

25 March 2024

India | Equity Research | Sector Update

## Internet

### Advertising becoming a 'necessity' for restaurants from earlier being 'good to have'

We surveyed 220 restaurants across 40 cities and towns pan-India between 25 Mar'24 and 10 Mar'24, to assess various parameters such as commissions charged by food aggregators, restaurant-level AOVs, propensity of restaurant partners to advertise on the food aggregators' platforms, ad-spend effectiveness for restaurants and usage of Hyperpure by restaurants. This is the second iteration of the survey (1<sup>st</sup> survey [link](#)). **We find:** 1) Commissions (commissions only) remain stable at the aggregate level (median: 23%; unchanged). 2) 63% of restaurants surveyed advertise on food aggregators (vs. 53% in Sep'23); 91% of users had a positive experience, up from 88% in Sep'23. 3) Proportion of Hyperpure users moderated slightly to 34% (vs. 37% in Sep'23).

#### Median gross take rate continues to be the same at 23%

We note that 48% (44.5% in Sep'23) of the respondents were unwilling to share data on commission in this iteration. A notable change is that 30% of respondents (24.5% in Sep'23) were paying commissions between 20% and 25%, while there was a reduction in respondents paying commissions  $\geq 25\%$  and  $\leq 20\%$ , pointing to a maturing commission structure. Top 8 cities still paid the least commission but there was a jump in the figure paid by Next-12 cities. Northern cities continue to pay a higher commission; however, we note in this iteration, the spread against other zones in commission has reduced. Consistent with the previous iteration, premium restaurants (INR >700) reported lower commissions.

#### 63% of respondents have advertised; 91% of them satisfied

We observe that among those advertising with aggregators, 9.3% (8.5% in Sep'23) found it 'very useful', 63.6% (75.4% in Sep'23) found it 'useful' and 17.9% (4.2% in Sep'23) found it 'somewhat useful'. There was a marked increase in adoption of advertising in tier-2/3 cities, rising to 62.5% (from 38% in Sep'23). Increased adoption was visible across geographical zones – west having the highest proportion of advertisers (70.4%). Bangalore is leading in proportion of advertisers (90%). Four of the top 8 cities have 100% advertiser satisfaction. High-rated restaurants still had lowest proportion of advertisers at 47% vs >70% for mid and low-rated restaurants. However, high-rated restaurants had the highest customer satisfaction.

#### Hyperpure being used by 34% of respondents in relevant cities

We found Hyperpure users in 11 cities (up from 10 cities), which includes the top 8 cities along with Kanpur, Prayagraj and Gandhinagar. In these cities, 34% of respondents use Hyperpure; 12% (down from 19% in Sep'23) said they use Hyperpure more than ten times a month, while 22% (up from 18% in Sep'23) use it less than ten times a month. Another 1% mentioned they have stopped using Hyperpure. We note, Pune has the highest propensity to use Hyperpure (60% use Hyperpure), followed by Delhi NCR (50%), Gandhinagar (40%) and Hyderabad (40%) amongst the top 8 cities. In terms of regions, north is leading in Hyperpure adoption (52%) followed by west (46%), similar to Sep'23 iteration. We see this as indicative of the client rationalisation witnessed in Zomato's Hyperpure business over the last 2-3 quarters.

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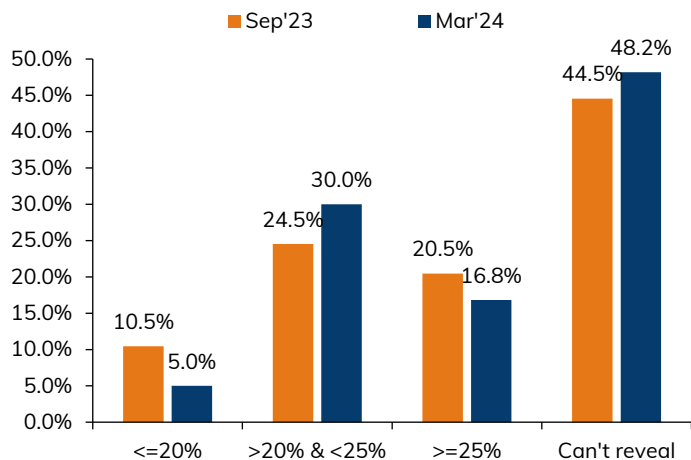
pradyut.ganesh@icicisecurities.com

#### Zomato (BUY)



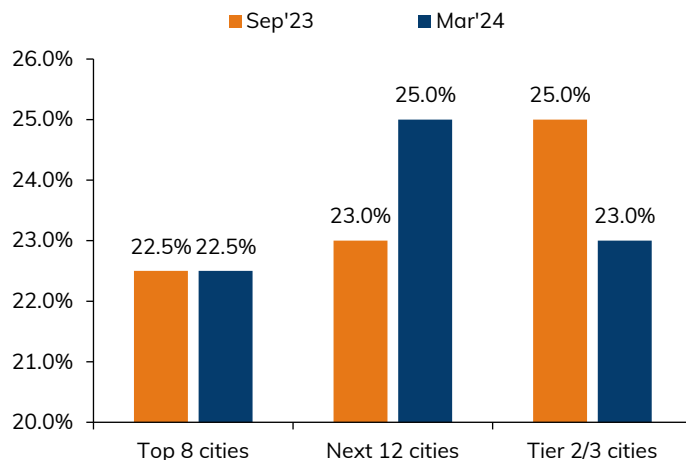
## What are restaurants saying on commission?

**Exhibit 1: Increase in respondents paying 20-25% commission**



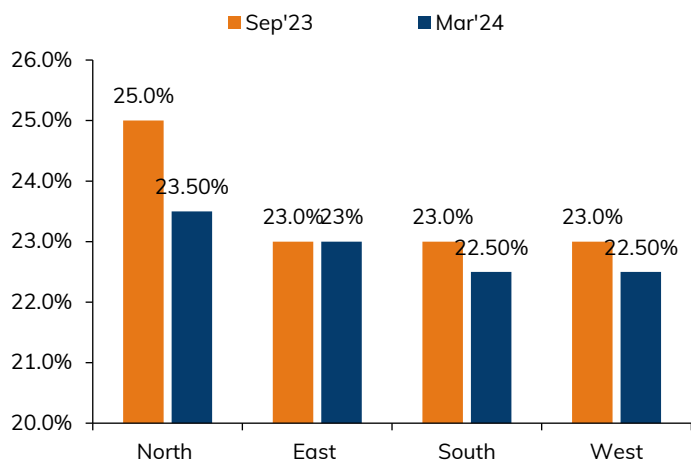
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 2: Commissions highest for 'Next 12' cities in this iteration**



