



## ZOMATO – A CASE STUDY

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### CASE SUMMARY

This case study is about Zomato, India's most successful startup company that brings millions of customers and thousands of restaurant businesses together and has become the leader in the foodtech space. The case discusses Zomato's strategies driven by passion in rolling out its operations in several new markets. This case is designed for MBA students, and is intended to be a part of their General Management/ Strategic Management curriculum.

### INTRODUCTION

Zomato originally named as Foodiebay was started by Mr. Deepinder Goyal and Pankaj Chaddah in 2008 as a restaurant searching platform that provides in-depth details about restaurants that has information needed for a customer to either search for a particular dish/cuisine, or to do a general search in a specific location with photos, maps, contact information, restaurant features, autonomous reviews and ratings. Zomato within a short span of time since its inception has become the country's largest restaurant guide listing over 42,000 restaurants across 12 cities in the country – Delhi NCR, Chennai, Mumbai, Kolkata, Pune, Hyderabad, Ahmedabad, Jaipur, Bangalore, Chandigarh, Lucknow and Indore. Headquartered in New Delhi, Zomato has also ventured into the international markets and lists about 1.4 million restaurants across 10,000 cities in 22 countries and plans to add at least eight more geographies by the end of March 2016. That makes it the second biggest company in the world in this segment.

### COMPANY BACKGROUND

Mr. Deepinder Goyal, the founder of zomato hails from Muktsar in Punjab and graduated with a Mathematics and Computing degree from IIT Delhi in 2005. Prior to starting Zomato, Deepinder was employed as a management consultant with Bain and Company in New Delhi. It was at Bain that Deepinder and Pankaj Chaddah conceived the idea of an online restaurant information service after seeing his colleagues queuing up in the pantry everyday trying to search for menus of restaurants to order food. It started as a small database of restaurants' menus which Deepinder circulated among his colleagues to help them save time while ordering food. Deepinder and Pankaj then decided to scan restaurant menus and upload it on an intranet website for Bain employees to help them save time while ordering food. The website saw a lot of traffic and was launched officially in 2008 as Foodiebay.com. Over 1200 restaurants in Delhi-NCR region were listed and Foodiebay metamorphosed into Zomato in 2010.

### ZOMATO'S BUSINESS AND REVENUE MODEL

Zomato's offering to the customers is: solutions in the form of database of all restaurants, the type of food (menu), detailed analysis of restaurants, working hours, location of eatery and most importantly, the reviews from other users. The business model is simple and is based on hyperlocal advertising on its website and mobile apps that also takes in to account user preferences. With a visitor base of over 7.5 million<sup>1</sup> users every month across 22 countries, the website has become a highly targeted platform for restaurant owners to market their product to customers who are looking for meal options and this forms the key revenue generator for Zomato.

The revenue stream of Zomato is as given below.

1. Restaurant advertising: This is when they place banner ads for restaurants on the website. This accounts for 75 percent of Zomato's revenue. The advertising rates vary as per the area/zone and category the banner is placed in. Currently, Zomato has over 5000 advertisers across the world.
2. Event advertising: This is when specific events promote an event on Zomato and this revenue primarily comes from restaurant based advertisers. The tickets for these events are also sold on Zomato and this accounts for 5 percent of their revenue.
3. Event ticket sales: Zomato also sells tickets for various events and earns a commission through these sales which accounts for 15 percent of their revenue.
4. Consulting services: Owing to the huge database of restaurants, users and their preferences, Zomato also provides business consulting and data analytics services to their clients.

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<sup>1</sup> Financial Digest, Dec 3-9, 2012

## ZOMATO'S STRATEGIES

The main success strategy of Zomato was to list about 1.4 million restaurants across 10,000 cities in 22 countries with an exhaustive range of menus and regularly updated information. Zomato's turnaround strategy and its success can be credited to the advent of smart phones and internet penetration. A clean and simple interface across mediums enabled users to get what they want. The ideation, creativity and lateral thinking of the model were very different from the way the traditional companies operate. The rebranding stint helped them to set right all the mistakes that took place during the initial stages of the business. Further, sustainable pricing of the products, offering products that imply long life, expansion of operations in a calibrated manner has put Zomato on the global map. As a part of its global strategy, it rebranded its logo that so that it could go beyond cultures, geographic boundaries and languages.

