

# Aggregators: Are they Helping Your Business or ruining it? A Perspective on Zomato.Com

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## ABSTRACT

Start Ups or even corporates today have long been dependent on technical and digital giants for communicating their brand and ensuring that customers, consumers are made aware of the brand through these digital giants. What have they not realized is the fact that their lack of digital knowledge and their lack of basic understanding about technical know-how is not only costing them tons of revenue lost in marketing but also they are making these giants strong and so powerful that they can make or break their businesses. This paper will highlight the working of such technical giants and will provide a pathway to plug the marketing costs associated and eventually weed out or reduce the middlemen associated in the supply chain.

*How to cite this paper:* Abhijit Vibhute "Aggregators: Are they Helping Your Business or ruining it? A Perspective on Zomato.Com"

Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-7 | Issue-3, June 2023, pp.325-328, URL: [www.ijtsrd.com/papers/ijtsrd56373.pdf](http://www.ijtsrd.com/papers/ijtsrd56373.pdf)



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## INTRODUCTION

### Hotels and Hotel Industry

The primary purpose of hotels is to provide travelers with shelter, food, refreshment, and similar services and goods, offering on a commercial basis things that are customarily furnished within households but unavailable to people on a journey away from home. Historically hotels have also taken on many other functions, serving as business exchanges, centers of sociability, places of public assembly and deliberation, decorative showcases, political headquarters, vacation spots, and permanent residences. The hotel as an institution, and hotels as an industry, transformed travel in America, hastened the settlement of the continent, and extended the influence of urban culture.

### Hotels in the Early Republic

The first American hotels were built in the cities of the Atlantic coast in the 1790s, when elite urban merchants began to replace taverns with capacious and elegant establishments of their own creation. They hoped thereby to improve key elements of the national transportation infrastructure and increase the value of surrounding real estate, while at the same time erecting imposing public monuments that

valorized their economic pursuits and promoted a commercial future for the still agrarian republic. Unlike earlier public accommodations, hotels were impressive structures, readily distinguishable as major public institutions due to their tremendous size, elaborate ornamentation, and sophisticated academic styles. They were often designed by important architects like James Hoban, Charles Bulfinch, and Benjamin Latrobe. Hotels also had a distinctive internal arrangement incorporating grand halls for the use of the public and featuring dozens of bedchambers, which for the first time offered private space to all guests. Building on such a massive scale was tremendously expensive, and hotels cost from eight to thirty times as much as had been spent on even the finest taverns. Early hotels quickly became important centers of politics, business, and sociability. The City Hotel in New York, for example, became the center of the Gotham elite's business pursuits and elegant society balls, and Washington's Union Public Hotel housed the U.S. Congress in 1814–1815 after the British army destroyed part of the Capitol. The first generation of hotel building

continued into the first decade of the nineteenth century before being brought to a close by the financial failure of many of the first projects and the economic disruptions surrounding the War of 1812.

### **Nineteenth-Century Hotels**

A second period of hotel construction began around 1820, driven by the American transportation revolution. Steam navigation and the coming of the canal age, especially the opening of the Erie Canal in 1825, extended the range of movement along the nation's internal waterways and greatly increased the volume of travel in America. Urban merchant-capitalists constructed a new generation of hotels as part of their mercantilist strategy to claim expanding economic hinterlands for their cities and states. The first of these hotels appeared in leading commercial centers along coastal trade routes, beginning with Baltimore's City Hotel (1826), Washington's National Hotel (1827), Philadelphia's United States Hotel (1828), and Boston's renowned Tremont House (1829). These were followed by similar establishments built at key points along the Ohio and Mississippi rivers, notably Cincinnati's Pearl Street House (1831), Louisville's Galt House (1834), and the St. Charles in New Orleans (1837). These and other second-generation American hotels were much larger and more numerous than their predecessors and established the rectilinear, city-block hotel as a set architectural form that would be repeated in locations all across the growing nation. This phase of hotel development was brought to a close by the prolonged depression that followed the panic of 1837.

The third generation of hotels was catalyzed by the rapid growth of the American railroad system in the decades after 1840, a development that freed long-distance travel from the limitations of the river system and recon-figured the nation's transportation network along an east-west axis. Hotels continued to multiply in the East and also proliferated along the advancing frontier of settlement, rising over the prairies and plains in the 1840s and 1850s and appearing in the mountain West in the 1860s and 1870s. The westward advance of hotel construction soon linked up with a counterpart that had originated with Anglo settlement of the Pacific coast and extended eastward. By the time of the centennial, America boasted both a transcontinental railroad and a continental hotel network. Hotelkeepers had meanwhile come to see their operations as constituting an integrated national system. In the 1840s, they embraced new theories and methods of hotel management based on closer supervision and regimentation of employees and regularized contact among managers. In the 1850s, hotel proprietors began to organize their first local trade associations, and in the 1870s they established

specialized publications like *Hotel World* and the *National Hotel Gazette* that served the industry nationwide. Visitors from overseas constantly commented on the size, extent, and excellence of the nation's hotel system, revealing that as early as midcentury, the American hotel had surpassed the hostelryes of Europe and become the leading international standard for public accommodation.

