The Swiggy Story: The Company that got its teeth into India's appetite for Food Delivery

Dr. Poonam Chhaniwal[1], Dr. Diljeetkaur Makhija[2]

KEYWORDS	ABSTRACT
Impulse Buying, Gadget Industry, Elaboration-Likelihood Model (ELM), Consumer Behaviour, Marketing Strategies.	Recall the old days when foodies used to save the eatery flyers, called the restaurants service providers only to be replied back – "We are sorry. There are no delivery boys available". It was difficult to believe that was the case six to seven years ago. We are today now talking of a time where ordering food online is so convenient and reasonable that it is practiced by a sizeable population on regular bases. Scenes of delivery executives donning the customized red/ orange t-shirts on streets, in universities, offices and homes are quite common with all of them in a race to reach the venue and complete the order delivery. .

1. ENTER SWIGGY

One sector which seemed to have gone through the digital disruption brought about by the next generation entrepreneurs is the food sector. Swiggy, India's revered food – delivery platform had chartered a considerable growth journey from the time it was established in 2014 by its founders Nandan Reddy, Rahul Jaimini and Sriharsha Majety. It was not long ago the food delivery segment was fractured with issues of irregularities, exorbitant delivery charges & constrained by payment choices. What was needed was an aggregator platform that was customized, customer –friendly, ascendable and complemented by strong logistics at the back-end. India's two leading food deliver platforms Swiggy along with its competing counterpart Zomato, to much extent had come with solutions. For the very first time, there was a single entity which took charge of the entire cycle: order placement to food delivery. The entire ecosystem of food delivery provided the end-users flexibility, variety in food choices & quicker delivery time. The food delivery platform Swiggy boasted of over 5,000,000 application installations & is a known name for the Indian households who order food online.

In the year 2022, company pumped in $700 million & stood tall at a valuation of 1.3 billion. This marked a commendable landmark for what had been a significant voyage of three young entrepreneurs who came from diverse backgrounds & developed India's sought after food delivery platform. To place things in order, Flipkart which was recognized as India's most successful start –up took more than six years to be known as a unicorn. Swiggy which took birth in the start-up city Bengaluru of India seemed to have broken the same record in less than 4 years, transitioning to being the fastest start-up to become a unicorn. [1]Swiggy seemed to be the only user internet start –up from the 2014-2015 hyper-funding wave that seemed to survive and thrive. The wave was expected to result in several ecommerce companies and bunch full of unicorns. After everything settled, only Swiggy succeeded. It had along the journey, outpaced older companies like Foodpanda & early entrants like Tinyowl which ultimately collapsed.

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[1] Durba Ghosh, Timeline: How late entrant Swiggy became India's most valued start –up," qz.com, December 2018.

[2]The food delivery business particularly the online – food order segment looked promising and was assumed to treble its size in the coming three years to $2.5 million as per the current estimates by RedSeer. The two players Swiggy & Zomato seemed to lead the pack with big funding rounds. Uber & Ola had also thrown their hats in the rings to acquire a share of the extremely competitive sector. In recent news feeds, the co-founder of Swiggy, Mr. Majety shared that food delivery was a tough business everywhere. He also shared that management would have to reflect & come with strategic ways to sustain the wave of imminent "funding winter". He was positive that Swiggy's food –delivery segment would endure to grow exponentially. Still, the cash-reserves would not allow the company to burn cash that was required for supporting the growing operations & the market share. It was an adventurous voyage as the competition got fiercer & aggressive, consequent to the entry of new players & coupled with enduring changes in the food-tastes of consumers. Swiggy had expanded to other markets & entered into tactical collaborations with restaurant partners & eateries. It also seemed to have extended its brand by providing a broad ally of services like deliveries of medicines, groceries & common household essentials by way of its swift delivery partner, Instamart. With the appetite for cash-guzzling businesses dipping in the midst of global winds, there seemed to be increased pressure on these startups to limit the cash burn. Pragmatic issues like infrastructure costs, brand, and range of food offerings, operating efficiency & shifting consumer food habits would also decide which stakeholders win or lose as the industry advances. Possible regulatory issues, the probable changes as to how the delivery executives are compensated, will also account in the reorganizing.

In such a dynamic and demanding context, will the company's decision to expand its business away from food ordering & delivery and step into business verticals like grocery & pharmacy delivery be a right strategy? Will it help the company to march forward & stay right ahead of competition?

FOOD DELIVERY BUSINESS

Historical Origin – 'Food delivery' Business

Some years ago, most the of the "phone and order" food orders were carried out by the pizzeria outlets in the metropolitans that served the hungry. How the world ate had changed dramatically. The emergence of high speed internet services and smart phones had been a game changer for the consumers, complemented by the breed of generation who seemed to have bitten by the entrepreneurial bug. Hungry patrons sought to order food by way of mobile applications. The segment of food delivery business seemed to have been disrupted by the digital forces. The food aggregator platforms like Zomato, Swiggy and Uber Eats enhanced the convenience and offered ease of use combined with food choices to vouch for at competitive pricing. Backed by recommendations, likes and reviews received from users, the food delivery sector & in specific the hyper-local distribution ecosystem had undergone seismic shifts. Platforms like Swiggy, Zomato had secured global scale and some even entered the elite club of unicorns. The business of Food delivery had become a global market worth more than $150 million.[3]

The term hyperlocal could be articulated as connecting to or concentrating on issues/matters regarding a small communal or geographic area. Updated and time profound data about the local businesses assisted these patrons narrow down on the right choice in the new region. Local news, eatery analyses & advises, food & grocery delivery came under the purview of hyperlocal. The capability to serve hyperlocal marketing at length had confused many companies with significant marketing budgets. Nevertheless, the birth of hyperlocal interfaces such Zomato and Swiggy transformed the subtleties. The contemporary forms of hyperlocal businesses relished high success as they were facilitated by satellite backed location services on smart phones. GPS-powered applications and high speed internet provided precise real-time pursuing of potential patrons with customized content. The imposition of lockdowns and the necessities of physical distancing early on in the Covid pandemic provided the sector a significant boost, with delivery now being a permanent fixture in the dining landscape.

RESTURANT LANDSCAPE

[4]User expectation & regulations had come of age, supplemented with the emergence of new technologies that restyled the entire food industry. Traditionally, restaurants gauged their profits on three bases: food (28-32 percent of the total costs), infrastructure/occupancy related costs (22 -29 percentages) and labour (28 to 32 percentages). Delivery orders used to be the extra fringe for the restaurant partners, taken care by the drivers instead of the waiters. The drivers were compensated the minimum wages by the restaurant & also secured tips from the consumers, ideally after completing several deliveries at a time within a defined radius of distance. At the end, the delivery intended to improve the eateries/restaurant's returns by augmenting the usage of the restaurant's kitchens at a decent margin. The advent of global pandemic Covid posed an existential threat to the restaurant sector and therefore during that time online deliveries turned to be saving grace. The trend got accentuated due to the dining restrictions imposed during the pandemic. The flourishing delivery market meant that everyone had to work harder –from the chefs to the managers to operational staff. Restaurants came with newer technologies & operating processes to accommodate higher volumes of delivery orders.

