Zomato: Shaping the Future of Food

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Background

As she was preparing herself to board the plane for her flight back to Beirut, Maya was contemplating the tarmac at the Dubai International Airport on the night of the 21st of December 2020. Everything was moving in perfect synchronization – just like this year's implemented marketing strategies. 2020 had witnessed a new milestone in the number of new Zomato platform users alongside commendable feedback from Zomato's head office on the ideas presented from Maya's own market; Lebanon. Nonetheless, Maya has been busy assessing the different strategies that could be replicated in Lebanon in order to increase further the size of the market she serves before it stagnates. She knew that a careful reflection should be made on the selected marketing strategies in relation to their short and long-term impacts.

Maya, Lebanon's Zomato country manager, was in her mid-thirties and was one of the first Zomato employees that helped the company to set up its offices in Lebanon. She was attracted by Zomato's global growth as well as by the positive working environment of the company and wanted to help it grow further in the region. Maya started as a sales support associate at Zomato and grew the ranks at the company mainly in the sales area, passing through several key account management assignments and strategic projects development for her market. Throughout her tenure at Zomato, Maya developed her leadership and strategic skills through enhancing and maintaining long-term trusting relationships with regional and international brands as she was entrusted with identifying opportunities and initiatives that would grow the company's stakeholders' business.

Maya was already fixated on next year's plans and the everlasting challenge to top the previous year's record achievements. While Zomato gained lots of hype and an increasing number of both end-users and restaurants in the past couple of years, the platform needed a new set of strategies in order to keep it growing. The number of users was beginning to plateau amidst the increasing number of competitors entering this market. Zomato had globally launched some initiatives in other countries that Maya found potentially interesting to replicate into her own market. Examples of such potential endeavors included the Hyperpure (become the supply platform of the food supply chain for restaurants), Used Cooking Oil (responsible usage and disposal of edible oil in commercial kitchens), and Cloud Kitchens (online-based delivery restaurants) projects. Nonetheless, Maya was concerned that if she was to launch one of these projects, she would be distracting herself from the current state of the business, which might lead to potential market share loss in the shorter term. While a diversification strategy using one of the three projects that were launched in other markets sounded lucrative in reducing the risks and pressures on the platform's single revenue stream for the company, the choice was very difficult to make given the considerable strategic divergence of each of these projects. Maya realized that she needed to include in her plan an overall strategic overview for her market that would not completely alienate the main platform in her proposed growth strategy. She knew she had to decide on the right approach very soon as she had to send her 2021 year's plan to the head office for review and alignment in the next couple of days.

The Zomato company

The idea of Zomato, India's most-used food directory, started off with Deepinder Goyal and Pankaj Chaddah who both graduated from IIT in 2005 and 2007 respectively [1]. They were working together as analysts for the consulting firm Bain & Company when Deepinder noticed that his colleagues always asked for paper menu leaflets of different restaurants when ordering food, and so he combined these menus into a digital app making it easier to access and order, so they launched "Foodiebay" in 2008. Foodiebay was a great hit and became the largest restaurant directory in Delhi within just nine months. In 2010, Foodiebay was renamed Zomato after being a huge success for two years.

Zomato grew larger furthermore, opening branches in cities like Pune, Ahmedabad, Bengaluru, Chennai, and Hyderabad. Soon enough it started its expansion outside India into other countries such as Sri Lanka, UAE, Lebanon, Portugal, Qatar, South Africa, UK, the Philippines, New Zealand, Turkey, and Brazil, which contributed to its rapid success worldwide and picked up foreign competition. Nevertheless, Zomato continued working on its tech backbone and launched its app to match the technology and information revolution, especially the smartphone trend. In 2014, Zomato acquired Gastronauci, Poland's restaurant search service, and an Italian restaurant finder- Cibando. The next year, Zomato made its biggest acquisition; the US-based online table reservation platform NexTable. Soon after, it acquired another US-based restaurant directory, Urbanspoon, but had to close the app within just five months. In 12 years, Zomato as a whole gained 120 million monthly active users, became present in more than 10,000 cities worldwide and 24 countries, collaborated with 1.5 million restaurants and gathered more than 10 million reviews (see exhibit 1). In 2014, Zomato opened a branch in Beirut, which was just a discovery platform at the beginning where people could browse more regarding where to eat.

Lebanon is a country that is located at the crossroads of three continents in the Middle-East and was known to serve as a commercial and cultural hub for the Middle-East [2]. With a population of around 5.3 million where 35% were less than 24 years old, the internet penetration in the country stood at around 89% [4], making it a lucrative market for online based companies and start-ups.

