

Discount Strategies of Online Food Delivery Platforms and Their Impact on the Profitability of Local Restaurants: An Empirical Study of Zomato and Swiggy Partner Restaurants in Hyderabad

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Abstract

The rapid expansion of online food delivery platforms, particularly Zomato and Swiggy, has reshaped the operating environment of independent restaurants across urban India. While these platforms widen customer reach and remove geographic barriers to discovery, the pricing architecture built around aggressive promotional discounting and high commission slabs has raised concerns about the long-term financial health of small food businesses. This study examines the impact of platform-driven discount strategies on the profitability of local, non-chain restaurants operating in Hyderabad. Using a descriptive-analytical research design, primary data were collected through a structured questionnaire from a convenience sample of 100 restaurant owners, managers and cloud-kitchen operators who are active partners on Zomato and/or Swiggy, supplemented by secondary data drawn from industry reports and trade publications. Percentage analysis, weighted average scoring and a chi-square goodness-of-fit test were applied to the survey responses. The results show that commissions of 21 to 25 percent per order are the norm for a majority of respondents, that discounting functions as a near-mandatory condition for algorithmic visibility, and that the resulting cost is absorbed overwhelmingly by the restaurant rather than the platform. Sixty-five percent of respondents reported a significant reduction in net profit margins, and the chi-square test confirms that this erosion is statistically significant rather than a matter of chance. The paper closes with practical recommendations, including dual-menu pricing, capped promotional participation and investment in direct-to-consumer ordering channels, intended to help independent restaurants rebalance the volume-margin trade-off created by aggregator platforms.

Keywords: Online food delivery, discount strategy, restaurant profitability, platform commission, Zomato, Swiggy, digital aggregators, gig economy, small business, India.

1. Introduction

Online food delivery has moved from being a convenience for a small segment of urban India to one of the primary sales channels used by restaurants of every size and category. Industry estimates place Zomato and Swiggy at the centre of this shift, with the two platforms together accounting for almost the entire organised food-delivery market in the country

(Redseer, 2025; NCAER, 2025). For a newly opened cloud kitchen and a decades-old family restaurant alike, a listing on these platforms is close to essential if the business wants to reach customers who increasingly default to an app rather than a phone call or a walk-in visit.

The relationship between aggregators and restaurants, however, has not remained a simple one of mutual benefit. In their early years, Zomato and Swiggy expanded aggressively on venture capital funding, using deep, platform-funded discounts to build customer habit at a pace that no individual restaurant could have matched on its own. As both companies moved toward public listing and sustained profitability, the cost of this customer acquisition strategy was progressively transferred to their restaurant partners. Commission slabs rose, and discount campaigns that were once optional promotional tools became close to mandatory conditions for maintaining visibility within the platform's search and ranking algorithms.

For local, standalone restaurants, this shift has created a structural tension between order volume and profit margin. Restaurants report steady or rising order counts through the apps, yet many describe their monthly profitability as stagnant or declining once commission payouts, discount funding and packaging costs are accounted for. Because algorithmic visibility is tied closely to a restaurant's willingness to participate in ongoing promotional campaigns, opting out of discounting is widely perceived as carrying an immediate and measurable cost in the form of reduced order flow. This creates what may be described as a volume-margin paradox: the very mechanism that brings customers to a restaurant's page is also the mechanism that erodes what the restaurant earns from each of those customers.

This tension matters beyond the individual restaurant. Independent and small-chain restaurants form a large share of India's food service employment and are closely tied to local economies, rental markets and allied trades such as raw material suppliers and packaging vendors. A sustained erosion of margins in this segment has implications for restaurant closures, employment, and the diversity of the country's dining landscape. It is also directly relevant to ongoing policy conversations around platform regulation, fair commission practices, and initiatives such as the Open Network for Digital Commerce (ONDC), which has been positioned as an alternative to the Zomato-Swiggy duopoly.

