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COMPETITION COMMISSION'S GROCERY RETAIL MARKET INQUIRY TRANSCRIPT

8 June

Competition Commission: Chair

Good morning ladies and gentlemen we are now about to commence the Joburg hearings the presenter for this morning is Mr. P Gundwa from Soweto Brands.

Soweto Brand:s P. Gundwa

Thank you very much for the opportunity Competition Commission of South Africa for the opportunity to participate at this event. So many thanks for the respect you have shown us, I hope that am going to do justice to the presentation and also have an analysis of what is happening in the retail space in South Africa. Allow me to say I was horrified not to understand how an industry which when I did my rough calculations is about 500billion capitalisation on the JSE you may go and do your own calculations. All 5 retail companies that we have are all listed on the JSE. So, that could give a picture of what we are talking about here. And when we had a talk about transformation and changes in the mining industry and BBBEEE score card and so on. I just wondered how the retail sector escaped that radar and up to now I still wonder how this industry where almost everybody, when you are working spend your money in the retail sector. So we need to have a closer scrutiny of this industry and have a situation where the industry is also part of the transformation in South Africa. Please do not quote me wrong, am not using the transformation word in a wrong way, but am using the word transformation as in change. So get me correct on that.

If you do an analysis of the retail sector in South Africa it actually reflects the situation that we find in any other country like Turkey, Germany, Spain, Italy, Japan or Nigeria, where we have fewer retail players in the industry. The questions then we need to ask ourselves is "As much as we are a reflection of what is happening in the other countries. We need the industry itself to reflect the economic situation in South Africa and also reflect the transition of where we are coming from. So what is more important to me is not the question of the number but the question of the behaviour and the question who controls who and who and who is doing what? I think that is very important. We need to have an industry which makes sure that is participates in the economic emancipation of everybody; we do not need an industry which exploitative, we need an industry where everybody is included. We do not an industry which only goes to Soweto when they need profits, but when the people from Soweto need a livelihood the same industry denies them. So the question is answered you need me some other

time and some other time you don't need me which to me is very unfair. If you look at what I am going to show you, the retail industry we have now; it is really surprising to me for it looks as if almost all the retail sectors are almost owned by one group of people from pharmacies they have all taken over the whole pharmaceutical industry right now. They have taken the whole liquor industry and the building industry also they have taken almost every retail sector opportunity. Currently is now under the umbrella of the big retail shops this to me needs a deeper analysis.

This is my presentation outline, am going to provide my general view or opinion of the compelling reasons for the need of an in-depth review on the competition environment in the SA retail grocery sector. Provide a comprehensive analysis of the participants, their structures and procurement behaviours. Provide an in-depth analysis of private labels, in-store brands and their impact of innovation, supply development, effects on employment and the development of the industry in general. Provide an analysis of the small business supplier development programme, their abuse and retrogression in the development of a competitive and solid supplier base in SA. Provide a recommendation and the way forward in an endeavor to make the retail industry sector inclusive and non-discriminatory. An analysis the retail business supplier development programme their abuse and retrogression in the development of a competitive and solid supplier base in South Africa.

What am talking about here is not that I have read in as much as I might have read but it is the practical things that you find in South Africa. I participate in the retail sector and you won't believe the kind of behaviour that we have in SA; where we have goods from China are more accepted than goods produce South Africa. If for some analysis reason, I think when Facebook started; even George Bozos he owner of one of the big retail stores in the USA right laughed he never thought Facebook will ever make money. Nobody even gave a thought to Facebook but where is facebook now? It now one of the biggest companies in the US right now. It developed like a child from crawling, to standing, to walking, to running, to even running faster than the bigger companies in that country. The same applies to amazon.com nobody knew you could buy your groceries on your computer at home. So the same applies in here South Africa where we have got whatever we are trying to do with the products we are trying to do; they can do very well. As long as there is support on it that if the retail sector

does something about. If you look at what we have here; what has been recommended by the European Commission guidance on Article number 109 on the enforcement priorities when you are talking about analysis of an industry from a competitive perspective. We need to analyse the concerns imposed by competitor. What are these guys doing? We take into consideration our 5 big retail stores. Constraints imposed by the possibility of expansion of existing competitors and new entrances.