Zomato afterwards introduced the online ordering service and table reservation. Soon enough Zomato started interacting with restaurant owners and gave them the opportunity to tell their brand story through Sneakpeeks. They were also able to display their hygiene rating which was issued by a restaurant hygiene inspection firm. In 2019, Zomato launched its Gold membership which enhanced the dine-out experience, increased the traffic at Gold restaurants and handed the users the opportunity to benefit from special deals on food and drinks.

In 2021, Zomato reached a valuation of $5.4 billion and was planning to launch a grocery section on its mobile app, which it saw as a major opportunity with the Covid-19 outbreak [1].

Objectives and challenges

Zomato's core objectives were embedded into what the company named the "QAAA": *Quality, Accessibility, Affordability and Assortment*. The QAAA direction impacted the quality of food that restaurants serve and kept them accountable to their consumers via ratings and food hygiene scores. It also provided information to the consumer's fingertips while Zomato's food delivery service was constantly looking for improvement of delivery times and fresh food to more people from more restaurants, faster than ever before. Furthermore, Zomato constantly worked on being affordable by making it a leveled playing ground for everyone; restaurant businesses needed to innovate and cut costs in order to win, while Zomato's food delivery business gave consumers more cost-effective options at their doorstep, or at work through offers, discounts, promo codes, and Gold membership [5]. The QAAA objective also played a main role and helped users discover new tastes as well as experiences in cities across the world and encouraged restaurants to innovate.

The greatest challenge Zomato strived to overcome was ensuring content accuracy and neutrality of its platform while it provided a seamless user experience through its interface, supply, offers, and delivery time. What was also highly crucial for the company was to keep on acquiring new users and retaining them. From a Lebanese market perspective, a big portion of that market still preferred to order over the phone due to language barriers or lack of digital readiness in using online platforms. Consumers who used Zomato were usually more tech-savvy than the consumers who do not. The latter preferred personal contact over online ordering or they simply chose the same places they went to or ordered food from. Furthermore, they might not show any interest in the overall restaurant industry for financial or geographical reasons [3].

As of May 2020, roughly 7,700 restaurants from the north to the south of the country were known to employ Zomato to take orders [6]. According to the Syndicate of Owners of Restaurants, Cafes, Nightclubs and Pastries, and as of 2020, the various online food ordering platforms operating in the local market process about 20,000 food delivery orders made per day, with Zomato alone handling half of these orders [6]. Nonetheless, the country was witnessing an unprecedent economic crisis which threatened the growth and competitiveness of the company.

The online food ordering consumer journey

The understanding of the purchase journey was crucial for Maya to understand as online delivery platforms in the country were making good progress and started gaining increased acceptance from the population. A typical online food ordering customer journey involved the key stages of awareness and consideration, purchase, retention and advocacy [3] (see exhibit 2).

The first stage of awareness and consideration was known to be based on the reliability, quality and image of the platform and its operator [7 8 9]. As time poverty and the need for efficiency were crucial factors in the trial stage of the ordering application, a user-friendly platform that integrated a good number of restaurants and menus were needed to stir up interest and first usage [10 11]. The purchase stage relied mainly on securing consumers' trust in the application from a content and payment perspectives. Nonetheless, in such a business environment, online food ordering companies had to also make sure that trust in the listed restaurants was also present, which made the relationship between the operator and restaurants a crucial business driver [12]. As for the last stage of retention and advocacy, customers focused on their overall experience from using the platform, alongside assessing the quality of the delivered service, including delivery and food quality. Recommendations and users' reviews on the platform were driven by a long-term relationship building between the operator and consumers [13].

Maya knew that the value created to consumers throughout the online food ordering journey was essential for her company in order to develop and defend its competitive advantage in the marketplace. The platform was mainly attracting young age groups (15 years old to 40 years old) as older generations were not tech savvy and were not at ease using mobile applications and ordering online. Zomato was in that context competing indirectly with phone ordering, which was considered to be convenient, easy and more personal than online ordering. At each of the journey stage, Zomato risked losing a potential customer in the older age bracket due to the ease of switching to the other traditional means of ordering food. While secondary in terms of priority, this customer segment presented a potential for the company to grow further its market share which was mainly dependent on younger age groups. Understanding and addressing the key influencing factors at each stage of the journey became accordingly a main strategic focus for Maya when it came to choosing the best approach to expand further the Zomato business. For instance, the key value proposition of the platform was based upon convenience, time saving and the wide availability of restaurant choices. Time saving was sought after through the consideration stage given the ease of use of the app and the recommendation system that was based on prior purchases. Convenience enhanced the purchase stage for customers who had their payment details saved on the platform, making that stage a seamless one. As for the restaurant supply or array of menu choices, this became an overarching value over the awareness/consideration and retention/loyalty stages as it accelerated the trial and adoption of the app while turning users into advocates.

