A RESEARCH STUDY TO FIND OUT PROFITABILIY AND CHALLENGES FACED BY ZOMATO IN INDIA.

A PROJECT SUBMITTED TO UNIVERSITY OF MUMBAI FOR PARTIAL COMPLETION OF THE DEGREE OF MASTER IN COMMERCE UNDER THE FACULTY OF COMMERCE

BY

MR. UTSAV ASHVIN FADIA

ROLL. NO: 08

UNDER THE GUIDANCE OF

DR.AMIT PRAJAPATI

KISHINCHAND CHELLARAM COLLEGE, 123, DINSHAW WACHHA ROAD, VIDYASAGAR PRINCIPAL K.M. KUNDNANI CHOWK CHURCHGATE,

MUMBAI – 400020.

DECEMBER, 2019.

CERTIFICATE

This is to certify that **Mr. Utsav Ashvin Fadia** has worked and duly completed his Project Work for the degree of Master in Commerce under the Faculty of Commerce in the subject of **Accounts** and his project is entitled, "**A RESEARCH STUDY TO FIND OUT PROFITABILITY AND CHALLENGES FACED BY ZOMATO IN INDIA**" under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of Mumbai University.

It is his own work and facts reported by his personal findings and investigations.

Principal   M.Com Coordinator

Dr. Mrs. Hemlata Bagla   **Mr. Smarajit Padhi**

Project Guide/Internal Examiner   External Examiner

Prof.- Dr **Amit Prajapati**   Prof.

Date of submission:

Kishinchand Chellaram College Churchgate, Mumbai – 400020.

I the undersigned **Mr. Utsav Ashvin Fadia** here by, declare that the work embodied in this project work titled "**A RESEARCH STUDY TO FIND OUTPROFITABILITY AND CHALLENGES FACED BY ZOMATO IN INDIA**", forms my own contribution to the research work carried out under the guidance of **Dr.Amit Prajapati** is a result of my own research work and has not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Mr. Utsav Ashvin Fadia.

Name & Signature of the learner

Certified by

Dr.Amit Prajapati

Name and signature of the Guiding Teacher

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Signature of the Student

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ABSTRACT

The present study is a conceptual study made to understand the innovative strategies followed by online food delivery start-up companies in India. These start-up companies led by young Indians have been inspired to take up various challenges to address the concern areas of Indian consumers and extend them with various products and services at reasonable prices. Indian food delivery market is valued at 15 billion dollars and set for an exponential growth. Food delivery has become a very competitive market in India. The growth of online food ordering delivery platforms by mobile apps has made business men awake and take notice. The type of online delivery service models of four different companies like swiggy, Zomato, food panda and Fassos, UberEats. But we only analysed Zomato and are analysed and it is understood through the study that the future seems brighter for the online food industry, as India catches up with developed markets in terms of changing life styles.

 Keywords: start-ups, Food Delivery, Innovative strategies, online services

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1. Overview & History of Zomato in Indian Market

1.1 Online Food Industries In India

The format of home delivery or the takeaways have gained plenty additional customers in locations like malls, offices and big-party orders for residential complexes. Individuals missing breakfast on the thanks to work, order-in. People, United Nations agency want a higher selection of company lunch or party, order in too. Everybody appears to be in awe of the net food order and delivery possibility for the convenience and immediate supply of food reception. Besides, the convenience of ordering groceries from your mobile app or application program has definitely alienated some market share from the trusty 'kirana' or the mom-n-pop stores. Asian country is that the sixth largest grocery market within the world, however the organized sector as travel by a number of the net businesses mentioned on top of makes up just for 5-8% market share of the grocery business. The overwhelming majority remains in hand by these native markets and also the mom-n-pop stores. This has some obvious impacts on the brick-and-mortar formats of in-dining restaurants as additional individuals opt to have restaurant-style cuisines right within the privacy of their homes or workplaces; however the impact isn't such a lot because it could seem to be. The nutrition business in Asian country is simply concerning a pair of decades recent, and remains mostly unorganized. Given the speed at that the organized sector is quickly growing, it's solely a matter of your time and a way larger chunk of world investments before an extremely massive impact is formed on in progress eating house businesses that will not have a delivery-focused format of their own. The demand of online ordering is real. It conveys to the customer base that you are a modern growing restaurant and very challenging to others that wants to be a convenient and accessible for all the guests who used to order regularly. The most important that which will always need to contact the quality of enhancing online food ordering ever is the only one that has to be maintain the customer as a regular customer, In the sense provides good qualities and quantities of food, time maintain, delivery asap. This will give you the perfect result for online food ordering system fulfilled. Offering online ordering lets your guests place an order more conveniently. Without feeling pressure to wrap up their order, customers are more inclined to explore all of their menu options, and even end up spending more than they would when ordering over the phone or in person. With no line behind them, the pressure for your guests to make speedy orders is gone, and they'll be more inclined to get that extra item. Most of the people

knows about swiggy, Zomato, etc. growing online food ordering apps now a days. They provide good servicing for the customers from different areas, places and clients along with fabulous taste.

1.2 ZOMATO

Zomato is an Indian restaurant aggregator and food delivery start up founded in 2008. It was started by Deepinder Goyal and Pankaj Chaddah. It provides information, menus and user-reviews of restaurants, and also has food delivery options from partner restaurants in select cities. As of 2016, the service is available in 24 countries. Zomato started under the name, Foodiebay initially. Later In November 2010, it was renamed Zomato. By 2011, Zomato expanded to other cities across the country in Delhi NCR, Mumbai, Bangalore, Chennai, Pune and Kolkata. Subsequently in 2012, the company expanded operations internationally in several countries like the United Arab Emirates, Sri Lanka, Qatar, the United Kingdom, the Philippines, and South Africa. In 2013, Zomato was launched in New Zealand, Turkey, Brazil and Indonesia, with its website and apps available in Turkish, Brazilian Portuguese, Indonesian and English languages. Further in April 2014, Zomato launched its services in Portugal, followed by launches in Canada, Lebanon and Ireland in the same year. The acquisition of Seattle-based food portal Urbanspoon marked the firm's entry into the United States, Canada and Australia, and brought it into direct competition with Yelp, Zagat and OpenTable. With the introduction of .xxx domains in 2011, Zomato also launched zomato.xxx, a site dedicated to food porn. It later launched a print version of the website content named "Citibank Zomato Restaurant Guide" in collaboration with Citibank in May 2012, but it has since been discontinued. With its cloud kitchen, the company aimed to help restaurants to expand their presence without incurring any fixed costs. Later in September 2017, Zomato claimed that the company had "turned profitable" in the 24 countries operated in and announced that the "zero commission model" to be introduced for partner restaurants. Towards the end of 2017 Zomato stopped accepting updates from its active users by not utilising moderators to verify and make updates. Restaurant information was not updated. Users of the app reported issues with new features to pay for orders.

Zomato narrowed down its losses by 34% to Rs.389 Cr f or the financial year 2016–17, from Rs.590.1 Cr in the previous year 2015-16.

In September 2019, Zomato fired the highest number (541 people) of employees almost 10% of workforce working on back end activities like customer service, merchant and delivery partner support functions.

1.3 ZOMATO INVESTMENTS

Between 2010-13, Zomato raised approximately US$16.7 million from Info Edge India, giving them a 57.9% stake in Zomato. In November 2013, it raised an additional US$37 million from Sequoia Capital and Info Edge India.

In November 2014, Zomato completed another round of funding of US$60 million at a post-money valuation of ~US$660 million. This round of funding was being led jointly by Info Edge India and Vy Capital, with participation from Sequoia Capital.

While in April 2015, Info Edge India, Vy Capital and Sequoia Capital led another round of funding for US$50 million. This was followed by another US$60 million funding led by Temasek, a Singapore government-owned investment company, along with Vy Capital in September. In October 2018, Zomato raised $210 million from Alibaba's payment affiliate Ant Financial. Ant Financial received an ownership stake of over 10% of the company as part of the round, which valued Zomato at around $2 billion. Zomato had also raised an additional $150 million also from Ant Financial earlier in 2018.

1.4 ZOMATO ACQUISITIONS

Zomato has acquired 12 start-ups globally. In July 2014, Zomato made its first acquisition by buying Menu-mania for an undisclosed sum. The company pursued other acquisitions such as lunchtime.cz and obedovat.sk for a combined US$3.25 million. In September 2014, Zomato acquired Poland-based restaurant search service Gastronauci for an undisclosed sum. Three months later, it acquired Italian restaurant search service Cibando. Zomato also acquired Seattle-based food portal Urbanspoon for an estimated $60 million in 2015. Other acquisitions of 2015 include Mekanist in an all-cash deal, the Delhi based start-up MapleGraph that built MaplePOS (renamed as Zomato Base, and NexTable, a US-based table reservation and restaurant management platform.)

In 2016, the company acquired Sparse Labs, a logistics technology start up and the food delivery start up, Runner, in 2017. While in September 2018, Zomato acquired Bengaluru-based food e-marketplace TongueStun Food for about $18 million in a cash and stock deal. Later in December 2018, Zomato acquired Lucknow-based start-up TechEagle Innovations that works exclusively on drones, for an undisclosed amount. Zomato claimed that the acquisition will help pave the way

towards drone-based food delivery in India, building a technology aimed at hub to hub delivery network.

1.5 MODE OF PAYMENT

Zomato delivery accepts cash on delivery up to Rs.750 and following payment medium-

Wallet – paytm wallet, freecharge, mobikwik.

UPI- paytm upi, bhim

Paylater – LazyPay, Simpl

Online payment – credit card, debit card, net banking, and sodexo meal passes

Zomato credits.

1.6 ZOMATO SERVICES IN INDIA

1.6. a ZOMATO GOLD DINING - On Thursday, food-discovery engine Zomato announced that it has launched a subscription service called Zomato Gold. The company, which has expanded to include features such as ordering and table booking, has now launched Gold, a membership program, in the UAE. Zomato Gold, is available in Dubai and Abu Dhabi and currently, subscribers get an offer on drinks at restaurants. This comes two weeks after Zomato Gold was launched in Lisbon, where it offers a similar deal on food, not drinks. The company noted that Zomato Gold will arrive in Delhi, Mumbai, and Bengaluru sometime around June this year. It hasn't decided launch dates for other cities yet, though it indicated that the next round of launches for the membership program would come out of Melbourne, Johannesburg, and Istanbul.

Zomato Gold members will get up to two rounds of 1+1 drinks on any beverage at participating restaurants, bars, and lounges. You can use this benefit at any time and on any day of the week, across over 200 premium Gold partners, located in a number of popular areas in Dubai and Abu Dhabi - Zomato says that it's ensured there's a Gold partner within 3km of any location in both cities. On Thursday, food-discovery engine Zomato announced that it has launched a subscription service called Zomato Gold. The company, which has expanded to include features such as ordering and table booking, has now launched Gold, a membership program, in the UAE. Zomato Gold, is available in Dubai and Abu Dhabi and currently, subscribers get an offer on drinks at restaurants.

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Zomato points out that it's going to keep adding partner restaurants, and there are no restrictions on what you can order - the whole menu is available. Beyond that, there's no code to be entered, no QR code to scan, or voucher to hand over, the company notes.

1.6. b ZOMATO GOLD DELIVERY - Online food delivery and listing

platform Zomato has extended its Gold program to delivery, taking its popular program that was recently at the heart of the conflict between the country's largest restaurants and the food aggregator beyond eating out to now ordering in. Gold on delivery could significantly disrupt the market as it will give complementary offers to its members. Existing and new Zomato Gold members will be able to use the benefits of Gold for home delivery orders now, the company said in a statement Friday. The program is available in 16 cities starting today. Zomato Gold users will be able to use their membership while ordering food delivery. Earlier, Zomato Gold was valid only on eating out. Zomato Gold for dining-out and delivery is operational in 16 cities. By next week, the company said the program will expand to 25 more cities including Agra, Amritsar, Aurangabad, Bhopal, Mangalore, Mysore, Nashik, Patiala, Patna, Raipur, Ranchi, Surat, Udaipur, Vadodara, Varanasi, among others. In all, it will be available in over 40 cities over the next few days.

Mint had first reported the development on August 31. The comlmay was scheduled to launch the program in August but its plan was postponed over protests led the National Restaurant

Association of India that has been agitating over its Gold program over concerns that it is hurting profitability at eateries.

"Food delivery was in its early stages when we launched the Gold program in 2017. Over the last 18 months, with its order frequency, it has changed the contours of food consumption in India," Mohit Gupta, CEO- Delivery, Zomato, said explaining the company's move to extend Gold on delivery.

Zomato Gold was launched in 2017 as a membership program that would give diners offers on eating out. Over the years, it has added over 1.1 million members and over 6000 restaurant partners. The company has roped in another 13000 restaurants for Gold on delivery. "Today, Gold drives 25-30% business for its restaurant partners and more and more Gold users (90%) are exploring new restaurants because of the program. It, therefore, makes eminent sense to extend this discovery behaviour to the delivery restaurant base," said Gaurav Gupta, Co-founder and COO, Zomato.

Existing members of Zomato Gold will have access to food delivery privileges for no additional charges along with some FUP (Fair Usage Policy) revisions in their existing membership. Existing members will be limited to two "unlocks" per day (one dining-out and one delivery). Membership will also be limited to a single device per person, the company said. Gold on Delivery will offer the second-highest priced item on the order free, except for in the case of combos, MRP items and special dishes. It will only apply on minimum order value of □300 with discount capped to Rs300 per order, the company added. Zomato's Gold membership is priced at Rs1800 for an annual package.

Zomato's move to launch Gold in delivery comes after restaurants have raised concerns over its program that they say benefits deal seeking diners and hurts restaurants.

On the rollout of Gold on delivery, the NRAI continued to maintain that Gold in its current form is an "unacceptable proposition." In a statement on Friday night, the NRAI said that Gold on deliveries will continue to "promote discounts."

"Launch of Zomato Gold on delivery is a desperate attempt by Zomato to shore up the sinking fortunes of their flagship Zomato Gold programme. It is also another instance of Zomato changing the goalpost-Gold was originally launched as a tool to promote the culture of dining out but now it is being extended on deliveries too. Essentially, it is now a program that merely promotes deep discounts on both dine-in and delivery verticals, the cost of which is borne solely by the restaurant partners," Anurag Katriar, president, NRAI said in a statement.

On August 15, a few hundred restaurants led by the NRAI staged a log out of platforms such as Zomato Gold, Dineout and EazyDiner over deep discounts doled out by them. This eventually turned into a large-scale protest, with NRAI recently raising its displeasure with online delivery companies such as UberEats, Swiggy, Zomato and Foodpanda. Katriar added that NRAI's disapproval of Gold was expressed to the Zomato team in recent meetings. "However, in utter disregard to the viability of restaurant fraternity, they have chosen to extend the programme further to the delivery vertical as well," he said. The online food aggregator and delivery platform has been on loggerheads with the National Restaurant Association of India (NRAI) that is currently pressing food aggregators to bring a more level playing field to online delivery prompting them to end steep discounting. It has been meeting with top executives from Swiggy and Zomato to discuss these issues. In another round of meetings held with executives of the two companies earlier this month, the NRAI said that the meetings "progressed well" even as NRAI maintained that Zomato's Gold program remains unacceptable in its current form. Following this, Zomato also revised its Gold offerings to restrict discounts given to diners.