AGGREGATION VERSUS DELIVERY

Aggregation interfaces like Zomato or Yelp began with displaying restaurants & other home-grown trades on their platforms and mobile applications which generated endorsements and comments from users who had used the business services earlier and then expressed their reviews on the portal. In this approach, promotion was the prime outlet for income generation. Delivery was left to the restaurant partners & these aggregators emphasized primarily on getting more users. Admittance of a larger base of eateries coupled with endorsements on food-items for the restaurants were the prime pulls for users to these aggregator interfaces.

The newbie interfaces that marked an entry on the global forum from 2010 onwards had followed a distinct path to food delivery. By investing and developing a brigade of delivery executives, these start-ups had not only enabled the users to place orders from listed food items but also collaborated with the restaurant partners to take care of the logistics of delivery. It was an entire food delivery ecosystem which these platforms tried to overhaul. Lured by the spark in the idea and the immense business potential the entire business market went buzzing. Buoyant with cash injected through the angel investors and venture capitalists, these delivery platforms enticed massive investments & sought to expand their services. They advertised massively & developed brands with great user recall & connect.

SWIGGY: THE GENESIS

Swiggy was the brainchild of Majety an alumnus of BITS Pilani[5] & IIM Calcutta[6] who worked at an investment bank along with Nandan Reddy another alumnus of BITS Pilani. Reddy was working as a consultant and developed a start –up named "Galla" centered on tablet centered POS (point of sale) for eateries.[7] In the year 2012-13 both of them developed a platform named as "Bundl", a logistics interface of the electronic commerce organizations. The venture did not take shape in the way they dreamt and was eventually closed down in the year 2014, but intricate working on the project made them appreciate the seemingly bright prospects of the hyperlocal delivery in the Indian metropolitans. Sparked & ignited they decided to take plunge into the hyperlocal delivery. Staying away from home & ordering food from restaurants on a regular base made them realize of the significance of a connected, end to end completed food delivery solutions. The presence of Zomato and FoodPanda.com (Foodpanda) did hold some promise but even these two were left to the mercy of delivery executives (Restaurants) to deliver food. Both of them ignited by the spark of the latent potential went ahead to work on the business prospect of hassle free food delivery. Majety opined, "*When already we decided to shut Bundl, we knew we have to dive into*

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[4] Kabir Ahuja, Vishwa Chandra, Victoria Lord and Curtis Peens, "Ordering in: The Rapid Evolution of food delivery", McKinsey & Company, 2022

[5] Birla Institute of Technology Studies is private institution in India offering education in technology

[6] Indian Institute of Management is a public B-school located in Calcutta.

[7] Point –of –Sale (POS) is a physical location at which goods are sold to consumers. POS terminal is computerized replacement for cash register

hyperlocal delivery and give it a shot. We also understood that ordering platforms for restaurants were much fractured. Ordering food has always been a big hassle, and hence we decided to take a plunge and fix it".[8]

Rahul Jaimini an Indian Institute of technology (IIT) - Kharagpur[9] alumnus the other member who joined them was keen on working on entrepreneurial avenues after he left his developer's job at Myntra Logistics. Three of them named their venture as "Swiggy" (meaning extraordinarily real & legit), a food ordering & delivery interface located out of Kormangala Bengaluru's start up area. The company was quick to secure its primary funding in the year 2015, & raised US$2 million from ace venture backing masters like SAIF[10] partners and Accel[11]. During the same period, the trio developed its mobile version application, with a designated on – demand food delivery platform enabling consumers to place food orders from their favoured restaurant(s), dispatched & delivered within 40 mins. In the initial years of testing and development, Swiggy operated in nearby locations of Bengaluru and then eventually expanded in the entire city within the next two months. Swiggy partnered with more than 300 restaurants and was executing 1000+ food orders deliveries over the next 2 months on a daily basis. From July 2015, the company began expanding its footprints across the country to cities like Mumbai, Pune, Gurgoan, Delhi & Hyderabad[12]. By this year the company had more than 650 delivery executives from varied disciplines mainly college graduated, who got associated on freelance & full – time bases. By 2015, it had recruited more than 12,000 delivery executive[13]s. The company customized its technology keeping in context the dynamic requirements of the geographical locations, transportation etc. It was developed totally in-house. By 2022, a record of 1, 00, 000+ new eateries & cloud kitchens had associated with Swiggy'. With technology enabled delivery the company ensured hassle free, quick and reliable delivery experience.

SWIGGY'S DELIVERY MODEL POWERED BY TECHNOLOGY

Swiggy acted as an interface between three parties – the customer, restaurant partner& the delivery executive (*Refer to Figure I for interconnection in the market place)*. The company developed individual applications for each stakeholder and connected them in the market. The application specifically for the consumer listed all the restaurants within the proximity of three to five kilometres of the consumer's existing or selected delivery location to facilitate "lightning fast" deliveries, ideally within 30 minutes. The customers could order from the available menu-list of each eatery partner & payment could be made either on delivery or through online mediums. After an order got flashed on the consumer application, the company would communicate it to the eatery partner and the delivery partners in the proximity of location. After arrival at the restaurant, the delivery executive would verify all of the ordered items before placing them in protected bags (provided by the company) to safeguard ideal delivery condition. The delivery executives used their own transportation vehicles and company provided the transportation expenditure & a bonus for each delivery completed. The delivery was decided by utilization of an algorithm that factored proximity of the delivery executive from the eatery, the acquaintance of the delivery partner with the delivery place, & the equal allocation of the orders amongst the delivery executives. The company's prime area of emphasis was to provide seamless experience to the patrons and over the years had religiously worked on to improve on grey areas like role of delivery executives as brand associates of Swiggy, greeting consumers, accepting the consumer's feedback gracefully & taking care of orders during busy days. .

Being in food –delivery space necessitated on-time food delivery and therefore the company introduced live-order tracking. Like other platform based organizations the company too unified with Google Maps app. programs interface (API)[14] which enabled customers to track their food order and the expected time of delivery (*Refer to Figure II for Swiggy's design of mobile application*). The company aspired to offer an integrated ordering solution with the application of various proprietary solutions. This also included vendor management application interface provided to the restaurant & a delivery application

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[8] " A start –up by IIM, IIT grads to quickly deliver food from restaurants !" www.rediff.com , July 2015

[9] Indian Institute of Technology, Kharagpur is a public institute of technology and research.

[10] SAIF Partners is a stage and agnostic private equity firm in Asia. It was founded in 2001 in China

[11] Accel, formerly known as Accel Partners, is an American venture capital firm. It was founded in 1983 in California, US.

