

14 September 2023

India | Equity Research | Sector Update

## Internet

### Our survey reveals - Advertising on food aggregators is a HIT; eB2B getting good traction

We surveyed 220 restaurants across 40 cities and towns pan-India between 25<sup>th</sup> Aug'23 – 10<sup>th</sup> Sept' 23, to assess various parameters such as take rates charged by food aggregators, restaurant level AOVs, propensity of restaurant partners to advertise on the food aggregator platforms, ad-spend effectiveness for restaurants and usage of Hyperpure (Zomato's B2B e-commerce offering) by restaurants. We highlight our key findings in this note along with some anecdotes shared by some of the respondents where relevant.

#### Median gross take rate reported by restaurants - 23%

We note that 44.5% of respondents were unwilling to share any data on take rates. However, most of the 55.5% who did respond, quoted the gross take rate including delivery fees charged by the aggregators. 10.5% reported gross take rate  $\leq 20\%$ ; 24.5% reported gross take rate  $>20\%$  &  $<25\%$  and 20.5% reported gross take rate  $\geq 25\%$ . Our survey also indicates that take rates are lowest for 'top 8' cities and keep increasing as we move to 'next 12' and tier 2/3 cities. We also note that northern zone cities reported higher take rates and premium restaurants with ticket size  $>INR 700$  for 2, reported lower take rates.

#### 53% of respondents have advertised & 88% of them satisfied

We also note that among those who are advertising on the food delivery platforms, 8.5% found it very useful, 75.4% found it useful and 4.2% found it somewhat useful. Interestingly, we found that the proportion of advertisers is highest in 'next 12' cities (60%), followed by 'top 8' cities (55%). Advertiser satisfaction is highest in 'next 12' cities, where 94% are satisfied; followed by 'top 8' cities where 91% are satisfied. North zone has highest proportion of advertisers (59%). However, advertiser satisfaction is highest in South zone at 95%. Hyderabad is leading in proportion of advertisers (80%). A key callout here is that 5 of the 'top 8' cities have 100% advertiser satisfaction. Interestingly, high rated restaurants have lowest proportion of advertisers at 43% vs 57% each for mid and low-rated restaurants. Mid-rated restaurants have the highest advertiser satisfaction.

#### Hyperpure being used by 37% of respondents in relevant cities

Our survey indicates that Hyperpure has currently been rolled out in 10 cities, which includes the 'top 8' cities, Ahmedabad and Gandhinagar. In these cities, we found 37% of respondents are using Hyperpure and 19% said they are using Hyperpure more than 10 times a month, while 18% are using it less than 10 times a month. Another 7% mentioned they have stopped using Hyperpure. Our survey reveals that Gandhinagar has the highest propensity to use Hyperpure (60% using Hyperpure) followed by Delhi NCR (55%), Ahmedabad (50%) and Chennai (40%). In terms of regions, North is leading in Hyperpure adoption (52%) followed by West(35%).

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#### ZOMATO: (BUY) Target Prices: INR 120



Source: Bloomberg

## Survey highlights

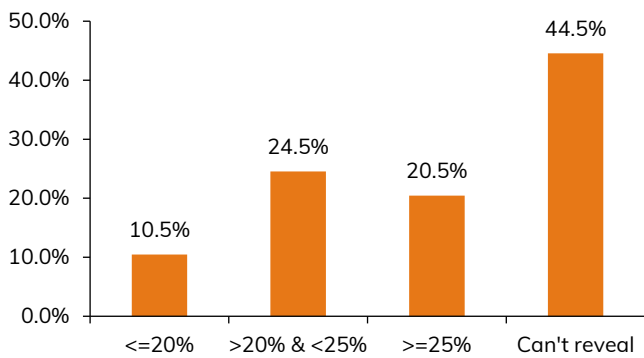
### Exhibit 1: Statistical information

Type of analysis	Population size (N)	Sample size (n)	Confidence level	Margin of error
Take rate analysis	2,50,000.00	122	95%	8.90%
Other analysis	2,50,000.00	220	99%	8.70%

Source: I-Sec research

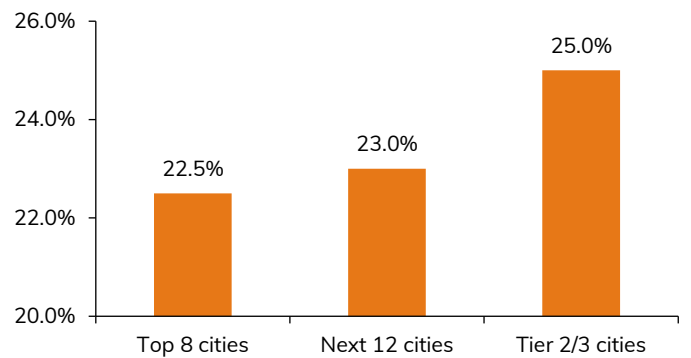
## What are restaurants saying on AOV and take rate?