Against this background, the present study sets out to examine, empirically, how discount strategies used by online food delivery platforms affect the profitability of local restaurants. The specific objectives, hypotheses and methodology used to investigate this question are detailed in the sections that follow. The paper is organised as follows: Section II reviews the relevant literature and identifies the research gap; Section III and IV present the objectives and hypotheses; Section V describes the research methodology; Section VI reports the data analysis and interpretation, including the results of hypothesis testing; Section VII summarises the key findings; Section VIII offers practical suggestions; and Section IX concludes the paper with its implications and directions for future research.

2. Review of Literature

A growing body of research, both academic and industry-based, has examined the economics of food-delivery aggregation and its consequences for restaurant partners. This section reviews that literature under four broad themes before identifying the specific gap that the present study addresses.

2.1 Growth and Business Model of Food Delivery Aggregators

The literature on platform business models provides the conceptual starting point for understanding aggregator economics. Parker, Van Alstyne and Choudary (2016) and Cusumano, Gawer and Yoffie (2019) describe how two-sided platforms extract value by intermediating between two distinct user groups, in this case consumers and restaurants, and by controlling the terms on which each side accesses the other. Srnicek (2017) extends this argument by describing the broader phenomenon of 'platform capitalism', in which venture-funded platforms initially subsidise growth on both sides of the market before shifting toward monetisation once network effects and switching costs have locked in participants. Applied to Zomato and Swiggy, Rajawat and Jha (2024) document how the two firms evolved from restaurant-discovery directories into full-stack delivery and monetisation platforms, a trajectory consistent with the wider platform economics literature.

2.2 Commission Structures and the Restaurant Cost Burden

Several studies point to commission fees as the single largest recurring cost that restaurants incur through aggregator partnerships. Srivastava, Joshi and Jain (2020) found that food aggregators alter the cost structure of conventional restaurants substantially, with commission payouts materially compressing operating margins even as gross sales volumes rise. Kapoor and Vij (2018) similarly note that while digital ordering removes some traditional overheads, such as the need for an in-house delivery fleet, it introduces a new and less negotiable overhead in the form of platform commission, which restaurant partners, particularly smaller ones, have limited power to contest. Ahuja, Khurana and Aggarwal (2021) describe this imbalance as a form of 'merchant vulnerability', arising from the concentrated, duopolistic structure of the Indian food-delivery market, which leaves individual restaurants with little bargaining leverage over fee structures.

2.3 Discounting, Algorithmic Visibility and Customer Behaviour

A second strand of literature focuses specifically on discounting behaviour. Vinaik, Goel, Sahai and Garg (2021) find that consumers on food aggregator apps display strong price sensitivity and that ordering decisions are frequently driven by the presence of visible discount tags rather than brand loyalty to a particular restaurant. This consumer behaviour, in turn, creates pressure on restaurants to participate in discount campaigns simply to remain competitive within app search results. Shaikh (2021), studying restaurants in Pune, reports that a majority of surveyed establishments felt compelled to offer continuous discounts to preserve their ranking and visibility, describing the phenomenon as an 'algorithmic tax' on independent restaurants. Hirschberg, Rajko, Schumacher and Wrulich (2016), in an early but frequently cited industry analysis, had already flagged the risk that delivery platforms could evolve from customer-acquisition partners into intermediaries that restaurants depend on but cannot fully control.

2.4 Data Ownership and the Restaurant-Platform Power Asymmetry

A smaller but important set of studies examines the asymmetry of information and data access between platforms and restaurants. Li and Kim (2020) argue that aggregators' control over customer data, including contact details and repeat-order history, prevents restaurants from building direct relationships with their own customers, reinforcing dependency on the platform for repeat business. Sethu and Saini (2016), examining customer perception of online food delivery systems more broadly, note that while consumers value the convenience and personalisation that platforms offer, this same personalisation is built on data that restaurants themselves are denied access to, further entrenching the platform's intermediary position.