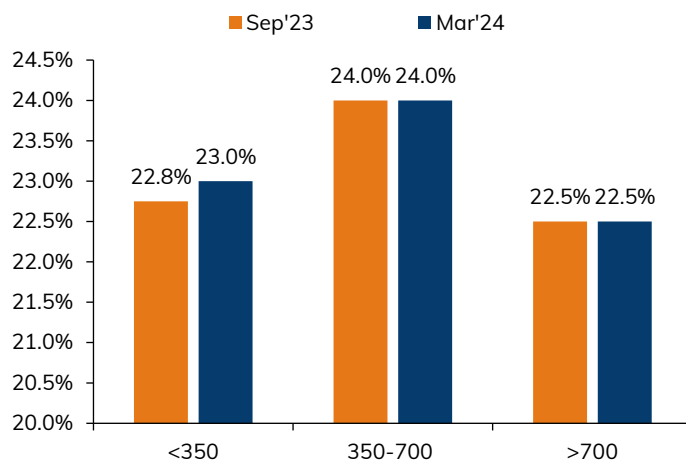
Source: I-Sec research

**Exhibit 3: North zone still pays highest median commission**



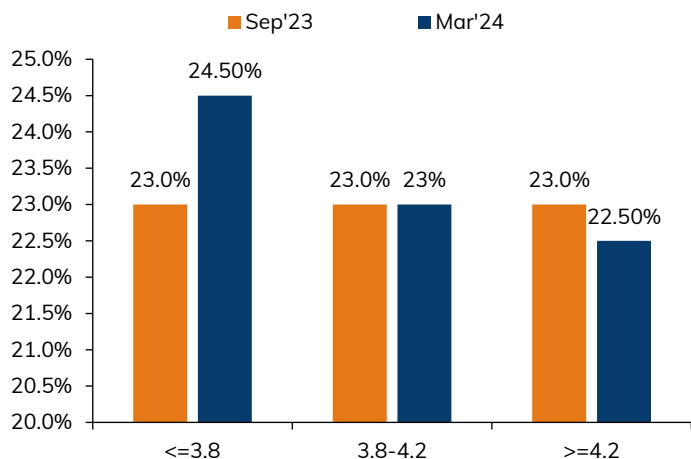
Source: I-Sec research

**Exhibit 4: Premium restaurants pays the lowest median commission in both iterations**



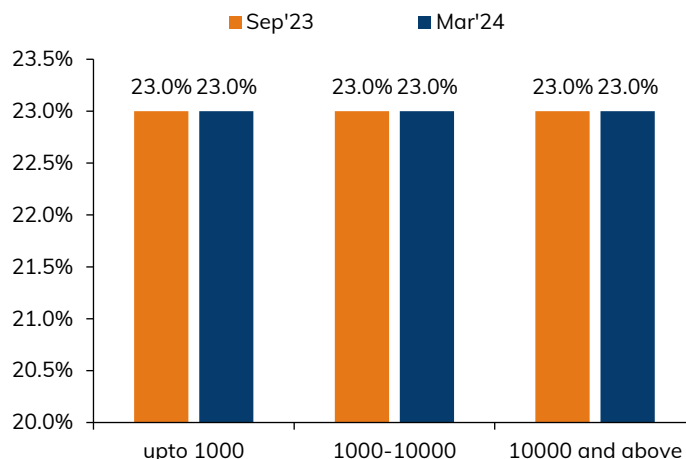
Source: I-Sec research, X-axis figures are in INR, X-axis denotes ticket size for 2

**Exhibit 5: Low rates restaurants charged higher median commissions in this iteration**



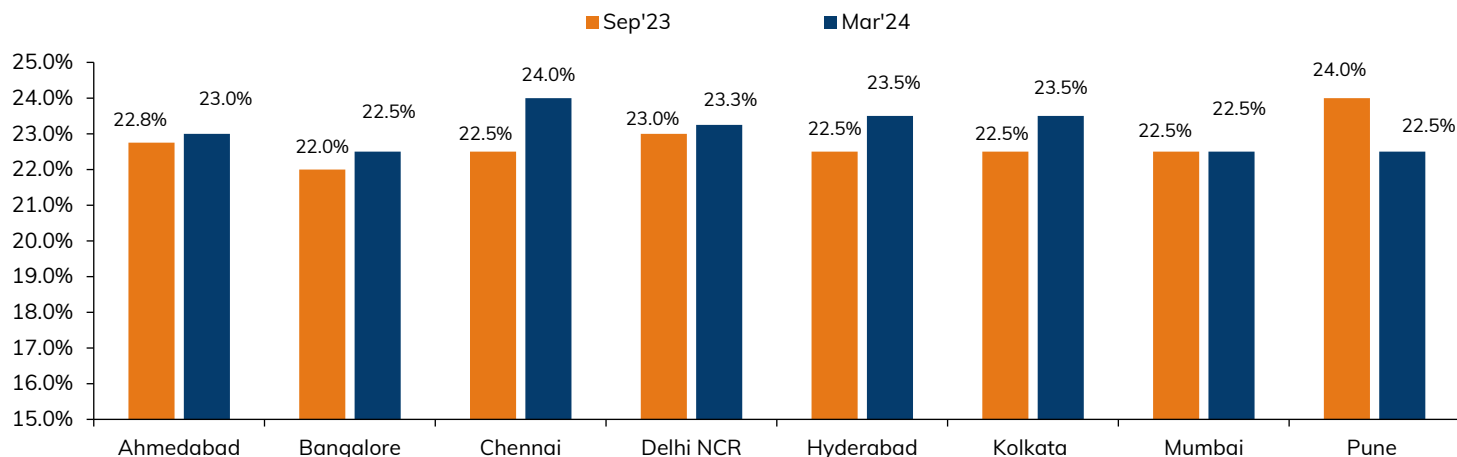
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 6: Median takes rates consistent across restaurants with different popularity levels**



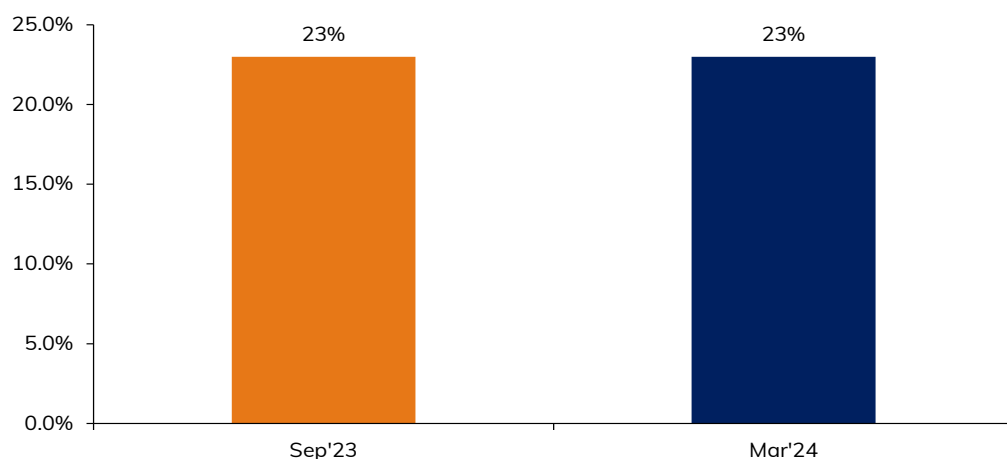
Source: I-Sec research, X-axis denotes total number of reviews

