

*COMPETITION
COMMISSION
GROCERY RETAIL
SECTOR ENQUIRY*

9 May Transcript

Introduction

Competition Commission

We should begin, we should begin. I made opening remarks yesterday concerning the nature of the public inquiry but just for your purposes I'm just going to do a very brief summary so that you understand the nature of the inquiry and the importance of the submission that you are going to make. Briefly the Competition Act provides that for inquiries to be established and it states that a marketing inquiry means a formal inquiry which is this that's why I am sitting up here and everything is being recorded. In respect of the general state of competition in a market for particular goods and services in this case the retail sector without necessarily referring to the conduct activities of any particular firm, so it's not an investigation the act provides for investigation this is really an inquiry into a sector okay, fast moving consumer goods is the parameters of this inquiry.

And the manner in which it works we collect information, we conducted surveys and this is a public inquiry in which members of the public are requested to make submissions. It's recorded we will then subsequently evaluate and information that you received from these different sources we will report which goes to the Minister, and the Minister is obliged in terms of the competition act to table that report in the National Assembly. In other words this is a very serious process and that the submission you are going to make today is one that will find its way in a report with recommendations to the Minister and then the National Assembly.

And those recommendations are wide ranging they can be recommendations about changing the law which is way of course why it goes before the National Assembly, it might be recommendations concerning policies to be adopted. So with that I would come I'd like to request you to introduce yourself and make your submissions we will then subsequently ask questions, the questions are not an interrogation there really no more than trying to elicit further and additional information.

My panelists here , sorry we sit as a panel and Ms Mothanga here is a Competition lawyer and an attorney. I am professor Maretis at University of Cape Town. The panel economist on the panel is unfortunately unable to be here but it is permissible for us to sit as two members of the panel. We will ask questions and then opposite to you is ,Ms Du Plessis, she is the Head of the technical or task team which are people I'm sitting next to her, that do the research that do for hard work of this commission a of this sorry inquiry and she too is permitted to ask questions, members of the public we don't questions from anyone else I'm so paid for orderly conduct of the proceedings.

If somebody however objects to something that you say or questions what you have to say they are free to do so in writing and to submit that the Commission and we may if those questions are asked turn to you and give you an opportunity in writing to respond to it but I'm so far no one is exercised that prerogative. So with that would you please introduce yourself to make your submissions thanks. You press that big blue button there with a face and what looks like a sound.

Thandiswa Kama

Okay I think every one has had my name is Thandiswa, surname ngu Kama. Born in Cape Town, studied in Cape Town. The business I think it was my dad's, my parents business. Started in 1985, started way in 1985. I took over 2004 before that as I said my mum when I see the ladies in Gugulethu the ones are buying outside that is how she started. My dad was a taxi driver then taxi owner then decided you know what taxi business is to violent let me start a business, streamline business going streamline business he never got finance he saved his money from being a taxi man and opened a butchery.

The first one the was a mall in Gugulethu I think it was under business partners now they rented there, studied there grew the business and then you know mos with black businesses you never own you rent for the rest of your life disadvantage

number 1. You invest in something that at the end you could never pass it to anyone subsequent to that there were promises by government now now you can own your businesses then he thought okay I am gonna own my business let me move out from the mall and find a site outside the mall so that I can grow my business.

His vision was why can't black people have wholesale, you know we braai we love it so the idea braai, supply the township because anything that you want from the township you have to go outside the township and source it out. So really the pricing will be at the bottom, you get a small piece of a pie. The meat supply in Western Cape its either largely by Muslim firms or white firms but the idea was let me start a wholesale that was his dream. I think, you know with any business there is ups and downs what I remember him complaining with his growth or with his plan never materialize because he had to do it from his own finance on the money that he will make if he wanted to do a bigger fridge you know you need to have certain requirements to do that there was no finance for him so it takes longer, with his business ideas and plans I'm thinking haibo he should have gone to the bank and said this is my plan, I have been doing this business for 10 years this is the made that have done, Its doable, its possible but never happened.

Then 2004 things changed a bit they promised ownership, all the black businesses in township were promised ownership so I think the excites of that finally I will own something then I wanna go to the bank they will see that I own an asset. The house was still, not his so he really did not have any security per say so when they said you can own your businesses that was a dream of a wholesaler again started more and then say okay. Aaah development crop in in townships we promised that our business will be taken to another level there will be more market, there will more feed and in that process, within that process my dad passed way because they were fighting with business partners rent and all because you promised that I am not going to pay rent and all that but anyway in that process he passed away.