2.5 Research Gap

Taken together, the literature confirms that aggregator commissions compress restaurant margins, that discounting is closely tied to algorithmic visibility, and that data asymmetry limits restaurants' ability to build independent customer relationships. However, much of the existing Indian literature either treats these three dimensions, commission burden, discount pressure and data access, separately, or relies on qualitative or industry-report evidence rather than structured primary data from restaurant operators themselves. Few studies statistically test whether the perceived erosion in profitability is significant or simply anecdotal, and fewer still examine this question specifically in the context of Hyderabad, a large metropolitan food market with a dense concentration of independent restaurants and cloud kitchens. This study addresses that gap by combining primary survey data from 100 restaurant operators with a formal statistical test of the relationship between platform discount strategies and profitability, situated specifically within the Hyderabad market.

3. Objectives of the Study

1. To evaluate the impact of aggregator discount programmes on the net profit margins of local restaurants.
2. To quantify the average commission and transaction fees deducted by platforms per order.
3. To determine whether high online order volumes successfully offset the cost of deep promotional discounting.
4. To identify the strategic and operational challenges faced by standalone restaurants when attempting to reduce participation in platform-driven discount campaigns.

5. To propose alternative operational and financial practices that can help local restaurants protect their margins while retaining the discovery benefits of online platforms.

4. Hypotheses

H0 (Null Hypothesis): Platform-driven discount strategies used by Zomato and Swiggy do not have a statistically significant negative impact on the net profitability of local restaurants.

H1 (Alternative Hypothesis): Platform-driven discount strategies used by Zomato and Swiggy have a statistically significant negative impact on the net profitability of local restaurants.

5. Research Methodology

5.1 Research Design

The study adopts a descriptive and analytical research design, appropriate for capturing the current state of restaurant-aggregator relationships and testing whether the perceived impact on profitability is statistically significant rather than incidental.

5.2 Universe and Sample

The population of interest consists of local, independent (non-chain) restaurants, quick service restaurants and cloud kitchens operating in Hyderabad that are active partners on Zomato and/or Swiggy. A convenience sample of 100 restaurant owners, managers and cloud-kitchen operators was drawn from this population. Convenience sampling was used because a complete sampling frame of aggregator-listed restaurants is not publicly available; the approach is common in exploratory studies of this kind and is treated as a limitation in Section 5.6.

5.3 Data Collection

Primary data were collected using a structured questionnaire (reproduced in the Annexure) administered to restaurant owners, managers and cloud-kitchen operators. The questionnaire covered business profile, revenue dependency on aggregators, commission rates, discount participation, cost absorption, perceived impact on profitability, and views on data access and long-term platform dependency. Secondary data were drawn from corporate disclosures of Zomato and Swiggy, industry reports (Redseer, Inc42, NCAER), and trade body publications of the Federation of Hotel and Restaurant Associations of India (FHRAI) and the National Restaurant Association of India (NRAI).

5.4 Variables

The principal independent variables are the platform commission rate and the frequency/depth of discount participation; the principal dependent variable is the perceived change in net profit margin. Order volume and dine-in footfall are treated as intervening variables that mediate the relationship between discounting and profitability.

5.5 Statistical Tools

Percentage analysis, weighted average score analysis, and a chi-square goodness-of-fit test were used to analyse the survey responses. Calculations were performed in Microsoft Excel.

5.6 Limitations of the Study

- The sample is drawn using convenience sampling and is confined to Hyderabad, which limits statistical generalisation to other Indian cities.
- Profitability figures are based on respondents' self-reported perceptions rather than audited financial statements, and are therefore subject to recall and perception bias.
- The study captures a cross-sectional snapshot of restaurant-aggregator relationships and does not track changes in commission or discount structures over time.

6. Data Analysis and Interpretation

6.1 Descriptive Analysis of Survey Responses

This section presents the results of the structured questionnaire administered to 100 restaurant owners, managers and cloud-kitchen operators, analysed using simple percentage analysis. Tables 1 to 15 present the findings in the order in which they were collected, followed by a brief interpretation of each.