### Exhibit 7: Median commissions across cities in both iterations



Source: I-Sec research

### Exhibit 8: Commissions (aggregate level)



Source: I-Sec research

### Anecdotes

- Out of the 220 respondents, 106 restaurants were unwilling to reveal the commission/commission that they paid to food aggregators, though they shared other details.
- Only 8 out of the 114 respondents who revealed their commissions, claimed that there was a differential in commissions charged by the aggregators.
- A respondent claimed that restaurants that have joined the food aggregator network only recently are being charged upwards of 25% as commission.

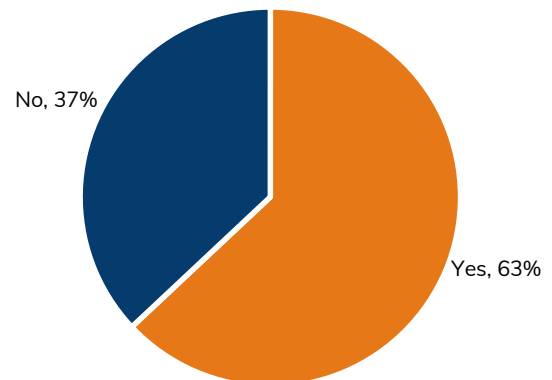
## What are restaurants saying on advertising?

**Exhibit 9: In Sep'23 iteration, 53% of respondents were advertising**



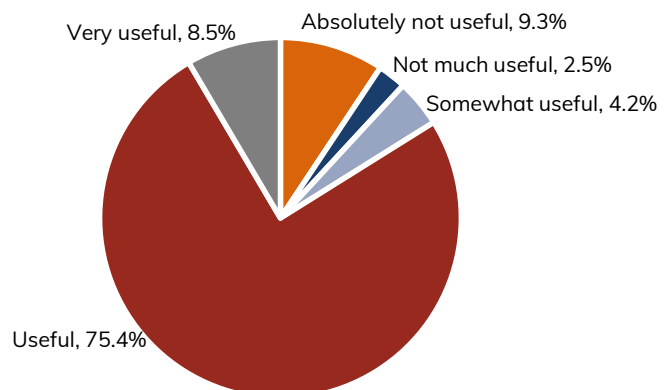
Source: I-Sec research

**Exhibit 10: In Mar'24 iteration, 63% of respondents were advertising**



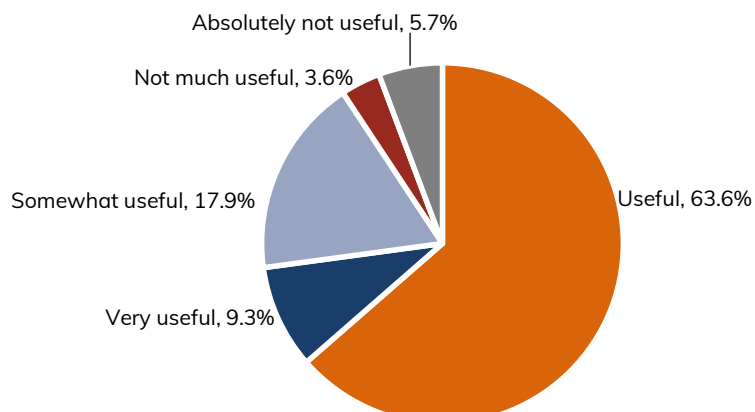
Source: I-Sec research

**Exhibit 11: In Sep'23 iteration, 88.1% respondents who are advertising had a positive experience**

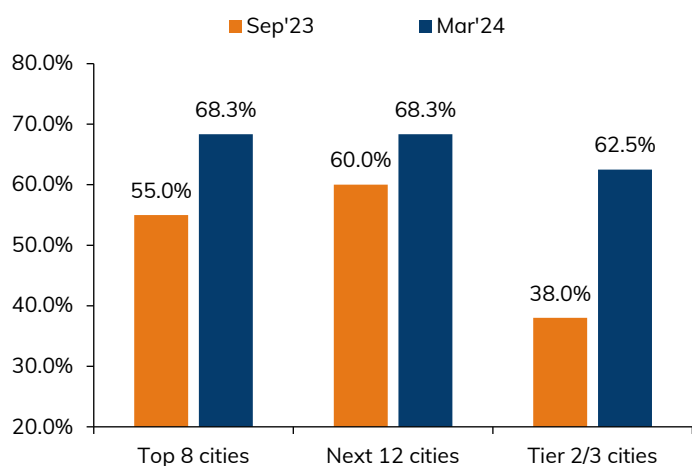


Source: I-Sec research

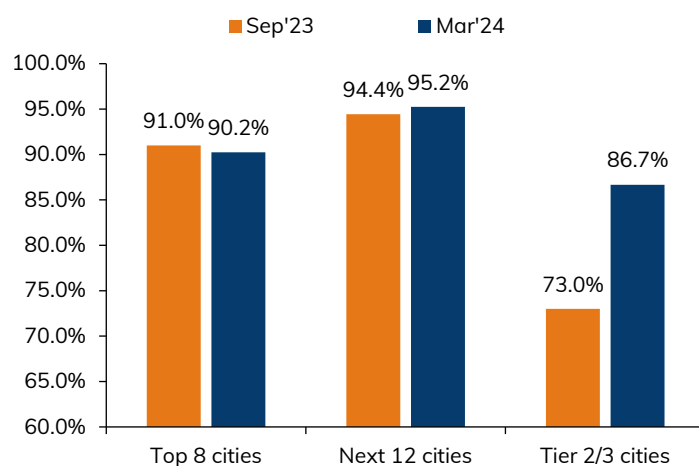
**Exhibit 12: In Mar'24 iteration, 90.7% respondents who are advertising had a positive experience**



