

## Executive

### Summary

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*Understanding the 10% Drop in Zomato's Average Restaurant Ratings in Pune and Associated Business Impacts:*

*In the month of September, Zomato observed a 10% drop in the average restaurant ratings for Pune compared to the previous month.*

*This drop was:*

- *Sudden (within a single month)*
- *City-specific (only Pune)*
- *User-segment specific (non-Gold users)*
- *Order-type specific (food delivery only)*

*After in depth analysis, the root cause was identified as the retraction of discount codes for non-Gold users, which reduced their perceived value for money.*

*This, combined with the entry of a new local tiffin delivery competitor, led to lower satisfaction and ratings.*

## Problem Statement

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Why has the average restaurant rating on Zomato in Pune suddenly dropped by 10% month-over-month, despite no changes in the rating system or service processes?

### **Why It Matters:**

- Ratings are a *core trust metric* that directly impact:
  - User retention
  - Restaurant reputation
  - Conversion rate
  - Order frequency

### Goal

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Identify the root cause, propose data-backed solutions, and ensure sustained recovery in ratings and user satisfaction.

### Clarifying Questions & Key

### Findings

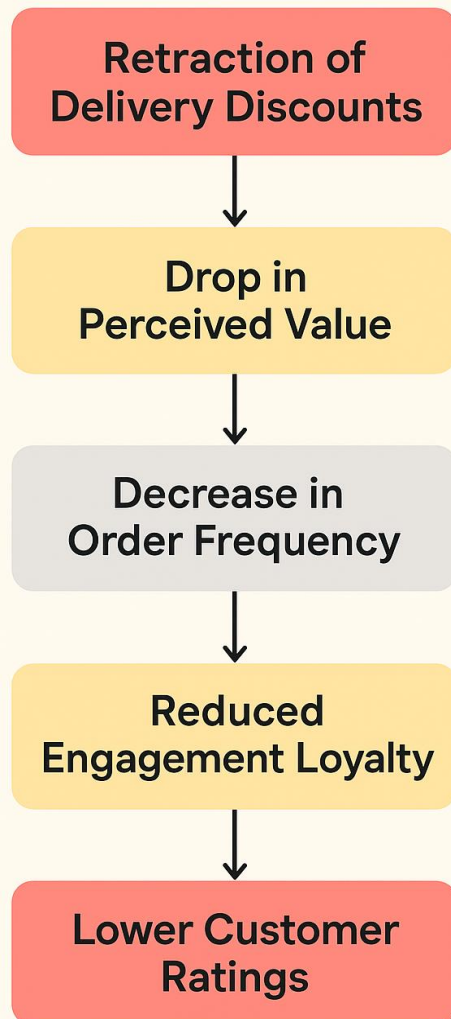
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Sr.no	Question	Finding
1	Has the calculation method changed?	No
2	Drop sudden or gradual?	Sudden (last month)
3	City-specific?	Yes, only Pune
4	Affected users?	Non-Gold users
5	Affected order type?	Food delivery
6	Any new competitors?	Yes, new tiffin delivery app
7	Any major changes in discounts?	Yes, discount codes retracted for non-Gold users
8	Any app or backend issues?	No significant bugs

## Root Cause Analysis

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## Primary Cause → Effect Chain



## Supporting Factors

- *New local tiffin app offered better discounts.*
- *Non-Gold users are more price-sensitive than Gold members.*

- Complaints and feedback mentioned “price increase” and “offers missing.

### Data Snapshot

Metric	Before	After
Avg. Rating (Non-Gold)	4.2	3.8
Avg. Rating (Gold)	4.3	4.3
Discount Usage	High	Dropped 65%
Negative Mentions (value/price)	+ 120	-