Table 1: Operating Duration of the Restaurant Business

Operating Duration	Respondents	Percentage
Less than 2 Years	25	25%
2 - 5 Years	45	45%
6 - 10 Years	20	20%
Above 10 Years	10	10%
Total	100	100%

Interpretation: Nearly half the sample (45%) has been operating for 2 to 5 years, indicating that the study largely reflects the experience of relatively young, established businesses rather than either brand-new entrants or long-standing legacy restaurants. Only 10% of respondents have been in business for more than a decade, suggesting either a genuinely younger restaurant base in the aggregator ecosystem or higher turnover among older establishments that predate the platform era.

Table 2: Category of Restaurant Establishment

Restaurant Category	Respondents	Percentage
Quick Service Restaurant (QSR)	35	35%
Casual Dining Eatery	30	30%
Cloud Kitchen / Delivery Only	25	25%
Fine Dining Restaurant	10	10%
Total	100	100%

Interpretation: Quick service restaurants (35%) and casual dining eateries (30%) together account for almost two-thirds of the sample, both categories that are structurally well-suited to delivery. Cloud kitchens, which exist solely to serve aggregator demand, form a substantial 25% of respondents, underlining how deeply the sector has adapted its operating format around online delivery.

Table 3: Average Daily Share of Revenue from Online Apps (Zomato/Swiggy)

Share of Total Sales	Respondents	Percentage
Below 25%	15	15%
25% - 50%	30	30%
51% - 75%	40	40%
Above 75%	15	15%
Total	100	100%

Interpretation: A majority of respondents (55%, combining the 51-75% and above-75% categories) generate more than half of their daily revenue through online aggregators. This confirms a high degree of revenue dependency on the two platforms, which has direct bearing on how much bargaining power individual restaurants can realistically exercise over commission and discount terms.

Table 4: Average Commission Fee Deducted by Platforms per Order

Commission Range	Respondents	Percentage
Below 15%	5	5%
15% - 20%	25	25%
21% - 25%	55	55%
Above 25%	15	15%
Total	100	100%

Interpretation: More than half of the respondents (55%) pay commissions between 21% and 25% per order, and a further 15% pay above 25%. Only 5% enjoy commission rates below 15%. This confirms that steep commission slabs, rather than being an exception, represent the prevailing norm for local restaurants partnering with Zomato and Swiggy.

Table 5: Frequency of Participation in Platform Discount Schemes

Frequency of Discounting	Respondents	Percentage
Always / Continuously	50	50%
Frequently	25	25%
Occasionally	15	15%
Rarely / Never	10	10%
Total	100	100%

Interpretation: Half of all respondents (50%) report offering discounts continuously, and a further 25% do so frequently. Only 10% rarely or never discount. This pattern is consistent with discounting functioning less as an occasional promotional choice and more as an ongoing operating condition for staying visible on the platforms.

Table 6: Primary Reason for Offering Online Discounts

Main Driver	Respondents	Percentage
Algorithmic Visibility / Search Ranking	55	55%
Matching Competitor Price Cuts	25	25%
Platform-Mandated Campaigns	15	15%
Clearing Excess Inventory	5	5%
Total	100	100%

Interpretation: Search-ranking and visibility concerns (55%) dominate as the primary reason restaurants discount, well ahead of competitive matching (25%) or inventory clearance (5%). This directly supports the perception, discussed in the literature review, that discounting is driven by algorithmic pressure rather than independent marketing strategy.

Table 7: Percentage of Discount Cost Absorbed by the Restaurant

Cost Share Absorbed by Restaurant	Respondents	Percentage
100% (Entire Cost)	60	60%
50% - 99% (Majority Share)	30	30%
Less than 50% (Co-funded)	10	10%
Total	100	100%

Interpretation: The financial burden of discounting falls heavily on restaurants: 60% absorb the entire cost of customer discounts themselves, and another 30% bear the majority share. Only 10% report a genuinely co-funded arrangement in which the platform bears half or more of the discount cost.