[12] Alok Soni, "Bengaluru –based Swiggy takes food ordering and delivery hyperlocal, secures $2million funding," yourstory.com, April 2015

[13] " A start-up by IIM, IIT grads to quickly deliver food restaurants!" www.rediffc.com, July 2015

[14] An application program interface (API) is a set of routines, protocols, and tools for building software applications. Basically, an API specifies how software components should interact.

enabled by course-plotting algorithms, for the delivery executives. Immediately after the order was placed by the consumer through Android or IOS application or the website, the food order was transferred to the restaurant partner and the delivery executives, within the proximity of distance. Once order receipt was confirmed by the merchant and food was prepared, the Delivery executive reached the restaurant Just in Time & delivered it to the customer. Siwggy's founder mentioned that company's internally developed app navigation ensured hassle- free delivery.[15] The start-up focused on developing greater synchronization between the delivery –executives, customers & merchants. This helped establishing its distinct marketplace in hyper –local community. This required that every location which the company served needed to have substantial number of Delivery executives, restaurants & consumers all the time to deliver ideal experience. The demand and supply equation in terms of consumers and delivery executives also needed to match for the on-time delivery. It required management to keep real –time exact information. Once the app. was downloaded, connected & logged – in by the consumer the application listed numerous eateries to assist consumers to decide where to order from. Since it was a real time application it displayed varieties of options promptly like restaurants present in the proximity area, food choices and cuisines across all price points. The platform also gave a live picture of the delivery executives in the costumer region. [16]

After the food order placement & order confirmation by the restaurant, the consignment algorithm factored into aspects like allocating a delivery executive, & the best direction for him to follow. This was followed by a broadcast signal to all the delivery partners in the locality who had their own application. Those who agreed accepted the order on its application.

The company followed a decentralised communication system, which was ok for a small team but when the company scaled, it faced delivery issues due to uncertainties in food preparation time, unfamiliarity's of the delivery executives with the location and above all traffic. It was therefore felt that the company needed a centralised interface to sort these issues and cater to the requirements of large team. With the usage of data- analytics and the assistance of software developers the company was able to resolve the delivery pain points[17]. The payment to the delivery executives was made on a weekly base along with a bonus for each delivery completed. However the payment to these delivery executives varied by frequency of orders, average order amount & above all the productivity of each delivery executive. The company faced however did not face issues in recruitment of these delivery executives (mostly college goers). The reasons included the pay, opportunity of being their own boss & chance to meet interesting customers.

BUSINESS MODEL

The company earned majorly through commissions. It levied a 15% - 25% commission on the order bill amount accepted by the merchant. It was considered on the full bill which the included the Goods & Services Tax (GST)[18] levied over & above the menu price. With an objective to enhance the association with the restaurant partners on the interface, it brought down the commissions to 2% to 3%. The company also did not limit itself to accept order at low rates, which meant it had to accept orders for less than $1.15, leading to increase in the logistics cost for the company. Swiggy therefore began charging delivery charges post 2016 which were contingent on the geographic locality of the eateries & cities of location. The company also charged surge –pricing in 2016. The reason for the surge pricing included weather (rains), increase in demand & midnight delivery in selected markets. The company also earned by way of advertising, banner promotions & prime positioning of restaurants. Swiggy captured its income stream by charging a premium on the eateries in exchange of the priority listing for them. The advanced the placement of the restaurants on the list, the greater was the charge for the restaurants.

The company also garnered revenue through 'Affiliate Income', by recommending credit cards to its users. The organization entered into a partnership with banks & financial agencies like ICICI Bank, American Bank to name a few to sell their credit cards to the users (*Refer to Figure III for Revenue model*).

DELIVERY CHALLENGES

In an urge to create a comprehensive & error free delivery model, the company faced hiccups on a daily basis from the delivery executives & eatery merchant partners. The foremost issue was the listing of restaurants & the delivery time provided. Every-time the customer logged in the app., an inquiry got flagged to the distribution system in context of expected time of the order delivery & the serviceability of the restaurants. The estimated time of delivery was difficult to suggest for the merchant restaurants due to constraints of geography. The company also faced issues of order delay, uncertainties in

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[15] " A start-up by IIM, IIT grads to quickly deliver food from restaurants!" www.rediff.com, July 2015

[16] The tech that brings you your food," bytes.swiggy.com, May 2017

[17] "Kabootar- Swiggy's Communication platform," bytes.swiggy.com, May 2017

[18] The Goods and Services Tax (GST) is an Indirect Tax which has replaced many Indirect Taxes in India. GST was passed in the Parliament on 29th March 2017. The Act came into effect of 1st July 2017.

preparation time etc. The other issue was finding the correct span of time to confirm delivery and also availing sufficient number of restaurant choices to users to ensure quicker delivery. The span of time had to be such that it did not let the consumer demotivated from order placement & also to ensure that sufficient number of restaurants were available for faster delivery[19]. The next challenge related to the probability of locating the merchant partner such that the delivery boy could arrive, receive the order and deliver it to the customer on time.

FIXING THE DELIVERY CHALLENGES

However, Swiggy was able to fix the delivery challenges by way of changes in current business set up and implementation of specific measures. To resolve the issue of delivery timing, company implemented the technique of Just in Time (JIT) [20]Assignment. With this technique the company allocated the delivery executive nearest to the eatery to receive the order & deliver it to the consumer. The technique was developed by the in-house engineers.. By allocating the delivery executives on the (JIT) principle, on time delivery of the food order was taken care of. The company could utilize one delivery executive for multiple orders.

Another issue which the company faced in allocation and delivery execution was peak loads during evenings or office hours. To fix this issue, the company implemented the system of 'Next Order Assignment (NOA)', a practice to reduce the time expended by the delivery boy in line to be allocated the following order & enhancing the possible pool for the delivery partners for an order.[21] For example, if the delivery executive could complete his order (Q1) within ten minutes of order picking from the restaurant & was five minutes away from the merchant restaurant making the second order (Q2), the delivery boy could explicitly finish the delivery of first order and then comfortably pick the second order in time. As opined by an analyst working at Swiggy, "This *was a prodigious way to enhance the pool of entitled delivery partners and simultaneously reduces the wait time; it largely depended on the precision of forecast for when the delivery partner will get free. The reason, if the Delivery Executive takes extended time that what was projected to get free, then the order is inadmissibly delayed".[22]*

The company also implemented the technique of "Batching"[23], the method to enhance the productivity of DE's by completing multiple orders. In case where an eatery merchant got more than one orders simultaneously from two different consumers situated in close proximity to each other, the company sent only one delivery executive to complete both the orders. Executives working at Swiggy suggested that cracking the Issues in Food Delivery not only required the teams to come up with innovative solutions to hard problems but also needed the teams to get hang of how the entire ecosystem behaved in the real world, for guaranteeing that they made correct trade-offs.[24]

The company also came out with a program called as, "Swiggy Packaging Assist", to facilitate packaging resolutions on its interface; considered to be strategic move to expand its presence in the food technology sector. The company offered restaurant partners availability of novel packing solutions. The marketplace directed the restaurants to retailers of these components & provided them with environment friendly, food grade authenticated materials which were also leakage – resistant, strong, stackable & heat –resistant. A discount of 5 % was provided to these restaurant partners by the vendors in the marketplace. The company has also signed an agreement with Reliance BP Mobility Ltd (RBML) to build an Electric Vehicle (EV) ecosystem and battery swapping stations for its delivery executives in India. This initiative contributed to larger goals of sustainable development.[25]

THE CHALLENGES OF EXPANSION

As the current players in the food –delivery sector like Foodpanda, Tinywol had experienced limited success, the industry veterans felt that Swiggy was trying to make inroads in an already saturated market. A late participant in the food delivery

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[19] Devansh Gupta, "The Swiggy delivery challenge (part one) "bytes.swiggy.com, May 2018.
[20] The Swiggy delivery challenge (part two), "bytes.swiggy.com, May 2019.