1.6. c ZOMATO TREATS - Zomato offers a wide catalogue of restaurants to all its users in India for free, and charges no fee for ordering food online as well. Now, the company has rolled out a subscription service - the first of its kind in India- to allow paid users to get more benefits than the others. Calling it Zomato Treats, this offer will give users a free dessert with every online order that they make in partnered hotels. Zomato Treats is available at a subscription fee of Rs. 249 per year, and it will work with participating hotels in 16 cities across India.

The online food ordering service also announced that it has rolled out Zomato Treats to 20 percent of users in Gurgaon already, but the feature will be rolled out in phases over the next few weeks to all users of 16 cities where the online food ordering feature is available. "If you live in any of the 16 cities where we offer online food delivery, a Zomato Treats subscription will get you a free dessert with every meal you order online on Zomato at participating restaurants," the blog explains. The plan is also not city specific - you will be able to use the same membership in all cities. There is no minimum order amount detailed for the free dessert offer to be applicable.

1.6. d ZOMATO PIGGY BANK - Food ordering and restaurant search app Zomato on 10th July, 2018 announced the launch of Zomato Piggybank, which is a reward points program for loyal users of the food delivery service. The company says that the idea behind the feature is to reward

users as well as donate to others. Every time a user orders food from a restaurant via the Zomato app, 10 percent of your order value will be credited back as Z Coins into the user's Zomato Piggybank. Also, every time the user orders food using the Piggybank, Zomato will donate Re. 1 to an NGO. Initially, the Piggybank feature will be rolling out to a select number of users "based on their loyalty and geographic availability of partner restaurants. "Zomato says that around the Piggybank feature will be available for 10,000 users on their Android app staring Tuesday (July 10). As a joining bonus, all such users will be provided with 200 Z coins worth Rs. 200, Zomato founder Deepinder Goyal says in a blog post. He adds that within a couple of weeks Zomato will ramp up its partner network on Piggybank, and will extend this membership program to all its "loyal food ordering users" across India. By 'loyal users', Zomato means the customers who place more than 5 orders per month regularly. Notably, Zomato Gold users will also get an early access to the Piggybank feature on their app.

As mentioned, on every food order made via the Zomato app, you will get 10 percent of your order value credited as Z Coins into your Zomato Piggybank. Using these points, you can pay 10 percent of the value of the next order you place at any Zomato restaurant partners. Also, you will get Z Coins in your Piggybank when you use Piggybank coins in a particular order.

1.6.e ZOMALAND - We organised Zomaland - A food carnival, a first-of-its-kind across the world, in Delhi, Bengaluru and Pune. The vision is to champion the restaurant industry — and create a showcase of the best culinary talent available in a city to our users. Zomaland hosted larger-than-life attractions, street performances, and a stellar line-up of music artists and DJs, along with a dedicated zone for the little ones. Attended by 120k people collectively, featuring over 200 of the best restaurants, it was the perfect opportunity for more people to discover new culinary delights, as well as enjoy some of their old favourites.

1.6. f HYPERPURE - Hyperpure was launched in August 2018 to supply fresh, clean ingredients to restaurants. This first-of-its-kind initiative uses an end-to-end technology-driven platform custom-built to provide online access to fresh and clean food ingredients to restaurants. In February 2019, a 30,000 sq. ft. warehouse, built to serve 4,000 metric ton capacity per month, was launched in Bengaluru to cater to 2500 restaurants every day. An even larger 40,000 sq. ft. warehouse in Delhi was launched in March'19.

Restaurants buying ingredients through Hyperpure are recognised through a 'Hyperpure Inside'

tag on Zomato, allowing users to trust that the food they are eating is made using fully-traceable, high quality ingredients.

We are also helping farmers develop better crops that are pesticide and chemical-free, providing them assured demand cycles and better pricing throughout the year. Hyperpure is solving a number of supply-chain problems and simultaneously building a more ecological model with plans to integrate rainwater harvesting, and composting for waste.

1.6. g FEEDING INDIA - Better food for more people was a key driver in consolidating Feeding India with Zomato. Hunger and food-wastage are important problems to solve, and what better way to take the challenge head-on than with motivated Hunger Heroes that work on innovative and sustainable programs to ensure all excess food from various restaurants and venues, that would otherwise go to landfills is donated to people in need. Feeding India has served 20 million meals with its 5 key programs including 8,500+ volunteers working in 71 cities, 50+ community fridges, and 21 food recovery vans.

1.7 ZOMATO FY'19

Today, Zomato is present in over 10,000 cities across the globe with over 1.4m active restaurants on our platform. We are the market leaders in restaurant search/discovery in 19 of the 24 countries we are in, and have 70m monthly active users on our platform. We have 5m new user registrations and 11m app installations (Android + iOS), every month.
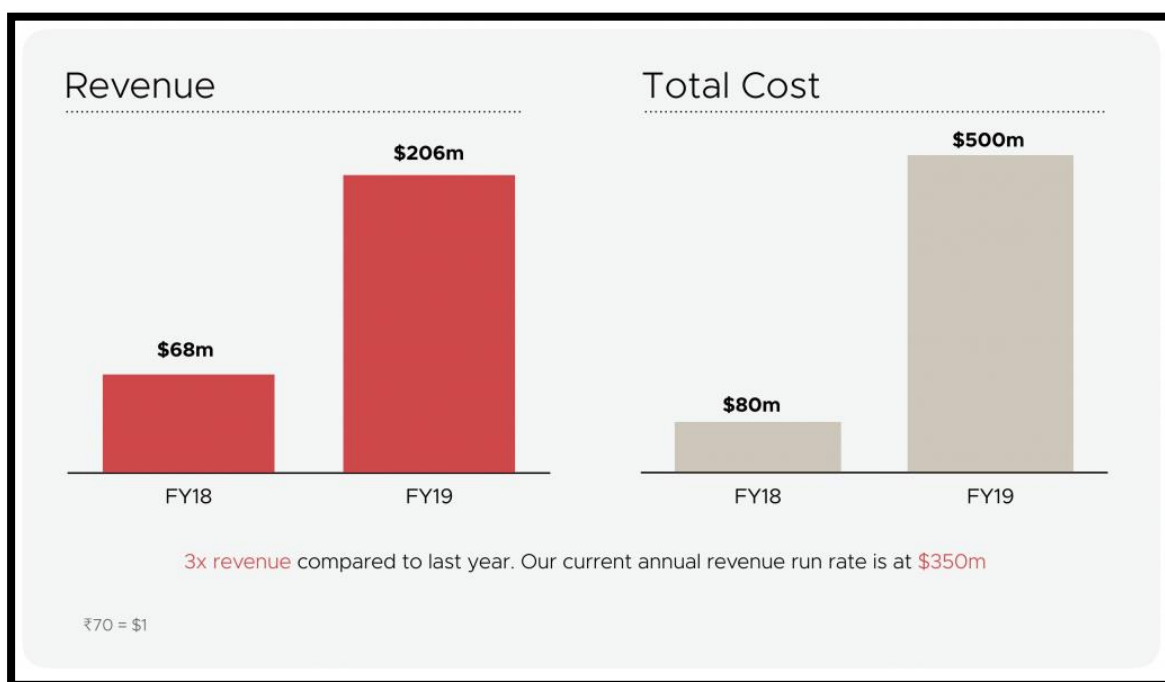
User engagement has grown very well — we received 16m user reviews and photos in March'19, compared to 4.5m in March'18.

FY19 Financials

Before you go any further, please note that all financials in this short form annual report are basis management information systems and unaudited. Also, the financials underneath follow the

Indian Accounting Standard applicable last year (FY18) — which means discount driven promotional cost borne by the company has not been deducted from revenue. That will happen when we file our audited financials with the RoC.

This year, we hit all of the goals we had set for ourselves out of the park. Our core lines of business continue to be key contributors, and the new initiatives we've launched have started playing a big role in consolidating and cleaning the food value chain.

Revenue: FY18 $68m, FY19 $206m. Total Cost: FY18 $80m, FY19 $500m. 3x revenue compared to last year. Our current annual revenue run rate is at $350m. ₹70 = $1

Most of the losses ($294m) are on account of the food delivery business in India. We have had tremendous growth aided by promotional marketing spends to acquire new users and be the first-to-market in many cities in India. In our experience, being first-to-market gives us a distinct competitive advantage in the food delivery sector.

Food delivery in India is creating an entirely new market; 70% of our regular users in Kolhapur had never tried food delivery in their life (even over a phone call), and Zomato was the first food delivery experience of their lives. All the marketing investment we made in FY19 will bear fruit in FY20 and beyond — when we realise the LTV (Lifetime Value) of the users that we have acquired. Will we continue to invest in growing the market at the same pace? Yes — as long as there is long term value to create, we will continue to invest and expand this category.

Realigning our business segments

Three years ago, advertising represented 100% of our revenue and focus. Today, we are largely a transactions company — 85% of our revenue in March'19 was driven by transactions.Growth in

transactions challenged our mental models of advertising being a separate line of business. With increase in commissions, our ads revenue would take a hit, and vice versa. In that spirit, we realigned our business to the core tenets of the food industry. We stopped considering advertising revenue as a standalone P&L last year, and we now think of our business as a combination of three key large pillars — Delivery, Dining Out, and Sustainability.
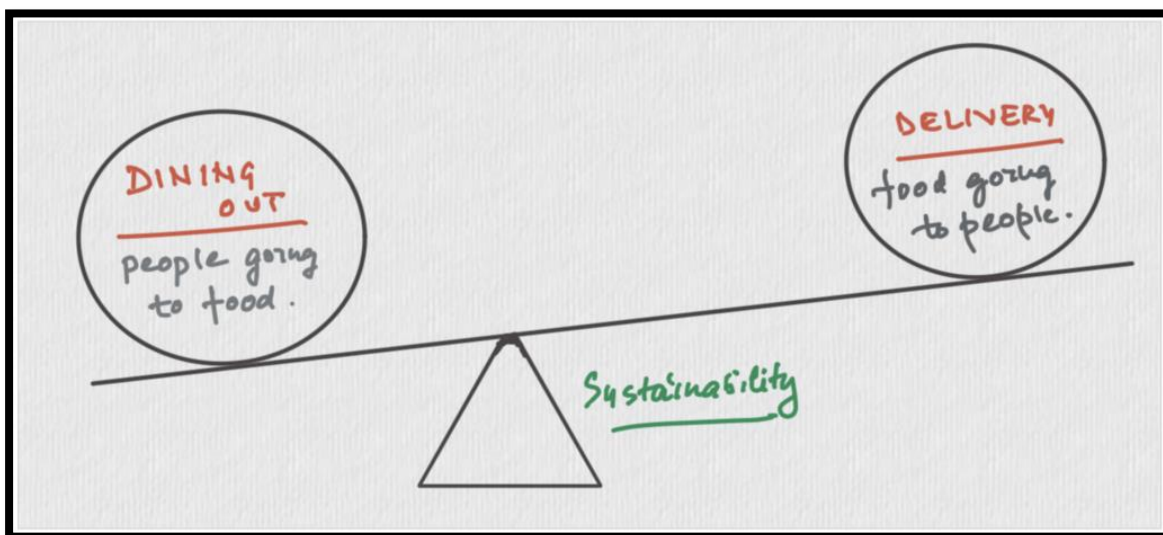
We have restated our FY18 financials in this report based on this categorisation for an apples to apples comparison.

Delivery		Dining Out		Sustainability	
REVENUE		REVENUE		REVENUE	
FY19	$155m	FY19	$49m	FY19	$2m
FY18	$38m	FY18	$30m	FY18	$0

Here's how we fared in each of our three lines of business in FY19 –

Delivery

Delivery revenue for FY19 is $155m compared to $38m in FY18 (4x annual growth). It now contributes ~75% to our total revenue, up from ~55% in FY18. We now operate the service in over 200 cities in India, up from 15 cities in FY18; and we made nearly 33m deliveries in March'19 (~7x y-o-y growth).Over 100k restaurants are listed in India, generating an annual run-rate GMV of over $1.5bn. ~94% of these deliveries are fulfilled by our ~180k strong active delivery fleet. Unit economics of the food delivery business have come a long way. We now lose

Rs 25 per delivery, compared to Rs 44 per delivery in March'18. Our last mile cost per delivery is now Rs 65, compared to Rs 86 in March'18. The key driver metric of unit economics — number of deliveries per rider per hour has gone up to 1.4 from 0.9 last year.

Important note – some high density neighbourhoods in larger cities are already unit economics positive. So are some Tier-3/4 cities. With Piggybank, our loyalty program for food delivery, users save upto 10% of their total amount. 2m+ users across 17 cities in India have collectively saved a staggering Rs 260m+ People often tell us that we should open our own branded chain of dark kitchens; so that we can 'exploit' our demand pipeline and improve the margins of our food delivery business. We react to such statements with — ''is that a question, or an answer?'' We would rather ask ourselves the question — "how can we improve the margins of our food delivery business"?

After thinking of various possibilities and scenarios, we concluded that there are far better ways to improve the margin profile of our food delivery business than taking the irreversible step of competing with our own partners (restaurant owners). Some of these initiatives are already underway and are showing great results. In the long term, we stay committed to not competing with restaurants — and we will help the best food operators build larger businesses in every way we can. But at no point will we compromise our neutrality as a platform.

Here are some interesting nibbles about our India food delivery business –
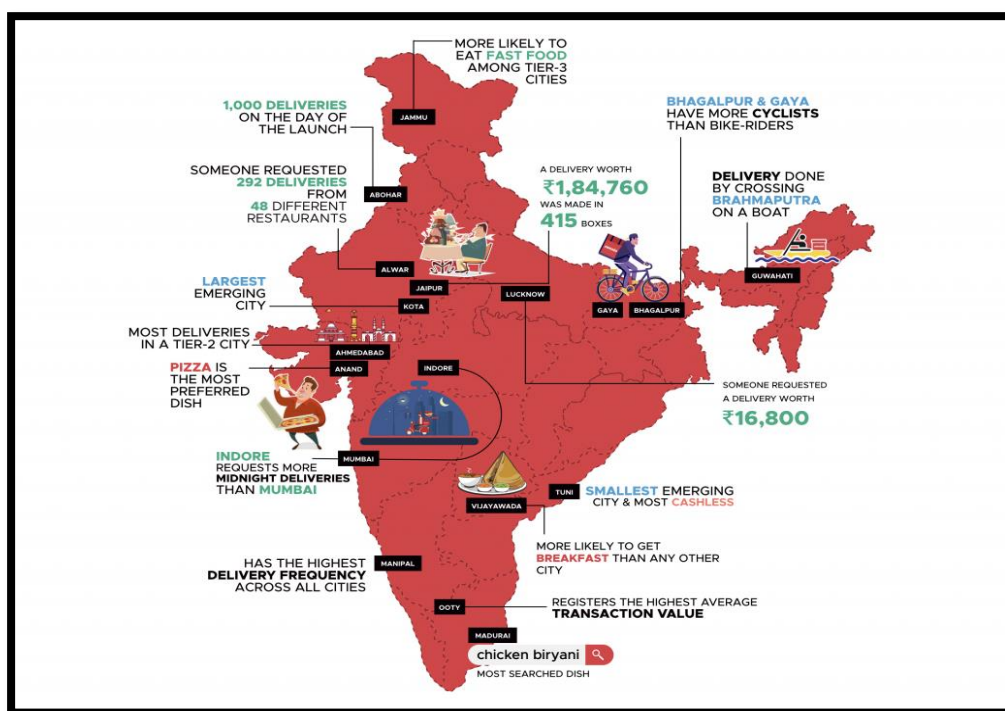
Dining out

Zomato Gold has partnered with over 10,000 restaurants globally to offer either 1+1 on food, or 2+2 on beverages, allowing users to get more bang for their buck each time they dine out. Zomato Gold will continue to be a program that constantly provides benefits that are uniquely designed for users who see great value in frequently dining out.