I took over and my sister she is not here, but before that because he was in financial difficulties I was working in a Asset Management company so I have a financial background and I said okay what I would do I will take the business from you, we register our names so that if anything happens it does not affect you. I will cover and monitor and see what I can do because really from that money I got educated. We found in my personal capacity I had to make a loan because he could not get a loan. I was working, I had a pay cheque I went to Sanlam can you loan then to try and revive the business again the ownership the way it happened I got 46% my sister got 40% because I made an injection to the business. Development came I said we should work on the development my dad said no, I said no we should yes they have not delivered on the promises of ownership but this can be an opportunity for us if they what they say its true we are going to take your business to another level your ideas of a wholesaler, a certain level lounge, Tshisa Nyama was an in thing its like our restaurants like our Spur.

So, if they are going to take that into another level in means we are going. I said this is a good idea, he said no it is not a good idea. I think because he had been a business for long he knew how businesses screw other businesses so he could sense that it is not gonna happen. Ay no no, obviously the development came, promises were made I think the problem is not having someone to back you or protect in your own territory that's how it felt. We were there trading for 30 years there were small businesses that grew someone had laundry-mats someone has supermarkets, hairdressers, there's another funeral parlour, hardwares all these people and their finance department comes and say no we are not good enough.

We tried to convince each other its a good thing but take us in grow with us you know because every parent when they want to do something they want to leave a legacy (teary, water being poured into a glass and drinking). I am a bit emotional. As I think development came it took us longer two years for it to come back, we had files, high court (thanks) and the underlying issue was when the development came I mean promises nothing was written down all the promises that was done in the

council meetings, ownership, CSI projects all the ideas that business forum has and gave an input to them this is how we can all benefit and this works for us, aah put aside.

On my side, I fought as I said high court then we were granted what is it? to force them what they said they are gonna deliver to us and promise it will be done because there was nothing written down I am telling you. What I still have now is minutes from council meetings but official agreement from the developers to us nothing. Luckily they said I am blessed to have a father that thought education was important. To become business survey you need to write things down, you need to have proof so that people do not take you for a ride.

Aaah for 3 months the business was forcefully demolished, our property, our assets that were there destroyed. Aaah we went to court 2005/2006/2007 because we did not want to move I said I am not moving until I see something in black and white. You can't tell me that you are going to do this and show me plans but I don't have a lease agreement with you, I know other tenants like Shoprite, Spar they have those even before the development happens. They said yes sign, they know where their shop will be, they know even how look of the shop will be. Even if I want to go to the bank and find finance, where is my lease? How can I go to the bank and say this new development, my business will take another level? I don't have anything.

The councilors were there, the worse thing government was there pushing us to deal this, I said but why. You must be making sure that our business are protected, we must be taken to another level, these people are coming to our space. They are gonna take the share of the money that we are making to feed our kids, so why are you not protecting that? They said no they will 5% ownership, CSI and I said I am interested on that my business is here run from 1985 successfully, employed people here where will I be, they you are developing but where will I be.

There was a shell garage as I said they were many things that were there but were will we be when this development comes? Because all we want, we are not saying stop it because people wanted it, I said my business interest. I must protect my business interest aah they said they only way I could id to spend hundreds of thousands that I did not have from my savings from work to make sure that I am in that mall. But I had to fight to be in that mall, I was granted and they were told that they must place me in a place where I could temporarily run until my space at the mall is available with this thing that they said will be available.

As I said we fighting with developers, people that have money as I said I am not going to mention companies that were involved but everyone who was involved will go in there. And I knew that the plan was once I am out of the mall without even if I have the court papers I will not have the money to fight and enforce that court order because that is how they destroy you. You will not have the money to go back to high court to force them.

Luckily I had a Law firm that did not require me to put a huge deposit, I had to pay them in installments aah were moved to a temporarily place yaaah lost a lot of clientele revenue, storage facilities they promised to be paid, they were not paid I stayed in that place for six months because the contract said 6 months. I owner of that temporarily place could see that I push aah in bad situations I think I drive.

Aaah the business was doing well I lost for two months 80% of my clientele I regained I think about 60% in that 6 months because I had to push, that's how I survived. Then the temporary guy could see haibo this place was dead this women could really push up the volumes of people you know and he said he wanted his space back. And then I ran to the developer. Haibo guys you said 6 months the guy wants his place in that period of 6 months no letter from the development saying this is your place, this is how far we've gone, you are going to be in this corner I had to go back to court. Aaah the foster, according to the court order you were supposed to

have taken my client here so I fought fort to come in and then issue was deposits you know mos the issue with malls 3 months deposits, the rental was sky-high I am thinking oh my goodness, luckily I had a court order that said this person is gonna pay this much I am not gonna pay any further this is the rent I am gonna pay.

So, also said I had to find monies, deposit the place was not prepared it was like my dad starting a new butchery, nothing. I was given a hall, any butchery you need to have certain things, 3 phase plumbing because health inspectors will be there. My main business was braai (recording corrupted from **22:00 to 22:13**) . My lease my court order said you could see my main business is braai,I will braai. I don't care what the smoke does to your building I will braai, you should have provided me for a braai place.