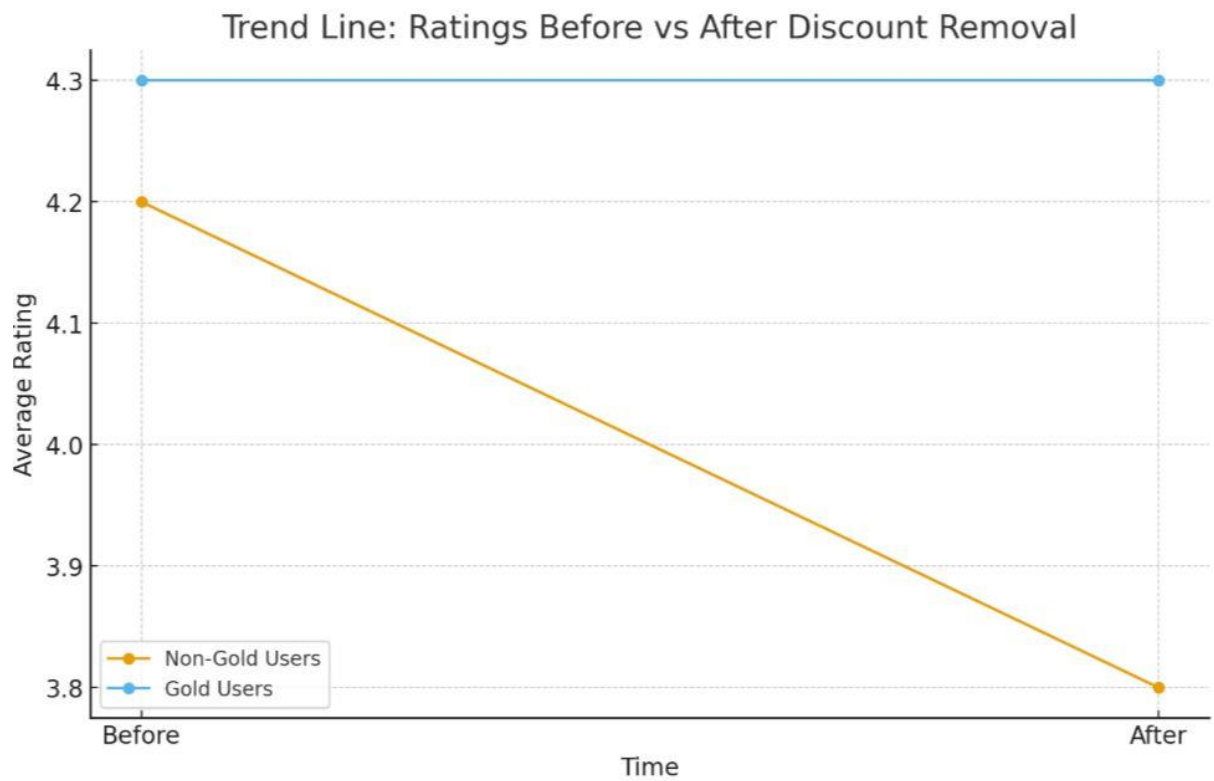
### Evidence of Impact:

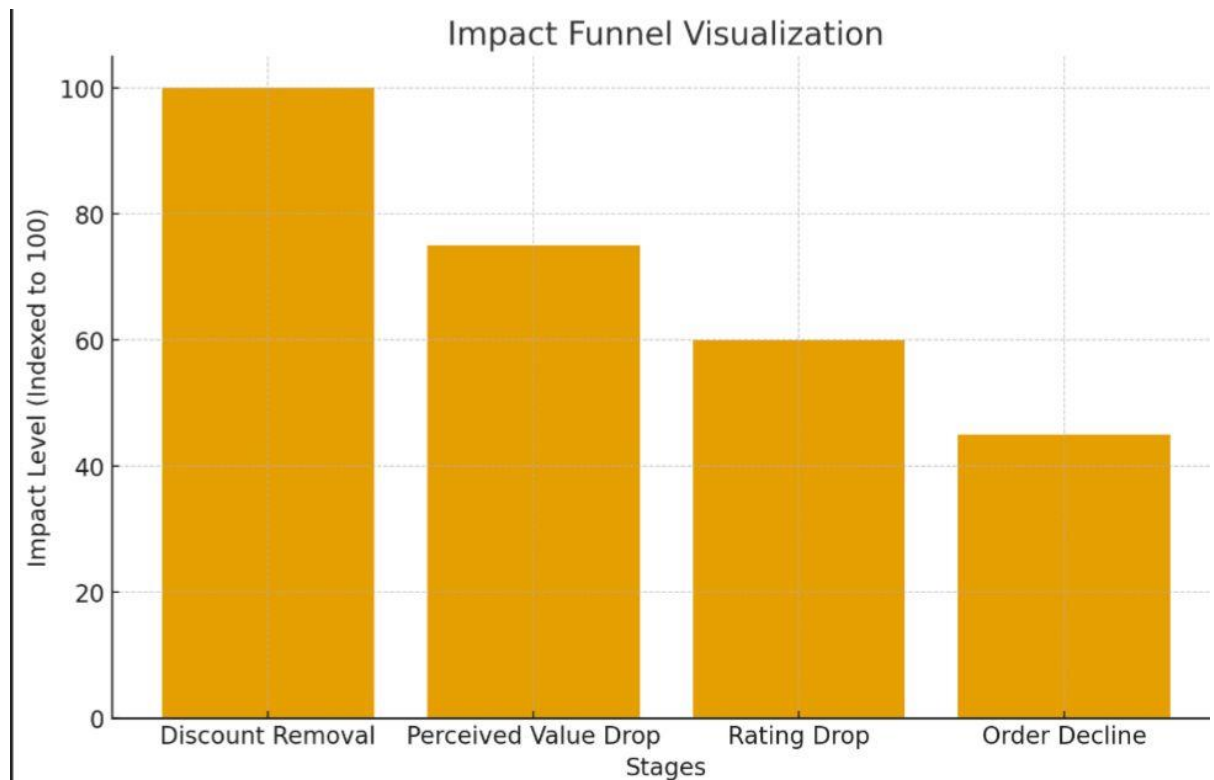
- 10% drop in overall average rating (city level).
- 15% decline in monthly orders from non-Gold users.
- 25% drop in detailed written reviews.
- Sentiment analysis showed recurring negative keywords: “expensive,” “value,” “no offer.”

### Insights:

- The dissatisfaction was not with restaurant quality, but with **value perception**.

- The change disproportionately affected *delivery-based interactions*, not *dine-in*.





*Related Problem #1*  
*Decline in Order Volume*

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- **Observation:**  
*Monthly delivery orders from non-Gold users in Pune dropped by 15% post discount withdrawal. The affected audience largely consists of students and young professionals, a highly price-sensitive demographic that relies heavily on discounts and affordable meal options.*

- **Hypothesis:**

These users either *switched to local competitors* offering cheaper tiffin or meal plans or *reduced their order frequency* due to a perceived drop in value.

**Solution:**

- **Introduce “Flash Offers”** restaurant funded, time bound deals visible to all users (including non-Gold).
- **Display “Value Score”:** An index combining affordability + quality, helping users quickly identify the best-value restaurants.

**How It's Calculated (Example Formula)**

$$\text{Value Score} = (w1 \times \text{Affordability}) + (w2 \times \text{Quality})$$

**Affordability Index (0–10):** Based on avg. order value vs city median.  
→ Lower prices = higher affordability score.

- **City Median** = the “middle price” of orders in a city. Think of it as a reference point to know if a restaurant is cheap, expensive, or average compared to others in the city.
- **Why it matters:** When we show users which restaurants give *best value for money*, we need a standard. We can't just say “₹230 is cheap” it's cheap *relative to other restaurants in the city*. That's why we use the city median.
- **Example:**



- Imagine 5 restaurants in Pune with avg orders: ₹150, ₹200, ₹230, ₹350, ₹400
- Sort them: 150, 200, 230, 350, 400
- The **median** is ₹230 (middle number).
- Now compare each restaurant to this:
- Less than ₹230 → cheaper → high Affordability score
- More than ₹230 → expensive → lower Affordability score

Price < media	High score (6–10)
Price = median	Medium score (5)
Price > median	low score (1–4)

- $w_1$  = weight for affordability → how much importance you give to price
- $w_2$  = weight for quality → how much importance you give to quality

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## Related Problem #2

### Drop in User Reviews

#### Observation:

Written reviews (detailed feedback) dropped by **25%**, although star ratings were still being given.

