CASE STUDY: SWIGGY FOR ITS PROFIT RESTORATION

Dr. Christopher Raj D[1], Prof. Ravi Kumar JS[2], Dr. Shaheeda Banu S[3]

[1]Professor, Dept of Management Studies, BITM, Ballari, India

[2]Assistant Professor, Dept of Management Studies, BITM, Ballari, India

[3]Professor, Dept of Management Studies, BITM, Ballari, India

Abstract: Food tech behemoth Swiggy, which just attained decacorn status, (Bundl Technologies Private Limited) has declared its financial year 2019–20 sales at Rs 2,776 crore, an increase of 115% from the previous financial year. In addition, the business disclosed a net loss of Rs 3,768 crore for the same fiscal year. This is an increase of 61% from the previous fiscal year. The Bengaluru-based corporation reported having spent Rs 6,545 crore overall during the fiscal year. The business of the corporation rose by 85% in the year under consideration. Over 100,000 new eateries have joined the over 200,000 active delivery fleet. According to Swiggy, "We also expanded our presence across the nation by opening 405 new cities."

Swiggy is active in more than 500 cities. It consistently enhances on-demand meal delivery services by utilizing its technology, scalability, restaurant density, delivery network, and learnings from more than 1 billion orders that have been served. Additionally, it is creating new services for users, such as on-demand access to necessities and concierge services. Customers may get daily necessities and consumables from Swiggy Instamart in less than 30 to 45 minutes. Customers may use on-demand concierge service, to either buy anything from any store and have it delivered or to arrange for pick-up and delivery to and from any place in the city.

For every consumer, online meal delivery services save a significant amount of time and money and enable orders with just a click. Users may look for their preferred food at any restaurant for either home delivery or in-person dining. It gathers insightful comments and pointers for development from all the eateries. In this instance, the emphasis is on revising the operational plan and reducing operational costs to be the way to profitability.

Index Terms: Profit, Revenue, Customers, Delivery

CASE: Without a doubt, India's largest meal delivery service is Swiggy. Swiggy was originally intended to be a website for courier and shipping services named Bundl. Its creators, Nandan Reddy, Sriharsha Majety, and Rahul Jaimini, started Swiggy in Bengaluru, India, in 2014. As a result of partnerships with companies like Burger King, Google Local Guide, Indifi Technologies, Soxedo, and even ICICI Bank, Swiggy has developed a distinctive brand identity.

Any application's popularity is based on its user interface, features, and facilities. The Swiggy app is simple to use, well-designed, and free of complicated animations. The homepage lists nearby restaurants, a history of orders, and several payment options. Realizing the impact of the epidemic, it introduced a new project dubbed the Swiggy Instamart in August 2020. Within 45 minutes, it intends to offer immediate products including fruits, dinners, snacks, ice cream, and veggies.

A thorough and effective marketing plan must be developed in the cutthroat e-commerce business. Therefore, with the distinctive marketing approaches used by each company to compete in the online retail industry. Swiggy places a strong emphasis on providing clients with speedy delivery of their orders from the closest location. It puts the requirements of the hungry person ahead of the design and deals provided. Additionally, the business teamed with Apollo Pharmacy, Liscious, Health HK Ark, and Ferns & Petals to open more than 3500 Swiggy Stores in Gurugram. The firm has advanced significantly as a result of the deep discounting policy and widespread decrease in the cost of shipping fees.

Swiggy is an online platform, popularly known for its mobile app, to order food from a wide range of neighbourhood restaurants. Because of offering quick doorstep food services in the minimum time possible, Swiggy has become a prior choice of foodies. If you have a similar business idea where you can mix technology with humans to offer a one-click solution, you must know how Swiggy works and earns revenue:

Swiggy app working model in eight simple steps

- Users sign up for Swiggy mobile app and become customers
- Customers open the app, select the restaurant, and order the food
- The app confirms the delivery location
- The restaurant receives the order and confirms it
- Local delivery boy confirms the pick-up and drop location of the order

International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 07 Issue: 01 | January - 2023 Impact Factor: 7.185 ISSN: 2582-3930

• Customers receive the notification showcasing the confirmation of the order and the person who will deliver the order

• Customers track the entire journey from mobile app starting from the order confirmation to the moment order gets delivered. They can also track the delivery boy's location.