### Exhibit 2: 24.5% respondents are paying 20-25% take rate



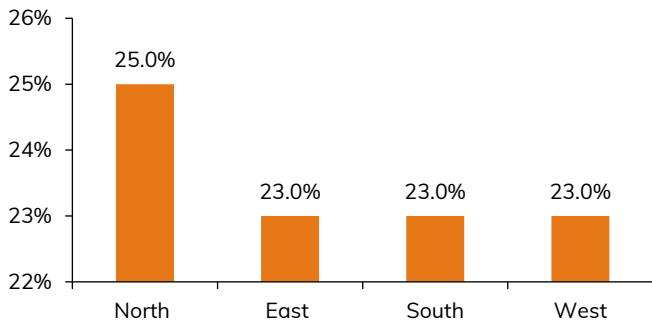
Source: I-Sec research, X-axis denotes reported take rates

### Exhibit 3: Take rates (median) is highest for Tier 2/3 cities



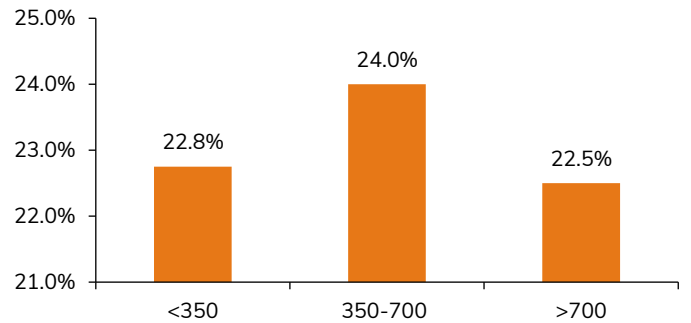
Source: I-Sec research

### Exhibit 4: North pays highest take rate (median) at 25%



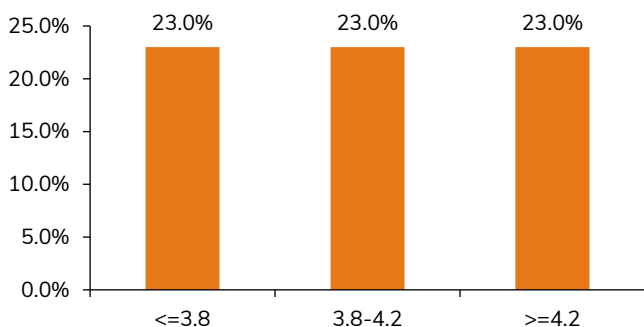
Source: I-Sec research

### Exhibit 5: Premium restaurants pay lower median take rate



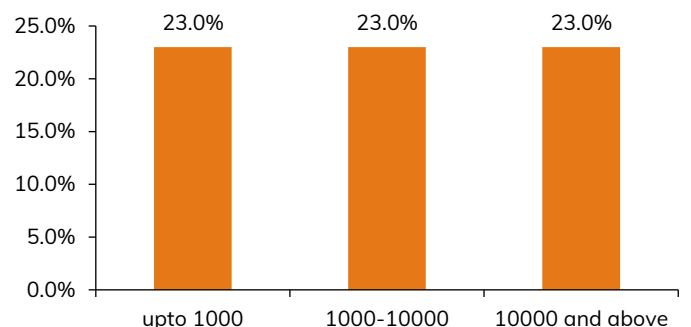
Source: I-Sec research, X-axis figures are in INR, X-axis denotes ticket size for 2

### Exhibit 6: Median take rates consistent across restaurants with different user ratings



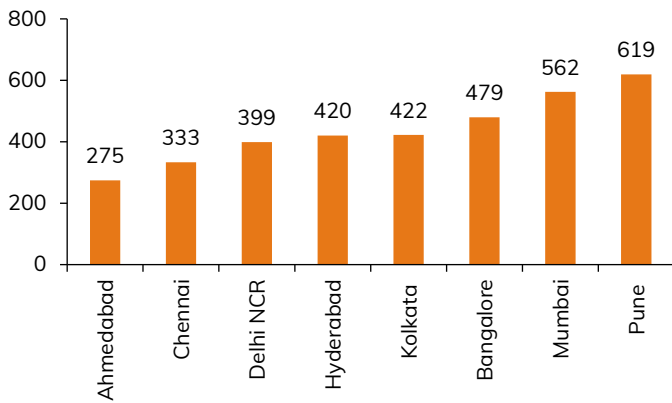
Source: I-Sec research, X-axis denotes user ratings out of 5