Strategic partnerships

Zomato's main key stakeholders were Zomato employees, restaurants and users. The company tried to create a connection with each to maintain an ongoing relationship.

Zomato was known for its friendly and fun culture. A workplace that felt like home, where you could hustle and go the extra mile as if it was your own business. This was embedded in Zomato's values which were based on resilience, acceptance, ownership, humility, spark and judgment. Zomato employees, known as "Zomans", pushed themselves past their ability when faced with hard times as they considered themselves working with and not for Zomato. This made employees take accountability and treat every problem as if it is their own. Moreover, feedback at Zomato was important in order to work on every element more effectively. The company's motto "it's always us over me" made the culture at Zomato more humble and promoted teamwork over individuality. This created a motivational environment that pushed Zomans to higher productivity.

In relation to restaurants, Zomato offered them a platform in which they could promote their businesses to help them reach their targeted audience along with their online presence through different Zomato products. In fact, the cornerstone strategy in Zomato's business model was to build a strong and long-lasting relationship with these restaurants. This had been achieved through building trust between Zomans and restaurants in order to develop a lifelong relationship rather than just to conduct a limited transactional exchange around a product or platform feature.

As for the end-users, Zomato's platform was designed for foodies to help them find and locate restaurants with different cuisines and in different locations. Zomato tried to build a bridge between restaurants and users and gave the latter the opportunity to share their experience by adding reviews and pictures on the platform. Furthermore, Zomato applied foodies' filtering on its platform and tried to meet and certify the ones with the highest interaction, thus their credibility was enhanced. This created a closer relationship with the user, which made them feel they belonged to the Zomato family. In addition, the increase of interaction for Zomato's users also drove restaurants to make sure that their pages on the platform are up to date. This ultimately drove restaurant owners to advertise more on the platform so that they could take advantage of Zomato's large user base.

The competitors

Zomato's online ordering business operated in India, UAE and Lebanon. In each of these countries, it had different competitors to which it tried to differentiate its services in order to gain higher market shares. In the Indian market, the most known online ordering platforms were Swiggy, Zomato and Uber Eats. In January 2020, Zomato acquired Uber Eats in India. This acquisition was expected to increase Zomato's market share to around 50-55% and probably bypass Swiggy, the current leader in the market.
In relation to the Lebanese market, it started shifting online around the end of 2013 where Onlivery was the first online food-ordering platform. By 2020, the platform had stopped operating. Bitfood, an online food ordering application, launched in 2017 and plateaued around 4% market share. This kept the competition between Zomato and Toters, an online delivery platform, even though the two platforms were different. While Zomato was the market leader by far in Lebanon, the company was planning to launch its own delivery fleet starting with the second quarter of 2020 in order to level up with Toters, since it was the only service that differentiated Toters over Zomato. In fact, Zomato already had around 250,000 riders and delivered over 1.5 million orders a day in UAE and India. With the replication of this initiative into the Lebanese market, Zomato would be able to optimize growth, enhance the user experience and decrease the cost for restaurants.
Interestingly enough, Toters, which held around 15-20% market share, was expanding rapidly in the country, helped by the fact that it catered for all sorts of delivery services, and not only restaurant meals. Delivery of grocery items became the main growth factor of Toters, which helped its mobile app to penetrate further into this market and threaten Zomato's own business model. This was further helped with the spread of the Covid-19 pandemic, where many households started trying the Toters application for all sorts of delivery needs. In addition, the Toters company tried to allude to the nationalistic feeling of potential customers, dubbing itself as a pure local company in comparison with its main rival, Zomato.

Shaping the future of food

Maya knew that Zomato was currently working on projects that would be scaled up in the near future and which some of them had already been launched in selective markets. Amongst these initiatives were the Hyperpure, used cooking oil (UCO), and cloud kitchens projects.

According to Zomato, the Hyperpure project was the big step the company had been taking towards creating the future of food. It was a clean food supply chain for restaurants to buy fresh and high-quality ingredients. Local farmers and suppliers would sign up on Hyperpure to find responsible restaurateurs who would buy their produce without the usual middlemen. Through the Hyperpure initiative, Zomato worked directly with farmers, mills, producers and processors to monitor the source of the products used by its partner restaurants. The initiative helped restaurants make better quality food, as well as allowed traceability and transparency. This new sourcing business could be lucrative for Maya to launch in Beirut in the coming future, as Zomato would be able to effectively become the supply platform from which merchants could buy fresh organic produce as well as eco-friendly packaging. This way, Zomato could keep on guaranteeing better food for more people through diversifying and expanding its reach into the full supply chain. Such an initiative would provide new needed sources of revenues while further enhancing brand equity. The Hyperpure business to business project was gaining traction in India after it was launched in April 2019. While it grew exponentially during the following year, several challenges pertaining to the higher cost for restaurants and the feeling of dependency on one supplier started appearing.