## FUNDING STRATEGIES

In order to achieve its goal to hit the billion dollars plus valuation, Zomato has raised a total of \$225 million in eight rounds of funding since its launch in 2008.

**Table 1, Zomato's round of Fund raising**

Year	Fund raised	Investor
August 2010	\$ 1 mn	Info Edge
September 2011	\$ 3.5 mn	Info Edge
September 2012	\$ 2.5 mn	Info Edge
February 2013	\$ 10 mn	Info Edge
November 2013	\$ 37 mn	Sequoia Capital & Info Edge
November 2014	\$ 60 mn	Vy Capital with Sequoia Capital
April 2015	\$ 50 mn	Info Edge
September 2015	\$ 60 mn	Temask with Vy Capital

Source: Business Standard, September 8, 2015

Zomato's funding comes from a set of only four investors — Info Edge, Sequoia India, Vy Capital, and now Singapore-based Temasek. Zomato got its first round of investment \$1million from Info Edge in August 2010 and raised the second round of funding of \$3.5million from the same investor Info Edge in September 2010. Subsequently, to meet expansion requirements, Info Edge again invested \$2.5million and \$10million investment in year 2012 and 2013 respectively. Later in November 2013, a whopping fund of \$37millionst was invested by Sequoia Capital and Info Edge. November 2014 saw a fresh round of fund raising of \$60 million from Info Edge India Limited and VY Capital, with involvement from Sequoia Capital. The latest fund raising of \$50 million in April 2015 was again from Infoedge and as on September 2015, the fresh funding of \$ 60<sup>2</sup> million has come from Temask with Vy Capital.

## GLOBAL EXPANSION AND ACQUISITION STRATEGIES

Zomato has acquired nine companies since July 2014 in countries as far apart as New Zealand, the Czech Republic, Turkey and the US. A glimpse of its acquisition is given below.

Zomato's Acquisitions

**Table 2, Zomato's Acquisitions**

Company	Country	Year
MenuMania	NewZealand	July 2014
Lunchtime	Czech Republic	August 2014
Obedovat	Slovakia	August 2014
Gastronauci	Poland	September 2014
Cibando	Italy	December 2014
Urbanspoon	USA	January 2015
Mekanist	Turkey	January 2015
Maple POS	India	April 2015
NexTable	USA	April 2015

Source: TNN | Sep 5, 2015

<sup>2</sup> [http://www.business-standard.com/article/companies/zomato-raises-60-mn-in-fresh-round-of-funding-115090700966\\_1.html](http://www.business-standard.com/article/companies/zomato-raises-60-mn-in-fresh-round-of-funding-115090700966_1.html)



Seattle based Urbanspoon, an online food search guide with about 31 million users and a directory of 1 million restaurants is considered as the largest global acquisition which it bought for \$52 million in January 2015. The deal pitted Zomato against prominent players in developed markets and was one of the largest ever foreign acquisitions by an Indian startup. Zomato has already migrated all five of the acquisitions that they made before Urbanspoon. Zomato collaborated with travel itinerary planning portal Trip Hobo that allows users to access content and deals on restaurants in addition to itinerary based recommendations. Zomato has also partnered with Delhivery, a digital commerce focused logistics venture.

The company has also been aggressive in rolling out its International operations in several new markets, with the recent ones being Ireland's Dublin and Lebanon's Beirut in November and Canada in October. Zomato is now present in 22 countries, including India.

### **MARKETING STRATEGIES**

The key success factor for Zomato's success is its marketing strategy and its featured and user friendly website that has been very crucial for its success. They use a variety of marketing tools. Online, they use SEO, SEM extensively. Offline tools include word-of-mouth marketing, OOH and B2B advertising. They also use television advertising occasionally during high activity periods like Diwali, New Year etc.