I had to do the application, I had to find an architect to do that. I had to do the running around for municipality to approve the building, I had to pay for this building but I am renting here they said they will provide. Long story I managed to win that battle, built a small braai place next to where I was, sitting area I had to force I did not have a sitting area for my customers but I had to find ways to survive any business person you need to adapt to the situation.

So, I adapted to the situation to survive, it was not my plan my promise was not that, aah Spur came on the opposite said but I said you know what I am still going to survive really it took 6 months close down then I was okay. Ok, then I said ok this was the plan really, because why will you not protect a business that was running for years giving service to this environment that you are coming into, seeing that the people in this community enjoy that kind of life why do you come around and just change? You know. But basically I am there, licensing also in our business is an issue I have been running the business in the mall since 2010 I only got my food licensing last year, this year. After forcefully trying to go to them, they come the inspectors yes they do come, so yah it's been tough, very tough. The landlords have

been changed, the promise for 5% in the mall has never been seen, invited to a meeting letter as a shareholder, CSI project not there. The only thing we see is the increase of rentals to a huge and yah they know that I will not survive for long in that environment that is why they say proven a business person you open another one in a more cheaper area, that is what I did to sustain myself.

So I have another business, same in Gugulethu but the premises a little bit cheaper but the feet are at the mall. That's my story, I still have to go back and fight and enforce court order as I said they were supposed to take me back as were I was. Assets that were destroyed in that move never been honoured, 5% shareholding never seen so as I said I still have to gather hundreds of thousands to go and enforce what was done. As I said that's the only way they know we will not have money to go and fight they will enforce whatever yah.

Ms Mothanga: Competition Commission

Thandiswa Kama if I may ask a question, in the mall were there other businesses that competed with you other than Spur, the Spur that you mentioned. Why wouldn't the developer embrace the concept of your business, where you in competition with someone in that mall?

Thandiswa Kama

No, aaah okay. The challenge was part of the group that brought the idea of development was my competitor that's why I said I am not moving without anything written down because the person that was part of the development was my competitor, biggest competitor. And I was sitting on land, the piece of land that I was sitting everyone wanted that space. Aaah it was viable for what we want as chesanyaama, that land is still sitting opposite me empty still today. The one that we were forcefully removed to cater for the mall is still vacant.

Ms Mothanga: Competition Commission

So, who owns that land currently?

Thandiswa Kama

They say it's the mall because the mall, yah it's the mall and I said to them if you bring me back to the same place bigger they were plans, I have seen my plans of my new plans in the same spot done but never delivered. So, I said I don't see. I am not holding the development of the mall I am outside the main premises of the mall, we are just outside so you can develop and once you are done put in temporarily are, push my place to fit the new look that you want then I am fine. But why do you want to remove me? a chesa nyama braai should not be in the mall because of the manner of the business aah (speaks in Xhosa, hi ntoni nge siXhosa?, what is the English word umsi) smoke I use lots of smoke I use wood so I do not use gas so I said if people want the meat with gas they will go to Spur but they want the wood is a certain taste. So, I am going to use that. I am not going to I am prepared to do gas, so this place is ideal for me. It is not infringing in your plans aah just do this place nice where I am currently.

That is why I am saying the fight was to protect the business and the legacy because you could see the person coming with the development was my competitor, so obviously once I m out he moves in. Aaah I think also as I said what I wanted to find out with the development also when they come they come with their terms, they come with their terminology as I said they come with the lease. The leas from the mall restricts you from doing certain things that are not conducive to the market that you are in. I know I told them with the mall Tshisa Nyama is like Spur, so Tshisa Nyama comes with licensing, liquor licensing, controlled liquor licensing obviously and they said to me no you cannot have your liquor license because in the black townships liquor is a challenge and then I said but Spur has a liquor why is that an issue for me it was before Shoprite could have liquor licenses and all that so I said and when they applied I said to my landlord my liquor license.

You are allowing Shoprite to come in this people are going to come they gonna buy from Shoprite liquor, they wont have any place they eat the meat in my place and the eat the braai meat in my place and normal braai meet goes with a beer or glass or wine but now you do not want me to have a liquor license so now I have to cater for clients that buy form Shoprite and come with their small bottles of beer to drink inside so I had to fight with that and I said I am not going to push people away it is your security that is going to do that because you are allowing them to buy the liquor inside because meat goes with liquor.

So those are challenges that were facing as I said liquor board also a challenge but on my side is not liquor board more than the landlord. But how do we fight the landlord really?

Competition Commission

One of the powers that I am permitted to exercise in running the public inquiry is to ammm close the session in order that I can ask questions of a confidential nature, there are issues that I would like to put ammm to this person which will be confidential so I m going to run this now as a close session and so I must just all, everyone other than the members of the technical team aamm please to if you don',t mind take the opportunity to help yourself to some coffee or some refreshments outside. And will there cameras please be also switched off as well, media cameras all of them. I do not think the interpreters have to leave but anyway (whispering).

