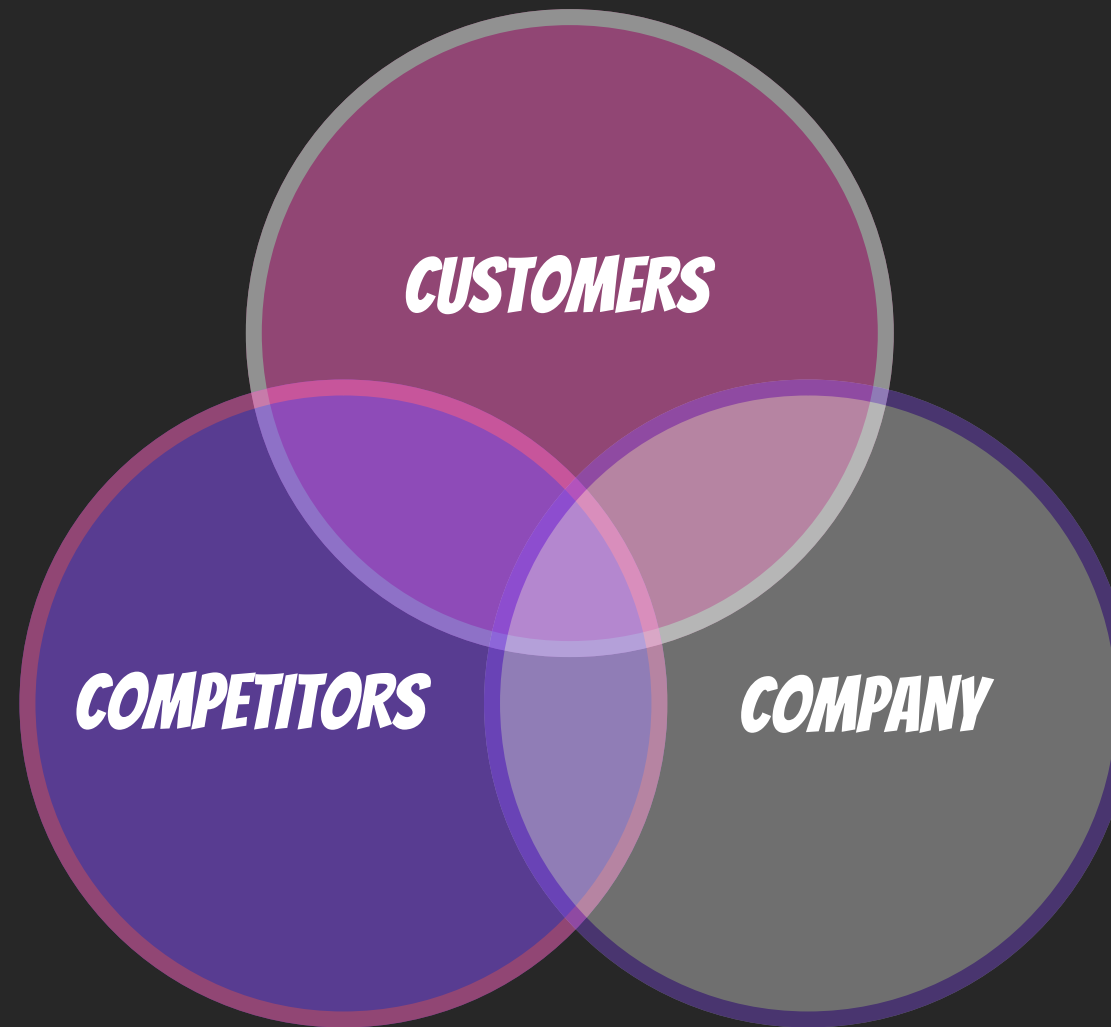
Value generation

The possible purchase of Uber Eats India may give Zomato an increase in operational efficiency, enhance delivery logistics, and even save money by pooling resources.

3C MODEL

CUSTOMERS

- Zomato's key customers are between the age group of 18 to 35 year old

- The customer values of best quality of food and discount offers on their orders

- Its unique and innovative marketing strategies show its focus on customers.

COMPANY

- Strengths of Zomato are it has first mover advantage, fast expansion, increasing no. of clients, multiple acquisitions ,fantastic promoting.

- Zomato operates on QAAA model which stands for Quality, Accessibility, Affordability and Aossrtment

COMPETITORS

- As Swiggy and Zomato are the current market leaders then too Swiggy has a slight edge over Zomato

- Swiggy introduced loyalty programs, such as Swiggy Super, which offered benefits like unlimited free deliveries and exclusive discounts to its subscribers.