As on 31 March 2019, we have over 1m active subscribers of Zomato Gold globally compared to 170k active users as on 31 March 2018.

We have recently launched Zomato Gold in 4 new cities outside of India — Jakarta, Manila, Auckland, and Beirut. The number of subscribers who signed up for Gold in the first 15 days of launch in all these cities exceeded the number of subscribers we added in Bengaluru in the first 15 days. This is a testimony to the focus of the Gold team; we keep sharpening the playbook, and every month, Gold turns out to be more successful than before. Last year, we also extended the vision of better food for more people to the workplace. Through a digitised platform, currently active in seven cities, **food@work by Zomato** serves 125,000 meals a day, partners with 300 caterers and serves 70 companies. We have also partnered with Tier–1 caterers like Elior and Voila to the cash-and-carry segment providing better compliance and food safety. Food@work has revolutionised cafeteria management by introducing more choice as well as an app to simplify the purchase process for employees. People are increasingly going online to book tables. Our reservations service is now offered in eight countries across 16,000+ restaurants. Over 1m diners in India are reserving tables on Zomato every month.

ZOMATO VALUATION ADVISER PROJECTS PROFITABILITY BY 2021

Online restaurant discovery and food Delivery Company Zomato Media Pvt. Ltd can turn profitable for the year through March 2021; its valuation adviser has projected. But the company will hit the road to profitability only after sinking deeper into the red first, according to the valuation report prepared by Zomato's investment banker Resurgent India. The exercise was part of the documentation required for Zomato's ongoing fundraising efforts and was done primarily to calculate the value of the company's shares.

The food-tech unicorn is courting new investors to raise up to $1 billion in fresh funding in a bid to take on main rival Swiggy, TechCircle reported last month.

On Wednesday, TechCircle reported that Zomato raised Rs 284.42 crore ($39.7 million) from US-based growth equity firm Glade Brook Capital, in a round that valued it around $2 billion. Nasper-backed Swiggy had recently raised $1 billion at a valuation of $3.3 billion.

Resurgent India made projections for various financial metrics that include revenue, net profit, and earnings before interest, tax, depreciation and amortisation, EBITDA margin, net profit margin and return on equity till the financial year 2022-23.

According to the valuation report, the company's loss is projected to widen seven-fold in the current financial year. The loss is estimated to shrink next year and the company may turn profitable in 2021. Profit will soar thereafter. Similarly, revenue is also projected to climb sharply in the next few years, growing more than 10 times in the next five years.

Zomato had managed to shrink its net loss for 2017-18 to Rs 106.3 crore, as operating revenue grew 40% while total expenditure fell 1.6%.

Resurgent said that the projections were arrived at on the basis of parameters that include

A TALL ORDER

Zomato's valuation adviser expects revenue to grow rapidly and achieving a net profit by 2021

■ Projected revenue   ■ Projected net profit/loss   *Figures in (₹ cr)*

	Projected revenue	Projected net profit/loss
2016-17*	332	-390
2017-18*	466	-106
2018-19	1,005	-766
2019-20	1,973	-578
2020-21	3,477	208
2021-22	4,520	810
2022-23	5,876	1,651

*Actual operating revenue and net loss

Source: Zomato's filings
Infographic: Manni

News Corp
VCCIRCLE

historical financial statements and on the basis of information and representations furnished by Zomato. It did not specify what those parameters were.

"Online food services sales form a small fraction of the total food services sales pie; however, its prominence is increasing at a rapid pace," it said, adding that online food services sales grew 1.8 times from 2015 to 2017.

Email queries sent to Zomato seeking comments on the projected figures did not elicit a response at the time of filing this report. While it is not clear whether Zomato has a strategy in place to meet these projections, some recent developments indicate that it may be on the right track. In September last year, co-founder and CEO Deepinder Goyal had said that Zomato had turned profitable. In a blog post, Goyal had claimed that Zomato had started to make money across all businesses in the 24 countries it operated. In March last year, Goyal said that the company had hit $100 million in annual revenue run rate, a figure that was attributed to the strong reception to Zomato Gold, its subscription-based offering where users can avail offers on food and drinks on its partner restaurants. At the time of his announcement, it had more than 150,000 subscribers. TechCircle could not ascertain the latest subscriber numbers. The company's regulatory filings show it is consolidating in core markets and shutting down business in markets that have not shown traction. Zomato shut down its operations in Spain and Sweden during 2017-18, according to the filings. Likewise, media reports said last month the company was looking to sell its UAE business to Berlin-based food delivery major Delivery Hero.

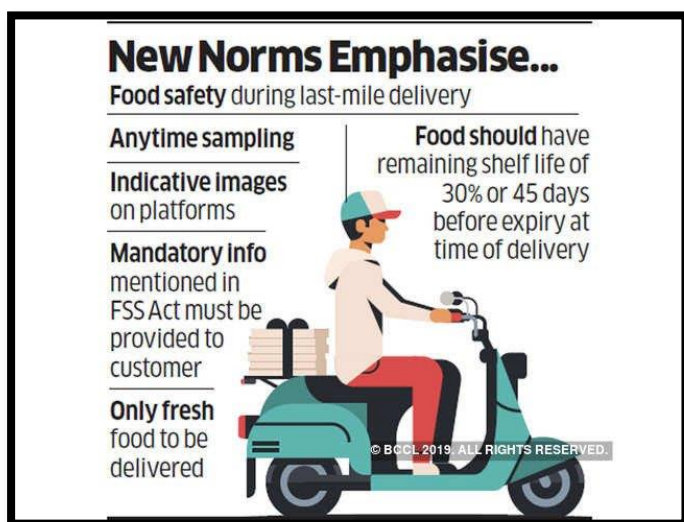## 1.8 New rules by Indian government from 1st January 2019 – FSSAI

The **Food Safety and Standards Authority of India** (FSSAI) has issued revised guidelines that directly impact online food and grocery operators such as Grofers and BigBasket as well as food delivery platforms like Swiggy and **Zomato**.

The national food regulator said it's stepping up scrutiny of **ecommerce** food companies because there can be no compromise on last-mile delivery and safety of food products. Food products offered for sale are liable to sampling at any point in the supply chain. Companies will also need to provide an indicative image of the food on their platforms so that consumers can recognise the product. All mandatory information mentioned in the Food Safety and Standards (FSS) Act will also have to be provided to consumers before purchase and only fresh food should be delivered to consumers.

"With increasing use of ecommerce platforms by consumers, the guidelines are aimed at stepping

up vigilance on safety of food provided to consumers," FSSAI chief executive Pawan Agarwal said. "These guidelines will help in building confidence in the ecommerce food business sector and increase its credibility." The guidelines are part of directives issued by the regulator to re-operationalize licensing and registration of ecommerce food companies.

New Norms Emphasise...
Food safety during last-mile delivery

Anytime sampling

Indicative images on platforms

Mandatory info mentioned in FSS Act must be provided to customer

Only fresh food to be delivered

Food should have remaining shelf life of 30% or 45 days before expiry at time of delivery

"While we are compliant with all regulatory guidelines such as last-mile delivery and shelf life, we also ensure that our merchant partners follow the same," said online grocery start up Grofers' chief executive Albinder Dhindsa. "We don't work with merchants who don't have the necessary compliance. That is a challenge that the regulator has to enforce." Food should have a remaining shelf life of 30% or 45 days before expiry at the time of delivery, the guidelines said.

Delivery Service Company Zomato said food safety was of paramount importance. "We welcome any move by FSSAI which will help us make the restaurant industry safer for consumers," a spokesperson said. "We provide last-mile delivery to our users and are taking stringent steps to ensure the safety of food."

Zomato has delisted "thousands" of restaurants from its food-ordering platform over the past few months, she said.

"While we are already compliant with the mandatory directives in the FSS Act, we will work with the regulator on any measures required to drive development in the ecosystem," the spokesperson added.

BigBasket and UberEats didn't respond to queries.

"Food business operators need to ensure that the last-mile delivery is undertaken by trained personnel and that the safety of food products is not compromised at the time of delivery," according to the guidelines.

Online food and grocery start-ups, which have transitioned from a hyperlocal to inventory-led business model, have been growing on the back of greater efficiencies in supply chain and technology, cutting costs and doing away with unprofitable products.

A recent Crisil report said online food and grocery is expected to be the fastest-growing segment in online retail and will almost quadruple in the next three years to Rs 10,000 crore in revenue. The report said investments in technology, same and next-day delivery options, and business-to-business food services, will further aid growth of the segment. Estimates peg the overall food and grocery market in India at $400 billion.

A spokesperson for Swiggy said: "Earlier in the year, in full compliance of Food Safety and Standards Act and Rules, all unregistered restaurants were disabled from Swiggy. We're committed to working with the restaurant partner community and FSSAI to bring the necessary confidence and control to ensure there is no compromise in last-mile delivery and safety of food."

1.9 MAJOR CONTROVERSIES

Food has no religion tweet
Food doesn't have a religion. It is a religion *Zomato, on Twitter,*
 In July 2019, Zomato received a Hindu customer's complaint that he was assigned a non-Hindu delivery boy for his food order in Jabalpur and had asked Zomato to provide a Hindu delivery boy. The customer alleged that Zomato had refused to change the rider after which he asked to cancel the order. The customer then posted this incident on social media site, Twitter after which Zomato responded to the message stating: "Food doesn't have a religion. It is a religion, as a twitter response. It received praises on social media including support from rival UberEats,

politicians P Chidambaram and Omar Abdullah, actors Richa Chadha and Swara Bhaskar. However, some social media users criticized it on social media for using Jain food and halal tags on food items to which the company issued a clarification that these tags were put by restaurant owners and not by Zomato.

After this incident, the customer who complained against Zomato deleted his tweet. He was issued a notice for his *hate tweets* from Superintendent of Police of Jabalpur, for "violating the constitutional provisions where there is no place for any kind of untouchability and acts disturbing religious harmony". The police had taken suo motu action on the news of the incident. The customer signed a legal bond (under Code of Criminal Procedure (CrPC), 1973, under Section 107/116) to not indulge in any activity that breaches peace, was placed under police surveillance for six months, and agreed to be placed into custody if he violates his promise. Zomato CEO had instructed his team members "not to succumb to any demands of a customer, partner, or even an employee on racial grounds or grounds of any form of diversity".

On 11 August 2019, Zomato delivery executives in Kolkata, led by Sanjiv Kumar Shukla, a Bharatiya Janata Party leader, protested against the company for forcing them to deliver beef and pork after their denial and request of not to do so for religious reasons. Hindu and Muslim delivery executives of company went on an indefinite strike. The BJP leader later admitted that the strike was in response to Zomato's "food has no religion" tweet. CEO Deepinder Goyal clarified that there was not a single order of pork in that entire area, only a single order of beef and even that order was cancelled before delivery.

Logout campaign

On 17 August 2019, more than 1,200 restaurants logged off from Zomato because of their offer of discount programmes at dine-in restaurants. In Pune alone, more than 450 restaurants stopped serving to Zomato Gold because of aggressive discounts and loss of business. However, Zomato founder Goyal admitted mistake, became ready to rectify it and called for sanity and truce. He also urged restaurants to stop #Logout campaign.

There are things that are surprising about the National Restaurant Association of India (NRAI)'s #logout movement. It all started on August 14 "to detox customers from discount addiction and give the restaurant Industry freedom from aggregators who have distorted a vibrant marketplace by aggressive discounting and predatory pricing". In the following days, about 2,000 restaurants

stated that they would not be part of any "1+1" deals or where they had signed up for 50 per cent discounts on food and drinks. Everyone loves a free meal. But deep discounting isn't always great for businesses - restaurants are already struggling with increasing raw material and higher real estate costs. Why now? Certainly, "1+1" deals have been on the table for some time. Much of NRAI's ire is directed at Zomato, whose 'Gold' programme offers complimentary food and drinks to diners. Surprisingly, the association appeared quite pally with Zomato even till May, when it launched its India Food Services Report 2019. Zomato was both a sponsor and data partner to the report.
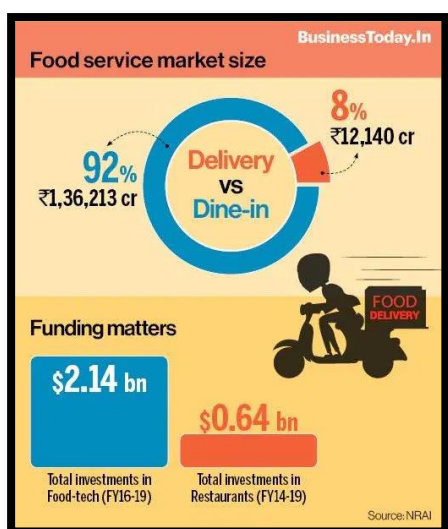
What went wrong over the next three months? There are multiple flavours to this.

On August 13, NRAI held a meeting with Gurugram restaurateurs. The body later stated that it was "to discuss the prevailing concerns and issues regarding food service aggregators and it was unanimously decided by 300 restaurateurs to immediately #logout from all dine-in platforms to silently protest against deep discounting". While restaurateurs are not explaining the 'why now' part very well, it is seemingly because they are worried about the downturn in the economy. Consumers have cut back on discretionary spending; everything from buying underwear to TVs. Eating out would soon be a casualty too. Deep discounting in a slowdown year would hurt more. The second reason is the realisation that '1+1' deals are not bringing in the topline expected. The business premise for aggregators is that they help in capacity utilisation - more footfalls. But after many months of not so great experiences, restaurants are revolting. Deals, typically, work in non-peak hours but many aggregators forced restaurants to offer them seven days a week, at all times. Rahul Singh, President of NRAI and founder of The Beer Cafe told Business Today that aggregators created FOMO (fear of missing out) among restaurants to make them sign these deals.

"The neighbouring restaurant did it, so why don't you? They created fear psychosis. Now people have realised that their topline hasn't increased and the bottomline has eroded too," he said.

