

The Zomato logo is displayed in white, lowercase, bold, italicized sans-serif font against a solid red rectangular background.

zomato

PRD - How Can Zomato Improve User Retention?

1.0 Understanding Zomato

- Zomato is a technology platform that connects customers, restaurant partners, and delivery partners, serving their multiple needs.
- Customers use Zomato to search/discover restaurants, read/write reviews and upload photos, order food and food supplements, book tables, and make payments while dining out.
- One of the category leaders in India, when it comes to food delivery and restaurant discovery.

1.1 Mission Statement / Goal

- Never have a bad meal
- Better food for more people

1.2 Problems It Solves

- 1) Food delivery.
- 2) Restaurant listings and discovery.
- 3) Booking a reservation at restaurants.
- 4) Delivery of nutrition products such as protein powders.
- 5) Supply of fresh, hygienic, high quality ingredients to restaurants.

1.3 User Segments

- B2C Segment -
 - 1) Consumers who want to order food from nearby restaurants at the doorstep.
 - 2) Consumers who want to dine out by discovering the nearby restaurant options and booking a reservation for the same.
 - 3) Consumers who want to order food supplements such as protein powders, vitamin tablets at the doorstep.
- B2B Segment -
 - 1) Restaurants who want more visibility to grow their user base and revenue list themselves on Zomato for discovery, delivery and table reservation.
 - 2) Restaurants who need raw material such as vegetables, fruits, meat to prepare the food partner with Hyperpure by Zomato.

1.4 Stage of The Company

- Started in 2008 as a restaurant listing B2B business.
- Added B2C element of food delivery in 2015.
- In July 2021, Zomato filed its IPO on BSE.

1.5 Revenue Model

- Zomato's key revenue drivers -
 - 1) Commission per transaction
 - 2) Advertising
 - 3) Subscription service 'Zomato Pro'
- Majority of the Zomato's revenue comes from commission charged on delivery and ads of the restaurants on the platform.
- High Level Revenue Model of Zomato Delivery Business is -
[(Monthly Transacting Users) × (# of Orders Per User) × 12]

2.0 What Is Retention?

- Customer retention is a company's ability to retain its customers over time. It's a percentage-based metric measuring how many customers are retained by the end of a given time period.
- In the case of Zomato, % of users out of the total user base coming back to the platform for ordering multiple times translates into retention.
- If a user comes back to place the 2nd order on Zomato, he is retained.

2.1 Why Retention Is A Problem?

- When it comes to the food delivery business, consumer behavior becomes volatile.
- Along with quality of food and timely delivery, the discount offers play a vital role while deciding the food delivery platform.
- As soon as a user figures out that a competitor app is giving a better discount, the switch happens instantly.
- And that is why retaining users has become a tough problem to crack.
- Having said that, ultimately discount offers have been the most prominent way to retain users in case of Zomato and its competitor Swiggy.

2.2 Why Should It Be Solved?

- Retention balances the customer acquisition costs and this is one of the ways to get the unit economics of the business right.
- If users are not repeatedly using the product/service, then the sustainability of the business gets questionable.
- In case of Zomato, # of orders per user gives us clarity about retention.
- And, as # orders per user play a bigger role in the revenue, retention deserves much attention.

2.3 What Are The Existing Solutions

- 1) Discount offers
- 2) Zomato Pro

2.4 Why Existing Solutions Are Not Sufficient?

1) Discount offers

- This has been one of the key drivers of the food delivery business for Zomato.
- It has been offering great discounts, sometimes as high as 60%-70%, and this has become a habit for a lot of consumers.
- Infact, some users such as students have stuck to Zomato purely because of heavy discounts.

- After a specific # of orders (1-2) in a week, the discounts start getting negligible, this triggers a set of users to switch to competitors like swiggy which provides more exciting discount offers.
- This churn has become very normalised over a period of time, but this will be a bigger risk as Zomato is taking some strategic decisions about discounts post their IPO.
- The Average discount value has reduced from Rs.21.7 (2020) to Rs.7.3 (Q1 2021), and this will continue post IPO.
- Zomato can't afford to lose a bigger chunk of users who are discount savvy and who might switch to competitors like Swiggy.

2) Zomato Pro

- Zomato also launched 'Zomato Pro' a few years back which is a 3 month subscription service for getting guaranteed discounts and waiving off delivery fees. It also provides upto 40% off on dining bills in restaurants.
- Currently it is priced at Rs.200 for three months.
- Even though the pricing is relatively decent, total # Zomato Pro users are ~1.5M (total user base of Zomato is 200M+).
- This shows that a large set of users still have not gotten used to paying for a food delivery subscription plan.
- This might work in long term, but one never knows how long will it take to achieve a decent # of users for Zomato Pro.
- So, the remaining users who don't get a guaranteed discount offer continuously, switch to competitors like Swiggy.

2.5 Pain Point To Be Solved For A Target Group

- Retention of users who are habituated to discount offers but easily switch to competitors such as Swiggy in case Zomato lowers/stops offering discounts.
- This set of users typically consists of students, working professionals who want food at a cheaper price.