[21] Ibid.
[22] The Swiggy delivery challenge (Part Two), "bytes.swiggy.com, May 2019
[23] Ibid
[24] Ibid
[25] "Swiggy inks pact with RBML to build EV ecosystem in India". https://www.thehindubusinessline.com/companies/swiggy-inks-pact-with-rbml-to-build-ev-ecosystem-in-india/article35741052.ece, 2019.

segment the company had to frame competitive brand communication tactics, which could provide the company with competitive position. The prime task for the company was to secure confidence of the restaurants to partner with them against the rivals. Initially, the eateries and the restaurants were reluctant and did not showcase any inclination due to the lack of trust. To counter this challenge the company dedicatedly worked on their logistics, making it swifter, flexible & rationalised by the efforts of the fleet of local and dedicated delivery boys to position it class apart in the online –food delivery segment. The company earnestly worked towards organizing the disorganized food delivery space. It was observed that restaurants took extended time to deliver the food. So Swiggy's entry in the marketplace served as a cherry on the cake.

HOW SWIGGY GOT ITS TEETH INTO INDIA'S APPETITE FOR FOOD INDUSTRY GROWTH STRATEGY

BANG ON TARGET: LOGISTICS NETWORK

What made Swiggy stand apart was the founder's ability to relate with the key challenges in the food delivery space. The company therefore, capitalized on the development of a proper logistics infrastructure, backed by a massive fleet of delivery partners and technology to facilitate their work. This came at a time when the restaurants were not very positive about the business prospects of online-food delivery. When founders started their entrepreneurial journey, it was trendy for the start-ups to avoid getting their hands dirty on logistics, infrastructure and supply chain but rather focus on developing a cool application. Food delivery platforms like Foodpanda, Tiny Owl developed market places that linked consumers with restaurants but passed over the task of delivery to the restaurants or third party agencies. Nevertheless, Swiggy knew that the way to crack the code in online food delivery space was to invest and capitalize on the strong logistics network. They invested in strong fleet of sales force and also in technology to make its logistics more efficient. Now, most of food-technology start-ups have taken charge of their delivery taskforces.

Immediately after a year of its launch, Swiggy created a thrill, with order volumes augmentation on its interface. Established players in the segment like Zomato also noticed it progress. In June 2015, the company secured its second hefty cheque from Norwest & SAIF. Remarkably, after few months of its launch, the company also started charging consumers for deliveries. The point that business was not handicapped by losses led to investor confidence and testified its business model[26].

RAZOR SHARP FOCUS ON CUSTOMER CENTRICITY AND EXPERIENCE

One key metric in which Swiggy stood out was the consumer experiences which lead to customer retention as specified by Mr. Vishal Gupta board member (Swiggy) & managing director at Bessemer Venture Partners. Prompt order deliveries, pace, steadiness of deliveries daily, monthly and yearly bases were all that defined Swiggy's ascent. The company also scored high in terms of partnerships with top restaurants augment consumer engagement. It was not long that the online- food delivery services in India were suffering from issues like irregularity, exorbitant delivery charges & restricted payment options. Swiggy and its strategic focus on consumer centricity & experience to vouch for, coupled with flair of continuous innovation led the company to becoming the leading player in the food-delivery space.

PG Aditya the former chief creative officer as Dentsu Webchutney, a creative partner of Swiggy added, *"The brand first reliably catered to its number one fan – the time starved, cooking averse, tech –friendly urban immigrant and once the bet on this audience group paid off, Swiggy made a conscious effort to build occasion and moments for ordering across multiple audience groups: families, couples, office groups etc[27].*

PARTNER ECOSYSTEM

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[26] The Marcom Avenue (2023), " The Swiggy Story: How Swiggy Became India's Largest Food Delivery Platform ?", https://www.themarcomavenue.com/blog/the-swiggy-story-how-swiggy-became-indias-largest-food-delivery-platform#:~:text=1.,online%20from%20their%20nearby%20restaurants.

[27] The Marcom Avenue (2023), " The Swiggy Story: How Swiggy Became India's Largest Food Delivery Platform ?", https://www.themarcomavenue.com/blog/the-swiggy-story-how-swiggy-became-indias-largest-food-delivery-platform#:~:text=1.,online%20from%20their%20nearby%20restaurants

The company had built a strong ecosystem of restaurant partners and delivery partners. It had also tied up with well-known restaurant partners & neighbourhood eateries to provide a broad range of cuisine alternatives. The company also invested in training and developing a strong fleet of delivery executives who were trained to guarantee on-time delivery.

TECHNOLOGY

The company utilized technology to deliver unified user experience. The company developed an in-house algorithm that utilized machine learning and Artificial Intelligence to customize the customer requests with best suitable restaurant choices. The company also introduced chat-bots that provided real – time updates to the users on the status of order delivery.

DIVERSIFICATION

Swiggy diversified into services like Swiggy Go, which offered pick-up & drop services for the packages, documents and other items. It had also launched Swiggy stores, which delivered groceries, pet care products & other essentials. The company's strategy of diversification had helped the company extend its reach to a broader customer base.

DIGITAL MARKETING MODEL OF SWIGGY

The company, Swiggy as a part of their online marketing strategies targeted audience in the age group of 18 to 35 years, primarily working professionals constrained by time and cooking averse. The company engaged in planning, crafting and customizing online marketing tactics. It provided the company the desirable attention it vouched for. Some the digital marketing tools for Swiggy were[28]

SEARCH ENGINE OPTIMIZATION*:* With an aim to improve interface positions on the search engine pages for it to grow organically, Swiggy worked dedicatedly on its Search Engine Optimization (SEO) and utilized the finest Search Engine Optimization services with a combination of appropriate content marketing.

SOCIAL MEDIA MARKETING: The Company gained impressive social media traction. What positioned Swiggy distinctively were its noteworthy social media promotions. It came up with outstanding social media initiatives which communicated the idea of healthy diet in a light manner. They utilized puns and humorous one- liners. They also aimed to induce the users by posting tempting pictures of food on the platform Instagram. They also utilized social media optimization services which were directed towards the young generation & gathered a large market.

EMAIL MARKETING: The Company innovatively utilized the influence of email-marketing, by way of alluring subject lines. Swiggy sent directed email to customers with some contemporary themes. Along with that it also sent discount coupons to the users.