POLITICAL

- Regulatory Compliance
- Government Relations
- Advocacy for Industry Interests
- Public-Private Partnerships

ECONOMIC

- Pricing Strategies
- Market Expansion
- Cross-Selling and Upselling
- International Expansion

SOCIAL

- CSR Initiatives
- Social Impact Programs
- Food Education and Awareness
- Community Engagement

TECHNOLOGICAL

- Improved User Experience
- Integration of Emerging Technologies
- Innovations in Ordering and Payment

ENVIRONMENTAL

- Sustainable Packaging
- Green Delivery Fleet
- Food Waste Reduction
- Partnerships with Environmental Organizations

LEGAL

- Need to follow labor and employee safety laws.
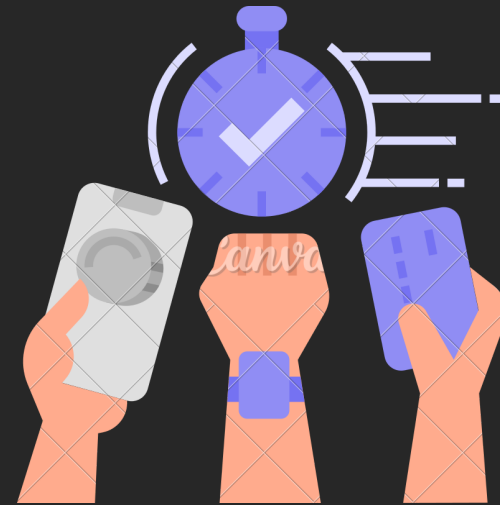- Zomato needs to follow taxation laws in the operating markets.

PESTEL ANALYSIS

POLITICAL | TECHNOLOGICAL | ECONOMIC | ENVIRONMENTAL | SOCIAL | LEGAL

CUSTOMER 'S PSYCHOLOGY

Long Term Sustainable

Customer 's Wants

QUALITY FOOD	DISCOUNTS
SPEEDY DELIVERY	VARIETY OF FOODS

Convenience : Online food ordering is a convenient way to get food delivered to your door. This is especially appealing to customers who are busy or who do not want to cook.

Variety : Online food ordering platforms offer a wide variety of restaurants and cuisines to choose from. This allows customers to find the food they want, regardless of their dietary restrictions or preferences.

Discounts and promotions : Online food ordering platforms often offer discounts and promotions. This can help to save customers money on their orders.

Customer reviews : Online food ordering platforms often feature customer reviews. This allows customers to read about other people's experiences with a particular restaurant or food item.

5.0 RATING
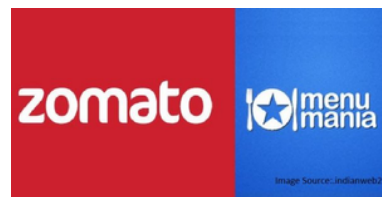
PREVIOUS ACQUISITIONS BY ZOMATO

1) MenuMania
It was announced in July 2014 that Zomato has acquired MenuMania for an undisclosed sum. The acquisition was planned to make Zomato and MenuMania, together, the largest restaurant information provider in New Zealand.

2) Gastronauci
A Poland based restaurant, it was acquired in September 2014. Gastronauci has been active in Poland since 2007 and was proud to be a partner of Zomato from 2014 onwards.

3) TechEagle Innovations
The company that provides drone services was acquired by Zomato in 2016 to help the brand launch a drone-based delivery network in India and then further expand it abroad. The acquisition amount is still undisclosed.

4) UrbanSpoon
The Seattle based food portal was acquired, with rumours pricing the deal at more than $50 million in 2015. This deal was said to be the largest yet, allowing the brand to enter the US market

5) Sparse Labs
Zomato acquired Sparse Labs, which is a logistics technology-based start-up in 2016 to get a hands-on team focusing on the improvement of the delivery experience of Zomato customers.
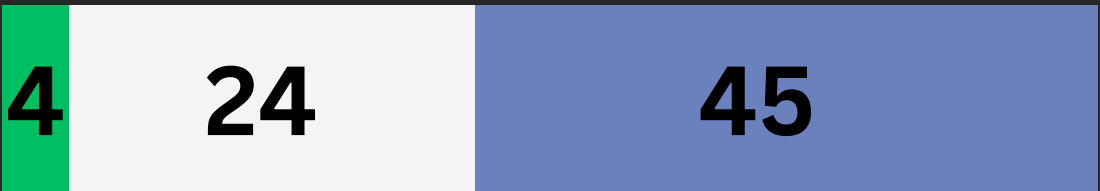
COMPETITIVE ANALYSIS