This is the issue when we talk about these guys have actually extended their tentacles to almost all the locations and there is no more business in the location they have taken almost every prime area in the location is what we are talking about here. Their expansions what does it mean. Competition imposed by counter value buyer power, constraints of supplier role as the gate keeper to the market in significant effect to the market as a whole should be considered too. This was also an added element from the University of Oxford on top of the 3 the EC has talked about. Of course this is from an academic point of view, but if you look at this analysis you would see the rivalry among our competitor 5 big retail stores; to me they don't compete. I do not see Pick n' Pay competing with Shoprite, am not seeing Woolworths competing with Spar. Because each on is its own area and for some reason I did an analysis you would never see them side by side especially in the big shopping centers. So somehow there is what I could call satiable collusion of some sort. Where they would say if am here my friend move somewhere else if am in Rosebank; go to Sandton and so on.

So y they are not competing and let me tell you why they are not competing. They don't purchase products that are not from P&G, Tiger brands, Unilever and other big manufacturers, on top of that they have their no name brands. Therefore there is no fair competition for smaller manufacturer in this space. Therefore the suppliers don't have bargaining power. So industries are closing look at Germston, other industries because they would rather import the goods from Brazil and China. Buyers have all the bargaining power for example I approached them to say we have a new product that I think the market would be excited and will relate to can we try it out in Pick n' Pay and Shoprite and they said no, no we don't work like that. They said your product is not known so we cannot stock it. So, how will they know the product if it is not given a chance. So if you look you see these guys have occupied the whole retail sector's value chain and they are a just one big company. Look at Massmart a foreign company

they own Makro, Jumbo, Game and others whose suppliers are foreign i.e. P&G, Unilever and others.

There is a marriage of inconvenience in South Africa. It is shrinking because of South Africa. Industrial sector is going down like I told you this guy who has been making sunflowers is good for him to go to China and I will use the same there is no problem with that. There is original equipment in hand just put my label, everything including your bar code. In all the procurement and distribution of consume good including the goods e.g. pick n pay and Woolworths account for 99% on one side. On the other hand, in manufacturing it seems to be equally dominated by a few companies, Unilever and Tiger Brands who are supplying the probate label. They seem to find it difficult to shape the channels.

They are not economically viable or do not have the capacity to purchase in large quantities and they are becoming bigger than other manufacturing companies. They are the gate keepers. Whereas smaller retailers are weak. That is where we are.

The issue of private labels is a very big issue. Even the European Union tend to look at it and the phenomenon. In South Africa we have Pick n Pay and Shoprite who have been doing well from back in the day including ShopRite and Spar. They have everything from Mealie meal to whatever ta consumer needs. So that means the companies we have you cannot find the shops first. Retailers are becoming more import and such as distribution and advertising and certification and for the purpose of this analysis, small business suppliers and development and employment South Africa. It is a structure of South African chain. It is a vertical completion and whether it is function well small business development, employment opportunities or whether they exercise the power leads to inefficiencies. Because of the big brands we have inefficiency. Because even if you are innovative where are you going to sell your product. You can see. they age taken over every. The question is where you are going to and if you will make window frame where will you sell them. You cannot sell them at Builders because it is owned by Max Mart. They hear you are Zulu and they say Zulu's are difficult to deal with. From there you are out of the market.

There is no tribunal or ombudsman or code of conduct it is just like that. If you look at that private labors give visits more control, and some say competition law has too

much development discourse. We expect the authorities to explain where they are coming from and whether they are leading us. New mythologies should be adopted in the acceptance. There is a distinction between market shares. For many shoppers, it is easier to change products than supermarkets. It is easier to go to Pick n Pay and Woolworths. You usually just buy from one company and who is convenient to you and nearer to you. For your own information, these companies do not compete on price, because their profit margin is the same. This is all supplied by the same. So there is no competition as there are no other products competing with them... We think that price equals quality. But if the shopper can distinguish between what is good and bad, what is another reason to have another same thing by the same company. There needs to be competition. You have to wait for them until they bring another product, so if they do not bring another product you can just still have the same product that you have been eating. Their ideas are not taken into consideration.