For long, food marketing & publicity had been the bastion of the revered restaurant outlets. In such competitive background, the innovative voyage of Swiggy meant providing room for tête-à-têtes around food to have their moment in the sun. It started paying off results over different mediums, particularly online where the brand relished a sizeable fan base. Swiggy could be related with the overall city's culture as delivery partners driving their bikes & branding dotting the city landscape. The company was dedicated to provide a robust end user experience while being committed to its mission of facilitating unbeaten convenience.

To mention for gaining traction and promotion on social media, the company came up with an innovative social media campaign titled as, "Swiggy voice of hunger". In one of its kind, foodies competed on Instagram. They were asked to reproduce the shape of their favourite foods as part of consumer engagement. The target audience were the ones between 18 to 30 years. The customers were required to imitate the shape of Kebab Skewer, pancakes and more using the voice note tool on Instagram for the campaign's five challenges and anyone who completed all the five challenges was eligible to win a year's worth of Swiggy food vouchers.

The challenge received encouraging responses from international audience as well. Swiggy received several entries from countries like Italy, Cananda, Japan, U.S etc. (Refer   FigureVI *Swiggy's marketing campaign Voice of Hunger)*

The campaign resulted in more than 1.5 lakhs entries in ten days and more than 30K Instagram followers.

SUSTAINABILITY&GROWTH: ADDRESSING MULTIHOMING AND EQUIPMENT

Swiggy had assured of minimal technology intervention from the end of eateries/ restaurant partners by providing delivery executives who would walk into the eateries to place orders for the consumers & collect the order packets and disperse for the designated delivery. The usage of this model assured of low multi-homing cost for the merchants who could service the users by

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[28] The Marcom Avenue (2023), " The Swiggy Story: How Swiggy Became India's Largest Food Delivery Platform ?",
https://www.themarcomavenue.com/blog/the-swiggy-story-how-swiggy-became-indias-largest-food-delivery-platform#:~:text=1.,online%20from%20their%20nearby%20restaurants

way of their own phones. After a few known eatery merchant were on- board, it was motivating for others to join the brigade or else they faced the danger of being left out (fear of missing out, FOMO) on the income stream through the online deliveries. This lead neighbourhood restaurants to join Swiggy and serviced their users by way of delivery of fresh food. This was complemented by the joining of the local favourite eateries on Swiggy, which resulted in more patrons on board to attempt out online food delivery. Hence in the India's food –delivery space, apparently there seem to be no perfect champions yet, as the charges of the multi-homing was not an adequate hurdle for the merchant to choose on one interface over the other.

Therefore for restaurant partners that wanted to improvise operations, Swiggy institutionalized an   application that provided insights into the user feedback, movement of orders & tariff analysis. Access to real time feedback on the application powered the eateries with a prospect to improve the order inflow backed by the user feedback[29]. With improved brand equity for the restaurant partners their user base was now not restricted to the next neighbourhood. As restaurant partners benefitted from patron analytics powered by the company, it motivated Swiggy to increase the multi-homing charges for these restaurant partners. The other tactical step by Swiggy was the launch of Swiggy Access, a kitchen backend facility at Bengaluru which offered   free area to cafeteria owners who were keen to broaden the brand base but constrained due to the high cost in capital investments. In a way it could be labelled as strategic counterattack   to Zomato which was increasing its share in cloud kitchens. These kitchen areas were expected to be developed in several cities, helped the restaurants with demand forecasting, volume planning & improved stock management. The restaurant partners were required to manage their own kitchen machines while preparation area was free along with right to use other services on Swiggy's interface. The food delivery platform was preparing to levy high commission rates to the restaurant that functioned out of Swiggy Access in contrast to the rates levied on it e-commerce model The company's owned private brands which began functioning since 2017 were also placed at these Access Kitchens[30] & offered level playing competition to remaining restaurants on the interface. Working as a cloud kitchen, the white label restaurants developed by the company were in straight race with eateries that utilized Swiggy as an order management & delivery interface. In contrast, its rival Zomato had decided to offer set-up facilities to the restaurant partners to assist them to expand.   It remained unfazed with white labels. As tactical moves and strategic actions augmented in the food –technology sector, the consequences of these steps still remain untested.

Marching forward in the journey, Swiggy also acquired few start-ups to becoming the leading hyperlocal food delivery interface in the country. In the middle of 2018, inorganic growth allowed Swiggy to secure other start-ups such as 48East. These acquisitions were executed to enhance the number of orders as normal Indian households purchased items like milk on an daily basis whereas the average user food ordered through restaurants only three or four times a month. With significant cash in place, the company was eyeing into volume augmentation that would assist it to multiply its services to other neighbouring hyperlocal deliveries & a thrust to come in unexplored markets. Even though milk delivery resulted a mediocre of Rs. 1000 per Indian family, the relatively low margins had induced the platform organization consider of combining delivery of grocery & other items to these same families which were prospective patrons.[31]

Freshly, the company had initiated its capital assistance programme in collaboration with a financial enterprise that provided collateral –free loans to Swiggy's eatery partners to assist businesses drift over the capital allocation concerns that stalled most expansion initiatives. This program also intended to augment the switching cost of these partners & to deter them from multi-homing with other food delivery interface organizations.

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[29] ANI (2018) Swiggy expands footprints, launches operations in Nagpur, *The Economic Times*. Available at: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/swiggy-expands-footprints-launches-operations-in-nagpur/articleshow/63938012.cms (Accessed: August 12, 2023)

[30] Srinivasan, S. (2018) "Food delivery battle brews in cloud kitchens, Zomato makes a first move, "*The Economic Times,* June. 14 Available at: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/food-delivery-battle-brews-in-cloud-kitchen-zomato-leads/articleshow/64580974.cms

[31] Varsha Bansal (2018) Swiggy, BigBasket discover next cash cow: Milk supply, *The Economic Times.* Available at: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/swiggy-bigbasket-discover-next-cash-cow-milk-supply/articleshow/64377983.cms (Accessed: August 23, 2023)

By the 2017, it was seen that the existing consolidation in the food-technology space in India would end up in the survival of only two entities – Swiggy and Zomato. However how Swiggy took on the more skilled competitor in Zomato remained to be seen as the duopoly unfolded. The company competence to withstand its increasing fleet of delivery partners was pragmatic to its extended accomplishment as key hyperlocal platform. The company utilized the spare time of executives in the food space for the delivery of other items. With the limitations of milk deliveries in morning hours & food billings from restaurant partners to lunch & dinner times, there was possibility for delivery of grocery & medicines during the residual spare time which could be utilized by the delivery executives who were free.

In 2018, the company's main competitor Zomato had launched Zomato Gold- a once-a-month paid subscription service that assured nil delivery fees for the consumers who placed food orders through Zomato. The initiative was a bumper success for Zomato with more than 150,000 users accepting the Gold initiative within 90 days of its introduction. As expected Swiggy, had to follow an action and reaction strategy, with introduction of its reasonable subscription scheme that promised users of zero surcharge delivery even during busiest hours[32]. With an objective to retain the users and enhance the user engagement, Swiggy came with the Swiggy SUPER paid payment scheme which guaranteed the users with free food items deliveries minus convenience charges regardless of the day or proximity of the restaurant.