■ most trusted brand(%)

■ Great experince(%)

■ best value(%)

Swiggy: 22 | 24 | 50

zomato: 10 | 25 | 47

UBER EATS: 4 | 24 | 45
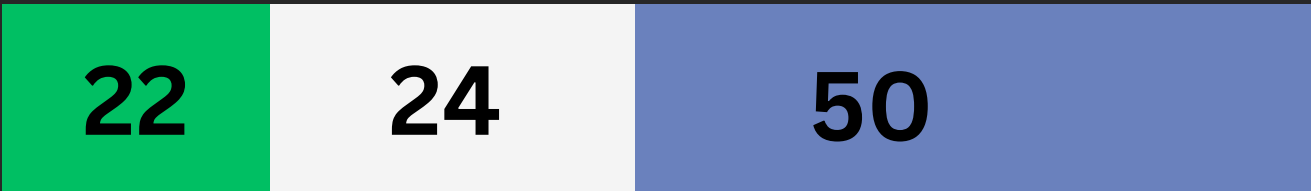
CUSTOMER OVERLAP

The Indian online food delivery market is highly competitive, with three major players: Swiggy, Zomato, and Uber Eats. These three companies account for over 80% of the market share.

A study by RedSeer Consulting found that customer overlap in the Indian online food delivery app market is relatively low, with only 30% of customers using multiple apps. This is lower than the global average of 50%.

2019 Q4 Customer Share

SWIGGY — Uber Eats

7.6%   0.6%   12.7%

3.6%   3.2%   0.4%

71.9%
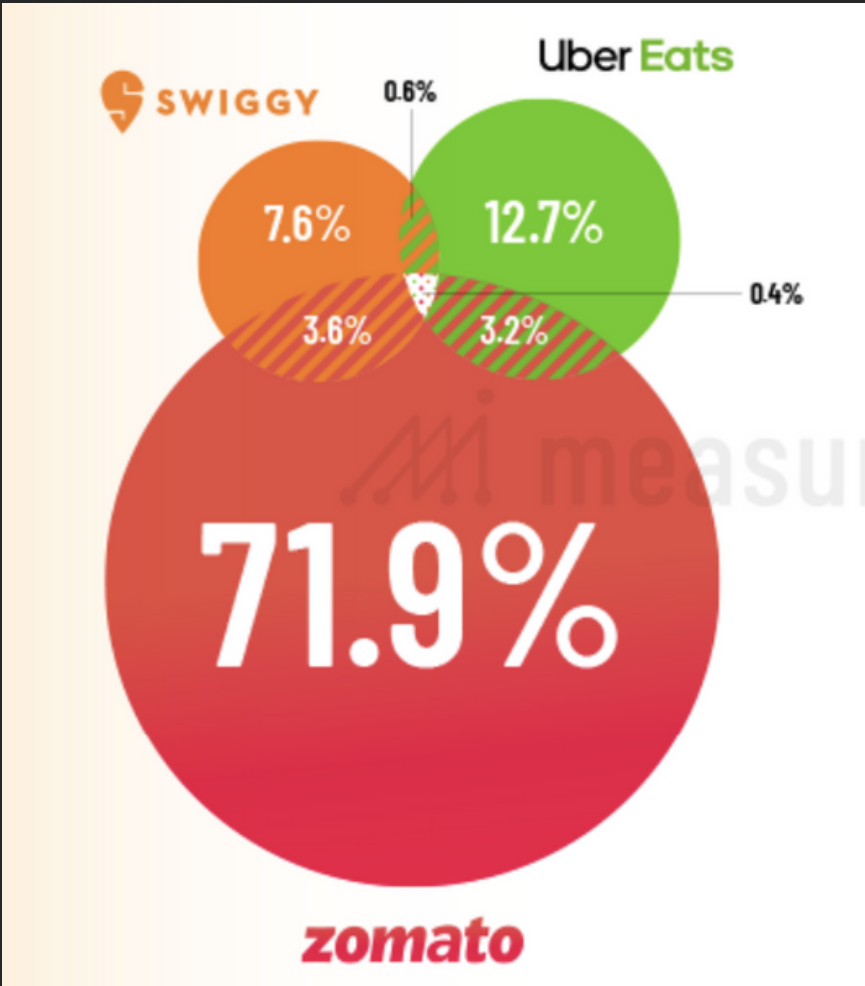
zomato

SHOULD ZOMATO EAT UBER?

There are **potential benefits** to Zomato acquiring Uber Eats, such as **increased market share**, **expanded geographic reach**, and **enhanced customer experience.**

However, there are also **potential challenges**, such as the financial implications of the deal, the potential synergies between the two companies, and the competitive landscape in the Indian food delivery market.