• Swiggy marks your ordered completed, once delivered

After the order completion, Swiggy app asks customer's reviews and ratings on food, taste, and delivery service.

MARKETING STRATEGY

<table>
<tr><td colspan="3"><u>Customer Segment</u>
• People who love to eat food from their favorite restaurants but want to get it delivered at home
• People who want to get emergency items delivered at their doorsteps like groceries, stationery, etc.</td></tr>
<tr><td><u>Key Partners</u>
• Restaurants Partners
• Delivery Partners</td><td colspan="2"><u>Key Activities</u>
• App Maintenance
• Seasonal Promotion and Advertising
• Growth in diversifying business beyond food and reaching to daily items</td></tr>
<tr><td colspan="2"><u>Value Proposition</u>
• Fast Delivery within 1 hour or less
• Quick Access: users must get items delivered with one click
• Design: an easy to navigate the app
• Reliability: customers' trust and confidence in the brand for their need of the moment</td><td><u>Value Proposition</u>
• Push Notifications
• Email Marketing
• Social Media Marketing
• Offering deals and discounts on special events
• Continuously improves in customer</td></tr>
<tr><td colspan="3"><u>Key Resources</u>
• Local Food Delivery Boys
• An Easy-to-use Mobile App
• Connection with Restaurants and Stores</td></tr>
</table>

Cost Structure

1. Fixed Cost	2. Variable Cost
• Payments and Incentives to Delivery Partners	• Acquisition of Various Companies
• Salary to Employees	• Transportation
• IT-Development Cost	• Returns and Refunds
• Advertising and Marketing Cost	

How Swiggy makes money?

Swiggy's idea to connect local foodies with local restaurants gave the brand advantage of an early mover. But the brand relies on restaurants and local delivery personnel to grow the business. And the company has to pay incentives to local delivery boys to keep the business going. So Swiggy's revenue stream comes from different, multiple sources.

Here they are:

Commissions

Swiggy charges 15-25% commission on total order bill (inclusive of Goods and Service Tax) from restaurants. The percentage of the commission depends on various factors like the number of orders, location of the restaurant, the commission charged by competitors, etc.

Delivery charges

Swiggy doesn't follow any minimum order model. It can deliver food for even less than Rs.100/- only. Instead of being a hurdle, it's the most significant advantage for Swiggy as the app often receives an order value of less than Rs. 100/- for which Swiggy applies delivery charges.

Delivery charges rotate around Rs.10-20/- for orders less than Rs.250/-. Swiggy increases its delivery charges in times of high demand, rains, special occasions, or midnight delivery. If customers need emergency food at midnight, they have to pay a little bit higher, or customers prefer to order on time to avoid paying high. Either way, Swiggy wins.

Advertising

Swiggy follows two advertising revenue models simultaneously: Banner Promotions and Priority Restaurant listing.

Swiggy started displaying and promoting banners of available restaurants based on regions and rates. Swiggy charges premium from restaurants in exchange for displaying their banners in its app.

Affiliate income

Swiggy offers credit cards as well from where it generates income as an affiliate. The food-service brand has partnered financial biggies, including American Express, Citibank, ICICI Bank, HSBC, etc.

Other income sources

Swiggy keeps expanding its revenue sources along with its growth. It has started Swiggy Access allowing restaurants to set up kitchens at locations where they can't reach. For this, restaurants pay higher than average commissions. Swiggy added another source via Swiggy Super, a membership program for regular customers. It offers unlimited free delivery for orders above Rs. 99/-.

Key takeaways from India's largest online food delivery platform – Swiggy

From the hyper-funding wave of 2014-15, Swiggy is the only brand that continues to thrive and grow. Despite the fierce competition from Zomato, UberEats, and Foodpanda, Swiggy successfully made its way to food delivery space and became a unicorn startup. If you want to grow like Swiggy, follow these simple strategies consistently to pave your way:

Sharp focus on one thing

From Bundl to Swiggy, the founders and co-founders kept their focus on one thing: the logistics. They deeply cared about logistics operations and aimed to make it accessible through one click. If you care deeply about something, put that thing at center focus. It doesn't guarantee your success, but gives you a roadmap to reach the success when you go through several trials and errors just like Swiggy owners.