Riyaaz Amlani, CEO and Managing Director of Impresario Entertainment & Hospitality, which runs restaurants such as Social and Smoke House Deli, said that there is severe value erosion in such deep discounting. If a restaurant is reducing its topline by 50 per cent, it needs a 100 per cent jump in sales to make up. "That is not happening. You will see a 3-4 per cent increase. That has brought down the topline significantly and completely decimated the bottomline," he explained.

There is a far bigger reason to worry about, going ahead. The centre of action, in food-tech, was the delivery market. The action will now shift more and more to dine-in because this is simply a far larger piece of the pie. The dine-in market contributes 92 per cent (Rs 1, 36,213 crore) of the overall organised food service market in India, according to the NRAI India Food Services Report 2019. The delivery market contributes just eight per cent (Rs 12,140 crore). As food-tech aggregators shift their attention to dine-in, a hyper competitive scenario between them can lead to market distortions such as deep discounting.

It already has, according to NRAI. In a note, the body stated: "NRAI held extensive meetings with all restaurant aggregators and we were bemused to learn that aggregators were promoting deep-discounts to stay competitive amongst each other. While one aggregator gave 1+1, the other had to adopt a 50 per cent discount scheme in order to stay relevant". The point is, unlike in the early years of e-commerce in India, it is not the marketplace that is bearing the discount here. Restaurants are paying for the one extra dish. The annual subscription the consumer pays to the aggregator is pocketed just by the aggregator. The spoils aren't shared. A fourth issue in the NRAI campaign is gaming of the system by the consumer. Zomato appears to have addressed this. Soon after the #logout campaign started, Deepinder Goyal, Founder, Zomato said he is "reconstructing Gold to help drive better profit margins" for restaurants. "The biggest pain point we heard was that users hop between places on a busy evening, claiming 1+1 starters at one place, 1+1 main course at another, and 2+2 drinks at some other. To solve this, we will limit Gold usage by a single user to one unlock per day. This will ensure that customers complete their dining experience at a single restaurant, bringing the net effective discount down significantly," Goyal wrote to restaurant owners. A final reason for the #logout movement appears to be fear (and a hint of jealousy). Food-tech aggregators have been able to raise far higher investments over the last four-five years than restaurants. According to the NRAI India Food Services Report 2019, while the capital invested in the food-tech space between FY16-FY19 is around $2.14 billion, capital

invested in the restaurant segment totals just $635 million between FY14-FY19. The aggregators have used the capital to invest in data science and now, they know far more about consumer preferences, what moves where etc. than brick and mortar restaurants.

"Using big data, the aggregators have figured out what dishes sell more in what region. Then they have created dark kitchens (cloud kitchens). If a consumer searches for pizza, what is stopping them from diverting the traffic to their kitchen? It is use of a dominant position. It's scary what these guys are trying," a restaurant owner said.

The fight isn't over yet. While most aggregators - the likes of Eazydiner and Dineout - have agreed to limit discounting, Zomato is still reluctant. Consumers would still love a free meal. Clearly, a middle ground needs to be found that works for every stakeholder in this three-way muddle.

SECURITY BREACH - On 4 June 2015, an Indian security researcher hacked the Zomato website and gained access to information about 62.5 million users. Using the vulnerability, he was able to access personal data of users such as telephone numbers, email addresses and Instagram private photos using their Instagram access token. Zomato fixed the issue within 48 hours of it becoming apparent. On 15 October 2015, Zomato changed business strategies from a Full-Stack market to an Enterprise markets. This led Zomato to reduce its workforce by 10%, or around 300 people. On 18 May 2017, a security blog called Hackread claimed over 17 million accounts had been breached. "The database includes emails and password hashes of Zomato users, while the price was set for the whole package is $1,001.43 (Bitcoins 0.5587). The vendor also shared a trove of sample data to prove it is legit", the Hackread's post said. Hackread claimed details of 17 million users had meanwhile been sold on the Dark Web. Zomato confirmed that names, email addresses and encrypted passwords were taken from its database. The company reassured affected customers that no payment information or credit card details were stolen. Zomato said the security measures it uses to ensure the stolen passwords cannot be converted back into normal text, but it still urged users who use the same password on other services to change them. It also logged the affected users out of the app and reset their passwords. "So far, it looks like an internal (human) security breach - some employee's development account got compromised", the company said in a blog post but later, when Zomato contacted the hacker, they discovered a loophole in their security. The hacker removed the stolen content from Dark Web asking for a healthy bug bounty programme.

1.10 ZOMATO ADVANTAGES AND DISADVANTAGES.

- A 2008 start up recently entered the $1-billion valuation league according to New York-based venture capital tracker CB Insights
- Revenue growth 8.5x from Rs. 11.4 crore in FY201213 to Rs. 96.7 crore in FY2014-15
- 90 million unique monthly users; Up 300% from last year; Alexa rank 146 in India and 1,210 in the world as of June 2015
- 43 offices worldwide spread across 22 countries with 2000 plus Zomans from 65 nationalities
- Listing more than a million restaurants spread in over 10,000 cities across 22 countries
- Focused solely on food and restaurants, its content is created by its own employees rather than crowd-sourcing it
- Focused on the social layers on the website and on maintaining a rock solid content platform which is funny and interactive at the same time
- Mobile application app has recorded 2.5 million downloads; 45% traffic comes from mobile application
- Forayed overseas in September 2012 by launching services in UAE, followed by swift expansion across south east Asia, UK, South Africa, Europe   2014 acquired 5 companies valued between $1 and $3 million in the Czech Republic, Slovakia, Poland, New Zealand and Italy
- Acquired Urban spoon in January 2015 for $55 million; establishing operations in the US, Canada and Australia; And coming in direct competition with global players like Yelp, Foursquare
- Acquired Next able (US based table management platform) to launch table reservation service in US, India and Dubai
- Profitable in India and the UAE; Hoping to break even in South Africa, New Zealand, Indonesia and Portugal by October.

WEAKNESSES

- With expansion to various countries, it now has competitors like Yelp (revenue $377.5 million) which are much older and bigger than Zomato, something which it has not faced.
- As a result of hard focus on global expansion, Zomato lost out on the first mover advantage in the field of online food delivery to Tiny Owl, food panda.
- Quality and veracity of data; in many cases the information regarding menu cards is either incomplete or old. For example, in certain restaurants, menu card without prices in mentioned. In certain other cases, the menu is partial
- One of the main sources of revenue for Zomato is the promotion of restaurants. This brings a possibility of conflict of interests and lack of clarity of ratings

OPPORTUNITIES

Opportunities can be broadly classified into 2 categories:

- **New/Emerging Markets**
  Emerging Markets: With India's Internet population poised to rise to half a billion by 2018, Zomato's market is all set to grow further. The number of people using their phones to access the Internet has grown spectacularly from 90 million in June 2013 to 185 million in June 2014; such a growth rate results in a huge market to tap. Being an acquisition hungry company, it wants to expand globally with India's market share at only 8%; Zomato's CEO Deepinder Goyal next move will be to increase penetration in global markets.

Online Services
- **Zomato for Business**: A subscription-based model wherein merchants have access to their listings. This allows them to share daily discounts, promos or special menus, increasing their interaction with consumers on a real-time basis
- **Cashless transactions**: Currently available only in Dubai, diners at participating restaurants pay through the Zomato app, eliminating the need to use cash/swipe cards.

On every such transaction, Zomato receives a percentage cut on the total amount. There is huge opportunity for such a venture in the other existing markets like India and the US

➢ **Online Ordering Service** - Launched in Delhi, Bangalore and Mumbai in mid-April, soon to be launched Pan-India. Currently with 2000 restaurant

➢ Partners, Zomato aims to partner with 10000 restaurants across India.

➢ **Zomato Book**: To be launched in Australia, India and UAE, through acquiring NexTable of USA, this is a platform for reserving restaurants and Managing tables

THREATS

➢ Aggressive expansion in a huge market landscape – Zomato has been continuously acquiring companies for expansion – which may not be a bad thing. But when this comes at a cost of losing out domestic ground, it may not be the best thing to do. Zomato may be missing out on strengthening and innovating on the existing network by focusing on expansion. There are a lot of things which they can do to get more people to use their services for e.g. Online delivery – they lost out on the first mover advantage by not focusing on this and allowed breeding ground for start-ups like Foodpanda to get into this space and stand up as a competitor. Tomorrow their might be some other start-up which may give some other service which Zomato doesn't provide and gain market share for itself. Hence, it may not be the best policy to ignore the existing market while being on the mission of expansion. As clearly evident in the mentioned above image, there is a huge scope for improvement for Zomato. There are so many avenues that it needs to get into before its competitors get in.

➢ Intense competition from national and international brands - With expansion to various countries, it now has competitors like Yelp (revenue $377.5 million) which are much older and bigger than Zomato. On the other hand, we have small players which are slowly covering ground in domestic area like – o Foodpanda o Tiny Owl o Burrp o Yelp o TimesCity guide Similarly, there are 18 start-ups in various stages of evolution – all set to become threats to Zomato.

- Restaurants low on ratings may never be able to get good number of patrons – not everyone has the funding to improve standards – they may actually lose out their existing customers. All such restaurants owners may resort to protest.
- Political Digital India Campaign launched by Prime Minister Narendra Modi will help in getting more Internet penetration in India which will lead to greater access to almost every market. Under this, National Optical Fiber Network campaign recently launched will help to reach even Gram Panchayats. Zomato can take advantage of this by getting restaurants of cities covered under Digital India Campaign.
- Recently launched Pradhan Mantri Kaushal Vikas Yojana will be focused on enhancing and developing the skill of youth which in turn will help to get many people with knowledge and skill. Zomato, to increase market penetration and reach, will require skilled people to establish themselves in the new market. Hence, PMKVY will help to provide skilled people which could be hired by Zomato
- Indian government's focus on Ease of Doing business will help bring more investments in form of FIIs and FDIs. Zomato can be benefited with the expected investment, which would help it to grow.

Economic
- Zomato grew 1399% from 2011 to 2014. Its revenue was 96.7 crore INR in 2014-15. Zomato is present in 22 countries and contributing to respective economies of the countries
- Increase in service tax from 12.36% to 14% will lead to increase in prices of services which in turn will impact Zomato
- Zomato is starting cashless transaction which will create jobs in various cities. Currently, Zomato employs 2319 employees
- Zomato is attracting various investments and funding from Indian as well as foreign investors which in turn is good for Indian economy.

Social
- In a span of six years Zomato has become India's favourite online Restaurant Discovery tool. It has influenced and changed the way how people select their restaurants

- There has been an increase in the middle class Indian working population and substantial change in lifestyle pattern. Gone are the days of 9 to 6 job, people are now working around the clock. More and more people especially youngsters and new age working couples love to eat out. As per the survey released by national Sample Survey Commission the proportion of expenditure of dining out has increased steadily from 19% in 2000 to 30% in 2012.

- The biggest social factor of Zomato is User Engagement. Reviews and Ratings make the website very engaging which ensures customer participation. The concept of incentive based rating too cluttered to read.

- The restaurant finder module is also very well made. It has been integrated with the app as well which is the highlight because one will need to find the restaurant on the go. The restaurant information is well thought out and organized which makes sure you get the information you are looking for without any hassle.

- The number of vote options adds a lot of context to the rating. There is also a focus on personalization with the personalize option and thus you can play with the interface the way you like.

- The website is SEO (Search Engine Optimization) friendly which makes sure that it pops up on the search engine. There is a huge challenge that Zomato will have to face from Google because it is promoting its own restaurant finder and booking tool. Zomato will have to constantly evolve and innovate and add value if they want to sustain in the market.

- The business model of the Zomato Revolves around gate keeping of information, which means that when you call a restaurant, its number gets masked, and you are being routed through Zomato. It also requires you to login to use the service. The reason behind this is Zomato needs to compete with companies like Google and thus to get the funding they need more registered users. Even if with the gate keeping feature they miss on a small percentage of users who are sceptical about their privacy they will surely add a lot of information from people who register.

PORTER's FIVE FORCES ANALYSIS

Threat from substitute

Zomato is of the strong belief that their focus on restaurant discovery and facilitating a holistic dining experience gives them an edge over competition. As Deepinder Goyal, founder, Zomato, says, Zomato is driven to constantly improve our product within the space with a small margin of error. Zomato realizes that it is a winner-takes-all and is therefore focused on dominating the competition within its space.

Google Maps - Latest release of Google Maps for desktops includes listings of restaurants in the neighbourhood. It also facilitates restaurant search and provides photos, reviews, ratings and even the floor the business is located at. Zomato's advantage over Maps is that Maps hasn't started menu listings yet.

Local Competition- FoodPanda and JustEat- FoodPanda gained first mover advantage by launching the online order facility earlier than Zomato, thus resulting in Zomato losing relevant market share JustDial- JustDial offers a wide range of restaurant listings; however, it loses out against Zomato as it doesn't have an equivalent collection of reviews, photos and user engagement. Also, in the minds of consumers, Zomato offers a specialized and differentiated service thus making it a natural choice.

Global Competition- Yelp-Basic difference between Yelp and Zomato is that while Yelp publishes crowd-sourced reviews, organizes social events and provides basic data about businesses, Zomato provides information (photos, menus and geographic coordinates) and allows users to create their own network of foodies for personalized recommendations. The flipside for Zomato: Total number of unique monthly visitors to Yelp is a staggering 139 million, amounting to four times Zomato's existing traffic of 35 million. In terms of revenue, Zomato earned $6 million in revenue compared to Yelp's $232 million in 2014.

TimeOut - Founded in 1968, it has become a global authority on entertainment and events all across the world. With a reach to 39 million people, it has a huge market share, however is more known for providing information on events and happenings than restaurant listings and reviews Since majority of users check rating and not reviews, it is very important to maintain fair ratings on the website.

Industry Rivalry

Foodpanda– foodpanda who has also acquired TastyKhana and JustEat is a competitor to Zomato in this marketspace. But, as per one of interviews with Mr. Deepinder Goyal, Zomato doesn't consider it as a threat because foodpanda in spite of being present in market for 3 years has clocked only 10,000 orders a day whereas people visiting Zomato has 1, 00,000 searches a day. Zomato's large sales team gives an added advantage to Zomato.

Burrp! – Burrp! is a competitor to Zomato. But due to its expansion from restaurant listing to other divisions such as events and retail outlets, the company's focus has been distributed whereas Zomato has stuck to its core functions.

TinyOwl – TinyOwl is an emerging start-up with business model of food ordering through App on smart phones. It is currently present in Bangalore, Mumbai, Gurgaon, Hyderabad and Pune.

Yumist – Yumist is a new player in this market started by ExCMO of Zomato which is targeting customers who want low priced daily meals market. Although it has received the investments worth US$ 1 million, but these investments are till now not significant to compete with Zomato.

Other New Start-ups – There are other new start-ups which are nascent in stage but growing. Some of them are FRSH, Eatlo, Holachef, SpoonJoy, DELIVERY CHEF etc.
Industry Rivalry in Major International Markets **Yelp** – Yelp is the biggest competitor to Zomato in US. It is present in 31 countries. To counter Yelp, Zomato acquired UrbanSpoon in US but still there is major gap to reach no.1 in US market.

