

“The actions of platforms like Zomato and Swiggy represent a direct violation of established e-commerce regulations”

FHRAI Raises Alarm Over Zomato and Swiggy's Private Label Food Delivery Ventures

The Federation of Hotel & Restaurant Associations of India (FHRAI) has voiced strong objections to Zomato and Swiggy's recent entry into the private label food delivery business. The association has cited concerns regarding unfair competition, potential misuse of restaurant data, and risks to food safety. FHRAI argues that these platforms, originally intended to support restaurants by connecting them with customers, are now using their market dominance to compete directly with their partner restaurants.

To address these concerns, FHRAI plans to meet with the Ministry of Commerce, urging regulators to intervene and establish clear guidelines that ensure fair practices in the food service industry.

Key Concerns Raised by FHRAI

1. Data Misuse and Unfair Competition

Platforms like Zomato and Swiggy have access to years of proprietary data from restaurants, including customer preferences, sales trends, and order history. By leveraging this data, these companies can create and promote their own private label products, offering personalized deals that undermine the businesses of small and medium-sized restaurants.

Pradeep Shetty, Vice President of FHRAI, explained, “The actions of platforms like Zomato and Swiggy represent a direct violation of e-commerce regulations. These companies were designed to function as neutral marketplaces connecting consumers with restaurants. By launching private label food products, they are now competing against the very businesses they are supposed to support, creating an uneven playing field.”

Shetty also pointed out the significant ethical and legal concerns surrounding the misuse of sensitive data. “Restaurants are excluded from accessing the very data they helped generate, which puts them at a severe disadvantage,” he added.

2. Food Safety Standards

Another pressing issue is the lack of transparency and regulation regarding the food safety standards applied to private label products. While restaurants are subject to strict safety and quality guidelines, it remains unclear whether these same standards are being enforced for food products developed and sold by Zomato and Swiggy.

Shetty elaborated, “The lack of fairness and transparency not only jeopardizes consumer trust but also risks tarnishing the reputation of the entire restaurant industry. Regulators must ensure that private label products adhere to the same stringent safety standards required for restaurant food.”

3. Monopolistic Practices

By controlling both the distribution and creation of food products, Zomato and Swiggy are expanding their dominance in the food delivery market. This move could lead to monopolistic practices, further marginalizing restaurants that rely on these platforms for customer outreach.

Call for Regulatory Action

FHRAI is urging the government to implement enforceable regulations to address the following:

- **Data Protection:** Platforms must obtain proper consent from restaurants before using their data and should share this data transparently.
- **Fair Competition:** Guidelines should ensure that platforms operating as marketplaces do not compete with their partner restaurants.
- **Food Safety Compliance:** Private label food products must meet the same safety and quality standards required for restaurant food.

Ensuring a Fair and Transparent Food Ecosystem

The FHRAI emphasizes the need for a level playing field in the food service industry to protect the interests of all stakeholders, including restaurants, food

delivery platforms, and consumers. The association is calling on regulators to act swiftly to address the growing concerns of data misuse, unfair competition, and food safety risks.

In its upcoming meeting with the Ministry of Commerce, FHRAI aims to push for stronger oversight to ensure that food delivery platforms operate transparently and ethically. The ultimate goal is to foster a competitive and sustainable environment that benefits restaurants and consumers alike.