Ms Mothanga: Competition Commission

No.

Professor: Competition Commission

Announcing, I do not think the interpreters have to leave. Would you have preferred to give that in Xhosa (people laughing) I'm sorry. In fact we will let people know, but thank you as I can see there are certain ways (recording stopped from 34:12 to 35:16).

Ms Mothanga: Competition Commission

It should just be cut-down in camera

What Jabu was saying is I need your mic on while someone else mic is on because they it does not take it.

Professor: Competition Commission

Ok. So this, we have power to close these session so that you feel free to answer questions that are confidential, you do not have to answer them but clearly we think that much what you say it will be very useful for us to have chapter and verse and so we would like to know these parties are, which mall.

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Competition Commission

Thank you very much for your submissions. We will take just a few minutes break and then we will take the next person to make submissions which as I understand is Baphindiswa Butchery.

So, we are just breaking for 2,3 minutes.

BREAK

Competition Commission

I would like to take this opportunity to advise you that we are going to adjourn till 2 O'clock. We are going to have a direct engagement with people that have come outside of the public hearing. Its not part of the public hearing and the people who were meant to make submission this morning have not arrived so we are going to adjourn till 2 O'clock and we are not as although its part of the public hearing we are going to have have our technical team and ourselves are going to have a direct engagement with persons, the pastor and his congregants who have to come to attend the hearing. They were not aware of what the purpose of the hearing was and off course they have not prepared for making full submissions so instead what we are going do it going to a full direct engagement with them and this won't be recorded and so the streaming now closed down until 2 O'clock this afternoon.

And for those people who have come they are free to stay or go its. but we are no longer the public hearing is adjourned until 2 O'clock.

Pastor if you would like to continue speaking to your congregants that would be good.

SESSION 2

Competition Commission

Introducing Malcolm Green described as a wine-preneur is going to make the next submission on objective five. Mr. Green would you explain your business. One can guess what it is to a certain extent but, make submissions we will ask questions not in the forms of interrogation but we merely to get as much information as possible. I and my co-panelist will ask questions and so we will head the task team that supports the enquiry. Again, for the purposes of just fullest possible information that you could help us with.

Competition Commission :

Malcolm Green thank you very much could I ask you to put on the micro-phone the big bar at the bottom.

Malcolm Green

My name is Malcolm Green. I have been in the business now for 37 (Thirty- seven) years, form the recycling industry, predominately led into the wine industry. Currently at the moment I sell wine of our own brands. We have two brands currently that we market and sell, and then we export to a little bit of nation, and we are representing the company to share some ideas and thoughts, that would perhaps assist the competition it's commission.

We are looking at better ways that we could unlock more opportunities like on brands. Just a quick history on the industry. The South African wine industry is 360

years old. It's worth approximately 36 billion rand. It employs close to 300 000 thousand people in South Africa, and the wines predominately come from the Western Cape, and if you look at we have over 500 labour brand owners, but sadly if you look at the Black Brand Owned Labours, we are about 14 or 15 that is active in the market, and today we need to look at what the competitions involvement. How do we grow market share for Black Owned Brands mainly in South Africa we find that collectively, we have a group called the Treasure Chest all Black Owned Brands Collective Group that looks at going out and getting market share to grow and develop our businesses in South Africa.

Together we have over 125 years of experience in the group. The group is strong, it is made up of mostly women and the challenge we face in South Africa is far different from around the world internationally, and most of the group has been successfully selling their wines outside of South Africa, because they get assistance from the DTI (Department of Trade and Industry). So, the DTI's assistance in terms of funding for trade missions is the same as the group that's on the one side. The second side is the group finds it more - easier to sell wine outside of the country.

Firstly, you are not discriminated with the name of your brand, which we found that buyers in South Africa's team see that as a problem and a challenge. So, it's easier to sell our brands irrespective of the name over-seas because when you approach buyer's over-seas. You find that the buyers see's the wine as South African wine, based on the quality of the brand and the quality of the wine it is much easier to conclude a transaction. The difference however is when you come back to South Africa, and you approach the retailers then you start experiencing the brand problems.

Now our challenge in South Africa is access to market. Access to market for Black Owned Brands has been a serious challenge for many years, and that limits us from growth, and actively participating in the economy of the country. So, we would like

the competitions commission to work with the DTI and look at some kind of a policy, some kind of a listing policy that at least can get guarantee Black Owned Wines. That the retailers in this country even the Hotels be it any institute that uses wine or trades in wine get their own consumption be it of consumption that a empties a shelve space fairly should be given to Black Owned Brands. Black Owned Brands have the experience we collectively, have over 40 to 50 exciting brands. Collectively we cover most of the Varietal especially your noble Varietal your cabs, your shiraz. Collectively we can look at sourcing wines quality wines from over eleven regions of South Africa making our group and making Black - Owned wines a very attractive proposition for doing business with and I believe our prices are fair.