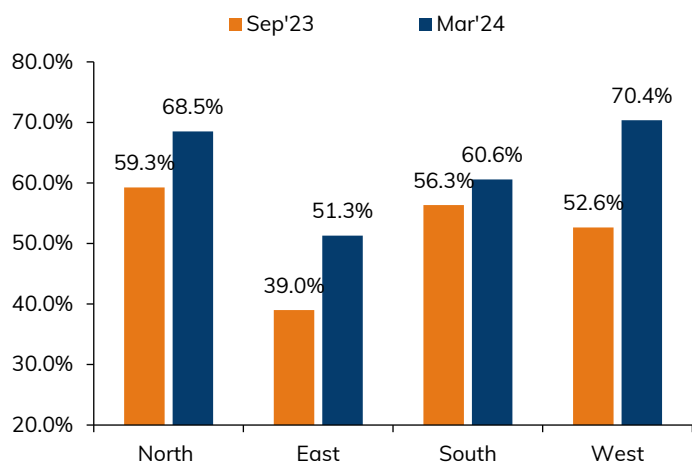
Source: I-Sec research

**Exhibit 13: Significant increase in advertising adoption amongst tier-2/3 cities**

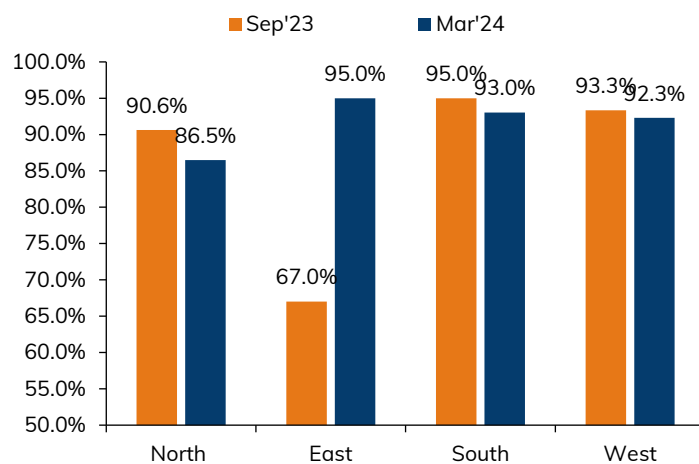
Source: I-Sec research

**Exhibit 14: Advertiser satisfaction remains high**

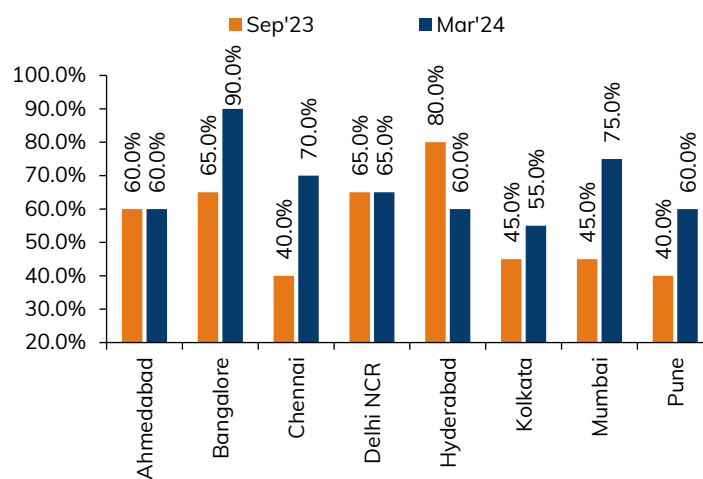
Source: I-Sec research

**Exhibit 15: Significant increase in advertising adoption among east and west zones**

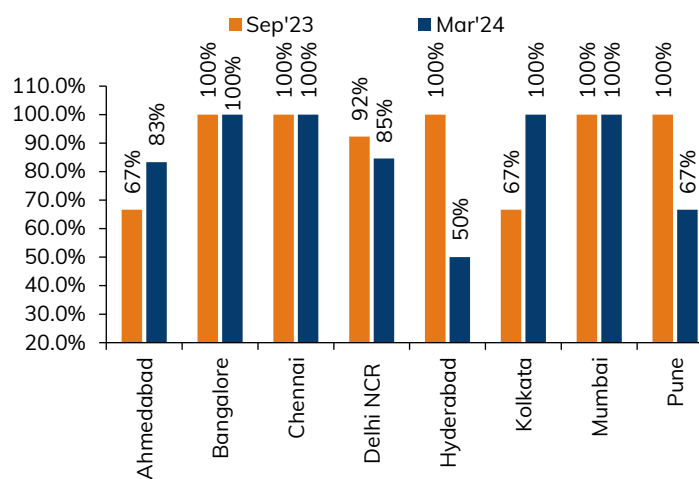
Source: I-Sec research

**Exhibit 16: Advertiser satisfaction shows a jump in East zone**

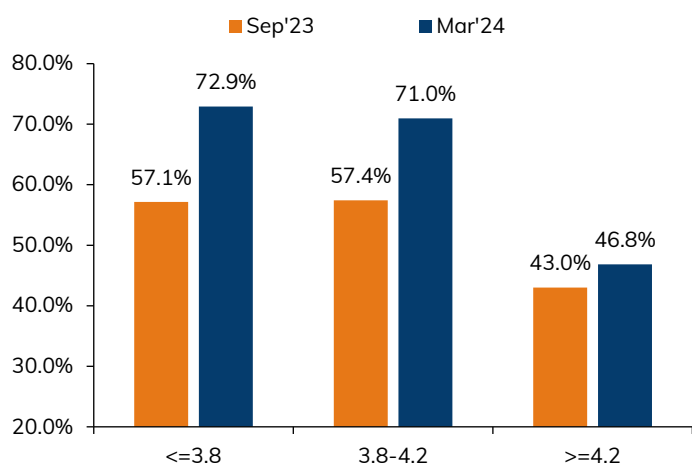
Source: I-Sec research

**Exhibit 17: Growing advertising adoption across top 8 cities**

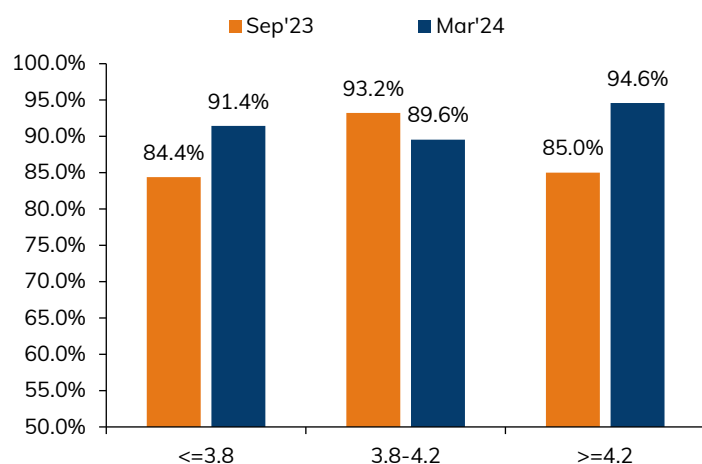
Source: I-Sec research

**Exhibit 18: Rise in customer satisfaction too witnessed..**

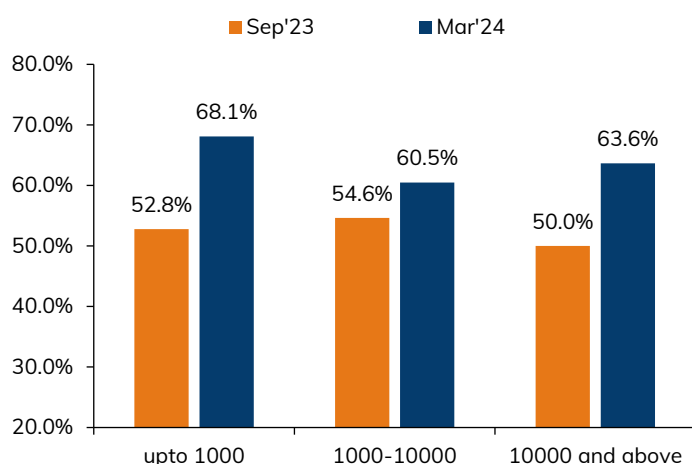
Source: I-Sec research

**Exhibit 19: Increase in adoption of advertising amongst lower rated restaurants**

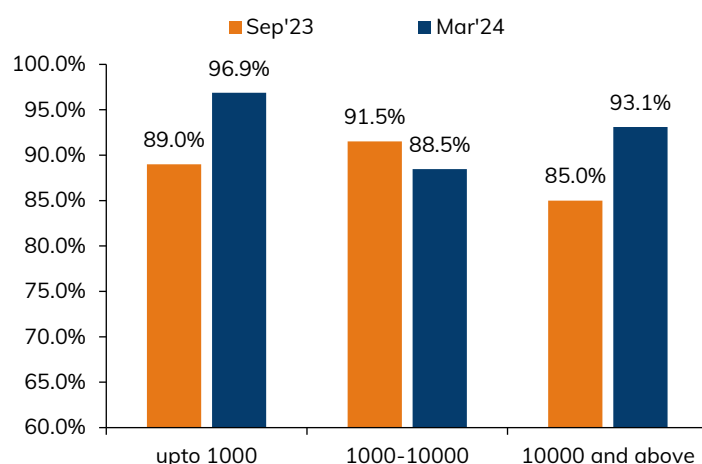