We stifle innovation, you see how we stifle entrepreneurship, you see how we stifle industrial development because of the behaviour of probably five guys I don't want to talk about their boards, I don't want to talk about their executive management how they look, but it's the same as a snake glass of the retail shelves in the advertising and mainstream media channels in South Africa can testify that the share of in-store brand labels is growing at a tremendous rate because of the high margins that the private labels command. The big retailers are reluctant to purchase branded products more especially from unknown brands from small and upcoming small and upcoming businesses irrespective of the quality of the product this is stifling the development of small BEE business in South Africa and consequently exacerbating the unemployment problems in South Africa, competition is stifled innovations are stifled, the development of the supplier base is stifled, employment initiatives are stifled. The circumstances could lead to possible grounds for competition authority interference. However it could also be only an additional in the buyer power trade off. More generally more this analysis supports the creation of level playing field for vertical competition recommended by the University of Oxford on that study that they were doing in 2015. Almost all the big retailers have centralised all their procurement their warehouse department it's in the big cities of Johannesburg, which is out of reach of the peripheral product suppliers procurement decisions are in the hands of the few individuals their contact information is often very difficult you cannot find them.

How they do their procurement it's not there, go and try it if you think am joking. You are supposed to fill in another form which asks you to put in a merchandiser number I have phoned these people at Pick n Pay in Cape town they said you should, for you to be able to enter into that system you should have a merchandiser number. I asked him so where do I get the merchandiser number , this guy I actually spent about one hour on the phone he said me I don't deal with those things who transferred you to me , go back to reception and ask them to give you the exact people . If you think am lying go and try it go to Pick n Pay, go to there where they whatever suppliers you should have two numbers company number and merchandiser number. And the system actually said this is very important if you do not have those you can't proceed if you phone them they will tell you will move, from A to B to C to Y to X to B to whatever.

Thus the end of it you give up on your own, so why don't we have those people like a government department because these guys are like a government to me. Their structures are like a government their dominance is like a government where we have the office of Home Affairs almost every corner of the road. So why don't we have purchasing for ShopRite to be almost every region if you want us to be fair, if you want us to be equal, so that we can equalise the whole thing. You don't find them so you are expecting a person to come from Eastern Cape from Whatever to come to Johannesburg with a small product to show them can you imagine and how would you have found where they are if at all they can give you parking, now if I tell you about the network theory this is very important to understand how these guys are. All the purchasing managers of all these big shops they know each other, if you want to be complicated go to LinkedIn just find one of them go to LinkedIn you will see their network is they are linked, thy even know who is purchasing what, OOOH there is a new product please purchase it so if you are out you are out, for the whole world when they go out during the evening they discuss their stories and say aah there is this guy who came to me boring don't even entertain him, when you send him an email. I gave you a good example where I sent an email or somebody who was so listening to me I think he ended up trying to send, he even said to me ,we want to see your product how it is packed and everything else I need to make an arrangement.

So I think somehow as he was talking to his guys, they said no, no we have talked to this guy already leave him so that was the end of it even if there was an indication even if there was a promise it died just like that . Because they know each other they sit on the same desks they talk to each other they WhatsApp each other so this makes it difficult and costly for the small suppliers to reach to them this is all done to promote private labels reduce costs and increase margins.

If you look at the element of the supplier development programme which I think in south Africa has being so much publicized when Walmart bought Macro and all these kind of people and surprisingly all most all of them they got on the band wagon and start to what it's called supplier development programmes I looked at the issue of the supplier development programmes I tried to contact these guys I thought probably they could give a lee way , because I did not need the money I needed to supply the shops then I ended up talking to them , they said no, no, no I don't deal with supply they are supposed to be dealing with small business which to me there are supposed to give you an ear to understand what you are dealing with and what you are talking about . I said no, no, I do not need finance I need to be able to place the goods there , they said no, no, we don't deal with that we have already a one supplier that we have about BE they even send me including the website this is our supplier for BE that category , and for a low value. I think these supplier departments there have been used to block the people that are supposed to be sustaining. so if you look at that from my own analysis supplier developments they have been put almost every way you see picture every way , go there the story is not what is publicised.

To me this is done to increase the retailing company BE score cards. They are all profitable, the workers are lowly paid and they get the goods at a cheaper price, you can see how they make the money. All that they do is just to centralise things improve their technology including their barcodes that's about it. In essence they stiff on innovation makes the supplier development dependency syndrome. Let me tell you something we cannot have I am a supplier so am going to Macro because they have assisted me. Am I going to develop other products, nothing am just going to make what they have told me to develop usually their brand, thus the end of it there is no development , there is no innovation. I have no incentive to innovate. In essence, they cripple the capability of these people because they are not given the opportunity to