Swiggy had faced its own share of business challenges. The internet funding boom that started in mid- 2014 bowed dramatically. The bubble burst and several startups eventually closed and did not spare the food delivery space as well. One of the known meltdown was of the company Tinyowl. Its growth was backed by heavy discounts and advertising.

FUNDING AND INVESTMENT AVENUES FOR SWIGGY

The company raised over $3.6 billion in funding from a variety of investors including the likes of Bessemer Venture Partners, Tiger Global Management, Accel, Prosus, Softbank to name a few. With every flush of funds, the company expanded its operations & went for strategic acquisitions. The fund-raising rounds orchestrated in taking the company forward in the growth journey. The funding came in a year of strong growth for the company during which it doubled its food delivery business order value. As opined by analysts at Bernstein, Indian food services market is expected to reach $97 billion by March 2026. Systematized food service was budding faster & presumed to touch 55% market share by FY25 and online penetration was supposed to expand to reach 55% market share by FY25 and considerable part of the growth will be propelled by new user attainment & expansion to smaller markets[33] (Refer Figure VII Swiggy's Acquisitions and Investment)

BUSINESS PERFORMANCE AND COMPETITION

In the Financial Year 2018, the company's revenue rose to Rs. 4.42 billion up from Rs. 1.33 billion in Financial Year 2017, as it incessantly extended its geographic footprints across the country. The company had extended its operations from seven cities in March 2017 to 12 March 2018, even as order volumes had augmented three times during that time.[34] The company successfully closed September 2017 with more than 21 million orders in complete terms. However, in the middle of its increasing revenues, the company's losses also increased multi-fold to Rs. 3.97 billion in Financial Year 2018 up from Rs. 2.05 billion in financial year 2017, as it had to expend comprehensively on funding discounting & low cost deliveries[35]. In 2018, Swiggy was the dominant online food delivery player in India with 35-38% market share, succeeded by Zomato at 25-30%, as per the report from Red Seer Consulting, an internet –focused consulting firm in India.

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[32] Supraja Srinivasan (2018) Swiggy follows Zomato's steps, rolls out first paid subscription plan for users. *The Economic Times.* Available at: https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/swiggy-follows-zomato's-steps-rolls-out-first-paid-subscription-plan-for-users/articleshow/65201912.cms (Accessed: August 23, 2023)

[33] The Brand Hopper(2023), " Swiggy's story: Start-up's Strategy for Growth and expansion", https://thebrandhopper.com/2023/05/14/the-swiggy-story-inside-startups-strategy-for-growth-and-expansion/#Funding_Investors_of_Swiggy (Accessed: September 23, 2023)

[34] Anirban Sen, "Swiggy's revenue tables, but loss doubles too in 2017-18," www.livemint.com, October 2018

[35] ibid

As per company officials, in the year 2017-18, the company focused heavily on providing superlative value services to its customers, augmenting operational efficiencies while also focusing on future investment. Majety further opined, "We are being fairly measured about our dependence on these things (discounting) to drive business and its super important to keep building a real long –term, sustainable business. We will react in ways to be competitive, but it's not our focus area to figure out ways to spend our discounts. Swiggy's food delivery model turned profitable in the March quarter of FY23 . Swiggy's monthly cash burn also came down to $20 million from about $45- 50 that it was losing each month during the year 2021. The company reported revenue of Rs. 5, 704.9 crore in FY23, a little over two fold jump from the previous financial year. As per the analysts from HSBC, Swiggy's cash burn in FY 22 stood at Rs 3,900 crore compared to rival Zomato, which burnt Rs 700 crore in the same time window.[36]

As the competition between two dominant players intensified, both of them augmented the salaries of their delivery executives by 10,000 from July 2018. As opined by engagement manager at Red Seer (e-tailing), "With such fast growth there are associated challenges for the companies to arrest which leads to higher pay out to delivery executives. It is short-term trend and cannot be sustainable strategies because any hyperlocal industry is tight on unit economies and they cannot keep on burning money"[37]

DOMINANT CHALLENGES /ISSUES

MISUSE OF DOMINANT POSITION

The food –delivery platforms Swiggy and Zomato seemed to be in news over excessive discounting strategies & apparent exploitation of leading positions & usage of unsustainable pricing standards. The food aggregator platforms had also been accused of using in-house kitchens which had been another thorn in the side of local restaurant business. Swiggy defended its actions by stating that it has been fair to the restaurant community & approximately doubled the restaurants on the platforms thus augmenting their business rather than taking away from them.[38]

OPTIMIZING CASH BURN

The infusion of seed capital from Swiggy's founders & series –A round of Venture Capitalist funding had assisted Swiggy develop in its first year of operations. Swiggy began deliveries in August 2014; in its first week of operations across 15 localities with metropolitan Bengaluru, it had made almost 34,000 deliveries. By week 52, just prior to Majety seeing the final VC firm in the hope of fresh funds, the number of deliveries had more than tripled across the 15 localities. However, payments to riders and commission earnings made it obvious that the company was burning cash on each delivery. For example, a typical rider in tier 2 locality who made 82 deliveries per week was paid fixed salary, plus bonuses amounting to Rs. 4, 610 –but Swiggy only earning Rs. 3,592 in commissions. In short, the cash burn was about Rs. 7 per delivery. In the first 52 week of operations, Swiggy had a total cash burn of about Rs. 20 million in its delivery operations.

DELIVERY EXECUTIVE'S COMPENSATION AND BENEFITS

The entire operations of platform organization's run on the gig economy, with its mechanism of on-demand executives providing the needed flexibility. This model however seems to be in situation of fluctuation, in the midst of an ongoing domestic and international debate whether these gig workers should be considered employees. The transitions in how these independent partners are remunerated and the benefits they receive could considerably shape up the economics for all the important stakeholders across the marketplace.