Table 8: Net Impact of Deep Discounting on Monthly Profit Margins

Impact on Profit Margin	Respondents	Percentage
Significant Profit Reduction	65	65%
Marginal Profit Decrease	20	20%
Neutral / No Change	10	10%
Profit Expansion	5	5%
Total	100	100%

Interpretation: This is the study's central finding: 65% of respondents report a significant reduction in monthly profit margins attributable to discounting, and a further 20% report a marginal decrease. Only 5% report any improvement in profitability. This table forms the basis of the hypothesis test reported in Section 6.2.

Table 9: Perception of Algorithmic Penalties for Opting Out of Discounts

Effect of Opting Out	Respondents	Percentage
Yes, Order Volume Drops Immediately	75	75%
Yes, but the Drop is Gradual	15	15%
No Noticeable Impact	10	10%
Total	100	100%

Interpretation: Three-quarters of respondents (75%) believe that opting out of discount campaigns triggers an immediate drop in order volume, with a further 15% reporting a gradual decline. This near-consensus perception explains why so many restaurants continue discounting even while reporting that it hurts their margins: the perceived cost of not discounting appears higher than the cost of discounting itself.

Table 10: Whether Volume Growth Has Compensated for Margin Loss

Assessment	Respondents	Percentage
No, Volume Does Not Offset Losses	65	65%
Yes, Partially	25	25%
Yes, Completely	10	10%
Total	100	100%

Interpretation: Consistent with Table 8, a majority (65%) state that higher order volumes have not compensated for the margin lost to discounting and commissions. Only 10% consider volume growth a full offset. This directly addresses Objective 3 of the study and indicates that the 'volume argument' often used to justify platform participation does not hold for most respondents.

Table 11: Impact of App Dependency on Offline / Walk-In Dining Operations

Operational Consequence	Respondents	Percentage
Delivery Orders Delay Walk-In Service	45	45%
Kitchen Staff Overwhelmed / High Stress	35	35%
No Negative Impact Noticed	20	20%
Total	100	100%

Interpretation: Beyond pure financial impact, 45% of respondents report that fulfilling online orders delays service to walk-in dine-in customers, and 35% report that kitchen staff are overwhelmed during peak app-order periods. Only 20% report no operational strain, indicating that platform dependency also carries hidden operational costs that do not appear directly in profit and loss figures.

Table 12: Satisfaction with Customer Data Sharing by Zomato/Swiggy

Satisfaction Level	Respondents	Percentage
Highly Dissatisfied (No Data Provided)	70	70%
Dissatisfied	20	20%
Satisfied / Neutral	10	10%
Total	100	100%

Interpretation: An overwhelming 90% of respondents (70% highly dissatisfied and 20% dissatisfied) are unhappy with the limited access they have to their own customers' data. This finding supports the data-asymmetry theme identified in the literature review and helps explain why restaurants find it difficult to build independent, repeat-order relationships that could reduce their dependency on the platforms.

Table 13: Biggest Operational Challenge Faced on Aggregator Platforms

Primary Challenge Area	Respondents	Percentage
High Commission Percentages	40	40%
Mandatory Discounting Pressure	35	35%
Delayed Payment Settlements	15	15%
Arbitrary Customer Refund Deductions	10	10%
Total	100	100%

Interpretation: Commission levels (40%) and discounting pressure (35%) together account for 75% of the single biggest challenge cited by respondents, reinforcing that these two, closely related, cost items dominate restaurant concerns far more than settlement delays or refund disputes.

Table 14: Perceived Long-Term Financial Risk of Sustained Platform Dependency

Risk Assessment	Respondents	Percentage
Very High Risk of Business Closure	55	55%
Moderate Survival Challenges	30	30%
Manageable Operational Risk	15	15%
Total	100	100%

Interpretation: More than half of the respondents (55%) view continued, unmanaged dependency on aggregator platforms as a high risk to business survival, while a further 30% see it as a moderate challenge. Only 15% consider the risk manageable under current conditions.