Hotel development also involved diversification of hotel types. Most early hotels had been large urban luxury establishments, but newer variants quickly emerged. Resort hotels, designed to accommodate the rising tide of tourists, were built in scenic rural landscapes far from the cities where the hotel form had been born. Commercial hotels, more simply furnished and less expensive than the luxury variant, served the growing ranks of traveling salesmen and other commercial workers set in motion by the burgeoning economy. Railroad hotels were built at regular intervals along track lines to provide passengers and crews with places to eat and rest in the decades before the introduction of sleeping cars. Residential hotels, dedicated to the housing needs of families increasingly unable to afford private houses in expensive urban real estate markets, served as the prototypes for apartment buildings. And a frontier hotel form, characterized by wood construction, whitewash, and tiered porches, was built in hundreds of new settlements where travelers and lumber were common but capital was scarce. These and other hotel types soon far outnumbered luxury hotels, though the latter variety received the most attention from journalists, authors, and printmakers, and therefore tended to stand for all hotels in the popular imagination.

Hotels were vital centers of local community life in American cities and towns. Their role as important public spaces was in part a continuation of traditional uses of taverns, one that was further amplified by hotels' conspicuous architecture, central location, and spacious and inviting interiors. Merchants and other businesspeople continued to use hotel space for offices, commercial exchanges, and accommodations, but the popular uses of hotels far transcended their economic function. Well-appointed hotel parlors and ballrooms were favored venues for card parties, cotillions, and other sociable events that involved seeing and being seen in refined public settings. By the same token, voluntary associations ranging from debating societies to ethnic brotherhoods and charitable organizations regularly hired hotel assembly rooms and dining halls for their meetings and banquets. Hotels also became major loci of political activity. Political parties and factions often set up their headquarters in hotels, where they held

caucuses and made nominations. Hotels served as important public forums, a fact revealed by the large number of published images of political figures making speeches from hotel windows and balconies, hobnobbing in lobbies, and raising toasts in crowded halls. Indeed, such was the political importance of hotels that they were often attacked in periods of domestic strife. The Civil War era, for example, was marked by the burning or cannonading of numerous hotels by Southern sympathizers. Hotels also extended their influence over distances because they functioned as a powerful system of cultural production and diffusion. Their role in accommodating travelers made hotels into a frontier between individual communities and the world beyond, with hotel guests acting as cultural emissaries who carried new ideas about aesthetics and technology along the routes of their journeys. Innovations in interior decorative luxury were among the ideas most commonly transmitted. Hotelkeepers spent heavily on refined furnishings as part of their efforts to attract guests, and in so doing transformed decor into a showcased capital good. Because a hotel could afford to spend far more on amenities than could a private family, its interiors constantly tempted guests to emulate a higher standard of living. Midwestern travelers who stayed at fine hotels in St. Louis or New York City, for example, were impressed with the elegance of their surroundings and sought to reproduce them back home in Illinois, Iowa, and Nebraska. Hotels similarly became showcases for household and communications technologies. Indoor plumbing, central heating, elevators, and gas and electric lighting first saw wide public use in hotels, as did the telegraph and the telephone. Authors from Stephen Crane to Bret Harte recognized the ways in which hotels were setting a new pace in American life, and in his classic *The American Scene* (1907), Henry James found himself "verily tempted to ask if the hotel-spirit may not just be the American spirit most seeking and most finding itself."

The American hotel industry expanded at a previously unseen pace following World War II. The three-decade economic boom of the postwar years increased the incidence of commercial travel and sent incomes soaring, and the success of organized labor distributed wealth more evenly and made paid vacations a reality for millions of workers. Meanwhile, the creation of the interstate highway system and the emergence of safe and reliable passenger aircraft made travel easier and more broadly subscribed than ever before. Hotels emerged as an important terrain of struggle in the conflictual domestic politics of the era. When civil rights activists demanded an end to racial discrimination in

public accommodations, the special legal status of hotel space became a crucial consideration in the litigation strategy of the National Association for the Advancement of Colored People (NAACP). It was no coincidence that the constitutionality of the Civil Rights Act of 1964 was definitively established by the Supreme Court's ruling in *Heart of Atlanta Motel v. United States*.