3.0 Proposed Solution - Zomato Streak

- **Zomato Streak**

- Streak is basically a visual timeline, where a user is given a goal to be achieved in terms of # of orders per unit time.
- It can gamify the # of orders and frequency of orders for a specific time frame for a user.
- Streak will function on following parameters -
 - 1) **Goal Setting** by Zomato in terms of # orders per unit time.
 - 2) **Guaranteed discounts** in increasing fashion for every order in the streak.
E.g. If a user gets 10% on the 1st order then, the 2nd orders will fetch discounts > 10%
 - 3) **Final Reward** - Once a user reaches the goal of the streak in a given time frame, the user will be rewarded by Zomato with a **free meal**.
 - 4) A **leaderboard** at the top that shows # of free meals delivered by Zomato in a time frame in a particular pincode/city/state etc.

- **Who Qualifies To Use Zomato Streak?**

- Let us assume that an average user belonging to a user group that focuses on getting maximum offers from Zomato, orders once per week.
- So, anyone who orders two orders per week on Zomato, immediately qualifies to unlock the streak feature.
- Ordering twice gives a probability that a particular user is willing to order multiple times from Zomato and hence he will be a perfect fit for 'Streak'.

- **Key Parameters -**

- 1) **Goal Setting**

- Zomato should set the goal in a manner that would seem a bit competitive as well as should not seem too overwhelming to achieve.
- For a frequent Zomato user 1 order/week is a standard frequency.
- So, Zomato can set the goal as **8 orders/month** by considering 2 orders/week.

- 2) **Guaranteed Discounts**

- The core intention here is to make the users aware about guaranteed discounts in increasing fashion w.r.t orders.
- Users will be triggered more by the 'Guaranteed' factor than the amount of discount to be given.
- So, here Zomato can actually play with decent increasing margins.
E.g. If the first order gets a 10% discount then all the next orders can be set on the basis of 1.2X or 1.3X than the previous discount.

- With the first order's discount as 10%, let us consider a 1.3X increase on every next order's discount than the previous one.
 - 1st order = 10%
 - 2nd order = 13%
 - 3rd order ~ 17%
 - 4th order ~ 22%
 - 5th order ~ 29%
 - 6th order ~ 38%
 - 7th order ~ 50%
 - 8th order ~ 65%

3) Final Reward

- Final reward is the main tempting factor for the users in this streak process.
- Now that streak has made them take 8 actions in a month (8 orders), they should be rewarded for these actions.
- For a user the ultimate reward always rings with a **free meal**.
- Zomato can definitely put terms and conditions and can set an upper limit on the final reward amount.
- Here, it can be decided on factors such as total amount spent on 8 orders and hence keeping the **upper limit of the free meal amount as a certain fraction of the total order amount**.
- E.g. If a user spends Rs. 1500 on all 8 orders and if Zomato decides the upper limit of the reward should be 1/5th of the total order amount in a month, then the free meal a user can order from Zomato will have an upper limit = Rs. 300.

4) Leaderboard

- To make this feature more tempting, Zomato can build a leaderboard which can show # of free meals delivered by Zomato in a specific pincode/city/state etc.
- This number will make the users believe that people are actually getting free meals and will push them more to start the streak activity.

3.1 Goal of The Feature

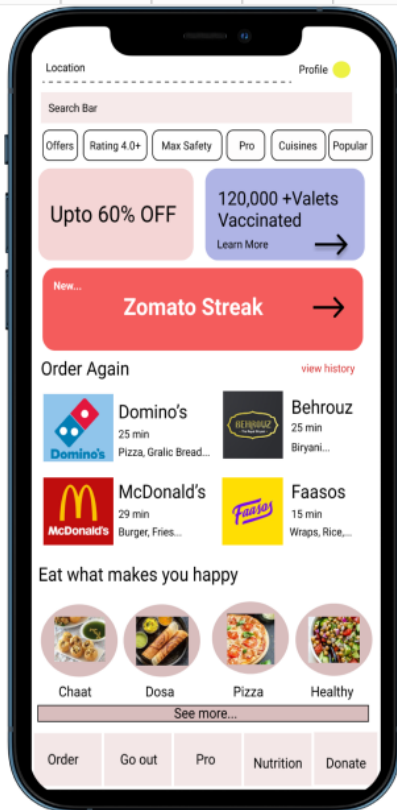
- To Increase the number of orders per user, who is not using Zomato Pro.
- Reduce the churn of the users.