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 20: Customer satisfaction increased slightly compared to last iteration across restaurant ratings**

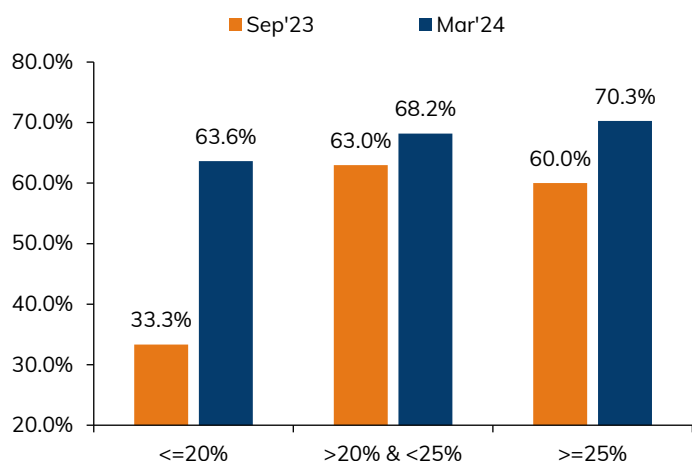
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 21: Increase in adoption of advertising seen across restaurants of different popularity levels (no. of reviews)**

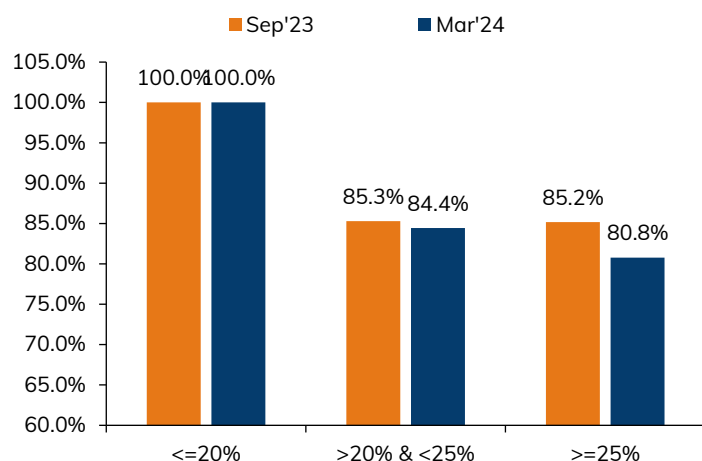
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 22: Customer satisfaction increased slightly compared to last iteration across popularity (no of reviews)**

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

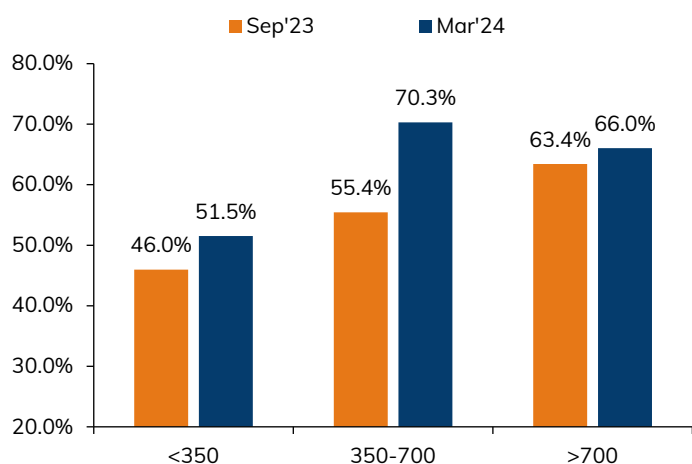
**Exhibit 23: Increase in adoption of advertising amongst restaurants being charged lower commissions witnessed**

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

**Exhibit 24: Customer satisfaction increased slightly compared to last iteration across commissions**

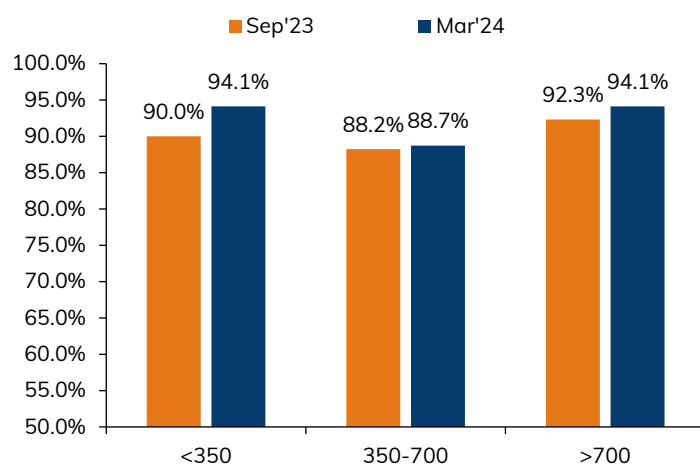
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 25: Increase in adoption of advertising seen in this iteration across ticket sizes**