STRUGGLE TO REMAIN PROFITABLE

There is enormous pressure on the company to remain profitable. This being said the company had tapped into new income sources & curtailed certain costs. The platform current income is largely generated by way of fees & commission that are paid by the merchant partners and consumers, as well as the delivery costs. It is very likely that cost of deliveries will come down significantly, as the finances of the last mile delivery, with augmenting expectation of speed (ideally 30 minutes or less).Another importance concern for the company would be the variable marketing costs. With numerous players competing in the market,

[36]

[37] Akansha Ahuja and Anirban Sen, "Swiggy, Zomato hike deliveries boy salaries as competition grows," www.livemint.com, 2018

[38] Mckinsey & Company (2021), "Ordering in: The rapid evolution of food delivery", https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ordering-in-the-rapid-evolution-of-food-delivery

coupled with fragmentation of food joints and restaurant partners across platforms, the current cost of luring the customer would become unsustainable. The company would also have a concern with margin growth in the restaurant landscape, given the economic pressures faced by restaurants and the mounting pressure from interface commissions. As platforms consolidate through series of acquisition the costs should decline. Other key challenges with the company would be considerable margin growth in the restaurant space, given the context of economic crush that the restaurant owners are facing, coupled with the augmented pressure from interface organizations. But when it comes to the consumer demand the company seemed to have still scratching the surface. Consumers seemed to be the prime driver for the surge in food delivery platforms & are shelling out considerable amount over and above the cost of their average order. Ordinarily a typical meal from a fast food restaurant if priced on the food delivery interface at around $25, the consumer might eventually end up paying a total of around $ 35, excluding tax. The consumers do not realize the service charges that restaurants pay to the delivery platform organizations. This would constitute an important concern for the organization.[39]

CHARTING NEW FRONTIERS

In the year 2019, Swiggy took a strategic step to enter into the home chef space with the unveiling of new venture, 'Swiggy Daily',[40] an app. to give patrons access to diverse simple home style food items prepared by home chefs, tiffin providers, & formal vendors. "Swiggy Daily" was probable to list over 30 choices for every meal. The platform would include meal choices from a blend of organized vendors like Homely, Lunchly and Caloriesmart; popular tiffin services like Dial a Meal & Dailymeals.in that specialized in food appropriate for everyday intake & expert home chefs like Sumita's Food planet etc.

Swiggy Daily was a subscription based –service which intended to provide food order values ranging between Rs. 50 & 150 without delivery fee. According to Majety, "There is a rising demand for quality & reasonable everyday meals. With a mix of organized vendors & home chefs, Swiggy daily will fulfil this latent demand for home-based meals that are a convenient, extended –term solution for our daily food needs. In Feb 2019, Swiggy also declared the launch of "Swiggy Stores" in Gurugram[41]. This store aimed to deliver diverse products from 3,500 stores in Gurugram, & had partnered with 200 stores in segments like Kiranas & supermarkets, fresh meat, baby stores, & health supplements stores among others. It had also connected with Licious, The Mom's CO, and Apollo Pharma, to name a few. Swiggy also built the New Supply division to identify regions where there is demand but existing service providers do not exist. This is where Swiggy would swoop in to establish itself as a service provider. Access and cloud kitchens were brought under this initiative. Invite only brands were now able to increase their delivery foot-print by utilizing the kitchen infrastructure that Swiggy that Swiggy set up for them. This plug – and play network of dark kitchens saw early success and its peak, had over 1,000 kitchens at a cost of nearly INR2000 crore.

As Swiggy gained intelligence of demand and supply in regions, it decided to take it up by a notch. They wanted to go for the occasion- play rather than the cuisine play. While there was pushback from restaurants who believed that meant Swiggy's own brands had a disproportionate advantage on the platform, Swiggy responded by saying that it was only filling gaps that the current partners did not service. The company is also working on the data infrastructure since 2017 and also on the application of Artificial Intelligence (AI) in the product line offered to the consumers. The company is also dedicated to the areas of voice, vision, and natural language processing (NLP). [42]

THE ROAD AHEAD

There are lot of clouds over the future prospects for the company Swiggy, but one thing is guaranteed that it is sure that the journey is going to very adventurous with competition becoming fiercer. The company will also have to watch the strategic moves of the new players in the segment and above all enduring changes in customers tastes and food habits. The online food ordering & delivery segment in India is predicted to develop at an unprecedented rate.

But is Swiggy prepared to encounter the imminent challenges?

The company's extension into new marketplaces & strategic partnerships with several restaurants & food outlets are predictable to be the main factors in this growth and expansion. Swiggy also aims to expand its brand by providing a wide broad range of services including the supply of groceries & daily necessities within 30 minutes through its swift delivery service, Instamart, which was launched in August 2020. Swiggy also has been concentrating on technology & innovation, such as Artificial Intelligence- based commendations & real –time tracking, to augment its services & improve customer satisfaction. Swiggy's capability to adapt & evolve will be vital in the future.

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[39] Mckinsey &Company (2021), "Ordering in: The rapid evolution of food delivery".

[40] "Swiggy launches 'Daily' app for homestyle meals", economictimes.indiatimes.com, 2019
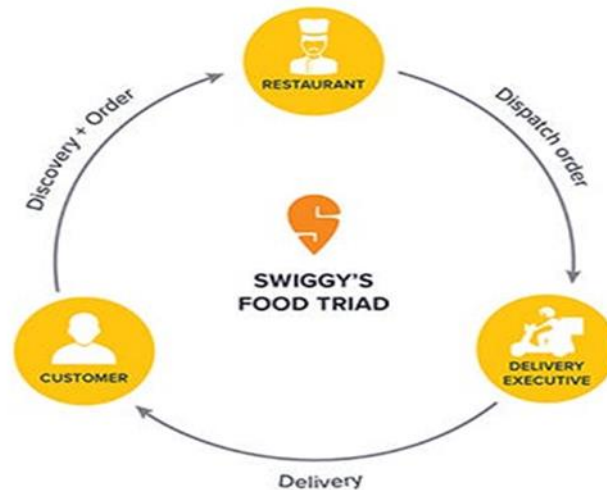
[41] "Swiggy launches 'Daily' app for homestyle meals"economictimes.indiatimes.com, June 2019
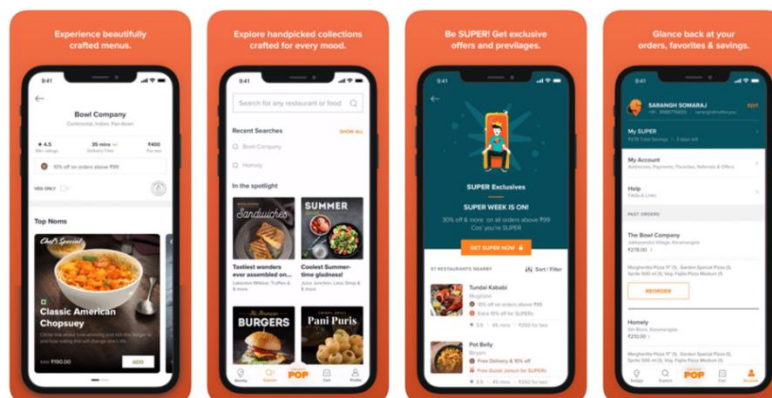
[42] Ibid.

Will Swiggy's decision to diversify its business beyond just food ordering & delivery, and foray into segments like pharmacy & grocery delivery be necessary to stay ahead of the competition? Over and above that the conceptualization of ONDC by government (Open Network for Digital Commerce) with an objective to prevent dominant technology and platform players from abusing its prime position for consumer exploitation is also going to test the mettle of the large players in e-commerce space.