### Exhibit 7: Median take rates remains consistent across restaurants with different popularity levels



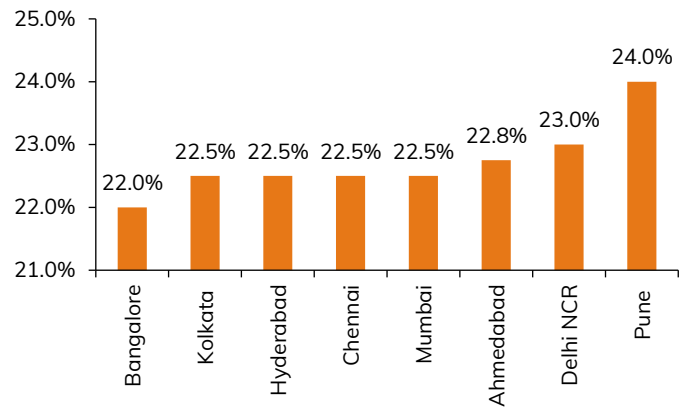
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 8: Pune has highest AOV among top 8 cities**



Source: I-Sec research

**Exhibit 9: Pune has highest take rate amongst top 8 cities**



Source: I-Sec research

**Anecdotes:**

- Out of the 220 respondents, 98 restaurants were not willing to reveal the commission/take rate that they paid to food aggregators, though they shared other details.
- Only 3 out of the 122 respondents who revealed their take rates, claimed that there was a pricing differential among the aggregators.

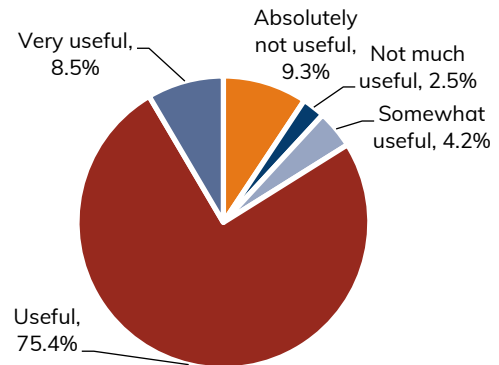
## What are restaurants saying on advertising?