HungerGo – HungerGo is major player in Singapore where Zomato doesn't want to enter due to tough competition poised by HungerGo.

Yadig & Timeout – Yadig and TimeOut are other major players in UAE but Zomato is market leader in UAE with 65% market share.

Barriers to Entry – Barriers to entry are very high as there are already major players established in market. Zomato is very well established and market leader. There are other players such as foodpanda, TinyOwl and Burrp which have already having decent market share.

Bargaining power of buyers

- ➢ Presence of various competitor apps in the market means that it is easy for the buyers to switch to other apps like food panda, Burrp! TinyOwl, just eat.
- ➢ With improving features, and upgrades such as food ordering, people may switch to other apps offering better features.
- ➢ Since it is easy-to-use online platform, constraints related to distribution is eliminated. This removes a potential factor for bargaining of buyers.

Bargaining power of suppliers

- ➢ **Suppliers of Zomato -** Print media and online media - Editors' choice on play store
- ➢ Zomato has become famous through its publicity in print media, through play store, through advertisements in Restaurants. To add to this, there is also dependency on reviewers - they do not have any way to check the authenticity of reviews as of now.
- ➢ These all become the suppliers of Zomato. Thus the threats which they face are:
- ➢ What if restaurants do not want to list themselves on Zomato? What if they move to another app?
- ➢ Since the reviews are subject to the perspective of the patron, it may be a biased one - moreover, spam may defeat the purpose - Ratings may get subjective. They have a content team, but it needs to expand.
- ➢ Zomato does not have a system of rewarding the reviewers who spend a lot of time writing reviews - which may put them off from writing

- ➢ Incentives for reviewers are required - if competitors give them - they may switch to other apps - they should make sure the reviewers stay put
- ➢ Many restaurants are not available on Zomato. More publicity is required.

More - Mobile companies which strike deals with Zomato to keep a pre-installed app may prove to be the suppliers for Zomato. They may charge more to allow Zomato preinstalled in their phones.

1.11 OBJECTIVE OF THE STUDY

- ➢ To study the modern food industry start-up giant like Zomato.
- ➢ To find customer's needs, convince security, quality, and availability of food.
- ➢ To analyse the modern food industry, their profitability, losses, law and order. To analyse the advantages and disadvantages of modern food start-up's.

Too compare traditional food industry with the modern food industry. To compare the food quality, quantity, price, offers, etc.

1.12 HYPOTHESIS OF THE STUDY

- Ho: There is no significant relationship between factors affecting usage and the food apps

   H1: There is a significant relationship between factors affecting usage and the food apps
- Ho: There is no association of popularity with the awareness methods used.

H1: There is association of popularity of an app with the awareness methods used.
- Ho: There is no most popular app for food delivery

H1: Zomato is one of the most popular app for food delivery

1.13 CONCLUSION

With continuous influx of professionals in cities and rapid urbanization of Indian landscape, the food delivery and restaurant segment is now thriving at a blistering pace. Adding to this scenario is an increasing number of Smartphone's and food delivery apps. Food delivery apps like zomato

have now become a big hit with tech-savvy individuals across India. There are several food delivery apps in India like zomato that one can download on smart phones to order food on the go and from the comfort of homes. The present study found a significant relationship between factors considered important while selecting a food delivery app- zomato. And from the analysis it was also found that the facilities offered play a major role in making a purchase from an app. Social media should be the most desired tool for marketing by firms. Currently cash on delivery is the most preferred option of payment by the respondents but other digital techniques are also in the growth stage. Firms must also make sure that the apps are comfortable and user friendly. The special apps are a convenient way for the consumers to place orders and for the company to attract further more consumers but the comfort of usage must be given a higher preference.

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2. REVIEW OF LITERATURE

OUTLINE

No.	Topic
2.	**Review Of Literature**
2.1	Review of Different Studies
2.2	Reference

2.1 REVIEW OF DIFFERENT STUDIES.

➢ **The Connotative Meaning of Food** - Grunert stated that "people seek food, not nutrients. The common beliefs underlying all these classifications are that food has social and psychic meanings that mealsserve as communicative symbolism, and "that eating is an experience that may be invested with many intellectual and emotional values quite apart from metabolic utilization of the food" (Babcoke, 1948, p.390). Eating is a deeply engrained source of satisfaction and the restaurant customer wants an eating experience which combines food, service, d6cor, and indefinable extra (Hall, 1977)

➢ **The Restaurant Business** - The restaurant business, say the National Restaurant Association (NRA), is the third largest of all businesses in the United States (Lungberg, 1994). Local restaurants are made up of establishments that include fast-food units, coffee shops, specialty restaurants, family restaurants, cafeterias, and full-service restaurants with carefully orchestrated "atmosphere", said Goeldner, Ritchie and Mcintoch (1999). According to Lungberg (1994), the NRA classified all eating establishments into three categories: Commercial foodservice, institutional foodservice, and military foodservice.

➢ **The Foodservice Industry -** Hall (1977) stated that the millions of people who "eat out" every day have a wide variety of needs and tastes from a quick lunch to a luxurious meal with elaborate service. Because of these differences there are many kinds of restaurants varying from street stands for a hot dog or bowl of noodles to elaborate restaurants with the best cooking. There are millions of people away from their homes everyday either by necessity or

by choice. The restaurant and catering business has developed to feed this huge number of transients-office and factory workers, schoolchildren, military personnel, travellers, and 6 people out to have a good time. Because there are so many to feed, the restaurant and catering business is one of the largest and fast-growing industries in the world. Those who eat away from home spend vast sums of money for restaurant or catered meals (Hall, 1977). Ten years into the new millennium, US. Restaurant industry sales will reach $576.9 billion or about $222 billion more than is generated currently, according to a newly released industry forecast. While the restaurant industry now garners about 44 cents of every dollar spent on food, the sales are projected to climb to a 53.2 percent share of the total food dollar by 2010, according to the National Restaurant Association (Papiernik, 1999).

➢ **Why people eat out -** According to Lungberg and Walker (1993) said that the reasons for "eating out" are several and some of them complex. The National Restaurant Association (NRA) has sponsored a number of studies of restaurant consumers and their reactions to various kinds of restaurants. According to one of these studies, the three most important considerations in the decision to eat out were:
- No one has to clean up
- It permits a change of pace
- It is considered a treat

When selecting a new restaurant, the person depends a great deal upon recommendations of friends. This is nearly equal in importance to the type of food the restaurant serves. Appearance and location are a distant third and fourth in consideration. Quality of food is the most important factor in people's evaluation of any of restaurant. The second most important factor varies by restaurant type. In fast-food, coffee shops, and take-out restaurants, it is speed of service; in family-type restaurants, cleanliness; in cafeteria, it is the selection of food; and in atmosphere/specialty restaurants, it is the atmosphere or d6cor. According to National Restaurant Association statistics, the most common day of the year to dine out is a birthday. Approximately 50% of consumers celebrate their birthday at a restaurant. Mother's Day and Father's Day rank as the second and third busiest holidays celebrated in restaurants. The most popular day of the week for consumers to dine out is Friday, followed by Saturday and Thursday (Mill, 1998).

- ➢ **Customer Satisfaction -** According to The City Pages, Minneapolis/ St. Paul reviewed about one Vietnamese restaurant in town by Moskowitz (1999) said "Customers are stocking up in pursuit of fresh, simple Vietnamese food made with an emphasis on clean flavour and bright herbs, delivered quickly, and priced reasonably".

- ➢ **Meeting Customer Expectations -** Increasingly, customers have higher expectations, demanding more attention and friendlier service. Most customers seem satisfied with food quality, dinning are cleanliness, comfort of the atmosphere, freshness of the ingredients, and portion size. Indeed, the only area where satisfaction is less than 50 percent relates to noise level. As the customer base ages this is expected to become of even greater concern. Rising expectations manifest themselves in a desire for a better price/ value relationship.

- ➢ **Perception -** Perception is defined as a process through which individuals are exposed to information, attend to the information, and comprehend the information (Mowen, 1995). Understanding perception and the factors determining how consumers view products and services is central to effective marketing (Berkman, Lindquist, and Sirgy, 1996). Schiffman and Kanuk (1994) stated about consumer perception saying "as diverse individuals, we all tend to see the world in our own special ways. "Reality" to an individual is merely that individual's perception of what is "out there"- of what has taken place. Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Thus, to the marketer, consumers' perceptions are much more important than their knowledge of objective reality. For if one thinks about it, it's not what actually is so, but what consumers think is so that affects their actions, their buying habits, their leisure habits, and so forth. And because individuals make decisions and take actions based on what they perceive to be reality, it is important that marketers understand the whole notion of perception and its related concepts so they can more readily determine what factors influence consumer to buy."

- ➢ **Motivation -** Motivation can be described as the driving force within individuals that impels them to action. This driving force is produced by a state of tension, which exists as the result of an unfulfilled need. Individuals strive-both consciously and subconsciously-to reduce this tension through behaviour that they anticipate will fulfil their needs and thus relieve them of the stress they feel. The specific goals they select and the patterns of action they undertake to

achieve their goals are the results of individual thinking and learning (Schiffman and Kanuk, 1994).What motivate people to eat out According to Lundberg (1994) said people eat out for a variety of reasons: to satisfy hunger, social needs, and ego and self-fulfilment needs. The most popular theory of motivation, that proposed by A.H. Maslow, states that humans are wanting animals. As soon as one need is satisfied, another appears to take its place, motivating from the need for safety or security up the scale through social, ego, and self-fulfilment. People go to restaurant to satisfy not only hunger but also self-esteem, self- respect, self-confidence, and prestige needs.

➢ **The Buying Process -** Various internal and external factors combine to influence how customers choose where, when, how, and why to eat out. The vehicle used to explore this will be a national study prepared by the National Restaurant Association on the dinner market.

➢ **Decision Scenarios -** This report divides all dinner decisions into five basic decision scenarios:
   1. "Fun time." This relates to an upbeat mood and a sense of anticipation of fun; the decision tends to be made well in advance.
   2. "Nice meal out." The desire is to enjoy the satisfaction or enjoyment of eating out, being served, and getting good food, lots of it, at a reasonable price.
   3. "Craving." This refers to a desire for a particular type of food; seeing or smelling this type of food can set off the carving.
   4. "Making sure that everyone is getting something to eat." This motivation comes from the hectic pace of everyday life, attempting to balance a variety of work and family schedules.

➢ According to Serhat Murat Alagoz & Haluk Hekimoglu (2012), e-commerce is rapidly growing worldwide; the food industry is also showing a steady growth. In this research paper they have used the Technology Acceptance Model (TAM) as a ground to study the acceptance of online food ordering system. Their data analysis revealed that the attitude towards online food ordering vary according to the ease and usefulness of online food ordering process and also vary according to their innovativeness against information technology, their trust in e-retailers and various external influences.

- According to H.S. Sethu & Bhavya Saini (2016), their aim was to investigate the student's perception, behaviour and satisfaction of online food ordering and delivery services. Their study reveals that online food purchasing services help the students in managing their time better. It is also found that ease of availability of their desired food at any time and at the same time easy access to internet are the prime reasons for using the services.

- According to Sheryl E. Kimes (2011), his study found that perceived control and perceived convenience associated with the online food ordering services were important for both users and non-users. Non-users need more personal interaction and also had higher technology anxiety to use the services.

- According to Leong Wai Hong (2016), the technological advancement in many industries has changed the business model to grow. Efficient systems can help improve the productivity and profitability of a restaurant. The use of online food delivery system is believed that it can lead the restaurants business grow from time to time and will help the restaurants to facilitate major business online.

- According to Varsha Chavan, et al, (2015), the use of smart device based interface for customers to view, order and navigate has helped the restaurants in managing orders from customers immediately. The capabilities of wireless communication and smart phone technology in fulfilling and improving business management and service delivery. Their analysis states that this system is convenient, effective and easy to use, which is expected to improve the overall restaurant business in coming times.

- According to Hong Lan, et al, (2016), online food delivery market is immature yet; there are some obvious problems that can be seen from consumers" negative comments. In order to solve these problems, we can neither rely merely on the self-discipline of online food delivery restaurants nor the supervision and management of online food delivery platforms. Only bytaking laws as the criterion, with the joined efforts of the online food delivery platforms and restaurants, the government departments concerned, consumers and all parties in the society, can these problems be solved and a good online take away environment can be created.

- A research on the changing market for food delivery (Carsten Hirschberg et al 2016) indicates that online's penetration of the total food-delivery market broke 30 percent in 2016. We believe penetration rates will grow further as the market matures, eventually reaching 65 percent per year.

- **According to gloria food** the advantage of online ordering and the reasons for the growth of food delivery app industry are Convenience, Simpler menu to manage, significant savings, no hassels etc

- FoodPanda is an introduction to the newest food sensation that's here to stay (Shiyin Chan , 2015) Foodpanda is a global online food delivery marketplace headquartered in Berlin, Germany. Fun fact - they're also known as hellofood in other places in the world.

- *Bhavna Singh (2015)* said that Foodpanda has been present in the Indian market since May 2012. Foodpanda first major move was acquisition of TastyKhana, which was launched in the city of Pune in 2007. Together with TastyKhana and JUST EAT, it is now present in over 200 cities and partners with over 12,000 restaurants. She also talked about JUST EAT was launched in Denmark in 2001 and was traded publicly on the London Stock Exchange. Their Indian business was launched as Hungry Bangalore in 2006. It was renamed in 2011 when JUST EAT acquired a majority share in the business. Today, the company partners with over 2,000 restaurants.

- According to *Deepinder Goyal, Zomato CEO and co-founder* told TechCrunch that he expects to reach 10,000 restaurants in India in a few months. "We have a sales team of around 300 in India and 5,000-odd advertisers… these partners know the volume we bring to them so it is quite easy for us to launch this new service."

- According to a recent sectoral report published by *IBEF (Indian Brand Equity Foundation),* food has been one of the largest segments in India's retail sector, valued at $490 billion in 2013. The Indian food retail market is expected to reach Rs 61 lakh crore ($894.98 billion) by 2020. The Indian food processing industry accounts for 32 percent of the country's total food market, one of the largest industries in India and ranked fifth in terms of production, consumption, export and expected growth. The online food ordering business in India is in its nascent stage, but witnessing exponential growth. The organised food business in India is worth $ 48 billion, of which food delivery is valued at $15 billion. Investment in food start-ups, which mainly include food ordering apps, has increased by 93 percent to $130.3 million, comprising 17 deals till September 2015, as against only five deals in 2014.

- According to a *January 28 report in The Times of India,* Rocket Internet backed Foodpanda has not found a buyer even with a rock bottom price tag of $10-15 million. The company laid off 300 people in December 2015, about 15% of its workforce. In September

2015, TinyOwl had fired 100 employees in its Mumbai and Pune offices. And in October, Zomato sacked 300 workers. UK based Just Eat entered and exited the market faster than you would order and receive pizza.