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

**Exhibit 26: Customer satisfaction increased slightly compared to last iteration across ticket sizes**



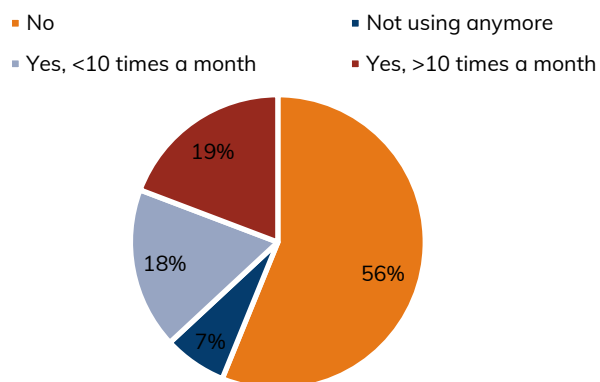
Source: I-Sec research, X-axis figures are in INR, X-axis denotes ticket size for 2

### Anecdotes

- Some respondents claimed that advertising has become a necessity and an added cost for restaurants because of a change in consumer behaviour, wherein many customers only choose restaurants based on the discounts available at that point.
- Another respondent in Kanpur claimed that customers do not place an order if they are not given discounts/offers; therefore, advertising has become imperative.
- Another respondent in Bangalore claimed that they are priced lower than competitors for advertising due to being present in multiple locations. They claimed that it was very useful in getting more orders.
- There were some who thought popularity of the restaurant was more important than advertising.

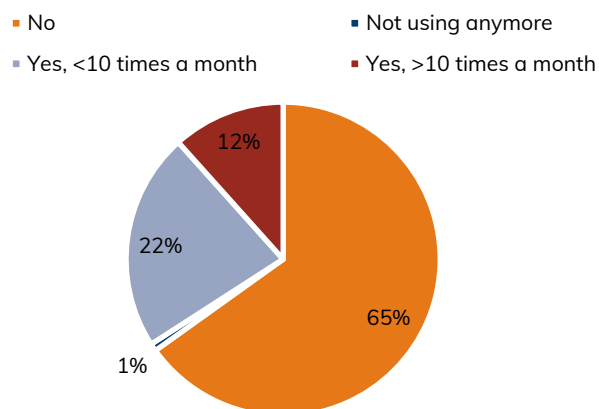
## Survey highlights – Hyperpure

**Exhibit 27: As per Sep'23 iteration, 37% of respondents in relevant cities were using Hyperpure; 7% claimed to have stopped using it**



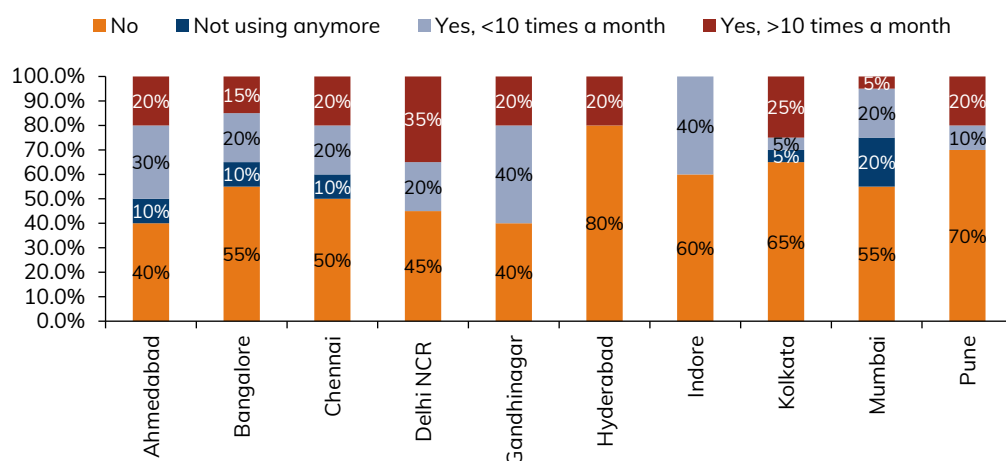
Source:

**Exhibit 28: As per Mar'24 iteration, 34% of respondents in relevant cities are using Hyperpure**



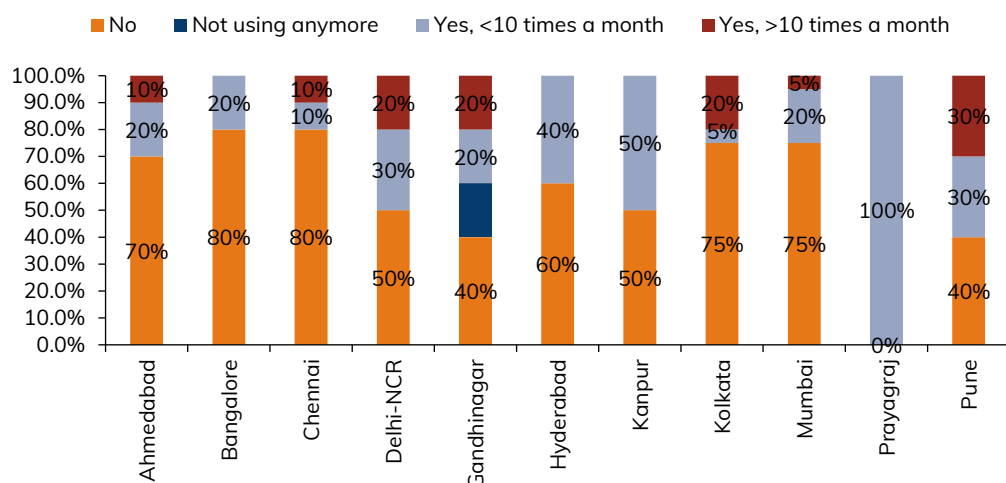
Source:

**Exhibit 29: As per Sep'23 iteration, Delhi-NCR, Gandhinagar and Ahmedabad were amongst heaviest users of Hyperpure**



Source: I-Sec research

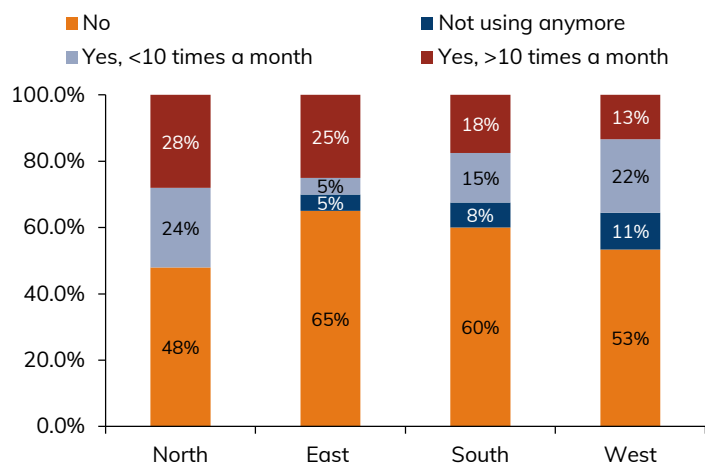
**Exhibit 30: As per Mar'24 iteration, Delhi-NCR, Gandhinagar and Pune are amongst heaviest users of Hyperpure**