**Exhibit 10: 53.0% of respondents are advertising on food aggregator platforms**



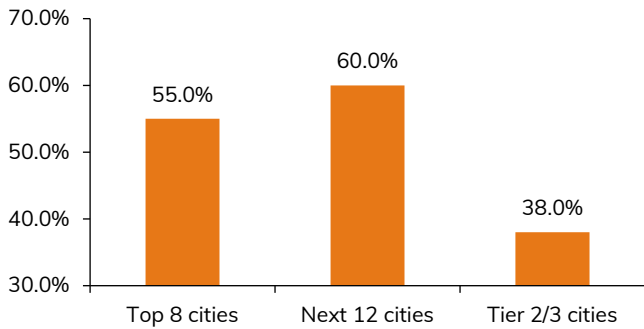
Source: I-Sec research

**Exhibit 11: 88.1% of respondents who are advertising, have a positive experience**



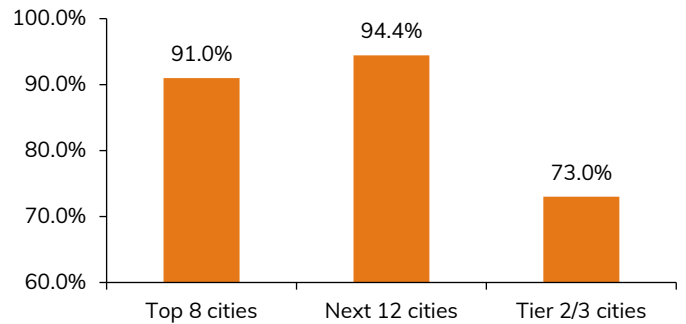
Source: I-Sec research

**Exhibit 12: 'Next 12' cities have the highest proportion of advertisers, followed by 'Top 8' cities**



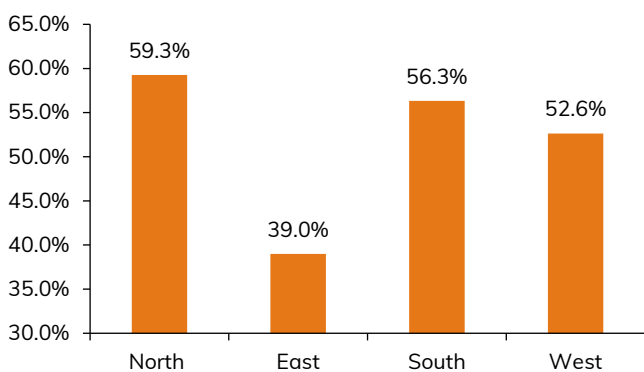
Source: I-Sec research

**Exhibit 13: Advertiser satisfaction is highest in 'Next 12' cities, followed by 'Top 8' cities**



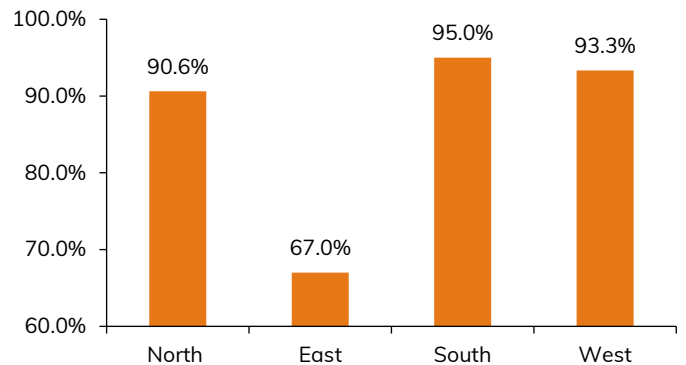
Source: I-Sec research

**Exhibit 14: Northern region has the highest proportion of advertisers, East lags**



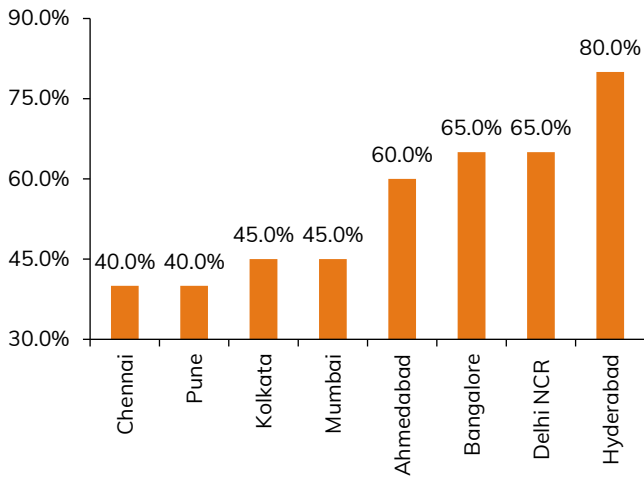
Source: I-Sec research

**Exhibit 15: Advertiser satisfaction is highest in South, followed closely by West and North**



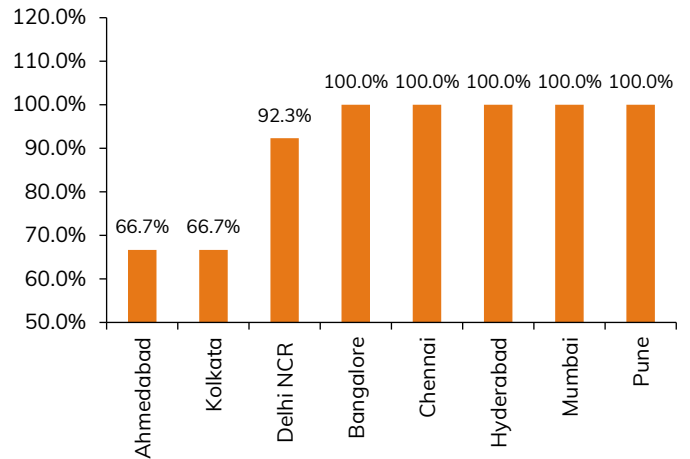
Source: I-Sec research

**Exhibit 16: Hyderabad has healthy lead in proportion of advertisers, followed by Delhi-NCR and Bangalore**



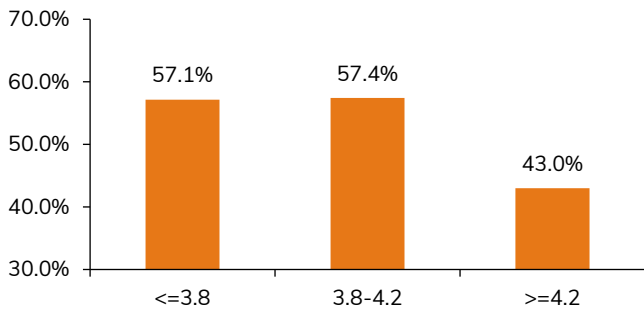
Source: I-Sec research

**Exhibit 17: Advertiser satisfaction is at 100% in 5 top cities**



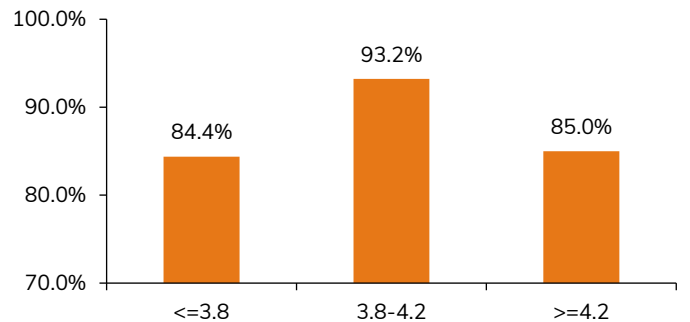
Source: I-Sec research

**Exhibit 18: Proportion of advertisers is lower amongst the high rated restaurants**



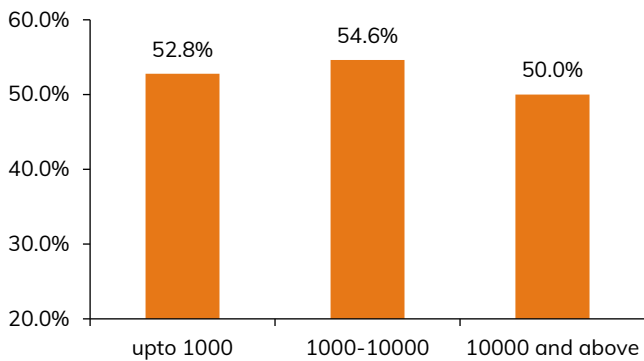
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 19: Mid-rated restaurants have the highest advertiser satisfaction**