- **Website Quality-** The last decade has witnessed extensive literature on website quality as a cue for customer satisfaction; a factor that drives purchase intention. Website quality comprises factors like interactivity, customisation, care, cultivation, choice, community, character and convenience(Srinivasan et al. 2002); interactivity, novelty and complexity (Huang, 2003); community, individualisation, free services, technical integration and convenience (Wirtz and Lihotzky, 2003); information quality, connectivity playfulness, learning and interactivity (Chiu et al. 2005); appearance, content quality, specific content and technical adequacy (Liao et al. 2006); website design, communication, order fulfilment, security/privacy, promotion and merchandising (Jin and Park, 2006); and, transaction speed, information quality security and user-friendliness (Shih and Fang, 2006). Among all these factors, customers usually expect three website merits to assist their online encounters, that is, system quality, information quality, and service quality (Shih, 2004). A number of attempts have been made to categorise website's multiple attributes (Dholakia and Zhao, 2010). Online shopper viewing time averages 30 seconds before he moves to another website (Brohan, 1999). The website must be enticing (Dawson and Kim, 2010) because its cues lead to affective and cognitive internal states (Robert and John, 1982) compared with traditional retail stores with tactile and olfactory cues (Eroglu et al. 2003). Recently, a number of researchers have conducted empirical study on website quality such as Dickinger and Stangl (2013), Rahimnia and Hassanzadeh (2013), Liu, Li and Hu (2013), Xu, and Benbasat and Cenfetelli (2013). Therefore, the preceding discussion proposes four important elements of website quality, namely information quality, website design, security and payment system.

- **Information Quality -** Information is a prerequisite to trust (Flavian et al., 2006; Wang and Emurian, 2005). In a related study, Yoon (2002) tested the relationship of website properties such as width of product selections, accuracy of online information, and firm's reputation to website trust. He found that website properties have a significant relationship with website trust. According to Park and Kim (2003), more extensive product information leads to better buying decisions and levels of consumer satisfaction. Ballantine (2005) also found a positive

relationship between website's information attributes and consumer satisfaction. However, little research has empirically examined the effect on the amount of information provided on a website (Peterson and Merino, 2003), and this calls for further examination (Kim and Lennon, 2010). As a sub-set of "usability" construct, information design includes navigation or website structure (Flavian et al., 2006). If the former is poorly designed, a customer will leave the website (McKinney et al., 2002). Availability of information reduces search time and hence increases consumer satisfaction (Glazer, 1991; Lynch and Ariely, 2000) and facilitates informed decision making. Moreover, the amount of information (Ballantine, 2005) available may determine the success or failure of electronic commerce (Yang, 2001).

➢ **Website Design-** Website design deals with emotional appeal, balance, uniformity and aesthetics of the website. It includes colour, shapes, photography, or even the font style (Garrett, 2003). Some research suggests positive association between trust and aesthetic beauty of the websites (Karvonen, 2000) although a few of them show significant association between these two (Wang and Emurian, 2005). However, all empirical studies show the positive stance in terms of the relationship between enjoyable user experience and website aesthetics (Tarasewich, 2003). According to McKinney et al. (2002), "No matter how thorough the information content of a site is, a customer who has difficulty in searching and getting the needed information is likely to leave the site" (p. 308).

➢ **Security-** Intention to buy a product from the website is affected by the level of trust. Therefore, security has been addressed as the primary concern among online consumers (Flavian et al., 2006). Mukherjee and Nath (2007) also suggest that perceived value over privacy and security features of the websites is the crucial antecedent of trust which eventually positively influences the behavioural intention of the consumers. Hence, security and privacy of all the e-service providers have been addressed as the primary concern in many studies (Sathye, 1999; Liao and Cheung, 2002; Poon, 2008). Specifically, privacy is treated as the key element for generating the online trust (Hoffman et al. 1999) while security indicators such as Better Business Bureau and trustee seals adopted by the websites have positive association with trustworthiness (Cheskin Research and Studio Archetype/Sapient, 1999).

- **Payment System-** Online shoppers are known for low tolerance (Chen and Chang, 2003) for system feedback. On average, online shoppers only wait for eight seconds before leaving (Dellaert and Kahn, 1999). A web page design should consider appearance, functionality and loading time (Weinberg, 2000). Therefore, trustworthy website design should save the customers' transaction time. Otherwise, the customers may hesitate to use the website's payment system. If the company's website is considered equivalent to characteristics of a salesperson, then the former should embody characteristics of the salesperson such as expertise (Crosby et al., 1990; Doney and Cannon, 1997) and likeability (Hawes et al. 1989; Doney and Cannon, 1997) which are positively associated with customer trust in the salesperson and the company (Doney and Cannon, 1997; Friedman et al., 2000; Tan and Thoen, 2000-2001). During information search, information quality, website design, security and payment system play important roles in determining customers' trust in their online experiences. Based on the above discussion, it is hypothesised that: H1: Website quality has positive impact on customer satisfaction.

- **Service Quality -** Service quality plays an important role for customer satisfaction because it is the customers who are the patrons of the products or services. Consequently, efficient tools to assess service quality are invaluable to companies who earn their revenues or part of it from delivery of service. Furthermore, service quality dimensions known as the SERVQUAL tool is widely used by various organizations to measure their customer satisfaction and loyalty (Landrum, et al., 2009). The concept of SERVQUAL was first introduced by Parasuraman et al. (1988) as a generic instrument used for the measurement of service quality on the basis of focus group's inputs. Despite its development in the marketing sector, it has been applied by many other organizations such as libraries and web services (Gede and Sumaedi, 2013; Reichl, Tuffin and Schatz, 2013; Wang et al., 2014).Quality has generally been defined as "fitness for use" and "those product features which meet customer needs and thereby provide customer satisfaction" (Juran and Godfrey, 1999). According to Gravin (1984), the definition of quality varies depending on the methods of approach driven to transcendental experience, product, manufacture, value, and user. On other hand, service means an intangible activity or benefit provided by the services provider to customer, which can be tangible products and something that is added to intangible service, or in an independent form (Kotler, 1991). According to Rolland and Freeman (2010), the concept of service quality in e-Tailing defines (1) the extent

to which a website facilitates efficient and effective shopping, purchasing and receipt of products and services, and (2) the customer service delivered throughout the whole experience from initial contact to fulfilment of the service. While service perceptions influence loyalty (Juga et al., 2010), satisfaction represents a more general evaluative construct in comparison with the episodic and transaction-specific nature of service performance (Oliver, 1997) which works as a mediator in linking service quality and a customer's repurchase loyalty (Olsen, 2002). The core sustainable strategy for online food ordering companies is the provision of excellent service to the customers. Therefore, perceived quality of the service provided by the online food ordering companies has a large influence on the customer satisfaction. Based on the above discussion, three dimensions have been identified as critical for satisfying and retaining the customers, namely delivery, customer service and food quality.

> **Delivery-** In the e-commerce environment, the time of delivery plays a crucial role in satisfying and retaining customers. Dholakia and Zhao (2010) found that timing plays an important influence on the relationship between online store attributes and satisfaction. Delayed delivery beyond the common practice (e.g. one hour delivery) will have a negative effect on satisfaction regardless of the road and weather conditions. According to China Online Shopping Report produced by China Internet Network Information Centre (CNNIC) accessed in 2004, Liu et al. (2008) found that 25 per cent of Chinese customers were not satisfied with delayed delivery or wrong product. Furthermore, their research revealed that delivery is found to have a significant positive influence on customer satisfaction. Order fulfilment variables, particularly on-time delivery, dominate the effects on overall customer evaluations and satisfaction (Dholakia and Zhao, 2010). Delivery becomes particularly important to non-store, including online, retailing where there is a temporal separation between order placement and delivery of ordered merchandise (Dholakia and Zhao, 2010). As a result, on time delivery plays a very significant role in overall satisfaction and loyalty of customers in online food ordering business.

> **Customer Service-** Reibstein (2002) found that perceived customer service support has a high correlation with likelihood to purchase again. Posselt and Gerstner (2005), using the theory of order effect, argue that satisfaction with a service will be influenced by the sequence of service encounters. In fact, websites that were rated poorly in customer service were the least

likely to be shopped again which reflects the state of customer dissatisfaction. Furthermore, Suleyman (2010) found that customer service quality has strong effect on overall online customer satisfaction. Many Internet customers are concerned with real time, return and replacement issues, and speed of response time to their queries from customer service representative. Finally, despite a considerable debate about the causal ordering between service quality and satisfaction, this research proposes in line with previous researchers (Selnes, 1998; Wiertz et al. 2004) that service quality is an important antecedent of satisfaction.

➢ **Food Quality-** Food quality is viewed to be related to satisfaction with fast-food restaurants (Kivela et al., 1999; Law et al., 2004). Although food can be argued to not be part of service quality, the focus is on its characteristics such as fresh, healthy, well presented and cooked which are influential factors for the customers to be satisfied and make their decisions to purchase again. In line with this observation, according to Kotler (1991), service also means an intangible activity or benefit provided by the services provider to customer, which can be a tangible product and something that is added to intangible service, or in an independent form. Previous researchers (Qin et al., 2010) found that three factors, that is, food quality, perceived value and service quality all had a direct and positive relationship with satisfaction. Also, other researchers such as Andaleeb and Conway (2006) and Parasuraman et al. (1994) revealed that price and product quality together with service quality influence customer satisfaction. Furthermore, several studies on fast food restaurants showed that food quality is related to satisfaction and it was tested as a potential determinant of customer satisfaction (Kivela et al., 1999; Law et al., 2004). In this study, it is expected that there will be significant relationship between food quality and customer satisfaction. Therefore, food delivery companies should consider that food quality is one of critical strategies to create customer satisfaction. H2: Service quality has direct and positive relationship with customer satisfaction.

➢ **Relationship between Website Trust and Customer Satisfaction-** Trust is earned based on previous experience of the customer. In the e-commerce environment, if the customer has positive experience from his or her previous use of a product or service, then he or she will choose the same website to place the order. Likewise, in the case of online food ordering,

customers will revisit the website if they trust it. Yoon (2002) found that there are four factors that are crucial in the formation of trust such as transactional security, website properties, search functionality, and personal variables. These four factors formulate trust and if they are fulfilled then the overall satisfaction is increased (Yoon, 2002). Therefore, based on this discussion, it is expected that website trust will have a significant effect on customer satisfaction. H3: Website trust has positive influence on customer satisfaction.

> **Relationship between Customer Satisfaction and Loyalty-** Customer satisfaction is the ultimate objective of the customer relationship and has some major antecedents such as perceived value and perceived quality. It eventually leads to the customer loyalty. Numerous studies have been focusing on the relationship between satisfaction and the firm's performance in the conventional marketing approach, whereas the literature reveals only limited number of studies in online retailing (Evanschitzky et al. 2004; Hsu, 2008; Jiang and Rosenbloom, 2005; Kim et al., 2006; Szymanski and Hise, 2000). Indeed, customer satisfaction drives several beneficial outcomes. For instance, Fornell et al. (2006) shows a list of published evidences that confirms the favourable association between consumer satisfaction and performance of a business entity. Loyalty can be measured in terms of behaviour (e.g. choice probability and repeat purchase probability of a brand) and attitude (e.g. commitment, intention to buy and brand preference) (Dekimpe et al. 1997). Most of the consumers remain with the service providers due to the customised based and/or desired based attachments (Bansal et al., 2004; Juga et al. 2010; Tsai and Hunag, 2007). Caruana (1999) depicts service loyalty as the level to which a consumer shows repeat purchasing attitude from a specific value provider, have the favourable attitudinal disposition towards the offer and consider only these providers when a demand for this specific need exists. Many of the previous studies confirmed the significant association between repurchase intention and customer satisfaction (Mittal and Kamakura, 2001; Oliver, 1997; Yu and Dean, 2001), and positive (Hackman et al., 2006). Cass (2001) argues that a satisfied customer is expected to show brand loyalty, and customer e-loyalty is influenced by satisfaction (Flavian et al., 2006; Yoon, 2002). Hence, on the basis of the foregoing discussion, the following hypothesis is proposed: H4: Customer satisfaction has positive impact on loyalty.

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3. RESEARCH METHODOLOGY

OUTLINE

No.	Topic
3.	**Research Methodology**
3.1	Scope Of Study
3.2	Data Type & Sources
3.2.1	Meaning Of Primary Data & Its Importance
3.2.2	Meaning Of Secondary Data & Its Importance
3.3	Population, Sample Frame & Sample Size
3.4	Study Area, Sample Type – Sampling Procedure
3.4.1	Study Area
3.4.2	Sample Type & Sample Procedure
3.5	Data Collection Techniques

3.1 SCOPE OF STUDY

This study covers a time period of ten years from 2008-2018, for the purpose of Secondary data. "**A RESEARCH STUDY TO FIND OUT PROFITABILITY AND CHALLENGES FACED BY ZOMATO IN INDIA**" in India has more intense effect on the investor decision and which attributes of Banking Industries are relatively significant or insignificant for investors, and also to determine how much level of each attributes is most or least preferred. Similarly, the primary data pertaining to the opinions, views & perceptions of the Investors were collected through a Questionnaire during July, 2017 & August, 2017 from the study area. Mumbai City of the Maharashtra State was purposively selected for the study as the researcher is from the same City.

1. **STATISTICAL TOOLS ADOPTED.**

The data was interpreted & analysed with the help of tables, percentages, graphs & chart presentation.

2. **SAMPLING TECHNIQUE:**

The technique used for this Project is based on a QUESTIONNAIRE which consists of about 15 general questions. This questionnaire aims to provide the data which is of most important in nature to enable a comprehensive analysis of impact attributes Computerization and Its Effect on the Banking Industries.

3. **LIMITATIONS:**

The study is limited only within Mumbai City [mainly Central Mumbai] of Maharashtra State, because of the time & financial constraints the study is restricted to the sample size up to 50 respondents / investors of different age groups. However, it is reasonably sufficient number to generalize the information collected. The study could not cover the legal – investment strategies & aspects on the whole.

3.2 DATA TYPES & SOURCES

Both quantitative & qualitative data will be used. Primary data will be collected through observation, structured questionnaires & semi-structured interviews using checklist & the responses of the leading questions. Secondary data will be obtained from external sources like Newspapers, journal, magazines, Internet, Website etc. which will be included to gather more information for International comparisons.

3.2.1 MEANING OF PRIMARY DATA & ITS IMPORTANCE

Primary data is information that you collect specifically for the purpose of your research project. An advantage of primary data is that it is specifically tailored to your research needs. A disadvantage is that it is expensive to obtain. Primary data are information collected by a researcher specifically for a research assignment. In other words, primary data are information that a company must gather because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data only when a question,

issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc.

Advantages of primary data are as follows:

1. The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
2. Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts. It can include a large population and wide geographical coverage
3. Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration.
4. Reliability of primary data is very high because these are collected by the concerned and reliable party.