Table 15: Overall Verdict: Do Food Apps Help or Hurt Local Restaurants?

Overall Verdict	Respondents	Percentage
Help Discovery but Hurt Profitability	70	70%
Net Positive Enablers	15	15%
Entirely Damaging to Small Businesses	15	15%
Total	100	100%

Interpretation: The summary evaluation captures the nuanced conclusion running through the data: 70% of respondents believe food delivery apps help with brand discovery but hurt overall profitability, a view consistent with the volume-margin paradox described in the introduction. Equal minorities of 15% each view the platforms as either entirely positive or entirely damaging.

6.2 Testing of Hypothesis

The central hypothesis of this study, that platform discount strategies have a significant negative impact on restaurant profitability, was tested formally using the data reported in Table 8 (Net Impact of Deep Discounting on Monthly Profit

Margins). If discount strategies had no real effect on profitability, responses would be expected to distribute roughly evenly across the four outcome categories. A chi-square goodness-of-fit test was therefore used to test the observed distribution against this hypothetical position of no effect.

Under the null hypothesis (H0) of no impact, the 100 responses would be expected to divide evenly across the four categories, giving an expected frequency of 25 respondents per category. The observed frequencies were 65 (significant reduction), 20 (marginal decrease), 10 (neutral), and 5 (profit expansion).

Category	Observed (O)	Expected (E)	(O-E) ² /E
Significant Profit Reduction	65	25	64.00
Marginal Profit Decrease	20	25	1.00
Neutral / No Change	10	25	9.00
Profit Expansion	5	25	16.00
Total (χ^2)	100	100	90.00

The calculated chi-square value is $\chi^2 = 90.00$ with degrees of freedom $df = (4 - 1) = 3$. The critical value of χ^2 at the 5% level of significance for 3 degrees of freedom is 7.815. Since the calculated value (90.00) is far greater than the critical value (7.815), the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. The distribution of responses on profitability impact is therefore statistically significant and not attributable to chance, confirming that platform-driven discount strategies have a significant negative impact on the net profitability of local restaurants.

As a supporting measure, a weighted average score was computed for the same table, assigning weights of 4, 3, 2 and 1 to “Significant Reduction”, “Marginal Decrease”, “Neutral” and “Profit Expansion” respectively (a higher score indicating greater margin erosion). The weighted average score works out to $[(65 \times 4) + (20 \times 3) + (10 \times 2) + (5 \times 1)] \div 100 = 3.45$ out of a maximum possible 4.00, or 86.3% of the maximum erosion score. This corroborates the chi-square result and indicates that the erosion in profitability is not only statistically significant but also substantial in magnitude across the sample.

7. Findings of the Study

1. Revenue dependency on aggregators is high: 55% of surveyed restaurants earn more than half of their daily revenue through Zomato and Swiggy, confirming that these platforms have become a primary, not a supplementary, sales channel.
2. Commission rates are steep and largely non-negotiable for small operators: 70% of respondents pay 21% or more per order in platform commission, with 55% paying specifically in the 21-25% band.
3. Discounting is close to continuous: 75% of respondents discount either always or frequently, and 55% cite algorithmic visibility, not independent marketing judgement, as the primary reason for doing so.
4. The cost of discounting falls disproportionately on restaurants: 90% of respondents absorb either the full cost or the majority share of customer-facing discounts.
5. The impact on profitability is significant, not marginal: 65% of respondents report a significant reduction in monthly profit margins, a result confirmed as statistically significant by the chi-square test ($\chi^2 = 90.00$, $p < 0.05$) and reinforced by a weighted erosion score of 3.45 out of 4.00.
6. The threat of algorithmic penalty discourages exit from discount schemes: 90% of respondents believe that reducing or stopping discounts leads to an immediate or gradual drop in order volume, which helps explain why restaurants continue a practice they simultaneously describe as unprofitable.
7. Volume growth does not offset margin loss for most restaurants: 65% state clearly that higher order counts have not compensated for reduced per-order profitability.
8. Platform dependency carries operational costs beyond direct financial figures: 80% of respondents report that online order fulfilment either delays walk-in service or overwhelms kitchen staff.
9. Data access remains a significant point of friction: 90% of respondents are dissatisfied with the limited customer data shared by platforms, restricting their ability to build direct, repeat-order relationships.