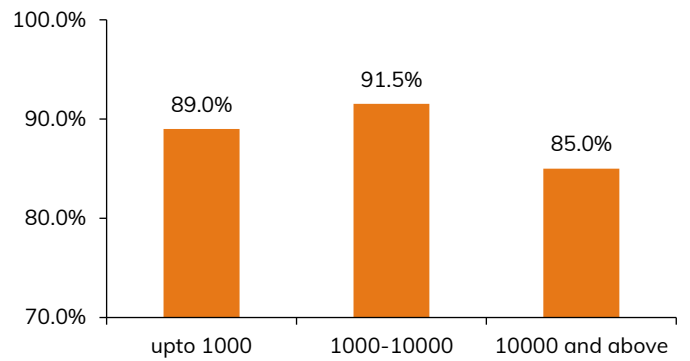
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 20: Mid-popular restaurants have highest proportion of advertisers**



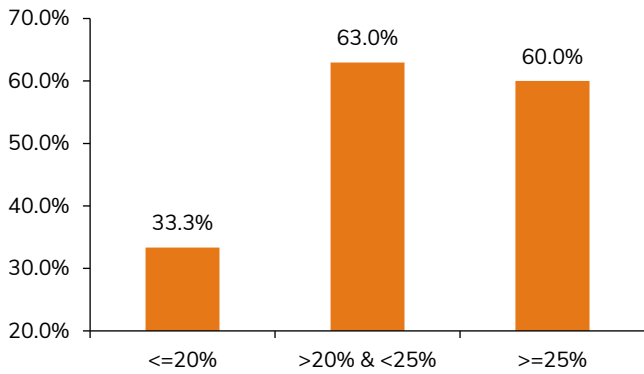
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 21: Mid-popular restaurants have highest advertiser satisfaction**



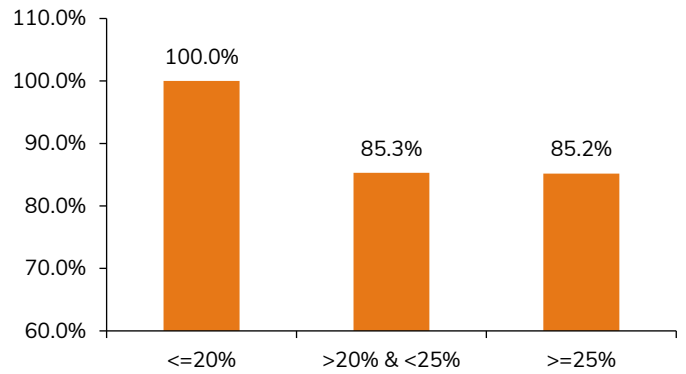
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 22: Proportion of advertisers is lowest among restaurants paying lower take rates**



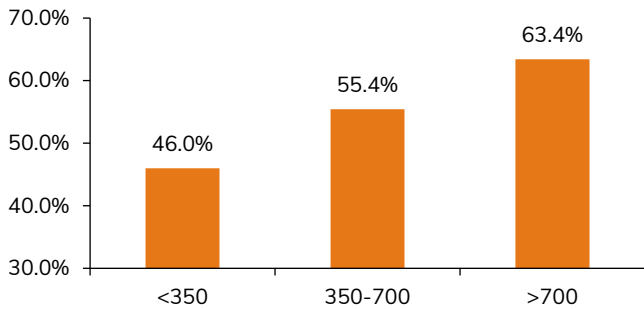
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 23: However, advertiser satisfaction is at 100% for the few restaurants paying lower take rates**



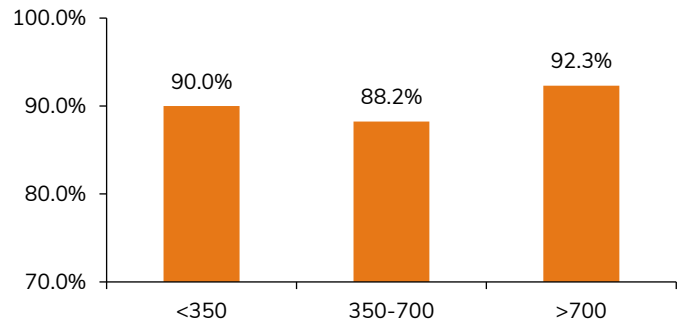
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 24: Premium restaurants are advertising the most, while budget restaurants are advertising less**