In addition, the Indian government is currently reviewing the regulations for food delivery platforms, which could make it more difficult for Zomato to operate.

GROWTH ANALYSIS

When Zomato acquires Uber Eats

- Zomato should consider the synergies and cost reductions that the purchase can provide. For example, economies of scale, simpler processes, and lower marketing expenditures as a result of a larger consumer base.
- Determine a suitable discount rate, which is usually the weighted average cost of capital (WACC). The WACC accounts for the cost of equity and debt, indicating the combined entity's risk profile.
- Determine the merged entity's terminal value at the conclusion of the projected period. This may be accomplished through the use of either the perpetual growth technique or the exit multiple ways.
- Compare the projected enterprise value resulting from the DCF study to Uber Eats' possible offer price.

When Zomato doesn't acquires Uber Eats

- Zomato should Cconsider any possible investments in technology, market development, or the launch of new services that may have an influence on future cash flows.
- Change critical assumptions, such as revenue growth rates, discount rates, or terminal value multiples, to do sensitivity analysis.
- To confirm the DCF results and support the final value, use the findings from other valuation approaches, such as similar company analysis or precedent transactions.
- To calculate Zomato's entire enterprise value without Uber Eats, add the present values of all future cash flows.
- Marketing investment is less expensive than purchasing Uber Eats, which might further impact a company's cash flow.
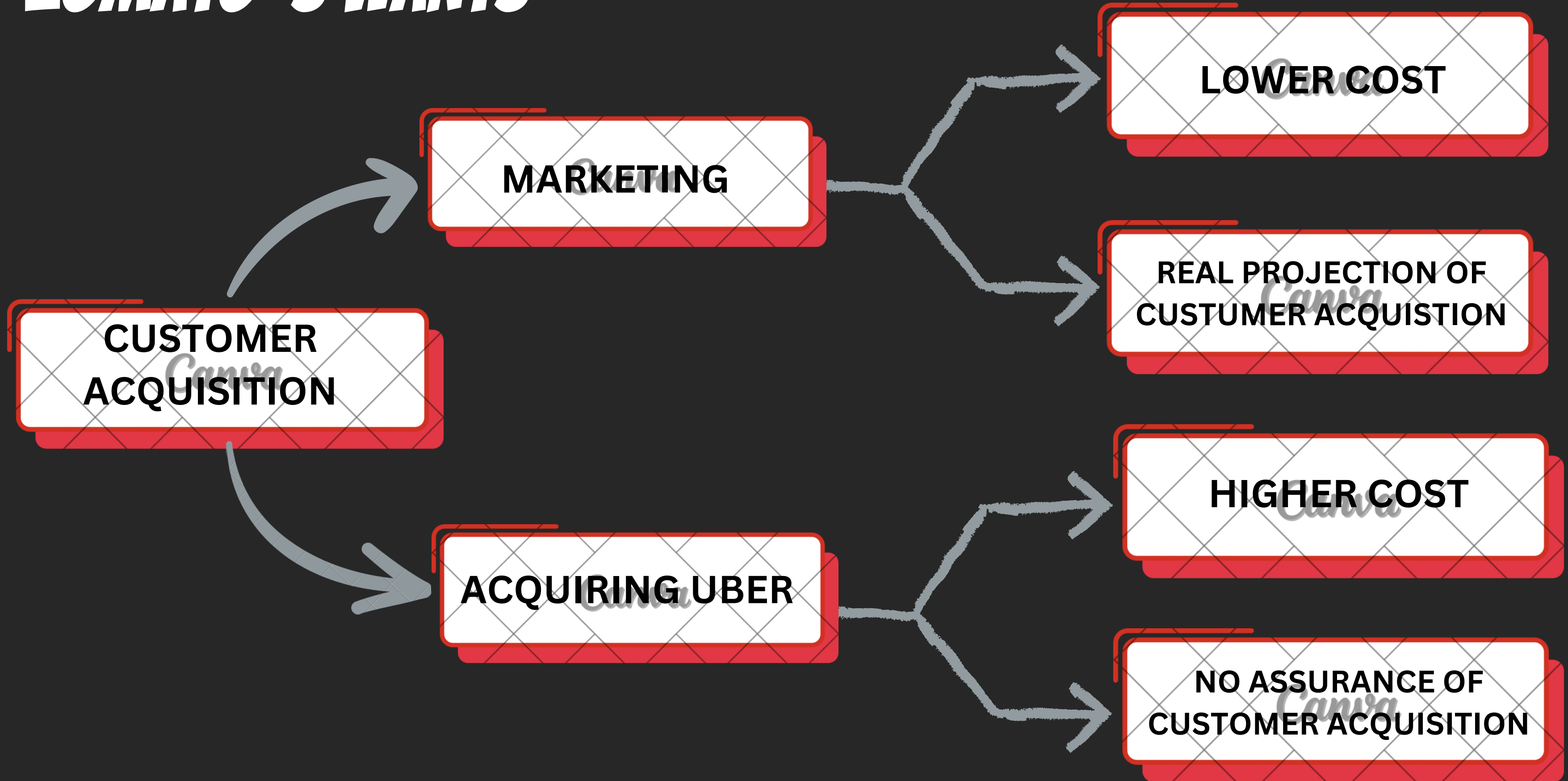
RISKS FOR ZOMATO