Hotels were similarly implicated in international politics. Americans ventured abroad in increasing numbers during the postwar years, and the nation's hotel industry expanded globally in order to accommodate them. In the context of Cold War geopolitics, American-owned hotels in foreign countries also served as exemplars of the benefits and vitality of capitalism. Conrad Hilton in particular spoke of his company's overseas properties, particularly those along the Iron Curtain, as valuable assets in the fight against communism. In a world simultaneously divided by politics and connected by transportation, hotels were important symbolic sites.

The American hotel industry benefited greatly from the uneven prosperity of the 1980s and 1990s and entered the twenty-first century as a large and fast-growing segment of the national economy. The hotels of the United States employed well over 1.4 million people and collected more than \$100 billion per year in receipts. They formed a dense network of 53,000 properties comprising some 4 million guest rooms nationwide. Internationally, the industry operated more than 5,000 overseas hotels with over half a million rooms. From its beginnings as an experimental cultural form, the American hotel became a ubiquitous presence on the national landscape and developed into an immense and vital national industry. The hotel system transformed the nature of travel, turning it from an arduous and uncertain undertaking of the few into a predictable and commonplace activity of the many. On the way, the hotel became instrument, ornament, symptom, and symbol of America's continental and international empire.

### **Paradigm Shift in Advertising:**

Earlier when the companies used to advertise digitally, it was a horizontal platform like Yahoo.com, Rediff.com. The reason I say it is horizontal because, there were all the varied industries advertising on Yahoo. Then the shift happened from horizontal to vertical. Companies who are specializing in a said sector Ex: Zigtech for automobiles, moneycontrol, paisabazaar for finance etc. Here the businesses who were in that domain migrated from Yahoo to moneycontrol.



The third shift happened with the advent of companies like Just dial who though was a horizontal but had verticals in each of the categories. Here the business model shifted from having the company advertising on the platform, purchasing space on the platform and then the platform in turn would send the customers to them. The next shift in marketing took place when companies like GroupOn.com, coupondunia.com came into picture. Here the business model of these companies was to collect some money at the outset at the time of getting these companies on board and the rest was when the customer actually visited the business.

Now, in today's world businesses prefer that the customers first come to them and then the business pays to the aggregator, this is what companies like zomato.com, practo.com, shiksha.com all have studied and are working on this marketing technique.

### Research Methodology:

Research methodology is the heart of any research and this particular research was carried out in Pune using the below research design:

- Research Type: Descriptive study
- Target Area: Pune
- Target Population: Restaurants in Pune
- Sampling Technique: Random Sampling
- Sample Size: 60 hotels.
- Sampling Unit: Hotel

### Observation:

These companies, in this paper particularly talking about Zomato.com, when we interviewed 60 hoteliers in Pune, we got to know the following from all of them:

- These websites are doing a fair job in promoting their businesses.
- They charge once they get the customer to pay or after the consumer has consumed the service.
- They are promoting the businesses free of cost on their platform eventually.
- New customer acquisition cost has gone down considerably.
- Monitoring the marketing activity online is possible and very much measurable.
- It is possible to optimize your marketing activity on such platforms.
- Competitor mapping is easier and helps in building competitive advantage.
- Customization of offers as per the customer value.

The surprising observation was nobody of the 60 hotels asked was having the opinion that these aggregators were not doing a good job for their business or if in other words I have to say these

aggregators had no negative impact on their customers.

### Conclusion:

Though the companies are very happy with the services provided by Zomato.com, what the companies fail to understand is the power that these hotels are giving to these aggregators (zomato.com) by having the customer diverted through zomato.com. Also, what the business fail to understand is that many a times the customer wants to enter their hotel only because when a random survey was taken of individuals, 70% of the customers prefer to eat at the same restaurant and 30% try a different cuisine, so it's like Zomato.com is standing on the door of the hotel and any person who wishes to enter your hotel is given a discount by Zomato.com who in turn recovers the amount from you plus the profit of Zomato.com for getting the customer to the hotel.

Getting the customers' who know what they want to eat is much better than getting those customers' who are hungry. This is one loophole that Zomato.com has leveraged and has been since earning profits.

The Hotels will soon realize this and will be creating their own platform to ensure that they do not end up shelling acquisition costs for customers' whom the hotels have already acquired. After reading the paper, I am sure the hotels have the answer to the question: "Is this aggregator helping or ruining my business?"

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