Source: I-Sec research, X-axis denotes ticket size for 2

**Exhibit 25: Advertiser satisfaction is at 92.3% for premium restaurants**



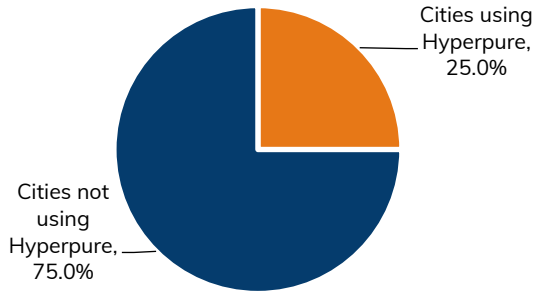
Source: I-Sec research, X-axis denotes ticket size for 2

**Anecdotes:**

- One respondent in Hyderabad claimed that advertising helped in attracting new customers due to increased visibility on the platform. The charges were in the range of INR 8-15/ per click.
- Another respondent in Delhi-NCR claimed that advertising helped in getting more orders and thereby increased sales. The restaurant claimed that the charges were in the range of INR 13-20/per click and the conversion rate was ~20%.
- Another respondent in Kolkata claimed that pricing for advertising was dependent on the demand around a location during that period of time and therefore wasn't very useful for his restaurant.
- Another respondent in Mumbai who managed multiple outlets claimed that his expenditure on advertising is INR 20k/month per outlet. He claimed that advertising was useful and led to higher sales.
- Another respondent in Mumbai claimed that although advertising was expensive, it had value as it led to more business for his restaurant.