Catch the trend

Once you know what you care, your next move is to acknowledge the trend. Founders of Swiggy were well-aware of the logistics industry. They knew that the industry lacks technology and speed to connect customers with brands with one click. They took advantage of the trend to give birth to Swiggy.

Build a growing team

A growing team puts constant efforts without failure. If the founders had accepted defeat after the shutdown of Bundl, they never have touched the heights of Swiggy. It is the combination of resilience and growth-mindset that kept the ball rolling. If you want to reach higher despite failures, gather a team with growth-mindset and resilience to keep going.

Present Scenario

Swiggy, which combines a B2B and B2C business strategy, has a vast logistics network that is always serving its clients. Swiggy claims that advertising, delivery fees, and commissions are its three primary sources of income. The firm has a completely different approach from what the rival company, Zomato, has adopted, focusing more on economic issues, such as the delivery of groceries and medications. On the other hand, one of the most prominent investors in the sector is backing Swiggy.

To be successful, they embraced a number of key principles, such as providing meals to customers on time and without requiring a minimum order. It improved the way food was served to customers and resulted in them having a good return on investment. In most places, Swiggy also charges a little delivery cost for purchases under 200 rupees.

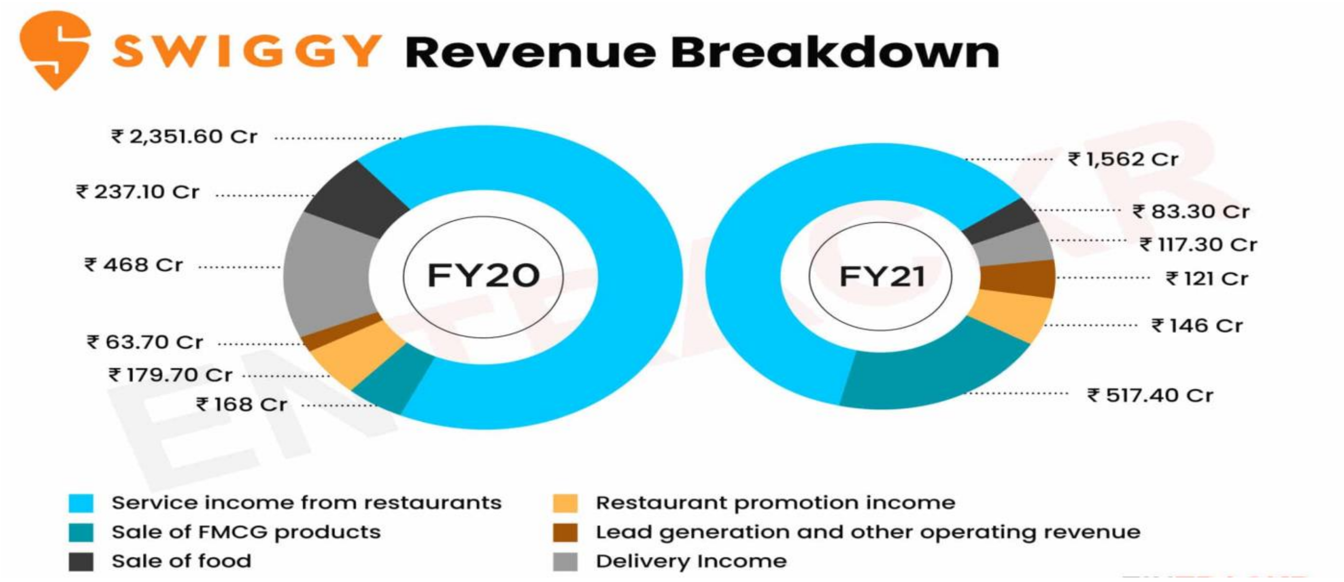
Swiggy is excited about the future because it plans to improve its delivery and logistics capabilities so it can compete with Grofers and Amazon. It has raised a lot of money from a variety of investors, and it uses a variety of marketing strategies to promote its brand. Swiggy has secured $75.5 million in investment from Apoletto, Norwest Venture, Harmony Venture Partners, Accel Partners, Bessemer Venture Partners, SAIF Partners, and RB Investments, and many more. Swiggy promotes its services and brand through a lot of online and offline campaigns. Many online campaigns are prominently denoted towards social media platforms such as Instagram, Twitter, and Facebook.

