

## **The Dilemma of Deep Discounting: Can Zomato Sustain its Strategy?**

### ***Introduction:***

In the ever-competitive food service sector, platform businesses face numerous challenges. One of the key tactics used to attract and retain customers is sales promotions, such as loyalty programs and deep discounting. This blogpost critically examines Zomato, a prominent player in the industry, and analyzes the pros and cons of its deep discounting strategy, particularly focusing on its Zomato Gold loyalty program. Additionally, it delves into the ongoing conflict between Zomato and its restaurant partners, while exploring potential strategies for Zomato to shift the focus from discounts to loyalty.

### ***Background Note:***

Managing platform businesses, especially in the food service sector, requires a delicate balance. The ability to connect customers with a wide range of restaurants and offer seamless delivery or dining experiences has propelled platforms like Zomato to success. However, sustaining profitability while meeting the demands of both customers and restaurant partners poses significant challenges.

### ***Zomato Gold:***

Zomato Gold, launched in 2017, quickly gained popularity among diners. The program offered attractive discounts and exclusive privileges at participating restaurants, enticing customers to explore new dining options. By paying a subscription fee, users could enjoy 1+1 offers on food and 2+2 offers on drinks. While Zomato Gold initially seemed like a win-win for both customers and restaurants, it soon revealed underlying conflicts.

### ***Zomato in the Soup:***

The aggressive discounting strategy employed by Zomato, though successful in driving customer acquisition, created friction with its restaurant partners. Many establishments argued that the deep discounts eroded their profit margins and devalued their brand equity. As a result, several prominent restaurants decided to opt out of the Zomato Gold program, further intensifying the conflict.

### ***Old Wine in a New Bottle?***

Critics argue that Zomato's deep discounting strategy is not sustainable in the long run. While it indeed attracts customers, it fails to foster loyalty or shift the focus from discounts to the overall dining experience. Moreover, the overreliance on discounts may lead to a price-sensitive customer base that constantly seeks the best deals, undermining the value proposition of the platform.

### ***The Deadlock Continues...***

Zomato finds itself at a crossroads, grappling with the challenges of deep discounting and the dissatisfaction of its restaurant partners. To overcome this deadlock, Zomato must explore alternative strategies that emphasize loyalty rather than discounts. Building personalized experiences, enhancing customer engagement, and offering value-added services could be potential avenues for Zomato to evolve its business model and create a more sustainable future.

### ***Conclusion:***

In the realm of platform businesses, managing deep discounting strategies can be a double-edged sword. While it may initially attract customers and drive short-term growth, the long-term implications can be detrimental. Zomato's deep discounting approach, exemplified by its Zomato Gold program, has sparked

controversy and strained its relationship with restaurant partners. To secure a sustainable future, Zomato must navigate the challenges of cultivating loyalty and enhancing the overall dining experience. By striking the right balance between discounts and value-added services, Zomato can reshape its strategy and solidify its position in the ever-evolving food service sector.

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