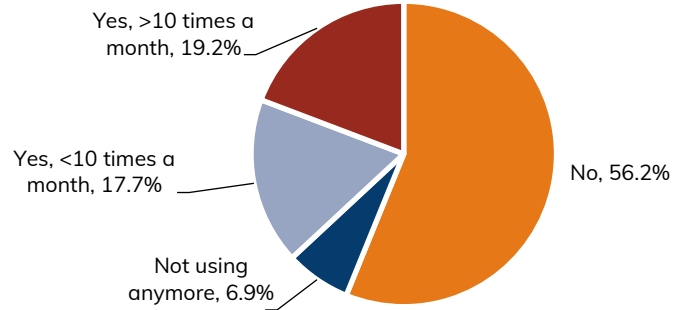
## Survey highlights – Hyperpure

**Exhibit 26: 25% of cities surveyed use Hyperpure**



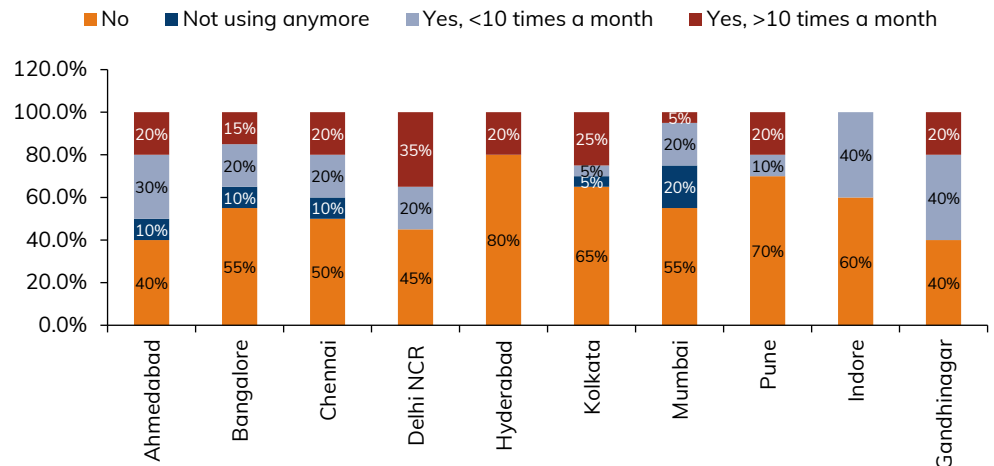
Source: I-Sec research

**Exhibit 27: 37% of respondents in relevant cities are using Hyperpure and 7% claimed to have stopped using**



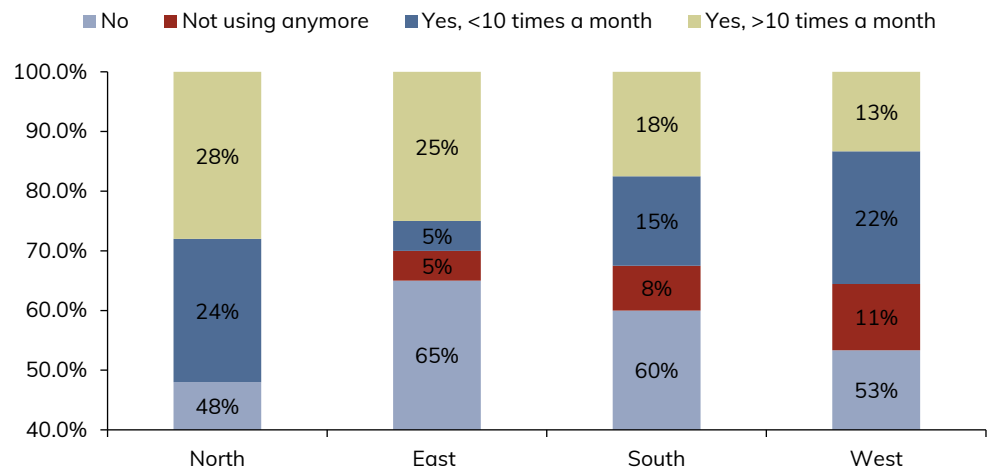
Source: I-Sec research

**Exhibit 28: Delhi-NCR, Gandhinagar and Ahmedabad are amongst heaviest users of Hyperpure**



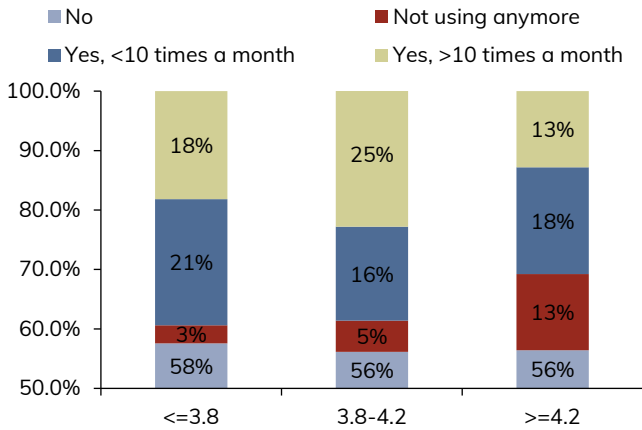
Source: I-Sec research

**Exhibit 29: 28% of restaurants in relevant cities in North and 25% in East are using Hyperpure more than 10 times a month**



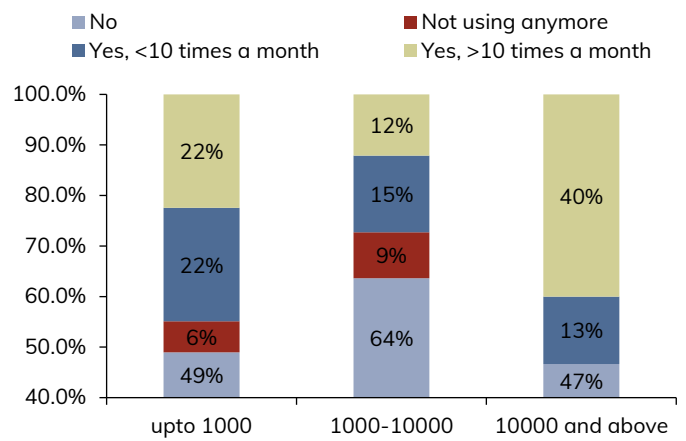
Source: I-Sec research

**Exhibit 30: 25% of mid-rated restaurants in relevant cities are using Hyperpure >10 times in a month**



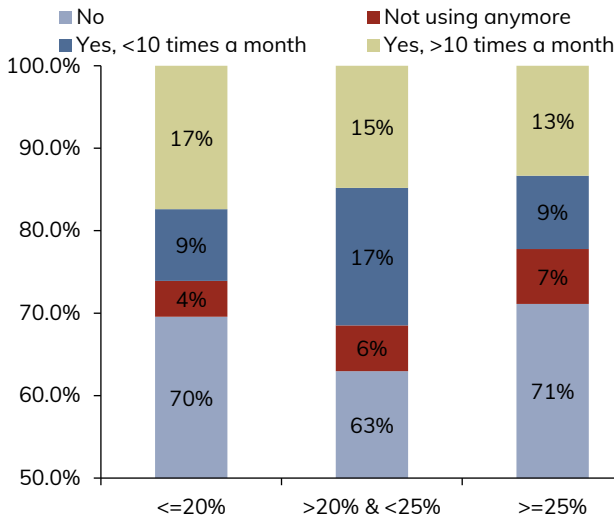
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 31: 53% of restaurants with high popularity in relevant cities are using Hyperpure**