They have a global mobile application for Google Android operating system, Windows phone, IOS and BlackBerry devices and are much focused and stick to their domain. They started advertising on their mobile apps also and this was fuelled by the increasing traffic on their mobile apps. They do not advertise through twitter or facebook and their turnaround strategy for advertising has been implementation of real-time marketing that is currently relevant, a strategy opted by a very few other companies. They confine themselves only to the posts related to food and nightlife and the posts are limited to 5-7 weeks. They listen to their customers very carefully and respond to them immediately. They have also integrated other tools like coupons, price-offs, phone call and direct mail in their marketing strategy.

### **COMPETITIVE STRATEGIES**

With latest rounds of funding, Zomato is looking forward to building one of the largest food-tech companies in the world. They have announced the launch of its Whitelabel Platform, a full suite of technologies for restaurants to run their business on the internet. This platform gives the restaurants to launch custom-branded native mobile apps to help them connect with and engage with their customers. It also helps them to operate at internet scale. 20,000 restaurants have downloaded the Zomato business app and within a month they have had over 10,000 active ads. Further they have new offerings to be included in apps such as cashless payments, online ordering, table reservations and a Point-of-Sale system etc.

### **COMPETITOR ANALYSIS**

Zomato's competitors in India include websites like Just Eat and Foodpanda and internet search engines like Just Dial. Foodpanda when compared to Zomato, the volumes are very low. Just Dial, unlike Zomato, caters to a broader segment and Zomato considers Just Eat which has now been acquired by Food Panda as a substitute. Another website Burrp has a similar business model as Zomato but Zomato enjoys a product superiority advantage. At the global level, Zomato has got rivals in Yelp and Time Out. Even though Zomato has a lot of catching up to do as Yelp has more than double the users of Zomato in the US, its fundamentals are actually stronger than Yelp's. The user experience is more favourable for Zomato. Google Maps also recently has started showcasing restaurants, different businesses etc. But this competition from Google is not a direct threat to Zomato as they have a first mover advantage and already have occupied large cities and fan base. The newer, on-demand food ventures like TinyOwl and Swiggy are the latest additions to Zomato's competitor's list and the new players are trying to corner Zomato aggressively. An analysis of the biggest advantage compared to Zomato's competitors is that they have a field sales force. They actually meet business owners and then sell the ad space so even if somebody is not educated and tech savvy, zomans are able to educate them about these things. So that gives them an edge over their competitors and in India they are already at a very high penetration.

### **FORWARD INTEGRATION**

Zomato has made strategic moves since its inception. Now in an attempt to increase revenues and in order to get a competitive advantage, Zomato has adopted the strategy of forward integration by entering into food delivery. In the past, Zomato had always maintained that the company will never enter into online food ordering business but online food portals have grown at a rate of 150 percent last year in their orders<sup>3</sup> and are expected to grow further. The reason was clearly logistic issues, lack of customization and technological issues. But with the emergence of several online food ordering platforms such as Foodpanda, JustEat, Tastykhana, and JustDial had to reconsider its decision.

<sup>3</sup> <http://www.thehindubusinessline.com/info-tech/zomato-to-enter-delivery-business-soon>.



### MOVING FORWARD

Even though Zomato's forward integration is considered as a logical move, the million dollar question is whether Zomato will convert this model in to a viable one. Further the long term vision of the company is to own their own communication channel which is not going to be easy as it is going to take years to build up the channel for all the markets. This also requires another round of funding as they may need a lot of working capital or cash for financing their expenses.

Moving forward, Zomato's immediate focus is to consolidate its presence in their existing markets as well as build a strong integrated product for the migration of Urbanspoon and Mekanist to Zomato and expanding their product offering to both consumers as well as merchants. To conclude, Zomato is at a stage where there is some predictability in topline due to lumpy investments and unexpected opportunities.

### DISCUSSION QUESTIONS

1. Evaluate the acquisition and global expansion strategies of Zomato.
2. Analyze Zomato's current marketing strategies and recommend a suitable one.
3. Do you agree with their decision of entering in to food delivery? If no, Why?
4. What recommendations would you make to Zomato to build a strong integrated product for the migration of Urbanspoon and Mekanist to Zomato?

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