

Reduce commissions on takeaway services, restaurants plead Zomato, Swiggy

Restaurant lobby Federation of Hotel and Restaurant Associations of India (FHRAI) has written to food-service aggregators Zomato and Swiggy requesting them to reduce the commission charged on restaurant takeaway services. In its letter, the restaurant lobby has requested the food-service aggregators to reduce the commission on takeaway services by 5 percent, with retrospective effect from May 2020.

The letter was addressed to Zomato founder Deepinder Goyal and Swiggy Co-Founder and CEO Sriharsha Majety. One of the biggest changes in the food business since the lockdown is the shift towards takeaways and food delivery through aggregators. Restaurants, meanwhile, are struggling to keep going as the lockdown restrictions meant dine-in services were not allowed in many markets. Where services have been allowed to resume, consumer fears of contracting Covid have meant footfalls are low.

This has forced restaurants to depend on the takeaway business, and consequently on the food-delivery services. A report released by Zomato on its website in August 2020 shows that the company has delivered 7 crore food orders since the lockdown was imposed in March. In July, Swiggy released its 'StatEATistics report: The Quarantine Edition', which showed that the company has delivered 4 crore orders since the lockdown, across food, groceries, medicines, and other household items.

Before the Covid pandemic, both Swiggy and Zomato delivered 20 lakh orders, on average, in a month. Among other things, it states: "We request you to reduce the commission charged by you from restaurants for takeaway services by 5 percent with retrospective effect from May 2020 till the restaurants are allowed to operate 100 percent without restrictions, after which you may again revert back to your individually agreed percentages. The 5 percent amount may be adjusted towards their individual forthcoming business," the FHRAI letter stated.

Generally, depending on the individual agreement with restaurants, the commission charged by Zomato and Swiggy ranges between 15-25 percent.

The letter also stated that the country's hospitality sector has suffered huge damage due to the unprecedented crisis caused by Covid-19. "Zero business during the last seven months, negative cash flows, threats of insolvency, and millions of jobs losses have devastated the sector completely," the letter stated.

The hospitality sector, being a labour- and capital-intensive industry, was the first casualty of the pandemic and it will be the last sector to revive, said Gurbaxish Singh Kohli, Vice President of FHRAI, in the letter.