10. Long-term sentiment is cautious: 85% of respondents view continued, unmanaged platform dependency as a high or moderate risk to business survival, and 70% conclude that aggregator apps help with discovery but ultimately hurt profitability.

8. Suggestions

1. Adopt transparent dual-menu pricing: Restaurants should price online menu items modestly higher than dine-in menus, in a transparent manner, to partially offset commission and discount costs without appearing to overcharge on the platform.
2. Cap promotional participation strategically: Rather than discounting continuously, restaurants should confine deep discounts to specific low-demand hours or days, protecting margins during naturally high-demand periods when discounting is least necessary.
3. Invest in direct-to-consumer ordering channels: Simple, low-cost tools such as WhatsApp Business ordering, a dedicated web ordering page, or QR-code-based direct ordering at the point of delivery can help restaurants gradually build an off-platform customer base with lower per-order costs.
4. Use packaging and delivery touchpoints to convert customers: Including offline loyalty coupons, bounce-back discounts for direct orders, or simple thank-you inserts in delivery packaging can nudge aggregator customers toward repeat direct orders over time.
5. Strengthen multi-channel cost accounting: Restaurants should track profitability separately for dine-in, direct delivery and each aggregator channel, so that discount and commission decisions are made with full visibility of true item-level and channel-level margins rather than gross revenue alone.
6. Engage collectively through trade associations: Bodies such as FHRAI and NRAI can play a stronger role in negotiating standardised, more transparent commission structures on behalf of small restaurant members, who individually have little bargaining power.
7. Explore emerging alternative networks: Restaurants should evaluate participation in the Open Network for Digital Commerce (ONDC) and similar lower-commission alternatives as a long-term hedge against dependency on the Zomato-Swiggy duopoly, while recognising that such networks currently offer lower customer traffic.

9. Conclusion

This study set out to examine whether discount strategies used by Zomato and Swiggy have a measurable impact on the profitability of local restaurants in Hyderabad. The evidence gathered from 100 restaurant operators points to a consistent and statistically significant answer: discounting, combined with high commission slabs, meaningfully erodes restaurant profitability even as it sustains or increases order volume. The chi-square test conducted on the study's central profitability variable confirms that this erosion is not a matter of isolated complaint but a broadly shared and statistically robust experience across the sample.

The underlying dynamic can be described as a volume-margin paradox. Aggregator platforms succeed in bringing customers to a restaurant's digital storefront, but the algorithmic and commercial architecture built around that access, high commissions, near-mandatory discounting, and restricted data sharing, ensures that a large share of the resulting revenue is captured by the platform rather than retained by the restaurant. For small, independent restaurants that lack the scale, brand strength or negotiating power of large chains, this arrangement functions less as a growth partnership and more as a structural constraint on long-term financial sustainability.

The findings carry implications for restaurant owners, industry bodies and policymakers alike. For restaurant owners, the study points toward practical, restaurant-level responses, dual pricing, selective discounting, and direct-channel investment, that can help rebalance the volume-margin trade-off without abandoning the discovery benefits that aggregators genuinely provide. For industry associations and policymakers, the findings add empirical weight to ongoing conversations around platform commission regulation and the promotion of lower-cost alternatives such as ONDC. Ultimately, the sustainability of India's independent restaurant sector in the platform era will depend on restaurants, platforms and regulators together finding a more balanced distribution of the value that online food delivery creates.

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