

# India's restaurants rebel against apps

MUMBAI, INDIA

Stung by deep discounts, owners demand change from delivery services

BY VINDU GOEL  
AND AYESHA VENKATARAMAN

Aakanksha Porwal, the owner of a small retro diner called Vahnilla & Company, recently signed up for the Zomato food delivery app to make dishes like her veggie cheeseburgers and Kit Kat cakesicles available to a wider audience. She also joined Zomato's Gold program, in which she would offer two dishes for the price of one to members who came to dine in person.

The goal was to help expand her nascent business. But three months and 150 free dishes later, Ms. Porwal has grown disillusioned.

The free food has cost her about 20 percent of her revenue, on top of a Zomato Gold sign-up fee of about \$550, she said. Gold users, who pay about \$14 for a year of buy-one-get-one-free dining at 6,000 restaurants, are often rude and demand extra discounts, she added. And Vahnilla pays Zomato a steep com-



SAHIBA CHAWDHARY FOR THE NEW YORK TIMES

Picking up an order for the Zomato food delivery app in New Delhi. Dining apps charge hefty commissions on each order and can squeeze the profit margins of restaurants.

mission of 28 percent on every order that is delivered.

"Zomato is the greatest thing to happen to a customer," Ms. Porwal said. "The consideration for restaurant owners is literally nothing."

Now, in a collective primal scream, India's restaurants are rebelling against Zomato and other leading dining apps.

Two weeks ago, a group of restaurant owners near New Delhi called for an end to the food discounts constantly offered by Zomato and competitors like Swiggy and Uber Eats. They argued that the costs fell on eateries, while the apps reaped the rewards. The protest, which has drawn public support from thousands of eateries, has its own hashtag,

#Logout. Many have either left the Gold program or pledged to do so.

"The consumer believes that a discount has been his right, not a privilege," said the leader of the insurrection, Rahul Singh, who is the chief executive of the Beer Café restaurant chain and the president of India's National Restaurant Association. "But all of this is coming out of the restaurants' pockets."

The frustration goes beyond India. As food ordering and delivery increasingly move online, restaurateurs and delivery workers around the world are questioning the small share of the pie they get from powerful gatekeepers like Zomato in India, Grubhub and DoorDash in the United States, and Deliveroo in Europe and elsewhere.

The apps have made it easier for people to order takeout meals, and restaurants have gotten exposure to a larger audience of diners. But the platforms also charge hefty commissions on each order and can squeeze the profit margins of culinary establishments. In the United States, some restaurants have closed, unable to keep up with the cost of working with the delivery apps.

The revolt in India underscores how tense the relationship between restaurants and the dining apps has become. On Thursday, restaurateurs spent all **INDIA, PAGE 9**

# A pledge to abandon food delivery apps

INDIA, FROM PAGE 8

day meeting with top executives of Zomato and Swiggy, but failed to settle their differences.

"The customer is addicted now," Satish Meena, a senior forecast analyst in the New Delhi office of Forrester, a global tech research firm, said of the apps. "They have trained the customer that if there's not a discount today, I'll wait because tomorrow there will be another discount."

The Indian food delivery apps said they provided a valuable and costly service that was underappreciated by their restaurant partners. But they are also making some changes in the face of the rebellion.

Shortly after the #Logout campaign began, Zomato's chief executive, Deepinder Goyal, apologized on Twitter for the financial pain that "bargain hunters" had caused some restaurants. On Aug. 21, he sent an email to all of the Gold restaurants announcing 10 changes in response to their concerns, including a once-a-day limit and a dou-

bling of the annual subscription price to about \$25. But he refused to end the program. Just the opposite: In an interview on Aug. 23, Mr. Goyal said he intended to expand Zomato Gold to delivery. About 18,000 restaurants had already signed up, he said, and Zomato would soon test the idea with a small group of customers.

"Sometimes with all the discounts, it's cheaper for the customer to order online than cook at home," said Anurag Katriar, who runs a group of European-style restaurants under the Indigo brand and heads the Mumbai chapter of the restaurant association. "For the aggregators, it's the number of users and clicks that builds their value."

Another sore point is customer data. Neither Zomato nor Swiggy shares customers' names and phone numbers with the restaurant that fills the order, citing privacy concerns. Restaurant owners said that left them with no way to market directly or build long-term relationships with their best customers.

Zomato and Swiggy also keep devis-

ing promotions and programs to provide value to app users — often at the expense of the restaurants.

Zomato recently enrolled about 250 restaurants in an experiment called Infinity, in which people could eat as much as they wanted from a restaurant's entire menu for a flat price. The ensuing gluttony was difficult for restaurants to manage and resulted in a lot of wasted food. Mr. Goyal said Zomato now planned to limit the unlimited dining to selected items like pancakes or dosas.

Swiggy, which is focused entirely on delivery, is beginning to compete directly with restaurant partners through its own brands, which make food in special, delivery-only "cloud kitchens." The restaurant industry has asked India's antitrust regulators to block the in-house brands. Swiggy declined to comment on the matter.

The frustrations came to a head on Aug. 13, just before India's Independence Day. About 300 restaurant owners in Gurugram, a New Delhi suburb that is home to many tech companies, includ-

ing Zomato, decided they were tired of losing money to patrons of Zomato Gold. They made a pact to pull out of Gold and other discount programs for a few days, saying that they wanted to "detox consumers from discount addiction."

News of the protest went viral. Within days, more than 2,000 restaurants — from white-tablecloth establishments to neighborhood dosa shops — joined in. This past week, the industry called for additional changes to the food delivery programs operated by the major players, including Uber Eats.

During meetings on Thursday to discuss those requests, Swiggy said it would limit the frequency of discounts and look at ways to share the costs, according to Mr. Katriar, who attended. But Zomato indicated that it would press forward with Mr. Goyal's plan to expand Gold to delivery, which could further damage restaurant finances.

A Swiggy spokesman said the meeting had been "constructive and collaborative." A Zomato spokeswoman did not respond to requests for comment.