
COMPETITIVE STRATEGY ASSIGNMENT

IS601

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Section 1

Govindarajan, V. (2021, August 6). *What Zomato's \$12 billion IPO says about tech companies today*. Harvard Business Review, from <https://hbr.org/2021/08/what-zomatos-12-billion-ipo-says-about-tech-companies-today>

1.1 Summary of the article

Ever heard of a Consumer Internet startup going Public and oversubscribe? Well, Zomato did it. In the current time, modern tech companies have been showing a lot of progress. Take the example of Zomato- a food delivery modern-tech based company. With the business model being like that of Uber, Amazon, Airbnb and working traditionally, epitomizes modern tech. Zomato's IPO when released, oversubscribe by approximately 35 times summing up the total valuation of \$12billion (Govindarajan, 2021). Here arises a question: how does a loss-making, no real asset and valuation-based company get valued at such a high amount? Modern technology is a simple answer. WeWork claims to be tech based, but the IPO success of Zomato and failure of WeWork clearly explains what modern tech companies are really like. These companies can just transform whole industry scenario, have scalable virtual models, build data analysis, higher network, and all of this at exceptionally low capital investment. These successful companies' modern tech companies have few attributes which will help us distinguish. Rapid industry transformation, Low capital costs yet extremely valuable local assets, Customer intimacy, Network effects, Ecosystems that boost expansion, Variable costs, and margins (Govindarajan, 2021). Nonetheless Zomato has a greater opportunity over here in terms of cost reduction. Major part of Zomato's revenue is passed on to restaurants and delivery partners or agents. It can work on upcoming technology like drones, robots, automated vehicles. This will help them increase revenue and further cutting down cost which will improve their ROS metric which is Returns on Spends.

Section 2 - Component of Porter's Competitive Forces Model

There are firms/organizations that “do better” than others. This is true across every industry. These firms that do better than the others are said to have competitor advantages which lead towards their higher stock market valuation. Porter's theory answers why some firms do better than others and get competitor advantage, how can one identify a firm's strategic advantage and build one for own business and contribution of Information Systems to achieve the advantage.

2.1 Traditional Competitors

Firms in similar Industry usually shares target market. With a similar market, similar growth, competitor rivalry comes into picture. One-way firms do it by prices. But non-price rivalry is the best type of rivalry. Over here firms can create new and efficient ways to produce products and

services. They can create new ways to attract new customers and retain older customers by increasing customer switching costs.

Along with Food Delivery, Zomato has also introduced new features for the customers. It has a whole list of restaurants and menus both offline and online on the platform. With this, Zomato now has become the “google of food” in Indian market (Borkar, 2018). To expand their business, Zomato has bought and invested in startups. One of the examples is Next Table. In 2015, Zomato acquired a company named “Next Table” which was renamed to Zomato Book and further became a feature in Zomato’s platforms across (Borpuzari, 2022). With a user-friendly platform, one can not only book tables but also modify and cancel bookings even in non-working hours of restaurant. The feature also helps the restaurant by managing footsteps, capacity, availability, resources and gives a bird’s eye view to the manager.

Zomato also works heavily with data especially when it comes to marketing. It uses machine learning algorithms to show restaurant ads. After deploying ML models Zomato claims to have observed ~10% improvement in CTR (click through rate) (Arora et al., 2022).

Zomato works on cloud Kitchen model, where there are multiple brands working with the same restaurant partner. For a restaurant which is associated with more than ‘x’ number of brands, Zomato executives carry out manual checks in order to give good user experience and best service to the customer.

2.2 New Market Entrants

In an industry, there are always new companies coming up. Along with the company comes pressure, prices, and cost. It is just the perception of entry that makes the brand keep the prices lower because there is always a possibility of lower prices and losing market share.

As of August 2021, Zomato is the most popular food delivery app in India (Keelery, 2022).

Food delivery is not the only source of income for Zomato, it has adopted various startups which now are part of Zomato’s business model. Adopted models are Zomato Advertising, Zomato Subscription, Zomato Food Delivery services, Zomato Event Organization, Zomato Kitchen etc. (Tripathi, 2022).

Zomato was founded in 2008 and since it has been deeply rooted in Indian Market (Rathi et al., 2022). It is exceedingly difficult for any new entrants to match the popularity, market share, acquisitions that Zomato has gotten throughout the years. Along with that the pace at which Zomato has been utilizing modern technologies and introducing new features is difficult to match, especially for the new entrants.

2.3 Substitute Products and Services

When a new company or service does a job in a unique way which is more effective, the industry profitability will be affected.

With innovative technologies, newer substitutes are created. There is always a chance of substitution when considering technical advancement.

Technologies like drone deliveries, food delivery robots, automated vehicles, conversational platforms are being discussed and Zomato needs to cope with it to survive in this technologically growing world (GlobalData Thematic Research, 2021).

2.4 Customers

A firm's ability to acquire new customers and retain the older is what defines its profitability. Bargaining power of customer comes in picture when customer has a lot to choose from and in the food delivery industry Zomato must stay alert as customers have wide range of choices. There are various competitors in the market, but with the kind of customer support and offers that Zomato is providing, the probability of customers switching is less. Still, Zomato has a huge customer base, and it needs to meet all the requirements. It will have to keep making technological advances and progress

2.5 Suppliers

This force explains how suppliers may have an indirect impact on business costs. The costs related to business operations might be raised or lowered by suppliers. There is no substitute to what supplier group provides. When Zomato faced such issues, it took necessary actions. Initially Zomato's developers spent a significant amount of time managing Profile Store using a NoSQL database. During traffic time they faced a lot of troubles. 2020 onwards Zomato began working with AWS to migrate Profile Store's database to Amazon Dynamo. And to scale up seamlessly, Zomato has shifted 90% of workload on AWS (AWS Solutions, 2022).