3.2.2 MEANING OF SECONDARY DATA & ITS IMPORTANCE

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. These may be available in written, typed or in electronic forms. A variety of secondary information sources is available to the researcher gathering data on an industry, potential product applications and the market place. Secondary data is also used to gain initial insight into the research problem. Secondary data is classified in terms of its source – either internal or external. Internal, or in-house data, is secondary information acquired within the organization where research is being carried out. External secondary data is obtained from outside sources. There are various advantages and disadvantages of using secondary data.

Advantages of secondary data are following:

1. The primary advantage of secondary data is that it is cheaper and faster to access.
2. Secondly, it provides a way to access the work of the best scholars all over the world.

3. Thirdly, secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research.
4. Fourthly secondary data save time, efforts and money and add to the value of the research study.

3.3 POPULATION, SAMPLING FRAME & SAMPLE SIZE

3.3.1 POPULATION: This is the set of maximum Investors [Male & female] to which the findings are to be generalized.

3.3.2 SAMPLING FRAME: In order, to perform non probability sampling, a sampling frame is constructed based on the study area. The list of Corporate, households, etc. is generated from the selected areas & randomly.

3.3.3 SAMPLE SIZE: Sample size of 50 respondents is selected for the study to make the study meaningful and relevant.

3.4 STUDY AREA, SAMPLE TYPE-SAMPLING PROCEDURE

3.4.1 STUDY AREA: The topic of **"A RESEARCH STUDY TO FIND OUT PROFITABILITY AND CHALLENGES FACED BY ZOMATO IN INDIA"** is generally known by all masses, but due to time constraints, the study is bounded throughout the CITY OF MUMBAI only. The reason for selecting this City is because there are a large number of people residing & who are familiar about it as they may invest on regular basis too.

3.4.2 SAMPLE TYPE & SAMPLING PROCEDURE: The sample type & procedure opted for this study is by prepared by circulating Questionnaire via social media WhatsApp within the Mumbai city. The data collected is mainly based age wise, gender wise, educational background, minimal knowledge about Computerization and its Effect on the Banking Industries.

3.5 DATA COLLECTION TECHNIQUES:

For the collection of data regarding the conceptual framework, performance of the Computerization and its Effect on the Banking Industries and the preference of Computerization and its Effect on the Banking Industries. The data has been collected through Primary and Secondary Sources as follows:

➢ **Documentation –** This involves collecting information & data from existing surveys, reports & documents.

➢ **Structured Questionnaires –** This will be used to collect information from Investors & households. Questionnaires will be developed to obtain survey & statistical data that allows an understanding with respect to the review of people investing in Banking Industries in India & their decisions.

➢ **Observation & Analysis** – The observation during the fieldwork will be used mainly to review the issues beyond those covered in the structured & semi- structured questionnaires. The data will be analysed in the form of graphs, charts table format, etc. according to the age-groups, gender wise.

OUTLINE

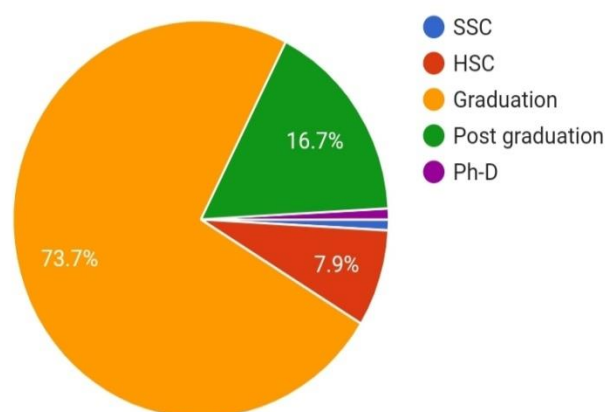| No.	Topic
4.	**Analysis & Interpretation of Data**
4.1	Profile of Respondent
4.2	Analysis of Questions
4.3	Interpretation of Data

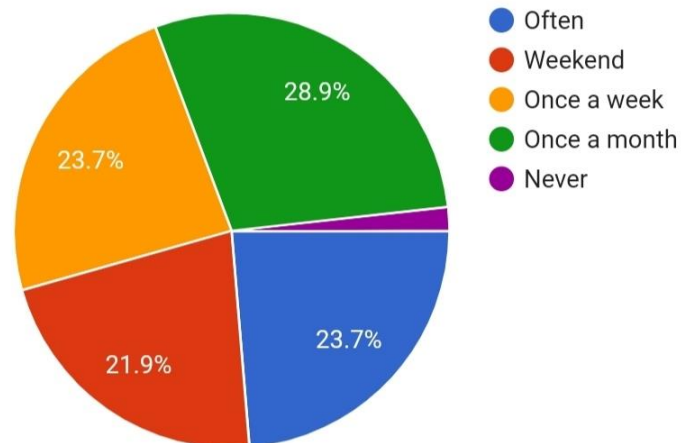## 4.1 PROFILE OF RESPONDENT

Gender and Age

114 responses

- ● Male below 20
- ● Male 20-40
- ● Male 40-60 and above
- ● Female below 20
- ● Female 20-40
- ● Female 40-60 and above

40.4%

50%
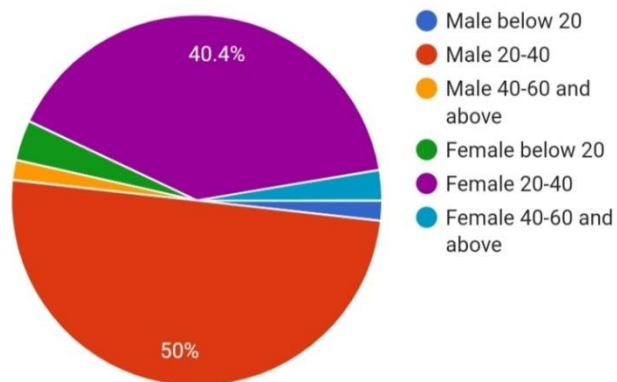
Qualification

114 responses

- ● SSC
- ● HSC
- ● Graduation
- ● Post graduation
- ● Ph-D

16.7%

73.7%

7.9%

4.2 ANALYSIS OF QUESTIONS

How often do you visit restaurant?

114 responses

- Often
- Weekend
- Once a week
- Once a month
- Never

28.9%
23.7%
23.7%
21.9%

How often do you try new restaurants?

114 responses
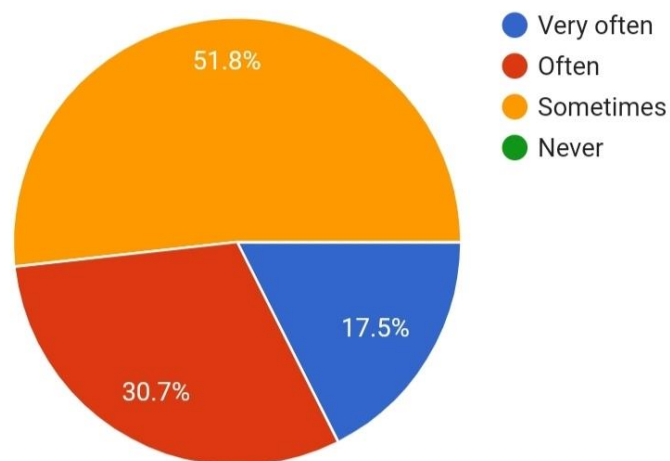
- Very often
- Often
- Sometimes
- Never

51.8%
30.7%
17.5%

Which of the following factors you like more in any restaurant?

114 responses

- ● Food
- ● Service
- ● Ambiance
- ● Location
- ● All of the above
- ● All of it

10.5%
10.5%
75.4%

Main problem you faced enjoying food at a restaurant?

114 responses

- ● Lack of information
- ● High waiting time
- ● High price
- ● Wrong order
- ● Arrogant staff
- ● No vegetarian options

30.7%
7%
56.1%

Do you use Zomato application?

114 responses

- Yes
- No
- Sometimes

10.5%
28.1%
61.4%

If yes How often do you use Zomato application?

114 responses

- Daily
- Once a week
- More than once a week
- Once a month
- More than once a month

42.1%
15.8%
12.3%
28.1%
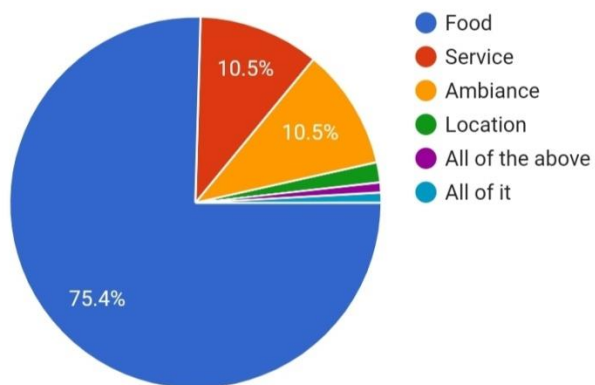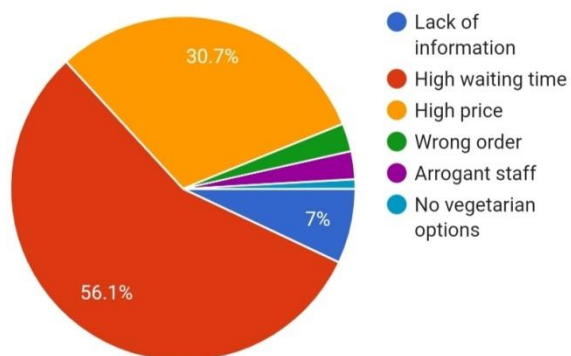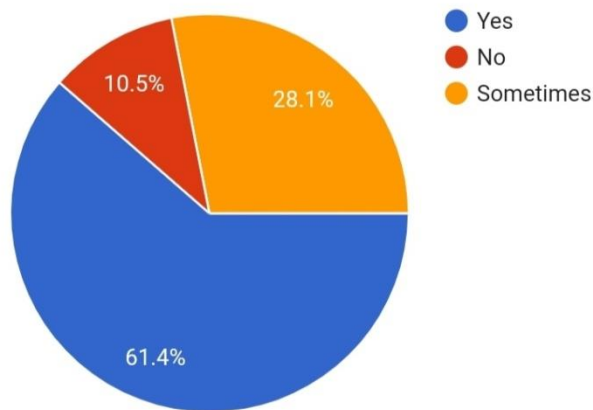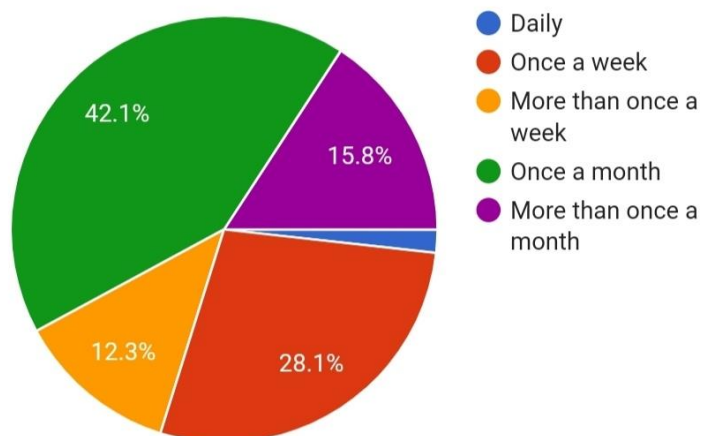
How do you order your food?

114 responses

- Zomato
- Direct place order in the restaurant
- Use of online portal other than Zomato
- Direct walk-in

32.5% 18.4% 10.5% 38.6%
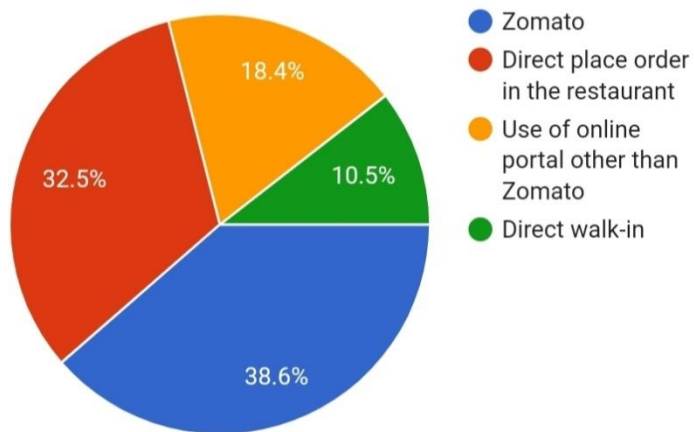
Are you satisfied with ordering online from zomato?

114 responses

- Highly satisfied
- Satisfied
- Neutral
- Dissatisfied
- Highly dissatisfied

43% 6.1% 7.9% 40.4%
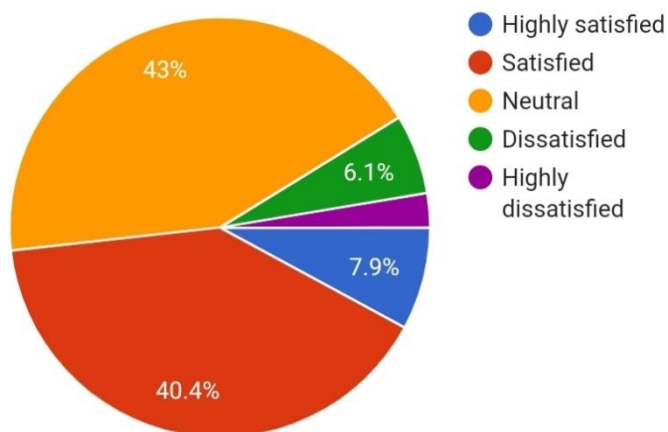
What features of Zomato attracts you the most?

114 responses

- Website/ application desi…
- Discounts offered
- Restaurants, food rating and review
- Variety of cuisine at one place
- All of them
- I've never heard of this
- I didn't hear before about Zo…

28.1%
7.9%
7%
54.4%
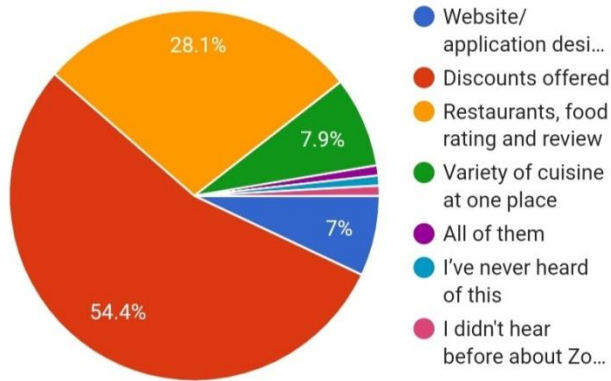
Have you heard of services offered by Zomato like -

114 responses

- Zomato dining gold
- Zomato delivery gold
- Zomato piggyback
- Zomaland
- Zomato treats

28.1%
11.4%
56.1%
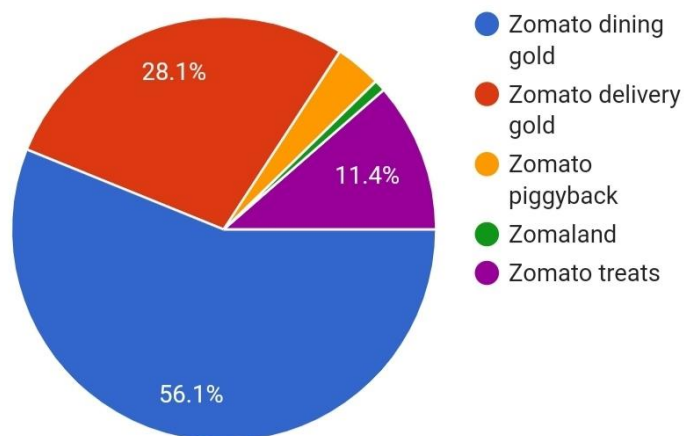
If yes which services you use most and you like most?