join other value chains in terms of supply. Which to me is actually uncompetitive, they are unsustainable because suppliers depend on one buyer leading to a failure to develop, channel development capabilities and skills the product stifles the innovation and diversification, the programme promotes instore levels that are undermining the value chain and the industry sector in general. Take for instance retailer X The supplier development fund it is assumed to develop all targeted local manufactures, producers and assemblers of products that can be sold in retail X decision. Preference but not exclusively given to an black owned or women owned the purpose of the supplier purpose of the supplier Development fund is to assist the suppliers to enhance the quality of their products or improve their production capacity, but in reality that is not what is happening now in each product category, the low value products they don't give you to manufacture products that they are going to give you good value for money. They can't give you that, they will say make Jam make peanut butter. Preference but not exclusive is given to black owned , I have talked about that , media houses are called to witness that event high publicity is embarked on with the idea of wood wiggling the government authority but in reality this programs are not functional , I have not seen them being functional.

So, in conclusion I would like to recommend the authorities and the competition commissioner to take some actions which I think are very important on some of the things that we may see to be happening are not exactly these things that are actually happening. I have not talked about the elements of this guys in crouching into the locations where there are colliding again with the , land developers and having an inversion of the township economy , I thought that has been discussed someway .but these are my conclusion recommendations , in my view Asemantic power between retailers and manufactures in south Africa has led to abusive and unfair practices that may be difficult to country through competition law, there is one thing that I want to tell you guys which Is very important laws on themselves are just something else.

I want to give you two examples where we have got very good constitutions very good laws very good lawyers, South Africa an SA are the countries where lawyers make more money than product producers , good constitution in gloss papers . laws and having the Competition Company is not enough, we need to change our behaviours and we need to have industry leaders who say here we are, we need us to be an inclusive people where we are all happy, thus for me is important look at No war look

at the northern countries that is their consent they enjoy life and they do not even have a condition, they believe in humanity. So we need industry leaders not to be forced by law, not to have to come to the competition commissioner. We want the people to actually be proactive, and say here we are what are you guys doing in the industry.

I think there is a need to adopt regulatory measures to prevent the market power of the big retailers from hindering competition and consumer warfare and broaden the industrial base of the South African economy with a visible impact on unemployment rates unfortunately in South Africa we have to use the law. But why should we do that? Why should we all be so accommodative? why won't we have the Pick n Pay and Shoprite do like what we have MTN Zakhele , because it's the people who are buying because 80% of the people are black , so why don't we have a Zakhele in Pick n Pay where we say we are giving back to the people who are buying from us then they became shareholders of Pick n Pay and then I will spend a lot of money buying at Pick n Pay ,knowing that 1 rand of whatever am doing will make a profit and it will come back to my pocket .

There is need to investigate the impact of private labels on the sustained competitiveness and innovation in the industry. The concentration in supply leads to decrease in innovation. The Competition Commission of South Africa is supposed to have strict mega controls in order to prevent the South African grocery retail sector in becoming over concentrated. The South African Competition should be strict on mega. the buying practices involved in large companies should be carefully examined for abusive behaviour such buying practices should now be considered as part of the effects of concentration with significant long term effects on competition and broadens the supplier base . Were they buy things this is where competition is arrested from the beginning, it can't be seen it looks a bit hidden. There is need for a thorough investigation and analysis of how prices are developing from the producer to the shop , there is need for small business supplier development programme need to be revamped and made more transparent

Local businesses are given the opportunity so that they are not displaced by encroaching of these guys, the last point that I am not seeing from my slide which I would talk about, I am not seeing it here. A code of practice in conduct and have a

tribunal for the sector where we are consistently monitoring the industry rather than the reaction we have, we are just looking to move very far.

Those are some of the things that have happened, these people are consistently being looked at. When we have our consumer act we have been going on. Thank god the government did not allow them to not open the accounts to buy food on higher purchase. In conclusion, I would like to thank the government and government authorities need to stop explaining, describing or appraising stop politicizing about this and start to take action, real action. We need to address our particular historical transition our economic structure and look after our people in terms of complexity and social upbringing and educational standard. We need to be able to make a decision and government needs to help us. We are not able to help ourselves that is why we need the government. Spain and Germany have five retailers. Our economy is different from Germany and Spain. Our economy is not the same. It is okay to play sport with them and then we go back, let's have our own model of economy and the competition that reflects our democracy and the decisions of economic situation and above all to be able to develop our selves so we are able to compete with other manufactures from other countries in China and Germany. People in other countries are holding us at a ransom and we do not know if they are good or bad.

