

Impact of COVID-19 Pandemic on Zomato: A Case Study

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Abstract

Increasing use of internet and the smart phones is attracting the customers towards the available online services and the related applications. Zomato being a digital platform combines online food delivery system and restaurants started in 2008. The implementation of Lockdown to slow down the spread of the pandemic COVID-19 resulted in poorly impacting the entire economy. Zomato food delivery is recuperating from this impact at approximately ~80% improvement in major regions of its operation. The prime objective of this paper is to comprehend online food delivery services, operating style of Zomato during COVID-19, its impact on the hospitality sector, and the challenges of contactless dining. Zomato's evaluation as a company is completed with the help of SWOT analysis.

Keywords: Dining out, Zomato, Food delivery, Contactless dining, SWOT analysis

1. Introduction:

The surge in e-commerce directly determines the growth in online delivery services. Social media and technical advances play a significant role too. Various social media channels like Instagram, Facebook etc. provide a strong platform to attract more and more buyers. Various ways of doing business of the food industry has also shaped the impactful online delivery services. With the existing deals and discounts, buyers are also able to save even more with the increasing use of such applications. Zomato is an online food delivery company getting customers and restaurants in sync for food delivery and information on various restaurants and their existing food menu. Currently it has its operations in some selected 10000+ cities and more than 24 countries, with Deepinder Goyal and Pankaj Chaddah as founders of the company. It started in 2008 as foodlet.in in Delhi which used to provide the menu details of various restaurants. The company further started to cater to online food delivery services. Zomato is fast expanding but the changing marketing strategies and a cut throat competition and customer expectation lessens the profits sometimes, which is eventually covered. This paper presents the analysis of various issues of an online food supply firm Zomato.

The paper discusses the firm’s financial status along with the analyses of various other competitors existing in the market. The paper also analyses strengths, weaknesses, opportunities and threats faced by Zomato. The paper discusses at length the advancements implemented for growth purposes as well as the many challenges faced by the company. The paper elaborates upon the many steps taken by Zomato to help its delivery partners, customers, and restaurants.

2. Analysis Of Zomato: Financial

The financial statement of the Zomato tells us regarding the company’s financial health. The company is growing financially and also expanding in various regions. The firm’s revenues are growing drastically too from FY18. In spite of the cost and EBITDA Loss ever increasing the difference between EBITDA Loss and revenue, the financial health of the firm is turning healthier day by day.

| Financial Year | Revenue (\$ m) | EBITDA Loss (\$ m) |
|----------------|----------------|--------------------|
| FY19 | 193 | 277 |
| FY20 | 394 | 293 |
| Q1 FY21 | 41 | 12 |

Table 1: Financial Status of Zomato

Zomato majorly earns through its services such as subscription plans, online food delivery service, dining out etc. with its maximum revenue being generated via online food delivery services. Some privileges are provided to the preferred customers on dining etc. Hyperpure is a nice initiative of Zomato to provide hygienic, high quality raw material supplies to restaurants. Dining out service was hugely being a preventive measure taken by the government, as an impact of COVID-19. Due to COVID-19 because of different preventive measures taken by the government, whereas other services are picking up at a good pace. COVID Report 2 by Zomato- evaluated the order sizes with Pre-COVID and present time, and found ordering for a family or group is increased as the customers are living with their respective families, whereas there is a significant decrease in single order. As things return to normal, the pattern of virtual presence is shifting back to physical presence at various places.

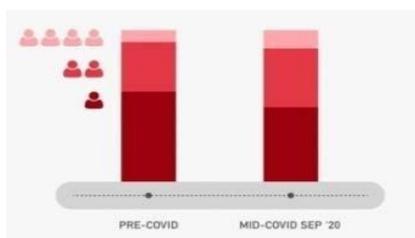


Fig. 1: Food Delivery India – Mid-COVID.

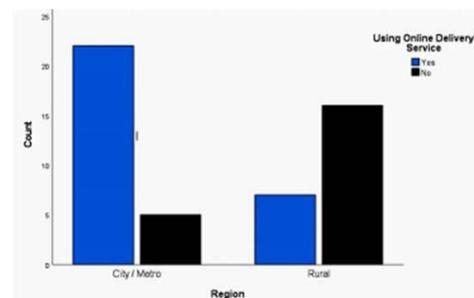


Fig. 2 : Region-wise Distribution

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The paper discusses various applications that are used to order food and their order of preference. Uber Eats was acquired by the Zomato, while Scootsy was recently acquired by Swiggy. Mostly the customers are not loyal to one application and one chooses between the applications. Figure 2 discusses the Region-wise distribution of online food delivery service, while figure 3 displays the popular method for ordering food via online food delivery service. Food delivery mobile apps/food delivery website is much more popular as compared to ordering food through the website or phone calls. Figure 2 talks about 75.9% people make use of online food delivery services in city area and 24.1% people in metro and rural region. The number of users in city/metro region is high compared to the rural areas as delivery partners and the restaurants are majorly situated here.

