

# 'Restaurants Get 33% of Revenues via Food Delivery Platforms'



Restaurants get nearly a third of their revenues from food delivery apps – Zomato and Swiggy despite about 75% of them having direct ordering channels such as own app and website, social media connects or direct tele calling to generate demand, said a report by JM Financial. **Sagar Malviya** reports. ▶▶ 6

# 'A Third of Restaurants' Income Comes from Food Delivery Apps'

Most have higher price tags on online menu to recoup high aggregator commissions, discounts: Report

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**Mumbai:** Restaurants get nearly a third of their revenues from food delivery aggregators Zomato and Swiggy despite about 75% of them having direct ordering channels such as own app and website, social media connects, or direct tele calling to generate demand.

Also, over 85% of the restaurants have higher price tags on their online menu compared to dine-in menu prices to recoup high aggregator commissions and discounts, said a recent report by JM Financial that surveyed more than 135 restaurants spread across top 10 cities.

"While, theoretically, the organised food services industry can survive without the presence of aggregators, practically that is unlikely to ever happen. Even some of the branded, chain restaurants mentioned that they have limited bargaining power over aggregators on account of the latter's sheer size, customer loyalty and diversified supplier base," said the report.

However, the National Restaurant Association of India (NRAI) said these large incumbent aggregators are not indispensable. While aggregators have helped demand, there has been friction point over the past several years over their high com-

## Unhealthy Ecosystem

 **75% of restaurants have their own ordering channels but still use aggregators**

Aggregators' size and customer loyalty limit restaurants' bargaining power

NRAI argues that aggregators are not indispensable

Aggregators' high commissions eat into restaurant profit margins



The ideal contribution of aggregators should be around 15%

Average commissions claimed by aggregators are around 27% of order value

mission rates that restaurants claimed eat into their profit margins.

"For the restaurant business, their contribution should not be more than 15% on an average, while QSRs and cloud kitchens largely survive on these food aggregators. There is a strong duopoly in the delivery space currently, but survival, especially for small restaurants, is a challenge despite strong sales growth," Anurag Katriar, founder at Indigo Hospitality and NRAI Trustee, told ET. "The ecosystem is so unhealthy that no one, neither aggregators nor restaurants are making profit, clearly indicating that the current terms need to be reworked, which has been an ongoing process."

While the average commissions claimed by the aggregators stood at 27% of the restaurant's average order value, JM Financial said the number is likely inflated by 18% GST that aggregators are required to collect from restaurants on top of their own commissions. Adjusted for that, actual commissions could be 22-23%.

Swiggy said its food marketplace has helped boost sales for over 2.8 lakh restaurants by driving demand by providing a marketing tool that attracts a wide customer base actively seeking diverse dining experiences.

"Restaurants can focus on creating exceptional culinary experiences

while we take care of the delivery. We are dedicated to supporting and empowering the restaurant community, reshaping the food industry landscape to ensure a thriving dining experience not only in metros but also in smaller cities and towns," said Rohit Kapoor, chief executive officer at Swiggy Food-Marketplace.

Experts also said Open Network for Digital Commerce (ONDC), which allows restaurants to sell food directly to consumers through buyer apps, is still nascent and many restaurants are still unsure on how they could get onboarded on the network. This is despite ONDC having no delivery fees from consumers and a significantly lower commission. Zomato, in its fourth quarter earnings call, said a lot of its restaurant partners get many orders directly placed with them either through phone or to their own website or apps.

"We welcome any change or any innovation that helps the restaurant industry grow and there are a lot of innovations happening out there. And we will continue watching it and learning from it. At this point, we don't feel anything is going to come at the cost of our growth as the overall penetration is low. And therefore, there is room for everyone to grow in this market," said Akshant Goyal, CFO at Zomato, told analysts.