Source: I-Sec research

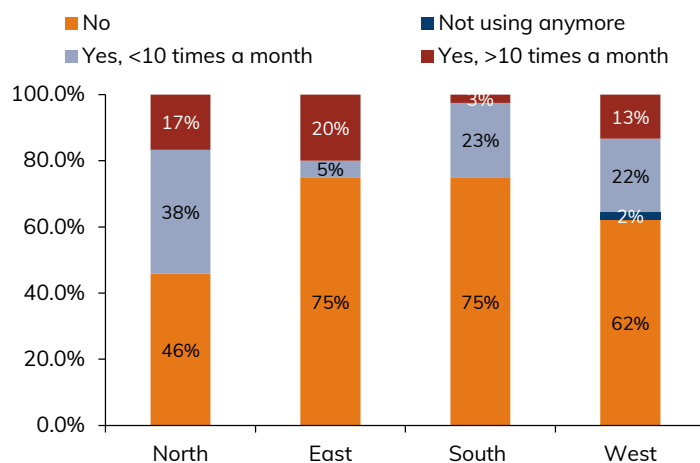


**Exhibit 31: As per Sep'23 iteration, 28% of restaurants in relevant cities in north and 25% in east are using Hyperpure more than 10 times a month**



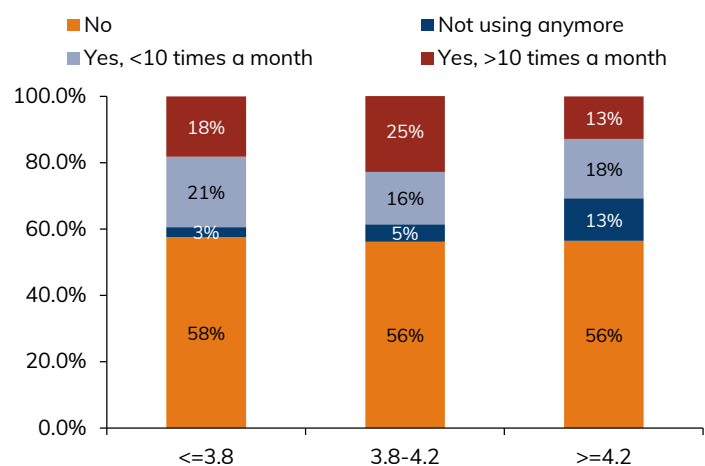
Source: Company data, I-Sec research

**Exhibit 32: As per Mar'24 iteration, 17% of restaurants in relevant cities in north and 20% in east are using Hyperpure more than 10 times a month**



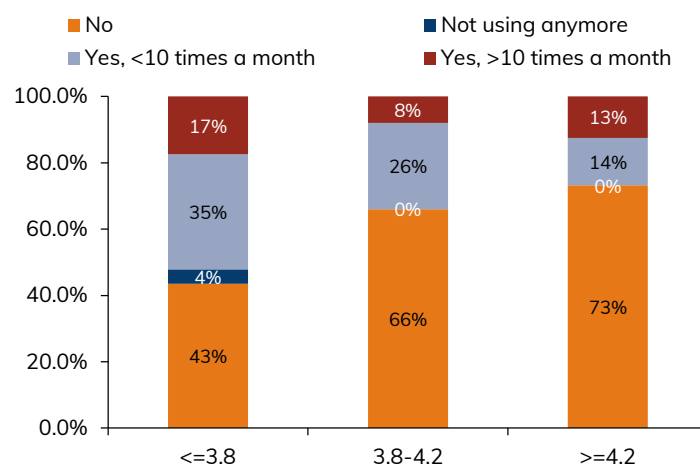
Source: Company data, I-Sec research

**Exhibit 33: As per Sep'23, 25% of mid-rated restaurants in relevant cities were using Hyperpure >10 times a month**



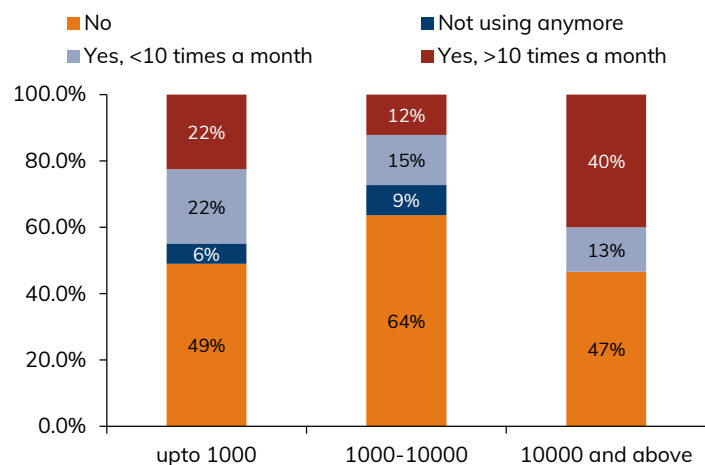
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 34: As per Mar'24 iteration, 17% of low-rated restaurants in relevant cities are using Hyperpure >10 times in a month**



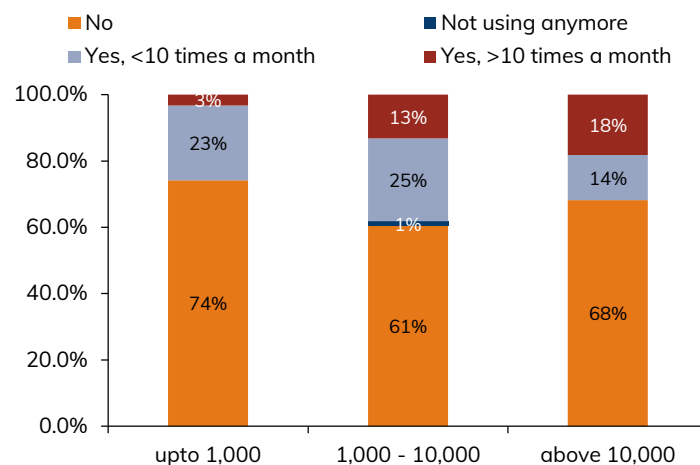
Source: I-Sec research, X-axis denotes user ratings out of 5

