A more focused Zomato

Earlier today, our Founder & CEO, Deepinder sent the following note to Zomato employees.

Team,

I hope you are well. Thank you for standing tall in the face of such unpredictable and unprecedented times across the globe. Today, I have a few updates for you.

Key initiatives during lockdowns –

- We continue to deliver food, while focusing heavily on safety – e.g. contactless delivery, rider temperature checks, restaurant safety certifications, rider safety certifications, etc. Order volumes are down, but safety is our highest priority for the foreseeable future.
- [NEW] Grocery delivery is now in 185 cities in India and we’re about to launch in UAE and Lebanon. We see long term potential in this segment. Grocery also fits perfectly into our vision of better food for more people.
- [NEW] We have just launched our [food delivery business in Turkey] – the team has done a great job making this launch-ready in just of a couple of weeks.
- [NEW] Contactless Dining is the need of the hour for the restaurant industry, and we have already signed up ~25,000 restaurants globally. Our product and engineering team has built an amazing product in just a matter of weeks – I am sure our customers are going to love using Contactless Dining.
- [NEW] We launched takeaway in [Australia, New Zealand and Portugal] to support restaurants and customers when dining out was completely shut in these markets.
- Hyperpure is doing well and we’re soon rolling out a plan to rapidly scale up this business (we just launched our Mumbai warehouse). The new Hyperpure tech platform is getting rave reviews from our operations team, as well as our customers.
- We have served over 60 million meals to the needy through Feeding India’s Feed the Daily Wager project. 60 million is a huge number – almost 1.5x the size of our ubiquitous food delivery business.
- Rider Relief Fund, Zomato Gold Support Fund… and so much more…

Kudos to every team which pulled in high quality work to achieve what we did in the last few weeks. I am very proud of us, and strongly believe in our resilience and ability to weather this storm.

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Our business has been severely affected by the COVID lockdowns. A large number of restaurants have already shut down permanently, and we know that this is just the tip of the iceberg. I expect the number of restaurants to shrink by 25-40% over the next 6-12 months. What actually happens, for better or worse, is anybody’s guess.

All of this uncertainty inevitably needed us to re-define our business strategy. There’s no going back to the ‘normal’ – all we should focus on is building for the ‘new normal’. Considering what we know at this point, the idea is to make a complete shift towards being a transactions first company, focusing heavily on a small number of large market opportunities in the food value chain.

In everything we do, we are going to continue to stay true to our mission of ‘better food for more people’. You will get to know where we are going, through a global townhall very soon. Invites to the global townhall will be sent by the end of day today.

Our financial runway looks solid

Our burn rate is significantly down from pre-COVID levels. We have enough capital to continue growing our business – are financially stable and have a very generous amount of runway in the bank (which is continuing to improve as we bring our burn rate down).

We remain committed to growing towards our mission at the same pace as before. We will continue to hire people in areas where we need them the most – primarily in product and engineering.

We are, however, going to prepare ourselves for things getting worse

COVID-19 has been a black swan event for the world economy; and we do not yet know if we have hit the global minima in this journey with the virus. What we have seen so far might just be the local minima, and the worst might be around the corner.
Therefore, we need to make sure that we preserve as much cash as possible to weather the storm if the business environment gets worse, or continues to be the same for the rest of the year or more.

**Reducing real estate costs**

Our highest recurring expense today (outside of payroll) is real estate. We have 150+ offices globally, most of which are spaces for our sales & logistics teams. Given how well we have been working from home, we have decided to make partial or full work from home a permanent feature of our lives. Depending on the team you are in, you may have –

- Full time work from home or at the field (e.g., for sales teams, office presence is only required for large team meetings, gatherings, performance reviews)
- Part time work from home (some days in office, other days at home)
- Work from office (all days in office)

We will chat more about this in our upcoming global townhall.

**Temporary reductions in pay**

I thank everyone who volunteered for pay cuts to support our longevity as a business. So many people have volunteered for a 100% pay cut for at least 6 months – that is something I wouldn't expect to happen at many other companies. In spite of so many people’s effort, we continue to be short of our salary reduction target.

Starting June, I am proposing a temporary reduction in pay for the entire organisation. Lower cuts are being proposed for people with lower salaries, and higher cuts (up to 50%) for people with higher salaries.

If you have already taken a voluntary cut equal to or more than the proposed temporary reduction in pay, you will not be expected to take an additional cut. This temporary
reduction in pay will also be eligible for 2x ESOP grants just like the earlier voluntary cuts.

We expect these cuts to be discontinued as soon as the economy starts getting back on track. I foresee (and hope) this to be around 6 months from now. We will speak about this in more detail during the upcoming global townhall.

**Some tough people calls**

Multiple aspects of our business have changed dramatically over the last couple of months and many of these changes are expected to be permanent. While we continue to build a more focused Zomato, **we do not foresee having enough work for all our employees.** We owe all our colleagues a challenging work environment, but we won’t be able to offer that to ~13% of our workforce going forward.

Over the next couple of days, GG, MG and I will be getting on video calls with impacted employees to walk them through the next steps and help find them jobs as soon as possible. We are going to assure them that we stand by them, and will financially and emotionally support them to the fullest possible extent.

**How are we going to support these Zomans?**

Our support covers 4 key vectors – financial support, outplacement support, healthcare and equity.

1. **Financial support**

   All our employees who no longer have any work at Zomato, will continue to be with us at 50% salary for the next 6 months. **During this time, outside of the handover period of 1-2 weeks, we expect these folks to spend 100% of their time and energy towards looking for jobs outside of Zomato.**
Some impacted employees work with us through manpower agencies and not directly on our payroll. We are going to help these agencies support these employees with two months of severance (vs. 15 days of contractual obligation).

Each person leaving us will also be allowed to keep their Zomato issued laptops and phones (if any).

2. Outplacement support

I, our recruitment team and some other key people, will work as an outplacement team to help impacted people look for jobs.

3. Equity

Previously allocated ESOPs will continue to vest during this period of 6 months, as all these people will remain on our payroll with reduced pay.

4. Health Insurance and Support

We will ensure that the current health insurance, wherever provided by Zomato continues for this period along with access to our in-house mental wellness team.

All benefits from Zomato will lapse as soon as you find another job, or after 6 months, whichever is earlier.

How will you know whether you have been impacted?

For everyone who is impacted – you will get invites for a zoom call with the leadership team within the next 24 hours. These invites will be sent to you via email and Dingtalk.

For everyone who is not impacted – an email from hr@zomato.com in the next 6 hours should tell you that your jobs are here to stay.
To everyone who is impacted, I assure you that we have already explored every possible option of retaining your roles, or creating new roles for you. Also, short term cost is not a decision driver here; this will however, end up making Zomato leaner, and improve our chances of success in the long term.

I thank you for your time and commitment towards building Zomato. You have helped make Zomato what it is today. All of Zomato is grateful to you, and is going to do its absolute best to ensure that this is a smooth transition for you.

Zomato will always be home for you – and I wish we continue to enrich your life – as customers, as well as external custodians of our mission of better food for more people.

As always, please reach out to me directly for any ideas, questions or concerns.

– Deepi