However, despite all that, the challenge is that when you go to retailers to list your brands then you encounter a lot of problems. One of the major problems we encounter is because of lack of funding for marketing and that stems to being previously disadvantaged. Now in order for Black Owned Brands to play catch, they do not have the funding to rollout massive budgets for marketing campaigns and then you cannot put in the table in front of a buyer a master roll out plan you find that your wines don't get listed that's the one issue. I think the second issue we need to look at and address is there is a constant complaint from buyers about limited space on the shelves to add new wines or to take out new wines and new brands, but if one was to say let's look at maybe 10 or 15% of market shelf space especially for Black Owned Brands even if we were to start with an idea of maybe one condoler end.

If Government were to say the wine spaces in all retailers and all sectors just have one condoler must be given to Black Owned Brands. I think it is similar to what we say it's called a condoler end it's like a shelf one of those round shelves. So, basically, we saying is if each store just have one of those we can already start making a change in the industry and that will give us some kind of a footprint to start growing and getting actively involved in the industry. I think that is a very serious point we can look at. It's similar to a lot of our retailers importing wines then you find that it is all well and good for us to set aside an exclusive area in shelving for wines

that imported wines but yet we don't have the appetite to want to list our local suppliers and I think this is sad because as South Africans I think we should be promoting more of local content. We should be buying more local.

So, you find that most of us do have the wines, we have the quality, we have the experience we can deliver. So, I would recommend that being a very important point we should look at access to market as a challenge. The second point I would like to make is have a lot like Mass Mart, Makro that came into South Africa and they had to get approval from competition commission before the acquisition was completed. There were obviously empty promises made funds put aside to support Black Owned Brands, and sadly the wine industry it never filtered down to people like me and I attended a few of the meetings so somewhere along the line we were just lost in the water, or lost in the mix. I think when we start looking at issues of that nature one needs to say that we should maybe begin with changes and transformation issuing policies from the head maybe to ensure that the CEO's of companies and Directors of companies call in buyers, national buyers and have special meetings with national buyers to have them understand how important transformation is in South Africa.

Another good point one could look at is maybe amongst competition commission and amongst the DTI that we put in place a committee that policies the implementation of these policies. It is far to often good policies. We it just falls by the wayside because implementation policing and auditing doesn't exist. The wine industry I believe with an active- roll and partner brands can play we can increase the industry by at least 5%. We can increase the industry by growth, we can look at the farming, increase the industry by farming and by job creation. Just another issue before I complete, is we find South Africa as the BRICS in 2010 we signed the BRICS agreement. I am not sure whether we have completed or concluded the wine deal.

There we have a deficit in trade balance we sit with a massive deficit. We have countries like China, who export a lot of products to South Africa but yet we find they don't really have a great appetite for importing some of the wines from us Black

Owned Brands and we have attended many of the conferences and big missions in Shanghai and all over the world.

So, we would like our Government to look at that, especially the DTI and start getting those responsible for BRICS initiatives to make contact with us and see if we can access for market for South Africa by that wood. You find that the EU also has wine initiatives and programs where they purchase wine. This too is another avenue that competition commission can assist us find out who are the correct people we need to speak to access those opportunities. those are also opportunities that can bring more revenue into our country and grow our agriculture industry the wine industry. So, I want to thank you today for having received me and for having me share the issues we have in the wine industry, and I am available to start negotiating to speaking to whoever we need to and show that we make the industry a better place for to do business and to grow in. Thank you.

Competition Commission

We must thank you too. May I begin to have a sense that what are the names of your brands?

Malcolm Green

Laricmal Supreme and the second brand name is Lerato as in love.

Competition Commission

You have made an appeal for the 10-15% the lifting space or shop space to be allocated to Black Owned Wine Makers. What is your current market share as a group?

Malcolm Green

I would say less than 1%.

Competition Commission

1%

Malcolm Green

Yes, in South Africa and in some areas in some regions we don't exist.

Competition Commission

So, it is not a uniform pattern

Malcolm Green

No, it is not a uniform pattern

Competition Commission

You also mentioned that you how does not being able to sell locally disadvantage you to sell internationally locally you do have that export market to sell to. So, just speak to us more about the local market and how and what the advantages are and selling locally and how that would boost you ...

Malcolm Green :

To grow your business. Well I think selling locally is very important and vital for South Africans especially as they live here. Number one we need a solid platform in terms of marketing in our own country for Brand awareness firstly and secondly the export market is not really a big market that you get constant business. So, it is not

a constant business thing. Whereas if you have market share locally it can be a constant business thing and you can grow it that's the one point.

Secondly, we look at the big retailers as more distribution points for our brands because they are situated all over, and the way we see it is our growth could come from new markets. So, we would not necessarily would like to play musical chairs with market. So, we don't intend to take market away from anybody What we intend on doing is growing the cake.

