Dispute between a food service aggregator and restaurants

Why in News?

There is an ongoing dispute between the foodservice aggregator Zomato, and restaurants. This can have widespread consequences.

What is the significance of foodservice aggregators?

- In the past few years, the foodservice aggregators have disrupted the traditional hospitality model.
- They have gained Unicorn status by running online food delivery services.
- They also offer ratings and user-generated reviews for their partner-establishments.

What has the aggregator's latest move caused?

- It has run into resistance from restaurants, with hundreds of them in India logging out of its discount programme.
- Many people in the hospitality industry have expressed dismay about the allegedly opaque nature of the aggregator's ratings and reviews.

How is there a win-win situation in general?

- The food service aggregators have disrupted the hospitality industry, which lacked the logistical base or technological skills to address the demands of consumers who do not have the time to dine out.
- By taking their orders and delivering, the aggregators created a win-win situation - Restaurants could cater for larger numbers while consumers got both the food and convenience they desire.

What is needed for an efficient performance?

- Efficiently performing this simple task requires plenty of **technological nous**.
- **Restaurants must be aggregated and sorted** on the basis of multiple criteria, such as cuisine, price range, locations, and ratings.
- The **logistics of pickup and delivery must be optimised** so that most orders can be serviced in the least possible time.
- Vast databases of customers have to be maintained with sensitive

information such as contact details, fintech account details, etc.

- The aggregator must **securely process transactions** on various online platforms, accept cash on delivery with its inherent risks, and maintain payment schedules with its partner-establishments.
- By doing this, the aggregators have created new paradigms and enabled the **hospitality industry to serve a larger base**.

Why is there unprecedented leverage for the aggregators?

- The aggregators can **demand discounts**, including the in-restaurant discounts that sparked this particular confrontation.
- They **impose stringent time limits** and penalise partners for overstepping set times.
- They collect and disburse all the payments. It has been alleged that they sometimes **delay payments**, causing a working capital crunch.
- **Ratings and reviews** are generated and displayed, using algorithms that the hospitality industry claims to be opaque and may favour established brands over newcomers.

What is the solution?

- There are breaches of the aggregators' databases that have put the data of millions of consumers at risk.
- Some has had to face political issues around the religious sensibilities of their delivery personnel and consumers.
- The aggregators' discount programmes are major miscalculation because so many restaurants claim that they're unprofitable.
- In a broader sense, such frictions are inevitable when disruptions break down an established business model.
- The restaurant-partners should reciprocate with the aggregators because negotiating an equitable solution is in the interests of both.

Source: Business Standard

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