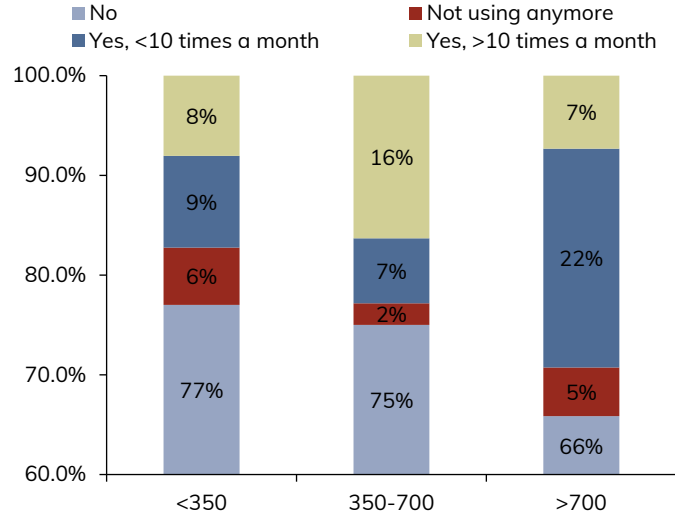
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 32: Hyperpure most popular amongst restaurants paying take rate between 20%-25%**



Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 33: 29% of premium restaurants are using Hyperpure**



Source: I-Sec research, X-axis denotes ticket size for 2

**Anecdotes:**

- Two respondents in Mumbai claimed that they were not using Hyperpure anymore as they found the traditional sources of procurement to be cheaper and more efficient than using Hyperpure
- Two respondents in Delhi-NCR claimed that they were using Hyperpure on a daily basis and found the service to be quite helpful.
- Respondents across Kolkata, Chennai and Bangalore who stopped using Hyperpure claimed that service quality was poor and expensive.



## Survey methodology

We surveyed 220 restaurants across 40 cities and towns pan India between 25<sup>th</sup> Aug'23 – 10<sup>th</sup> Sept' 23 to assess various parameters such as take rates charged by food aggregators, restaurant level AOVs, propensity of restaurant partners to advertise on the food aggregator platforms, ad-spend effectiveness for restaurants and usage of Hyperpure (Zomato's B2B e-commerce offering) by restaurants.

We used telephonic conversations to survey restaurant partners and tried to standardise responses to put it into tabular data. Given the respondents were chosen at random and provided the information voluntarily, we had to be brief with our questions.

### Exhibit 34: Statistical information

Type of analysis	Population size (N)	Sample size (n)	Confidence level	Margin of error
Take rate analysis	2,50,000.00	122	95%	8.90%
Other analysis	2,50,000.00	220	99%	8.70%

Source: I-Sec research

## Survey parameters and definitions

### Exhibit 35: Top 8 cities as part of survey

S.no.	Top 8 cities	Zone	Number of respondents
1	Mumbai	West	20
2	Delhi-NCR	North	20
3	Kolkata	East	20
4	Bangalore	South	20
5	Hyderabad	South	10
6	Chennai	South	10
7	Ahmedabad	West	10
8	Pune	West	10

Source: I-Sec research

### Exhibit 36: Next 12 cities as part of survey

S.no.	Next 12 cities	Zone	Number of respondents
1	Surat	West	5
2	Vizag	South	5
3	Jaipur	North	5
4	Lucknow	North	5
5	Nagpur	West	5
6	Indore	North	5
7	Patna	East	5
8	Ranchi	East	5
9	Chandigarh	North	5
10	Kochi	South	5
11	Coimbatore	South	5
12	Gandhinagar	West	5

Source: I-Sec research

**Exhibit 37: Tier 2/3 cities as part of survey**

S.no.	Tier 2/3 cities	Zone	Number of respondents
1	Bhubaneswar	East	2
2	Dehradun	North	2
3	Shimla	North	2
4	Jamshedpur	East	2
5	Pondicherry	South	2
6	Panjim	West	2
7	Trivandrum	South	2
8	Kozhikode	South	2
9	Bhopal	North	2
10	Guwahati	East	2
11	Agartala	East	2
12	Erode	South	2
13	Mangalore	South	2
14	Mysore	South	2
15	Guntur	South	2
16	Belagavi	South	2
17	Prayagraj	North	2
18	Kanpur	North	2
19	Agra	North	2
20	Ludhiana	North	2

Source: I-Sec research

**Exhibit 38: Respondents as per tier**

Tier	Respondents
Top 8 cities	120
Tier2/3 cities	40
Next 12 cities	60

Source: I-Sec research

**Exhibit 39: Respondents as per zone**

Zone	Respondents
North	54
East	38
South	71
West	57

Source: I-Sec research

**Exhibit 40: Respondents as per take rate**

Take Rate	Respondents
<=20%	23
>20% & <25%	54
>=25%	45
CR	98

Source: I-Sec research

**Exhibit 41: Respondents as per ratings**

Ratings	Respondents
<=3.8 (Low rated)	56
3.8-4.2 (Mid rated)	101
>=4.2 (High rated)	63

Source: I-Sec research

**Exhibit 42: Respondents as per number of reviews**

Number of reviews	Respondents
upto 1000 (Low Popularity)	72
1000-10000 (Mid-popularity)	108
10000 and above (High Popularity)	40

Source: I-Sec research

**Exhibit 43: Respondents as per ticket size**

Ticket size (INR)	Respondents
<350 (Budget)	87
350-700 (Value)	92
>700 (Premium)	41

Source: I-Sec research

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