So, we actually saying to competitions commission that if 40-50% us black South Africans don't consumers drink wine, we are actually missing out. So, we as Black Wine Suppliers given the right opportunities given the right platforms could start growing the wine market in South Africa and reaching untapped market. So, if you were to list let's say Lerato or Laricmal Supreme in the whole of South Africa.

I am going to use an example any major retailer in the whole of South Africa I could do more promotions in places like Soweto, or Langa or Guguletu and then I can be able to say to you, you can go buy a bottle of Lerato down the road in a Pick n Pay so it makes it much easier for me to reach new markets.

So, having done the trade show, done our wine tasting in a township or a location it's fruitless unless they can buy the wine. You understand where I am coming from? So, that is vital it is a key point for us. So, distribution and logistics key for Black Owned Brands.

Competition Commission

I am glad you touched on promotions and that you doing that because my understanding for example how a retail market operates just from the food side that means I can't speak on the liquor side is that when you do succeed in having the product on the shelf there are costs in doing so as listing fees and I am wondering if this will be applicable to you on the one side if you can comment on that.

Secondly, when there are promotions at a retailer embarks on or plans to embark on you actually have to foot the bill for those promotions. So, would you be willing to foot the promotions for only once if such things were to happen if you were to find willing retailers to stop your wines.

Malcolm Green

Yes, well that is normal trading practice when you list with retailers. They have an arrangement with you before you sign the agreement and some of the arrangements could be 7% discount or 6% discount depending on who is handling and how much they doing and how much you doing. So, if you doing DC drops probably you going to pay more because they are handling your DC drops for you and if you doing store drops it will be a little less but part of a lot of arrangements and agreements is that promotions is utterly important it just depends on the liquor license of the store. If the store was un-consumption liquor license and they allow you to do tastings the we do promotions in store. Some stores allow it some don't but I think we are ready to then we will definitely do that because it is our intentions to say that it is our brands.

Competition Commission

You also mentioned the WallMart and Massmart arrangement with regards to suppliers, and you said that many promises were made and never paid for. Can you speak more to that? How you or what were you expecting how far was that taken what was the let down?

Malcolm Green

We engaged with WallMart a few years ago while they were busy with selling some of their businesses to the Massmart merger with Walmart and we sat in the meetings with them where they had funds allocated and looked at buying more wines from Black Owned Brands but we found that when it became a tasting process that certain wine brands were selected and certain were not, but also I think that you find the few that were selected were not long on the shelves because some of them were now being off the shelves so it was a quick in and out blast it wasn't a long term thing. So, I don't know how many brands are currently on the Walmart shelves, but I don't think many of us are still there well certainly Laricmal and Lerato is not there. So, a lot of us were not given the expected opportunity that was promised.

Competition Commission

Maybe you should just explain where do you source your wine from?

Malcolm Green

We source our wines from different sellers and bottlers

Competition Commission

Now would those sellers and bottlers have their brands at the same time?

Malcolm Green

Yes

Competition Commission

So, is it possible for you to just give me an example?

Malcolm Green

I will give you an example if you were to take somebody like origin wine and they would have their own labels but they would bottle for you. So, you would own your own brand on label and they would bottle for you and they would supply you bottled wine packed in boxes with your labels on.

Competition Commission

And is that generally speaking what you deal with.

Malcolm Green

Yes, I think that's most of us here. None of us are actually bottling our own yet. No, we not there at that stage yet.

Competition Commission

Not yet.

Malcolm Green

No, we not there at that stage yet. Hence the reason why I say in order for transformation to happen in the wine industry. Unfortunately, it is a bit different from other industries. In the wine industry you must first get a market for you brand before you start getting bottling production and farming so we work backwards, we don't work forward. Because if one was to get a farm and put up a bottling plant and then go look for market you would not survive not in the industry. So in the industry we first secure bottled wine with our own brand and then find the market. Once we have the market then we can start investing in production in distributing and in farming. Those are the next stages I think to develop in the industry.

Competition Commission

You also mentioned the DTI. Have you approached the DTI for this? For support for the industry. What is the limitation on the application for the transformation policies the existing transformation policies in the retail sector especially...

Malcolm Green

With wine

Competition Commission

Yes

Malcolm Green

Well I am not too familiar with the retail policies transformation with wine or if there is any in place in any case, because it is a matter of everybody just going to the buyer and taking your product there and they list it or they don't list it. So, you know there is no rule book at the moment that I know of that one could use. So, if you have your wine brand you go to the buyer you do a presentation and if the buyer feels like buying the wine he will buy it. 9/10 you will have to wait for 2 years, or alternatively there is a whole list of issues. So, I feel that the process is slow that's the first one and I think we need to look at speeding that up.