In relation to the UCO project, Zomato reckoned that an aggregation of unused cooking oil from thousands of food businesses remained a key bottleneck in this initiative as traceability was the biggest challenge. The UCO approach not only solved the major problems for two large industries (health and petroleum) but also created a lot of synergistic environmental effects by replacing conventional diesel with environment-friendly biodiesel. The UCO initiative called upon responsible usage and disposal of edible oil in commercial kitchens, hence minimizing potential life-threatening diseases and health issues. Zomato's plan was to procure UCO from thousands of commercial kitchens. The collected UCO would then be given to biodiesel manufacturers. This particular initiative would highly resonate with the Lebanese public due to the increase in awareness and interest towards cleaner air and less pollution. However, this project needed considerable investments in the food infrastructure and did not have direct business benefits nor clear return on investment. Zomato had started a pilot test in India of the UCO project and was yet to fully develop it with the close collaboration of the government and the Food Safety and Standards Authority of India (FSSAI).

The cloud kitchens project was also one of the interesting project that could be replicated in Lebanon. Through that new strategic direction, Zomato would be building cloud kitchens to fulfill the gap in supply, upgrade the industry standards and ease the expansion of restaurants depending on the needs of the market. The idea of a cloud kitchen was based upon creating opportunities for investors and potential restaurants to build businesses. It was a concept for delivery only where no dine-in facilities were provided. It was basically a kitchen for food preparation; investors could benefit from their unused properties by converting them to delivery kitchens and getting in return a fixed payout every month. They would have the complete support from Zomato in terms of operational know-how of their kitchens team. Restaurant operators aiming to expand their business or even any entrepreneur willing to open a delivery restaurant would take advantage of such kitchens. Zomato would be helping both the investor and the restaurant owner by providing them with insights about the food industry. Restaurant owners would have ready kitchens and infrastructure that only needed low investment. Zomato would be assisting in the type of cuisine, pricing and ensuring better ROI. Orders would be received from Zomato users and delivered by Zomato's fleet. The restaurant would hence be only charged a commission rate per order to cover the investor's and Zomato's charges. In addition, restaurant owners would benefit from the exposure they would be getting on the application itself to drive more traffic and orders since cloud kitchens only had an online presence and were not visible to users offline [14]. Cloud kitchens were expected to drive entrepreneurs with a low initial investment to open their own restaurants via these kitchens, creating in its turn job opportunities in the Lebanese market. Nonetheless, Maya was worried that as these restaurants would be receiving orders only through Zomato, business owners might become concerned about whether the platform was marketing them enough to receive orders that would make their cloud kitchens sustainable [15]. Furthermore, if the platform would be pushing for such kitchens more than the regular restaurants, would this shift foodies' behavior to cloud kitchens and hence affect the regular restaurants' sales? This would also affect the trend in the F&B industry in Lebanon by pushing regular restaurants with dine-in facilities to shut down and shift to delivery kitchens only [16] [17].

The way forward

Assessing properly the different strategies that could be replicated in Lebanon in order to increase further the size of the market before it stagnates was key for Maya. She reckoned that she needed to have a marketing strategy that would maintain its competitive advantage while also further expand the Zomato business.

Maya knew that her competitive edge relied on the platform itself, which needed ongoing development work in order to ensure a proper user experience across all stages of the customer journey. Nonetheless, she was not sure what to focus on specifically in terms of priority, which project to select and how to leverage her own company's strategic partnerships in any decision she would take. Maya knew she should carefully consider and weigh in each potential strategy in relation to the short and long-term effects. While the cloud kitchens concept looked relevant and strategic to implement given the potential new revenue sources, it risked alienating its current partner restaurants. The Hyperpure and UCO projects also looked highly lucrative in terms of enhancing Zomato's equity and brand image. Nonetheless, Maya was concerned that these projects might need sizeable budgets with no clear return on investments in the short-term.

Exhibit 1 Worldwide presence of Zomato

Source: Zomato

Exhibit 2 The online food ordering consumer journey

Awareness & Consideration	Purchase	Retention & Advocacy
WOM & Personal Referrals	Convenience	Process & delivery quality
Restaurant supply	Time saving	Food quality
Online Reviews	Customization of the experience	Restaurant supply
Functionality & reliability of the application	Payment methods	Engagement through online reviews, photo sharing & WOM

Source: compiled from Farah, M.F., Ramadan, Z., & Kanso, J. (2022). Satisfying the online food crave: The case of online food aggregators. International Journal of Consumer Studies, 46(4), 1413-1427.

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