**Exhibit 35: As per Sep'23, 53% of restaurants with high popularity in relevant cities were using Hyperpure**



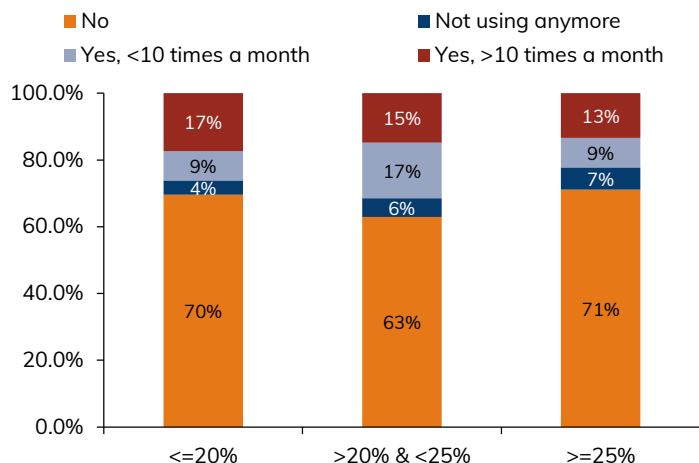
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 36: As per Mar'24, 32% of restaurants with high popularity in relevant cities are using Hyperpure**



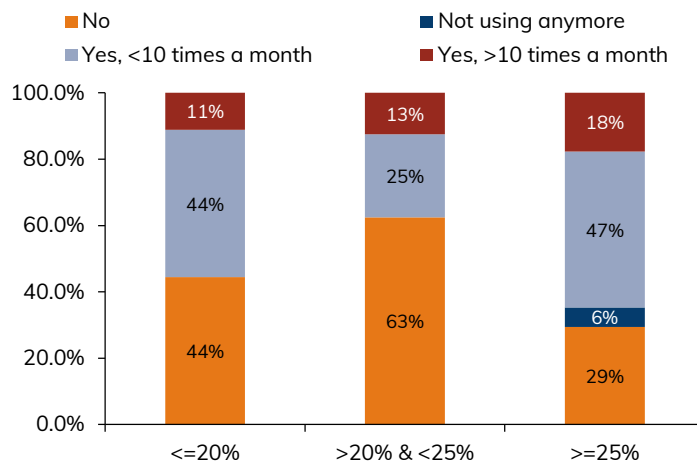
Source: I-Sec research, X-axis denotes total number of reviews

**Exhibit 37: As per Sep'23 iteration, Hyperpure most popular amongst restaurants paying commission between 20%-25%**



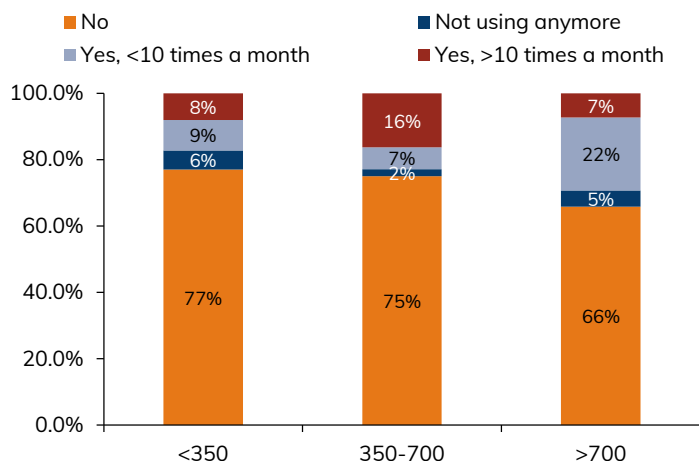
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 38: As per Mar'24 iteration, Hyperpure most popular amongst restaurants paying commission ≥25%**



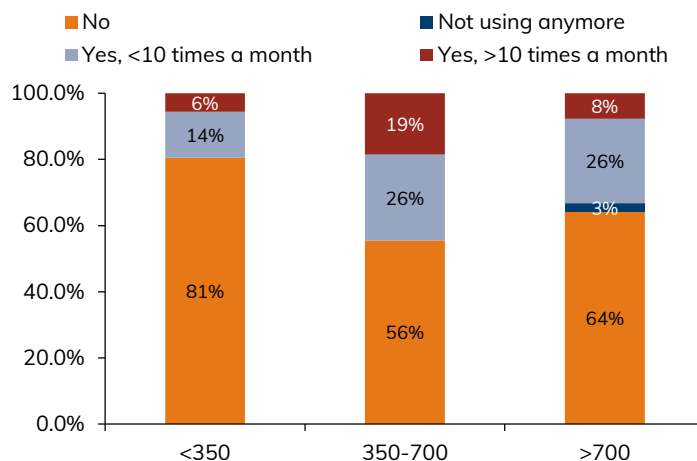
Source: I-Sec research, X-axis denotes reported take rates

**Exhibit 39: As per Sep'23 iteration, 29% of premium restaurants were using Hyperpure**



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

**Exhibit 40: As per Mar'24 iteration, 45% of mid-priced restaurants are using Hyperpure**



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

### Anecdotes

- One respondent in Mumbai claimed that they use Hyperpure as it provides up to 45 days of credit; however, the traditional sources of procurement are cheaper.
- One respondent in Mumbai claimed that they use Hyperpure regularly and the order is placed through the head office, as they are present in multiple locations, leading to ease of procurement.
- One respondent in Hyderabad claimed that they prefer ordering from local suppliers because they order in bulk, but use Hyperpure for specific items. They found the service to be of high quality.
- Two respondents in Delhi, one in Pune and Kolkata ordered from Hyperpure on a daily basis.

## Survey methodology

We surveyed 220 restaurants across 40 cities and towns pan-India between 25th Mar'24 – 10th Mar'24 to assess various parameters such as commissions charged by food aggregators, restaurant level AOVs, propensity of restaurant partners to advertise on food aggregators' 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 tabulate data. Given the respondents were chosen at random and provided the information voluntarily, we had to be brief with our questions.

## Survey parameters and definitions

### Exhibit 41: 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 42: Next 12 cities as part of survey

Sno	Next 12	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 43: Tier 2/3 cities as part of survey

Sno	Tier 2/3	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 44: Respondents as per tier**

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

Source: I-Sec research

**Exhibit 45: Respondents as per zone**

Zone	Respondents
North	54
East	38
South	71
West	57

Source: I-Sec research

**Exhibit 46: Respondents as per commission**

Commission	Respondents
<=20%	11
20%<Commission<25%	66
>=25%	37
CR	106

Source: I-Sec research

**Exhibit 47: Respondents as per number of reviews**

Number of reviews	Respondents
upto 1000 (Low Popularity)	47
1000-10000 (Mid-popularity)	129
10000 and above (High Popularity)	44

Source: I-Sec research

**Exhibit 48: Respondents as per ticket size**

Ticket size (INR)	Respondents
<350 (Budget)	66
350-700 (Value)	101
>700 (Premium)	53

Source: I-Sec research

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