| Apps Used to Order Food | % | % of Cases |
|-------------------------|-------|------------|
| Zomato | 51.2% | 75.9% |
| Swiggy | 41.9% | 62.1% |
| Scootsy | 2.3% | 3.4% |
| Uber Eats | 4.7% | 6.9% |

Table 2: Apps Used to Order Food

The paper discusses the order per month of the company, along with average orders made by the customer for that month. Majorly, the customers order more than 3 times in a month. People ordering more than 3 times, since online food delivery service is majorly used for weekends or special occasions. Apps Used to Order Food discusses Zomato 51.2% 75.9% Swiggy 41.9% 62.1% Scootsy 2.3% 3.4% Uber Eats 4.7% 6.9%. Order per month figure 4 shows the money spent per month on average by the consumers, since more than 70% of people fall under <500 and 500 - 1000. Less spending is not only because less number of ordering per month but also because the restaurant that offers costly foods is not partnered with online food delivery service.

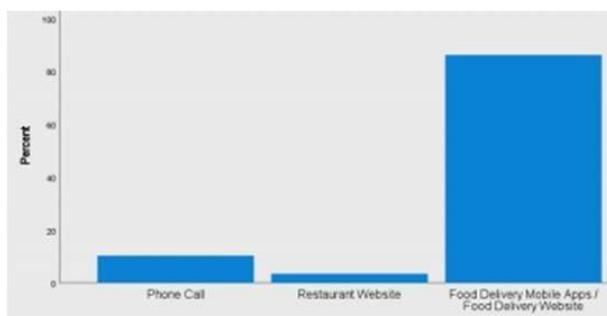


Fig. 3: The Preferred Method of Ordering Food.

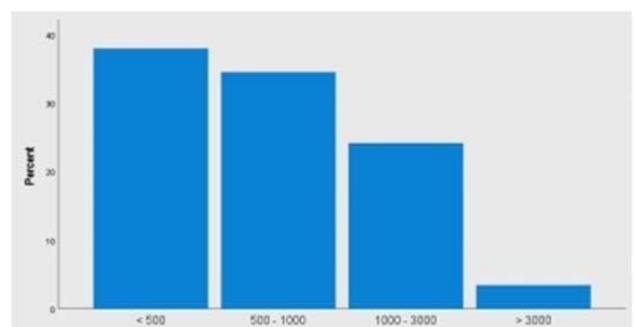


Fig. 4: Money Spent Per Month



Fig. 5: Subscription Plan

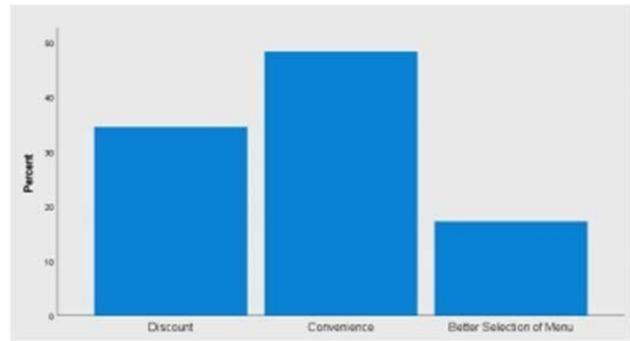


Fig. 6: Primary Reason for Ordering Food

The study tells us that maximum customers aren't satisfied with food quality due to issues related to packaging, transportation or delivery exceeding figure 7 displays the experience on food quality shows that 50% customers time limit. The focus of Zomato must be on food quality problem as it will create a good impact on the trust of its customers as well as create new customers. Figure 5 displays subscription plan showing the majority of the customers don't display loyalty to any one application or brand. Whenever customer wishes to order food she will compare with the other existing options, which will not only create competition between the competitors but also with customer loyalty.