114 responses

- ● Zomato dining gold
- ● Zomato delivery gold
- ● Zomato piggy bank
- ● Zomaland
- ● Zomato treats

23.7%

15.8%

55.3%
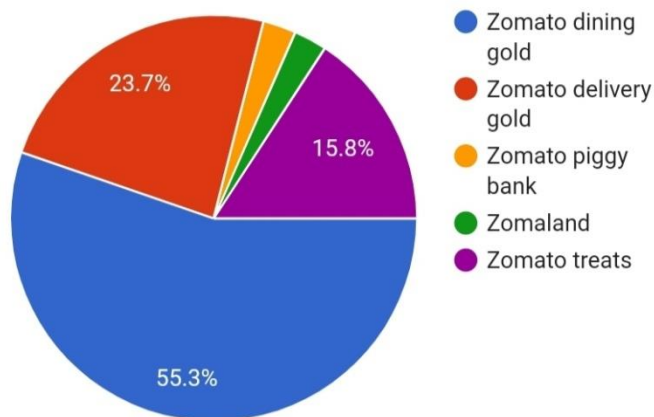
You use Zomato mainly for?

114 responses

- ● Ordering food
- ● Reservation at a restaurant
- ● Review of restaurant and it...
- ● Zomato originals
- ● Zomato gold
- ● All
- ● A & C
- ● I don't use it
- ● I didn't hear before about Zo...

34.2%

53.5%
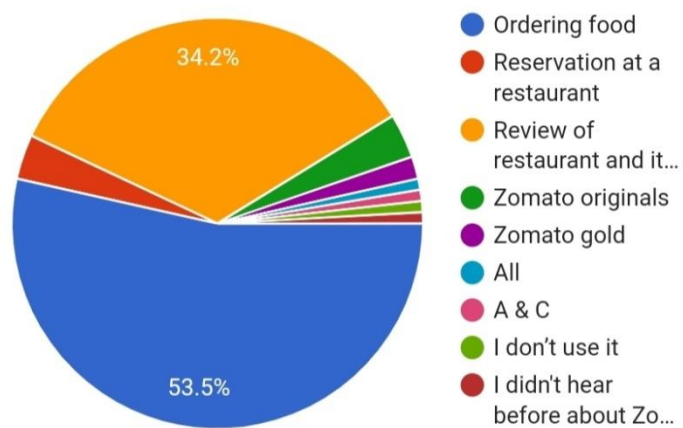
Do you trust review on restaurants on Zomato?

114 responses

Legend:
- Yes I do
- Sometimes
- No I don't

55.3%
8.8%
36%
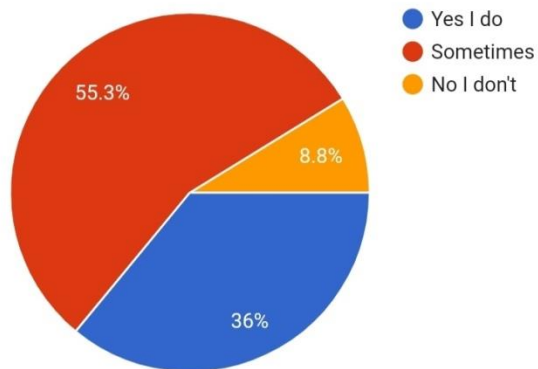
Do you think zomato helps you save your money?

114 responses

Legend:
- Yes
- Maybe
- No

52.6%
12.3%
35.1%
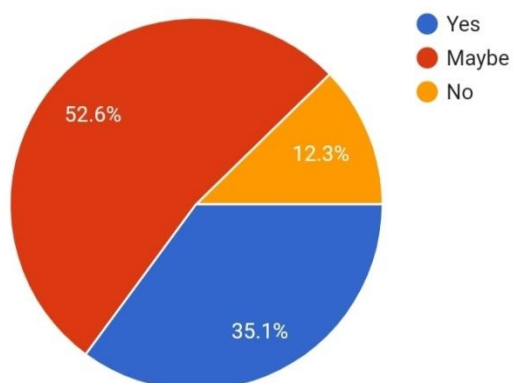
What do you prefer more?

114 responses

- Ordering food online from zomato
- Going to the restaurant

71.1%

28.9%
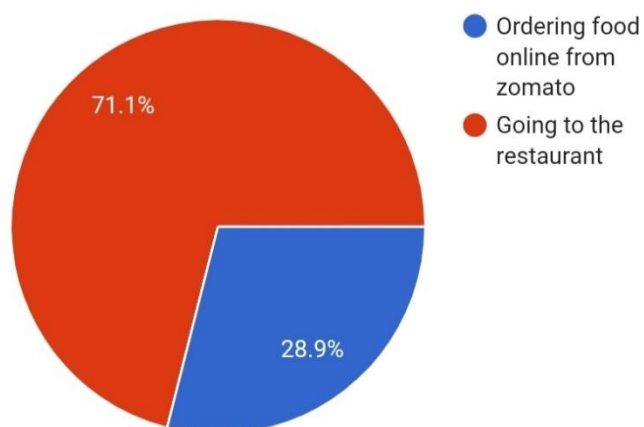
Which applications do you use for ordering food other than Zomato?

114 responses

- Swiggy
- UberEats
- FoodPanda
- Restaurant's own website/ application

36.8%

7%

54.4%
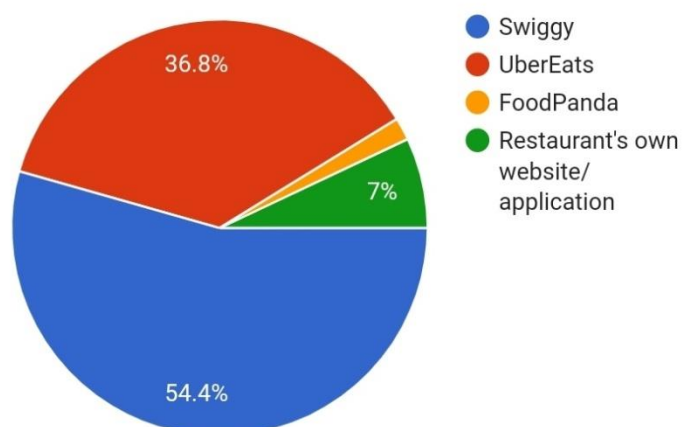
4.3 INTERPRETATION OF DATA

➢ According to the survey conducted majority of the respondents are of the age group of 20-40 years. We can assume that Zomato is more popular among this age group rather than others.

➢ Most of the people who use Zomato are educated, at least are graduate.

➢ The 114 people who are surveyed of those 23% people visit often to a restaurant, 22% people visit only during their weekends, 24% of them visit once a month and 29% people visit once or twice a month.

➢ Surveyed people tend to explore new restaurants in their nearby area. They even tend to have new type of cuisine every time they visit and not stick to one.

➢ A person who repeatedly visits a restaurant or is tempt to visit a new restaurant is because of their food, service, ambience, location of the restaurant, etc. According to the survey conducted it looks like the sample looks for all of the quality stated above and select their restaurant.

➢ The main problem faced by the customers while enjoying their dining out is either they have lack of information, there is a high waiting time for the table, high price of food, wrong order served by the staff, or no vegetarian options are available. But it is been seen it is majorly due to high waiting time.

➢ The surveyed people were asked if they use Zomato app or not and surprisingly more than 50% of them use it.

➢ People who use Zomato don't use it daily as less people tend to go out in a restaurant daily. But the app used by the sample size shows it they use it monthly once or twice or more.

➢ The people surveyed where asked about how they place order if they want to have food at their home only as there are a few merchandise brands which have their own website to order food and obviously Zomato has its competitors. But most of the people who use technology and has smart phones order their food from Zomato and if not Zomato then directly place their order with the restaurant.

➢ Mostly all of the people surveyed are not highly satisfied with Zomato and its service. But they are either satisfied or neutral about it.

➢ Zomato has various features by which it distinguishes itself from its competitors. It's majorly liked and loved feature is discounts offered by Zomato and restaurant food rating and review.

➢ Zomato offers some wide range of services which its competitors don't and for which Zomato is famous for. The most used service is Zomato Gold – Dining. This helps the customer save approximately 30-50% of the dish amount and now so they even have started providing Zomato Gold – Delivery which allows customer save same 30-50% of the dish they order.

➢ Most of the people use Zomato Gold service and Zomato treats.

➢ People use Zomato mainly for ordering their food or for review and rating of food and the restaurant.

- People tend to trust the review on Zomato because there are some genuine reviews and most of them are reviewed by some bloggers and some genuine people. You can actually differentiate the genuine profile by looking at their level.
- By discounts and Zomato Gold some people think it helps save their money and some thinks maybe not. But only few feel that they haven't saved a penny.
- In India people still believe traditional method of going out which is waiting in the queue for their number to come. But some of them don't want to wait so long for their food and they prefer to order online from that same restaurant. This helps save time and sometimes save money too.
- Other than Zomato there are some more applications and websites too which offer food delivery. Some of them are now as big as Zomato and its competitors now. The most known and used applications are Swiggy, UberEats, FoodPanda, etc and now even restaurants have their own websites.
- In short we can conclude that people are now shifting from going out to the restaurants to ordering in – "From Eating-Out to Ordering-In" as new start-ups like Zomato is emerging in India and which are made in India and are trying to digitized India.

OUTLINE

No.	Topic
5.	**Finding, Conclusions & Suggestions**
5.1	Finding
5.2	Conclusions
5.3	Suggestions

5.1 Finding:

➢ People between the age group of 20 - 40years were using the online food services more than any other age group.

➢ Most people use food online services because it provides offers and discount so as to avail such offers they can use it.

➢ Zomato is the most popular food app which is preferred by customers while ordering food.

➢ The average spending by a customer on these apps monthly is approx 10% of their income and most of the people use for lunch and dinner purpose. The people mostly use such apps for ordering food me in a week. The maximum limit set by the consumers is Rs. 500-1000 and the most used payment methods Paytm.

➢ Social media marketing is a great success from Zomato with its great response from its users on Facebook, twitter and Google+.

➢ There is a steep and steady rise in consumers spending toward having food outside to some restaurant. There is a need of improvement in services like billing process and delivery service. Customer prefers using mobile application more than website.

➢ Zomato has a good competition from its competitors with providing offers and promotion and on time delivery.

➢ Restaurant also has preference for listing there restaurant on Zomato over their competitors.

5.2 Conclusion:

➢ By considering the above research we came to know that the food apps are successful in capturing a market in Indian economy as alert every person use it These apps also help to achieve digitalization as the most preferred payment method is Paytm These apps are easy to use and satisfy the consumer reeds by providing quality services to them.

➢ In this highly competitive market the survival and the success of a company depends on innovation and changing thing for betterment. Odds of success for a start-up are very bad, according to statistics 9 out of 10 start-up fails. All the start-up should consider and gang from the strategies used by Zomato for its steady growth.

➢ Zomato not only maintained their quality services but also kept improving it.

➢ Start-up company should be careful choosing the marketing strategy because there are various factors like target audience, type of product or service.

➢ One of the most important features for a start-up company is adaptability which means to change with the change in trend.

5.3 SUGGESTIONS:

➢ Zomato should have their own delivery system with the amount of funds they have.

➢ Zomato should improve their review system with bill attachment.

➢ Quality of service and Dimension of service should always be prime focus of any company.

➢ Improvisation and Innovation are another two important factors needed to be kept in mind.

➢ Food app should in prove their payment security so that customer doesn't hesitate while making payment online.

➢ They should've more offers as customers are mainly ring these are to avail offers

➢ They should increase their reach to local vendors because couriers prefers it more

➢ They should properly categorise the food.

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Digital en 2015 and advertising in rotondachas com TAG Tirol Available at www.digitalmas on the advertising and rand/ [Accessed 6 October 2011.

Questions in the questionnaire are as follows

Q1. Name

Q2. Gender and Age

    a) Male below 20
    b) Male 20-40
    c) Male 40-60 and above
    d) Female below 20
    e) Female 20-40
    f) Female 40-60 and above

Q3. Qualification

    a) SSC
    b) HSC
    c) Graduation
    d) Post-graduation
    e) Ph-D

Q4. How often do you visit restaurant?

    a) Often
    b) Weekend
    c) Once a week
    d) Once a month
    e) Never

Q5. How often do you try new restaurants?

    a) Very often
    b) Often
    c) Sometimes
    d) Never

Q6. Which of the following factors you like more in any restaurant?

    a) Food
    b) Service
    c) Ambiance
    d) Location
    e) Other

Q7. Main problem you faced enjoying food at a restaurant?

   a) Lack of information
   b) High waiting time
   c) High price
   d) Wrong order
   e) Arrogant staff
   f) No vegetarian options

Q8. Do you use Zomato application?

   a) Yes
   b) No
   c) Sometimes

Q9. If yes how often do you use Zomato application?

   a) Daily
   b) Once a week
   c) More than once a week
   d) Once a month
   e) More than once a month

Q10. How do you order your food?

   a) Zomato
   b) Direct place order in the restaurant
   c) Use of online portal other than Zomato
   d) Direct walk-in

Q11. Are you satisfied with ordering online from zomato?

   a) Highly satisfied
   b) Satisfied
   c) Neutral
   d) Dissatisfied
   e) Highly dissatisfied

Q12. What features of Zomato attracts you the most?

   a) Website/application design
   b) Discounts offered
   c) Restaurants, food rating and review
   d) Variety of cuisine at one place
   e) Other

Q13. Have you heard of services offered by Zomato like -

a) Zomato dining gold
b) Zomato delivery gold
c) Zomato piggybank
d) Zomaland
e) Zomato treats

Q14. If yes which services you use most and you like most?

a) Zomato dining gold
b) Zomato delivery gold
c) Zomato piggy bank
d) Zomaland
e) Zomato treats

Q15. You use Zomato mainly for?

a) Ordering food
b) Reservation at a restaurant
c) Review of restaurant and it's food
d) Zomato originals
e) Other

Q16. Do you trust review on restaurants on Zomato?

a) Yes I do
b) Sometimes
c) No I don't

Q17. Do you think zomato helps you save your money?

a) Yes
b) Maybe
c) No

Q18. What do you prefer more?

a) Ordering food online from Zomato
b) Going to the restaurant

Q19. Which applications do you use for ordering food other than Zomato?

    a) Swiggy
    b) UberEats
    c) FoodPanda
    d) Restaurants own website/application