Swiggy's income went down by 25% in FY21, even though their grocery business grew. This is likely because their biggest competitor, Zomato, saw their income go down by 24% during the same period. Swiggy's revenue from operations went down by 26.6% to Rs 2,547 crore in FY21 as compared to Rs 3,468 crore the company generated during FY20, even though they were facing countrywide lockdown and restriction on delivery services for an extended period of time.
A food and food technology company collects restaurant service revenue on its platform every time an order is completed, accounting for 61.3% of total operating revenue. These collections fell by 33.6% from Rs 2,351.6 crores in FY2020 to Rs 1,562 million in FY2021. Their revenue fell by nearly 19% to Rs 146 crore in FY21. The previous fiscal year (2020) was 1.797 Crore This year, the delivery revenue generated by the company is accounted for after deduction of expenses, so from 468 million rupees in FY 2020, he decreased

by 75% to 117.3 million rupees in FY 2021. Lead generation and other related operating revenue increased nearly 90% 90% YoY to Rs 121 Crore during FY21.

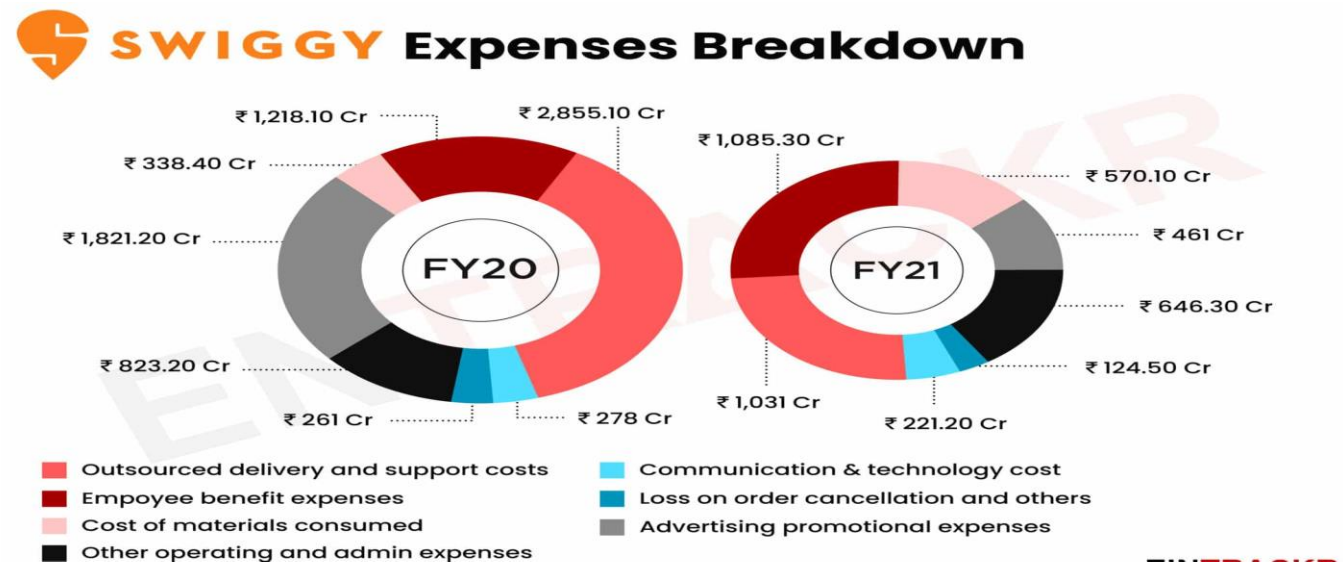
Swiggy operates its own cloud kitchen network under its own brands: The Bowl Company, Goodness Kitchen, Breakfast Express and Homely. Sales of these private label food products have decreased by about 65% from his Rs 237.1 Crores in FY2020 to his Rs.833 Crores in FY21. With Swiggy now focusing on the grocery vertical, Instamart, sales of groceries and his FMCG products are now his second largest contributor to revenue, accounting for 20.3% of operating profit. Occupies their turnover more than tripled to Rs 51.74 Crores in FY21 from a turnover of Rs 16.8 Crores in FY2020. Importantly, lead generation and grocery sales are his only two revenue streams for Swiggy to see growth in his 2020 fiscal year.