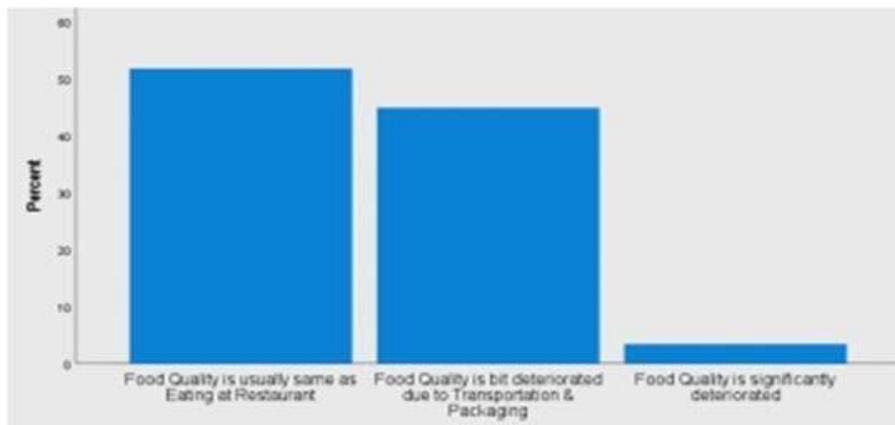


Fig. 7: Experience on Food Quality

Figure 6 discusses the primary reason for ordering food, shows around 50% of customers order as it is convenient. Therefore, it's appropriate for such firms to concentrate on maintaining attractive packaging, good quality, tasty food. Figure 6 discusses the various reasons for ordering food. Figure 8 displays the customer's preference towards various kinds of cuisines as well as various restaurants providing those cuisines. The splitting of bill is not at all required as most of the customers hold the opinion that this will have negligible role in the performance of such an industry or such applications as people think.

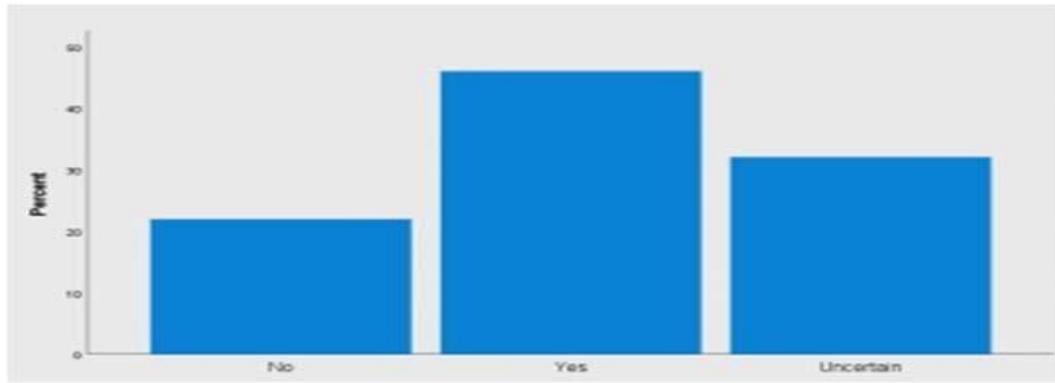


Fig. 9: Preferring Variety of Cuisines

SWOT Analysis:

Strengths: Innovative Approach- The Company has executed various innovative ideas on various fronts and can give a huge leverage to them. During the COVID-19 times, the demand for grocery delivery through online applications is executed in some major metro cities. The company initiated contactless dining which increased online payments and food takeaway services to avert the spread of COVID-19 and give boost to the delivery personals as well as the restaurant partners. Hyperpure services were provided in cities like Delhi and Bangalore where it supplies kitchen products and fresh hygienic ingredients to the restaurants during their preferred timing. Giving period leaves for the women staff members was very strongly supported by the public at large.

Global Presence: Zomato has pioneered in online food delivery system in various countries that in turn has given a big boost to its market share. Zomato is operating in 10000+, 24 countries, cities with a huge team and restaurants listed with them that gives ample no of options to its consumers. If we compare it with its competitors their customer base is huge with millions of monthly active customers.

Acquisition: Zomato became globally strong with its acquisition of more than 12 well established startups, which gave the company a competitive edge and enhanced its customer base with the increased resources by acquiring the resources.

Simple and User Friendly Interface: The company takes full support of the latest technology with their focus on the IT department. With the ever increasing size of the firm there arise various complexities as well as various management related issues. The Firm's design system Sushi, which is extremely user friendly, simple, and consistent. This helps to increase the user familiarity too with the interface.

Weakness: Security- The integrity and security of the application must be maintained at all costs so that customer confidence remains intact. The company makes use of the phone no, email address as well as the location of the customer for increasing the efficiency of its services. The breach of security that occurred in the past resulted in loss of user information. The firm's IT department is focusing on it, to provide better security. The application sometimes displays incomplete information, outdated menu cards, image quality etc. regarding the existing restaurants, dishes, etc

that require updating. The Removal of unwanted contents shall lessen the application load and decrease the system complexity too.