That will really help of course, and the other one you asked about the DTI yes. The DTI supports us a lot with SAS and EMA funding that is to get us to various different shows. Now that we have become a group we going to interact more with the DTI in terms of other assistance that they can give us. Like it is the first time we are interacting with you so you getting to know us and you yes, we are a group and we working as a group and you getting to know us and yes there is a need for your

assistance the industry of the wine industry from that point of view. And the third question was about the wine bodies.

Yes, we have got a transformation a wine body established recently and that helped us funded us to do roadshows. They gave us a fund last year. In that fund, we did a promotional marketing road show for Black Owned Brands and I am proud to say that historically that is the first road show in South Africa that was done by a collective owned brands.

We specifically wanted the road show because we wanted to showcase our wines to the public of South Africa and we didn't want to be with the other wine producers, because not only are they intimidating size they already know the country. So, we felt that as a group we want to showcase our wines and the wines showcase to other traders so we had mostly buyers at these various different events. We started the first one in Durban then we went to Sandton Johannesburg. We done Bloemfontein then we finished the last one in Pretoria.

They were very well received, overwhelmingly, well received, and there were many South African buyers and public that didn't know about our wines they were actually surprised when they started tasting some of our wines and looking at the brands and they were really impressed with it coming into the stores. So, we have been very well received by the South African public, and they even have an appetite to get more different brands that is in the shelves, especially when you start hearing the stories from brand owners because we are brand owners we own our own company's entrepreneurs so we are what you would call in South Africa the new business.

We are the new business generation, and as the new business generation the agricultural sector in the wine industry so what we are saying is that to the

economics of the country and take our wines to different levels that the country can benefit and maybe leave a legacy for our kids one-day. So, that is the way we think, how we look at business how to run our businesses and grow our industry.

Competition Commission

What shelf space do you have like Pick n Pay, Spar, Shoprite Checkers and each of the big retailers. Do you have space?

Malcolm Green

I have space in Checkers and Shoprite in the Western Cape only, so I am limited to the Western Cape. I am in negotiations now to go into DC and look at National, but we are discussing that and hopefully that should take place in July. And then with Shoprite I am with eleven different African countries.

So, my brand goes very well with shop-rite and the support for Africa Shoprite is very well, it's very good and because of appetite that shop-rite have to grow in field, I believe that they are a very good vehicle to list this brand. So, I would say that with your assistance and with the DTI marketing assistance if we could put together a programme and take it to the retailers and say we are willing to assist and looking at marketing and providing funding and budgets for retailers that can start listing Black Owned Brands then I think that can also help us move faster. We get a bit of assistance from Westglow and tradeshows they call on us and we have woza as well that are aware of us.

I think the one we look at working closely with now is going to be the transformation in the wine industry and part of that is Windbro and they in there as well. So, we are now looking at a relationship with those wine bodies and seeing from there how can we channel a proper plan structure that can see a transformation in this industry, but I also need to share that when we start looking at transformation industry, we start looking at a plan how do we go forward one needs to look at when you buy a bottle

of wine you need to look at the bottle the label, the capsule and the carton. Those are all packaging costs. When the packaging or a bottle of wine is about 40% of the product cost itself, so part of a plan structure would be for the DTI and for Government to engage with the manufacturers of bottles people of console glass and non-pack glass and say to people like that part of your production run is going to BEE run companies how can you facilitate some kind of a discount to enable those Black Owned Brands to reach the market at better prices.

We have the bottles, cartons, capsules and we have the labels if we could look at some savings for Black Owned Brands there, that in itself is a very good exercise that we could then take the savings from the packaging costs and put that savings into advertising costs so these are just some of the smarter ways that we look at how do we do business more sales of our wines.

Competition Commission

I think what I would like us to focus on now is. What barriers do you see in expanding your market share. Market share generally and in particular shelf space? What barriers are you facing? What are the courses of those barriers?

Malcolm Green

I think it is the lack of wanting to list Black Owned Brands the buyers appetite, it's the slowness.

Competition Commission

So, when you say buyers. Are, these buyer's independent from the actual retailers, or are they employees of the retailers?

Malcolm Green

Employees of the retailers

Competition Commission

On that the issues that you have identified with regards to new listings. Can you perhaps give us an overview of how you were able to list with Shop-rite how long it took and the barriers with the challenges you experienced in that regard. Is anything confidential please let us know and we will clear the room so that you can speak freely.

Malcolm Green

Ok, it took me a year. It took Laricmal my company three years to list, and we were able to supply the wine from day one. So, from the first day we walked in to see the buyer we were able to supply the wine, but it took us three years. And it took us three years to get listing and the first listing we were open to a limited amount of stores. So you would get listing let's say for an example for 40 or 50 stores and then after a months they will gradually open the listing for you .