Figure I   Delivery Model

Source: https://bytes.swiggy.com/the-tech-that-brings-you-your-food-1a7926229886

Figure II – Swiggy's mobile application

Source: https://bstrategyhub.com/swiggy-business-model-how-does-swiggy-make-money/

Figure III: Commercial Model

Source: https://bstrategyhub.com/swiggy-business-model-how-does-swiggy-make-money
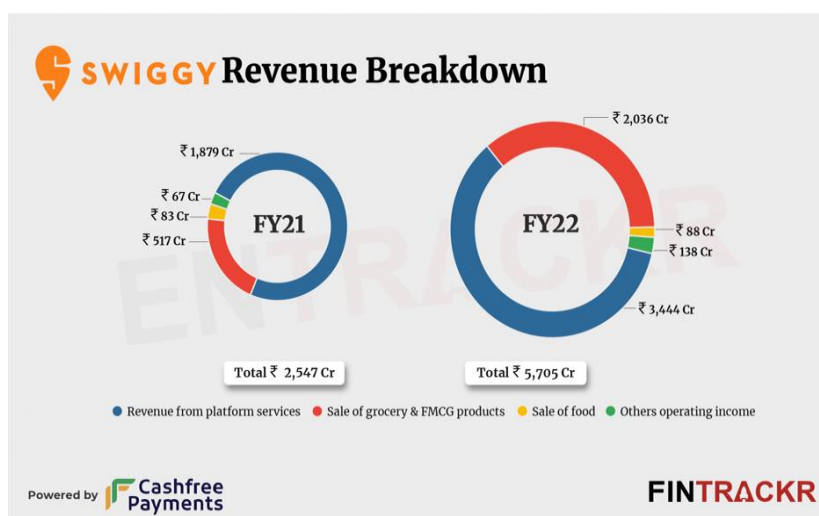
Figure IV – Financial FY 22

Source: Entracker, 2023

Figure V- Revenue Breakdown

Source: Entracker, 2023
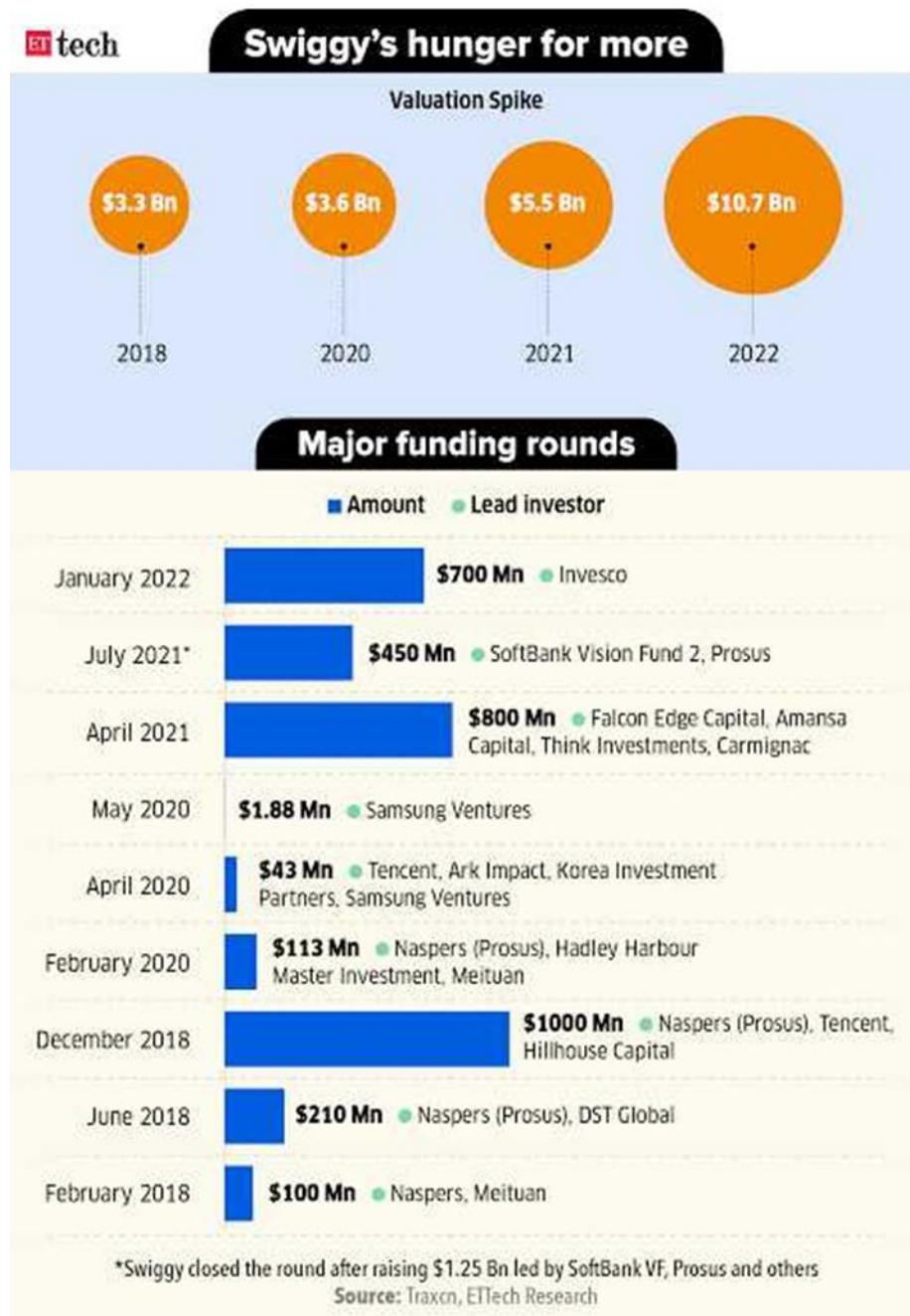
FIGURE-VI Marketing campaign by Swiggy; Voice of Hunger

Source: PCM; PostCard Media, 2020

FIGURE VII: Swiggy's   Acquisitions & Investment

Source: Crunch Base, 2022.

ET tech

Swiggy's hunger for more

Valuation Spike

$3.3 Bn	$3.6 Bn	$5.5 Bn	$10.7 Bn
2018	2020	2021	2022

Major funding rounds

■ Amount ● Lead investor

January 2022	**$700 Mn** ● Invesco
July 2021*	**$450 Mn** ● SoftBank Vision Fund 2, Prosus
April 2021	**$800 Mn** ● Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac
May 2020	**$1.88 Mn** ● Samsung Ventures
April 2020	**$43 Mn** ● Tencent, Ark Impact, Korea Investment Partners, Samsung Ventures
February 2020	**$113 Mn** ● Naspers (Prosus), Hadley Harbour Master Investment, Meituan
December 2018	**$1000 Mn** ● Naspers (Prosus), Tencent, Hillhouse Capital
June 2018	**$210 Mn** ● Naspers (Prosus), DST Global
February 2018	**$100 Mn** ● Naspers, Meituan

*Swiggy closed the round after raising $1.25 Bn led by SoftBank VF, Prosus and others
Source: Traxcn, ETTech Research

Source: Traxcon, Edtech Research, (2023)

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