Opportunities: Expansion in Rural Areas & other Countries - The firm is in expansion mode at a very high speed which can create a strong influence globally. The firm with other such similar establishments is trying to focus on big cities and semi-urban areas as maximum order are from these regions. The logistical services need to be taken care of in the rural areas. The focus on rural areas will open newer markets for online food delivery providers.

More and more Smartphone Users: Students and People below age group majorly comprise the customers of the firm. And this customer base is also majorly the internet user. More awareness should be created for use of such applications in order to increase the customer base of the firm.

Threats: Competitors - This market of online food delivery is still not completely explored and they are attempting to gain the customer loyalty and trust. This gives rise to a lot of competition in the market place with other players such as Dunzo, Food Panda, Swiggy, Dominos, Scootsy etc. Too many marketing campaigns cut their profit margins as well.

Google Services: The firm along with providing services like food delivery dine out, navigation, menu cards, which is given by Google services too.

Business Models: Zomato that has pioneered the online food delivery service, they focused on creating many business models and market strategies number of market strategies. Now the other players in the market have started using the same models giving then a tough competition.

Technology: Change in Reviewing System - Zomato gives both dining out as well as online food delivery service. The quality of the service sometimes varies in case of both these services provided. Firm's single review system brings erroneous information and confusion sometimes.

Challenges: Market Prices- As prices are always in a flux, market price remains erratic as due to competition that persists. While the small companies can't cope this tough competition, the bigger ones may get temporary losses but can make up from some other sources. In such tough times giving some sort of exclusive deals or incentives may prove to be very taxing to the company.

Customer Loyalty: The most crucial requirement for the service industry is to give better and better services to more and more customers, which results in enhanced the market share. The consumers existing in the market compares all details of the services existing in the market place, and their loyalty keeps fluctuating from one to another.

Unreliable Delivery/Logistics: The firm should keep track of its logistic services, designating appropriate number of vehicles at right time, to areas from where they receive more orders. Efficient route creation for fast delivery to customers must be taken care of too especially during the peak hours to lessen late deliveries. The location service to be embedded in the system so that customer can easily located and can decrease the canceling of order, unable to provide timely delivery Good quality food must be the main concern of the firm.

Initiatives In Covid-19 :

During Covid19 Lockdown for some period of time, orders were reduced by 60%-70%. The company took to the delivery of groceries which was the need of the hour. Zomato also partnered with Grofers for it which definitely lessened the financial burden on the firm and also helped in competing with other players like BigBasket and JioMart.

For Delivery Partners: The Company donated money via the Rider Relief Fund to their delivery staff as their earnings had taken a hit. The firm also helped their staff with hospitalization charges with their delivery partner insurance plan, if any of their staff got contaminated with COVID-19.

For Restaurant Partners & Workers: Annual subscription plan money was given to the staff via Zomato Gold Support Fund to help them in these times. Takeaways were zero commissioned and permitted their consumers to directly collect food items from the restaurants lessening the burden on both the parties.

For Customers: contactless delivery initiative was given by the company to avert the chances of infection with the virus. Cash on delivery was completely avoided and promoted digital payments to lessen contact. Zomato Gold subscription was extended.

Recommendations:

The responsiveness of the application must be enhanced and made more user friendly to tackle complicated cases such as late/ wrong food delivery shall definitely enhance the probability of more and more consumers getting attracted towards the firms and reduced complaints. The company must try to improve their rural presence too. The firm can focus to attract the students of these regions as they spend maximum time online. The firm must assist in getting a distinct review system for delivery service as this can enhance the company's image to a great extent. Customers must be given option to procure food items from the various existing restaurants and cuisines that will enhance the existing options with the consumers. Giving more offers shall further the financial burden on the company and not aid in attracting loyalty from its customers. Removing the delivery charges may help gain the customer's trust and make the company very popular and hence enhance the firm's profits.

Conclusion:

There is a rapid increase in the online delivery services. Though the spread of COVID19 and the implementation of lockdown has taken a huge toll on the buying habit of the consumers. After the restrictions of lockdown were loosened the hospitality related industry is again gaining momentum.

Enhanced demand can be seen for such services now. The company has taken some steps and implemented some creative initiatives with its partners, to effectively deal with the crisis of COVID-19. We can see that there has been a stupendous decrease in the orders, but at the time the company is seen to gain a healthy momentum too. Consumers don't remain loyal to any particular firm. The company must definitely work on expansion in the rural areas as there exists so many customers in these regions. The existing problems related to Logistics, quality of food and timely delivery must remain the focus of the company.

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