Employee benefits expenditures, which account for 26.2% of the company's yearly costs, have emerged as its greatest cost centre. In the most recent fiscal year (FY21), these expenses decreased from Rs 1,218 crore paid out in FY20 to Rs 1,085.3 crore, a decrease of around 11%. Swiggy is paying more than one-fifth of staff expenditures through employee stock options (ESOPs), which increased from 15.3% in FY20 to 20.6% in FY21.



When compared to the expenditures reported in FY20, the company's labour costs for delivery and its procurement centres decreased by 64% to Rs 1,031 crore in FY21 from Rs 2,855 crore. The corporation is recording delivery income after deducting these delivery expenses, which is the primary cause of this decline. The expenditures sheet shows that the management made efforts to increase operating margins and used austerity measures to reduce costs wherever possible.

For instance, marketing costs made up nearly 24% of annual costs during FY20 which has now been reduced to only 11% during FY21.These advertisement and promotional expenses were cut back by 75% to Rs 461 crore during FY21 from Rs 1821 crore spent during FY20. For instance, in FY20, marketing expenses accounted for about 24% of total expenses; in FY21, they will only represent 11%. From Rs 1821 crore in FY20 to Rs 461 crore in FY21, these advertising and promotional costs were reduced by 75%. The 45.5% decline in yearly spending from Rs 7,595 crore in FY20 to Rs 4,139 crore spent overall in FY21 demonstrates the loss of scale. During the fiscal year that ended in March 2021, Swiggy spent Rs 1.63 to generate every rupee of revenue.



With EBITDA margins improved to -49.24% in FY21 from -96.93% in FY20 due to the loss of scale. Annual losses decreased from Rs 3,920 crore in FY20 to Rs 1,617 crore in FY21, a 58.8% decrease. Outstanding losses increased to around $1.15 billion, or Rs 8,617 crore, by the end of March 2021. As Swiggy's operational scale returns to pre-covid levels in FY 2021–2022, it will be fascinating to observe how the company maintains its margin improvements.

Swiggy FY20-FY21 (Rs in Crores)		
	FY 20	FY 21
EBITDA Margin	-49.24%	-96.93%
ROCE(Return on Capital Employed)	-69.56%	-101.75%
Expense/Rs of Ops Revenue	Rs1.63	Rs 2.19

Zomato, a competitor of Swiggy, revealed this month that its revenues for the fiscal year 2019–20 were Rs 2,743 crore on a consolidated basis, up over 100% from the prior fiscal year. Additionally, the Gurugram-based unicorn recorded a consolidated net loss of Rs 2,386 crore during the same year, an increase of 138% from the year before. The Deepinder Goyal-led company claimed having spent Rs 5,006 crore in total during the fiscal year.

The path to profitability for foodtech startups has now been sped up by Covid-19. After some minor setbacks, Zomato is quickly emerging from the pandemic's shadows. Due to Covid-19-related restrictions and curfews in various locations, many individuals chose to stay at home on New Year's Eve. Zomato and Swiggy saw an increase in orders for biryanis, pizzas, and cakes. According to reports, Swiggy reported a peak number of orders per minute at 5,500 on New Year's Day while Zomato serviced 4,254 orders per minute during its busiest period.

Question

1. The company also emphasizes using high-quality ingredients and maintaining the best hygiene standards. As every coin has two sides, it is difficult to say which the best is. Which one will you choose after reading the comprehensive analysis?
2. Explain the strategies for Swiggy, that needed to be applied to regain from its loss and maintain its steady revenues and profits?

References:

1) https://www.business-standard.com/article/companies/swiggy-s-revenue-jumps-115-to-rs-2-776-cr-losses-up-61-to-rs-3-768-cr-121012800027_1.html
2) https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ordering-in-the-rapid-evolution-of-food-delivery
3) https://www.themarcomavenue.com/blog/the-swiggy-story-how-swiggy-became-indias-largest-food-delivery-platform/
4) https://www.marketing91.com/business-model-of-swiggy
5) https://www.tristatetechnology.com/blog/how-swiggy-business-model-works-and-make-money