

FHRAI comes down hard on Zomato, Swiggy & others, warns of nationwide protests

Amidst the ongoing conflict between OTAs and hotels, a new but similar dispute has been brewing between restaurants and Food Service Aggregators (FSAs) across the country. Based on widespread complaints along with acute condemnation and agitation from its members, regional associations and affiliated associations regarding various issues that are hurting the Industry, the Federation of Hotel & Restaurant Associations of India (FHRAI) has called upon FSAs to engage in a fruitful dialogue with the Federation and its affiliated associations at the earliest to arrive at a win-win outcome for all.

In a letter to Zomato, Swiggy, Nearbuy, Dineout Prius Heights, EasyDiner and Magicpin the Federation has pointed out to the unethical business practices and has called for review of all their schemes. FHRAI further stated that as a technology partner, by merely hosting its members' inventory, FSAs cannot hold sway and arm twist the traditions and aspirations of millions of entrepreneurs in India.

The most common complaint with the FSAs is about the contracts being one sided. These contracts aren't even consistent across the industry and almost always unfair towards start-ups as against established brands. A model contract which is mutually agreed upon has to be accepted. As such a conduct is indicative of dominant behaviour and is indeed exploitative. Further, the agreement terms are not sacrosanct as they are frequently and unilaterally changed from time to time and always in favour of the FSAs. We are absolutely in favour of doing business, a business that is a win-win for everyone involved," said Gurbaxish Singh Kohli, vice president, FHRAI. FHRAI has also pointed out to the unreasonably high commissions, payment terms and arbitrarily applied additional charges as well as unethical practices by the FSAs.

Penal commissions of 25% are now standard. Such high charges merely for offering a platform are unjustified. Commissions are not standard and customised to exploit the startups which are indicative of an exploitative and dominant behaviour. Payment terms are not adhered to and are easily violated for the slightest excuse without recourse to any easy dispute resolution.

FHRAI has stated that one of the most critical terms which the FSAs changed and which destroy restaurant business is the number masking of customers. By doing so, FSAs have completely disconnected restaurants from its customers.

Food tech companies and aggregators do not and cannot represent the F&B industry and as such cannot choke the entrepreneurial aspirations and enterprise of our members by unsuspecting maverick startup founders to enter the Industry and then stifle them to a point where they have very little choice but to shut shop or slowly bleed to death.

The FSAs methods and practices are unbearable and require to be dealt with in the larger interest of the hotel and restaurant Industry.