3.2 User Journey With Mock Ups -

Link to mock ups -

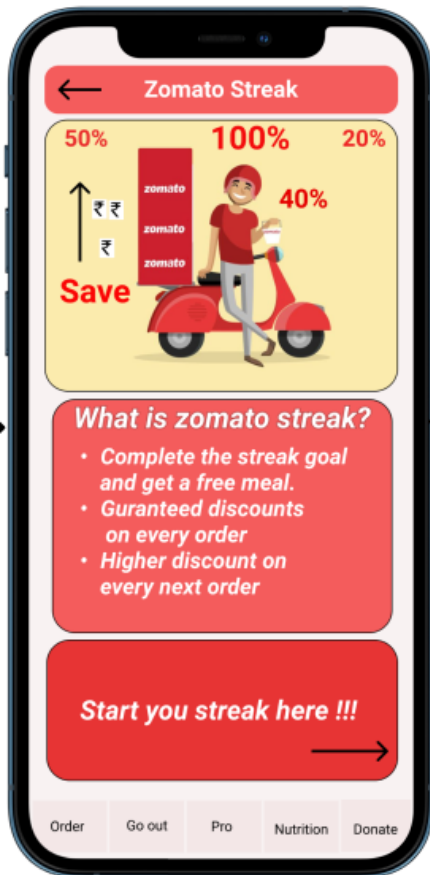
<https://www.figma.com/file/Jrj5tlmkZglEHtsIRez9tU/Zomato-Streak?node-id=0%3A1>

1) Screen 1 -



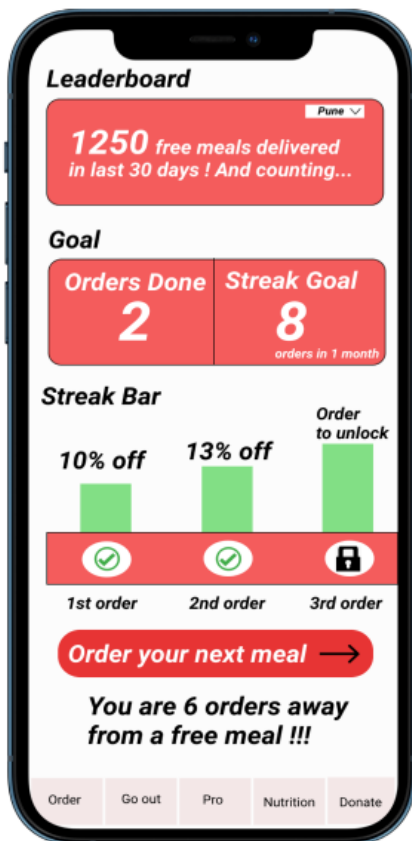
- User launches Zomato app
- Zomato streak has a dedicated tab on the home screen.
- User clicks on the streak tab.

2) Screen 2 -



- Next page talks about what a Zomato streak is and how it is beneficial.
- There is a CTA to start the streak at the bottom of the screen, and the user clicks on it.

3) Screen 3 -



- On the next screen, there is a leaderboard that displays # of free meals delivered by Zomato in a particular region (pincode/city/state)
- The 'goal' tab displays the # of orders to be completed and orders placed.
- Streak bar displays every order in the streak that has been placed and next orders to be unlocked to avail the discounts.
- At the bottom the CTA for placing the order is present.
- Once a user places the order from this CTA, the streak feature gets activated for the user.
- On streak bar user can track the % of discount that is received till date.

3.3 Success Metrics -

Type of Metric	Goal	Metric
North Star		<ol style="list-style-type: none"> # of free meals delivered per month. Increase in # of orders per user.
Secondary	Awareness	<ol style="list-style-type: none"> # of clicks on the 'Zomato Streak' tab per month.
	Acquisition	<ol style="list-style-type: none"> # of streak users who were acquired after releasing this feature
	Activation	<ol style="list-style-type: none"> # of users who have started the streak.
	Conversion	<ol style="list-style-type: none"> % conversion from visitors of the feature to the users placing first two orders.
	Retention	<ol style="list-style-type: none"> MOM % decrease in the churn of users. % of users who have completed half of the streak goal i.e. 4 orders # of users who have started their 2nd monthly streak
	Revenue	<ol style="list-style-type: none"> % Increase in ARPU % Increase in LTV

- **North Star Metric -**

- 1) **# of free meals delivered per month** - This will give complete understanding of following :
 - Stickiness - # of users successfully completing the goal.
 - Retention - # of users successfully retained.
 - This metric can be checked w.r.t locations (pincode, city, state) that will give us region wise health of this feature.
- 2) **Increase in # of orders per user** -
 - This will indicate how well the feature is performing.
 - Revenue - # of orders placed → commission generated

- **Time Frame To Validate The Success of This Feature**

- All the above mentioned metrics shall be monitored for three months, as three months is the subscription period for Zomato Pro.
- This will give us clarity on how this feature is performing w.r.t. the existing solutions such as Zomato Pro.

3.4 Impact For Stakeholders

- 1) Users -
 - Guaranteed discounts on every order.
 - Free meal as an ultimate reward.
- 2) Zomato -
 - User Retention
 - Increased probability of guaranteed # orders.
 - Increase in # of orders/users.
 - Increase in ARPU
 - Increase in LTV
- 3) Restaurants -
 - Increase in # of orders.
 - Decrease in total amount of discounts per order.
(This will be reduced as compared to the usual discounts they offer per order ~ 30% - 60%. As the initial 5 orders in the streak will have discounts < 30%.)
- 4) Delivery Partners -
 - Increase in # of delivery requests that convert to higher salary.

3.5 Risks

- 1) Some restaurants might end up giving heavier discounts compared to what they usually offer. It can trigger disagreement from restaurants.
- 2) Some users might lose the patience of completing the goal of 8 orders/month.