#### Possible Reasons:

- Negative experiences discouraging feedback.
- Review prompt fatigue.
- Unengaging feedback interface.

## **Solutions:**

- *Gamify reviews: badges like Top Reviewer – Pune or Food Explorer.*
- *Add emoji-based quick feedback for delivery experience.*
- *Send personalized prompts (“Help others discover great meals like yours!”).*

## **Monitoring**

### **Metrics**

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*To ensure sustained recovery, track:*

- *Avg. Rating (Gold vs Non-Gold users)*
- *Discount Redemption Rate*
- *Repeat Order Rate*
- *Review Submission Rate*
- *Delivery Time Satisfaction Score*

### **Dashboard Setup:**

*Weekly monitoring of these KPIs for Pune and comparable cities to detect anomalies early.*

## **Conclusion**

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*The 10% decline in Pune's restaurant ratings is a multifaceted issue, driven primarily by pricing sensitivity and competitive dynamics:*

### **1. Discount Retraction Impact**

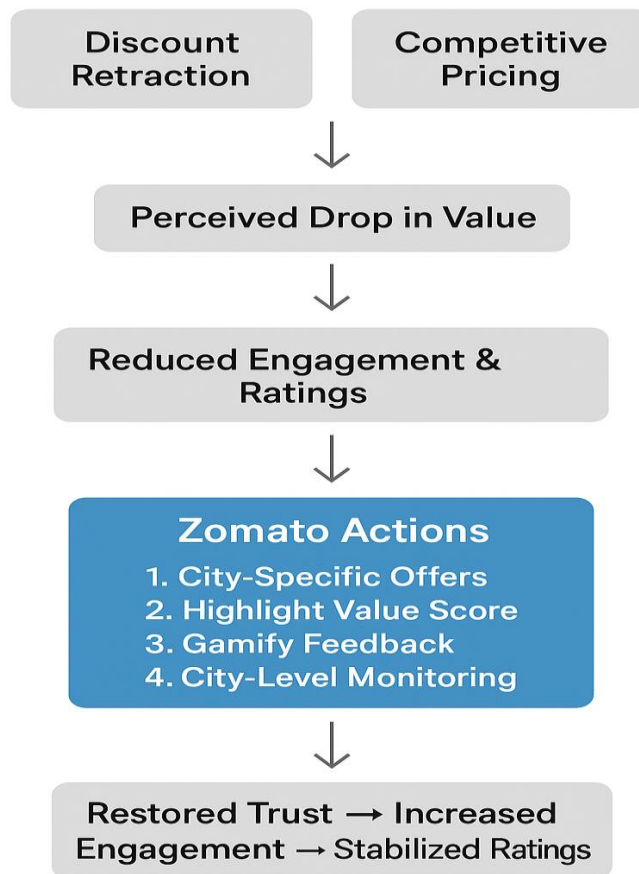
- a. Pune's user base is heavily skewed toward students and young professionals, a segment highly responsive to perceived affordability.*
- b. Withdrawal of targeted discounts for non-Gold users altered the perceived value proposition, reducing satisfaction even if food quality remained unchanged.*

### **2. Competitive Pressures**

- a. The proliferation of low-cost local tiffin services created alternative options that are attractive to cost-conscious users.*
- b. This increased churn among first-time and occasional users, amplifying the rating decline.*

### **3. Perceived Value Erosion**

- a. Even with consistent quality across restaurants, the Value Score perception declined.*
- b. Users equate value with price + quality, so any shift in pricing without a compensatory communication strategy can impact engagement metrics and ratings.*



## End Note

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*This is not a ratings problem it's a perception and loyalty problem. By restoring value equity for non-Gold users and*

*leveraging local competitor intel, Zomato can not only recover ratings but strengthen its defensibility in price sensitive markets like Pune. Every challenge is an opportunity, here's how we turn a dip in ratings into a leap in growth.*