Competition commission

Currently you only have only have the stores in the Western Cape

Malcolm Green

Only Western Cape and the second one I want to mention Pick n pay. The Pick n Pay that listing also took a few years continuous visits with the buyers continuous over and over over and over and out of all I will we have 6 **varietals** and two brands. Pick n Pay is only listed one variety from one brand in a limited amount of stores only

in Western Cape.

However we get calls and we get many people requesting the brands in Johannesburg and Pick n Pay we have sent them many letters and on numerous occasions and copying them on the interest shown from Johannesburg to purchase the wine and today sadly they don't want to give us the listing yet we've .

Competition Commission

The many calls you got from Joburg are those from the end consumers but can you speak more on who those are.

Malcolm Green

Yes, the end consumers as well as when we were listed here in Pick n Pay in the Western Cape there are some of the Pick n Pay stores in Johannesburg that have sent an order through that they can't get order the order unless Cape Town puts them onto the database and gets them into the system.

So we have been requesting to get into the system nationally from Pick n Pay because its demanded the brand and sorry we are just told sorry there is no space , sorry there is no space. So it's kinda frustrating and one reaches a stage where you think it's a lot cause.

Competition Commission

Maybe the reason the reason is just shelf space I mean apart from whatever other reason there might be but the reason that's given to you is that there is no shelve space.

Malcolm Green

ya

Competition Commission

I'm so in the process of getting your product listed that took three years what are the various criteria that you had to fulfil before in the end having been listed?

Malcolm Green

The normal criteria that you find in retailers, firstly, your brand's got to be registered. So, your brand has to be registered. You must be able to exist over certification with a brand. So, you need certificates of analysis, you need quality certificates, your certificates of trade which are normal and then you need your own liquor license.

And you need to have your own trading license, you need to be compliant. So that is that is the major criteria that you have. And once you can fulfil that and then once you're in you need to be able to understand the systems and go for training because invoicing is a secondary matter.

Competition Commission

And, maybe if you could talk a little bit about invoicing and the type of training that you would require that you required.

Malcolm Green

Normally the training like if you look at Pick n pay they give training for their vendors and their suppliers. So one of your staff needs to attend that training so they can familiarize themselves with their systems. And then obviously if you're going to be

delivering to D.C. to the distribution depot they have training on its own. You know various safety rules and safety gear that one needs to wear when delivering to warehouses and that you must be able to get someone to train that's going to be doing that job.

But you've got to be listed as well with Chip ballots you have a ballot to count because once you start getting into retail then they move chip ballots around so your companies has to have a chip ballot to count and you got to be listed as a vendor. They're not really up obstacles but it's just part of the process.

Competition Commission

Inaudible sound....

Malcolm Green

The group originally started the concept we looked at was coming back from twenty thirty and the group was called Treasure Chest.

The concept game dates back from 2013 when we looked at collectively working together to get to get more business. But we launched it in 2016 so last year November was our first road show.

Competition Commission

Just to ask you you've got six varietals, you said, two brands, what is the price range?

Malcolm Green

Entry level price range are now on our varietal s are now between R30 and R35.
And you look at let it melt supreme you looking at between R40 and R45.

Competition Commission

And do you get platter stars or Michelangelo awards

Malcolm Green

We've got a few awards on our supreme range especially the mellow. The quality of wines in South Africa currently are very high and I don't think that there is any wine producer or seller who will be able to bottle inferior quality wine. South Africa has certification stickers on the bottles and the certification stickers is basically traceability of where the wine comes from so the wine the industry is very ethical. And you will find that nobody should or could easily just bottle any wine in any bottle.

So, all the black owned brands we don't bottle our own wines. They all come from very established sellers. And all the wines have to be certified in order to be released to go to market and to trade.

Competition Commission

Who certifies them ?

Malcolm Green

That's done by the Agriculture Department.

Competition Commission

Have you had any challenges in terms of your trading terms with retailers the trading terms with respect to you and then if you are aware trading terms with respect to your competitors and if there's any discrimination or unfairness.

Malcolm Green

No not really.

Competition Commission

Just a serious of it since you have established sellers that are bottling the wine and then labeling it do do they have their wines on those shelves.

Malcolm Green

Yes

Competition Commission

And the pricing?

Malcolm Green

Sometimes the same some of them little more. It depends on if the running a special at the time. So, you will find that the very same wine with a different brand or label on could be sold for less than yours and the very next month could be sold for one enough times what you sell for but it comes from the same tank.

Competition Commission

Mr, Green thank you

Malcolm Green

Thank you very much

Competition Commission

It's very insightful. 40% of the cost of the wine goes to packaging and I think it would be cheaper to get a box wines. Thank you very much, we really appreciate it.

I hate to say it but the next party to make submission Gugulethu bakery is not here so we'll just adjourn until they arrive. They're not coming.

So that's the end of today. And we will start tomorrow at ten o'clock at ten o'clock we will resume the public hearing at ten o'clock tomorrow. And hopefully Maphindi butchery. Thank you all have an early afternoon