FINANCIAL RISK:
The acquisition of Uber Eats is a major financial undertaking for Zomato. The company will need to raise significant amounts of capital to fund the deal.

EMPLOYEE MORALE:
The acquisition of Uber Eats could lead to morale problems among Zomato's employees. Some employees may be concerned about their job security.

INTEGRATION CHALLENGES : Integrating two large and complex tech companies is never easy. And lead to delays in the launch of new features, customer service issues

COMPETITION:
The food delivery market in India is already very competitive, and the acquisition of Uber Eats will only make it more so. Zomato will need to find ways to differentiate itself from Swiggy, the current market leader, and other smaller players

CUSTOMER AND PARTNER RETENTION: uncertainty among existing Uber Eats customers and restaurant partners. Zomato should proactively communicate its plans, address any concerns, and ensure a smooth transition to retain customers and maintain strong relationships with restaurant partners.

ZOMATO 'S WANTS

CUSTOMER ACQUISITION

MARKETING
- LOWER COST
- REAL PROJECTION OF CUSTUMER ACQUISTION

ACQUIRING UBER
- HIGHER COST
- NO ASSURANCE OF CUSTOMER ACQUISITION

DISCOUNTED CASH FLOW

Assumptions:

Terminal growth rate: 3%
Discount rate: 10%
Free cash flow in 2020: $100 million
The growth rate in free cash flow: 20%
Years: 7

Year	Free cash flow	Discount factor	Present value
2020	$100m	1	$100m
2021	$120m	0.909	$108.8m
2022	$144m	0.826	$118.5m
2023	$172.8m	0.751	$129.4m
2024	$207.36m	0.683	$139.9m
2025	$248.76m	0.621	$154.3m
2026	$298.64m	0.564	$166.0m
Present value	$945.45m		

- The discounted cash flow model for Zomato, if it did not acquire Uber Eats from 2020 onward, suggests that the company is worth $945.45 million in cash flow.

- This is significantly higher than the company's current market capitalization of $3.6 billion.
- This suggests that investors are valuing Zomato for its potential to grow through the non-acquisition of Uber Eats.

CONCLUSION

Following careful consideration, we propose that Zomato not pursue the purchase of Uber Eats India. This purchase is unfeasible for Zomato due to the possible risks, unknown financial performance, market saturation, integration issues, and lack of profitability. Zomato should instead concentrate on alternate growth tactics such as growing its client base, optimising existing processes, and exploring new income streams. Zomato can preserve its competitive position and produce long-term value for its shareholders by focusing its efforts on sustainable profitability.Overall, I believe that the potential challenges outweigh the potential benefits, and that Zomato would be better off focusing on its own strengths and improving its own business.

APPENDIX

- Customer psycology :https://www.ijrpr.com/uploads/V2ISSUE1/IJRPR149.pdf
- Marketing ideas :https://www.businessinsider.in/advertising/brands/article/zomato-ipo-heres-how-foodtech-platform-changed-food-marketing-in-india-in-12-years/articleshow/84402815.cms
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- Food delivery business Model : https://entrackr.com/2020/03/swiggy-delivery-executives-gurgaon-protest/
- https://www.researchgate.net/publication/341010072_A_case_study_on_Zomato_-_The_online_Foodking_of_India
- Customer Demographic Analysis : https://www.youtube.com/watch?v=fqWXk_cv4_w
- Zomato Analysis : https://www.youtube.com/watch?v=xdR3PG39Wh0
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- Zomato Annual Report : https://www.zomato.com/blog/wp-content/uploads/2020/07/ZOMATO_AR_FY2020_Q1FY211.pdf?update=1
- Customer Share : https://kr-asia.com/who-leads-the-food-delivery-race-between-zomato-and-swiggy-in-india