Section 3 - Porter's Value Chain Model

There are one or many activities in business where strategies fit the best and the Information System is more impactful. Value chain model helps us identify these entities. Below are the primary activities in Porter's Value Chain for Zomato.

Primary Activities:

These are the activities directly associated with products and services and their processes of production and manufacturing.

3.1 Inbound Logistics

This activity consists of raw materials and how one can take them from suppliers and further store the material for distribution to production. Zomato is an online delivery platform who has tie ups with Amazon Web Services (AWS). Ever since they started working with AWS, without any prior planning, Zomato has been easily able to manage 2.5x more transactions than before. (AWS Solutions, 2022).

As said by Mr. Deepinder Goyal who is the Founder and Chief Executive Officer of Zomato, "It isn't only about delivery or listings or the supply anymore - it is about everything (related to food and food delivery)." (Kashyaap, 2019).

So, in order to improve and further enhance data analysis capabilities, Zomato is exploring other AWS services to further improve

3.2 Operations

This is the activity where all the inputs are taken into consideration and a final output is created. This includes standardization, quality, packaging etc. Zomato is a platform-based model for which both front end and back end are worked thoroughly in this activity. Along with that, activities related to Delivery Partners, Restaurant Partners and Customers are also taken into consideration.

The seamless working of Website and Application as a platform, user experience and sentiment analysis for the customers, support in restaurant operations for the Restaurant Partners both for functioning and reducing operational costs, Tracking Order, and its delivery to keep both customers and delivery Partners on same page, all these and more will be carried out in this activity. For smooth functioning between Restaurants and Customers through Delivery Partners, Zomato has also acquired a Logistic startup names Runnr to strengthen its logistic services, restaurant listing and food delivery (Varshney, 2017). Further Cloud Kitchen has been a competitive advantage for smooth operations.

More or less for Zomato, the operations have been outsourced to restaurants and delivery partners. This is the most important activity as the functioning is done in this stage.

3.3 Outbound Logistics

This is the primary activity where the product or service is stored and distributed to the customer. Zomato is a platform-based model which is easily available on Googles Play Store and Apples App Store. The platform is widely used by Customers, Restaurant Partners, Delivery Partner with separate features in order to view individual tasks or updates.

For competitors like Swiggy, Ubereats etc., outbound logistics will include the process between Restaurant and Customer i.e., delivery of the order. For Zomato, it has outsourced services to Restaurant Partners and Food delivery partners.

3.4 Sales and Marketing

This primary activity includes the promotion of product and selling it to the customer. Although some may think that pandemic led to Zomato being popular. Well, that is not true. Zomato has an extraordinarily strong Marketing strategies and customer segmentation tools in order to acquire the new and retain the old. They even use Machine Learning tools to show Ads to relevant audience about relevant restaurant (Arora et al., 2022).

3.5 Services

The company offers a range of services. The company's products and services are maintained and repaired during this activity. The Zomato app offers a number of functions, the most important of which is regular updates.

Zomato always focus on making user experience. It aims towards giving customers everything related to food at one place, for which new features and services are regularly included in the platform. There are subscriptions for Loyalty Member in order to avail special and extra

discounts both online while ordering and offline after booking the table through Zomato (Zomato, n.d.).

Section 4

4.1 Impact in the market

Zomato has the distinct advantage of being the “Google of food” (Borkar, 2018). It is the go-to app Indian customers use to find and book a table in restaurants. The business model of Zomato is unique and they always aimed for user-friendly features. It was also voted as Economics Times Startup of the Year 2021 (ETtech, 2021).

Zomato IPO (Initial Public Offering) was a monumental event for India and its startup economy because it was the first big consumer internet startup to go public. Getting such a high valuation and attracting global celebrity investors that too for a startup which is loss-making, has no real properties or assets is not an easy task (Govindarajan, 2021). But Zomato did it!

4.2 Recommendations

Drone Delivery/Robot Delivery: With the technology growing, delivery costs can be reduced by including new ideas such as Drone Delivery/ Robot Delivery.

Automated Vehicle: This can be used to reduce labor costs.

E-bike: Electronic Bike can be used for delivery for Environmental reasons

Procurement and Inbound Logistics development: This includes providing raw materials to cloud kitchens in a very cost-effective manner

4.3 Perspective

Looking at the growth and achievement, the decisions made by Zomato seem to be nothing but right. Of course, the IPO oversubscription was a shock at first. When given a thought in detail, Zomato deserved it. The smart decisions made by Zomato like acquiring UberEATS when it was at its peak, acquisitions of startups in order to smooth out the processes and operations right from improving logistical supply to delivery has truly helped Zomato. All these acquisitions made by Zomato have done nothing but helped them better their Business, enhance functioning and expand with new features. No wonder it leads the popularity race with 75% share of respondents (Keelery, 2022). The company believe in their Vision and Mission and the decisions made aims towards achieving the goals. With customized ads, unique customer segmentation, personalized user experience, etc., Zomato has earned customers' trust and loyalty which is why they are where they are.

Section 5

5.1 References

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