Thank you for the opportunity to listen to me and I appreciate and hope that this is the beginning of the idea and we own our livelihoods and develop our industries and retail sectors so that at the end of the day we are happy. I come the company Soweto Brands, and we are doing well and people are safe with it. Why do the retail shops not associate with us? They are afraid that it might fail, they are scared that it might not be sustainable but they do not give us a chance. They should advertise it and give it a chance and market it like other brands. They seem to want to sell to Soweto but not buy from Soweto. And that is contradictory. Thank you.

Competition Commission

Can you tell us more about Soweto Brands, when did it start and what does it do?

Soweto Brands: P. Gundwa

Soweto Brands has been in existence since 2014. I stayed in China for five years, trying to move in every corner trying to find out how the people are able to sell to the whole world. I had meant to spend one year but I ended up spending five years. It is because of the DHO and FedEx and that it seems cheap to you. But the rand is too high. The difference is that they have properties in Sandton where they pay a high rent. Whereas in Hillbrow it is much cheaper.

People sell things in downtown places. They just put up nice a website. We created the company to give people things that they want and we want to grow just like Tiger brands, but we all have to start somewhere. We have now started with things like dishwasher, pine gel, quality chicken soups that we created.

Our friends are people from Ethiopia, Somalia, because we have to sell them at the Spaza shops. Those are our distribution channels. I need people to know where I am coming from and what is my name. But I say it is not funny because at the end of the day we have an opportunity to develop ourselves. I wanted to see our company grow. Our company started and I want to see it grow and how they do it.

We looked for brands, and we wanted to check which brands can we associate ourselves with. I want people from all over to see me and see South Africa when they look at our brands. In fact we got an email from Addis in cauliflower and they mentioned to us that they were talking to people from other parts of Africa and would like to be associated with our brand.

You can see we have people who are interested in our brand who are not South African, but it should appeal from people in our brand. We registered everything including an IP address. We could not register the IP in Soweto because we cannot say we own the name Soweto, but we own the artwork and the way that it is done. You can do it your own way but it will take you to the ports which would not be necessary. But we do not own the name. Soweto the brand is doing well especially when people are asking us about it except the retail shops.

Competition Commission

Do you manufacture the products? Which Products do you own?

Soweto Brands: P. Gundwa

We manufacture the products, we started with things that people need every day. If you go to Johannesburg you will see that it is mostly dominated by people in the informal sector and our products are targeted at them but they are of quality. We have dishwasher, we have pine gel, we have powered soap and we have chicken soup, so far we have four products that we have. All the products will have the Soweto dominance, e.g. Soweto dishwasher, Soweto pine gel and etc.

Competition Commission

You have made the statement that the retail sector and supermarket sector needs to participate in the economic emancipation of SA, can you give a step by step proposal of how you think this can be done, the emancipation as you have conceptualized.

Soweto Brands: P. Gundwa

They need to be inclusive because if they buy products from companies which are South African companies that is an emancipation because they control the manufacturing sector and they broaden it. That is one way of doing. The second way is to procure products in South Africa so that the country can be able to take part in the research development whether it is universities or colleges. They should contribute where we see a Pick n Pay in the research classrooms on how you make a certain product. As today things have changed because of technology such as 3D printing and this has made manufacturing easy. But where do you sell your products if you are not participating in the value chain in promoting South African products. They need to broaden their supply chain.

Soweto Brands: P. Gundwa

They need to be inclusive because if they buy products from companies which are South African companies that in itself is an emancipation because they enable the broad because they control the manufacturing sector and they broaden the manufacturing sector o begin with. So that is one way of doing it.

The second way that they should be able to do they should be able to procure goods from in South Africa and able to also participate in the research development of these institutions whether they are universities whether they are whatever they are they should contribute where we see a Pick n Pay research laboratory at the Wits University to say we want to develop product A , developing product B , product C product whatever you talk about and nowadays things have changed things have changed because manufacturing is very simple because of the machinery in 3D, computing technology and everything that you can talk about so things have changed manufacturing is very easy. But where do you go and sell your products if you don't have a buyer or you don't have an outlet. You are not participating in the supply chain or the value chain of the product. There is nothing you can do.

So the beginning is to say that we promote South African products, first thing. The second that we want these people to be able to do is to say they need to broaden their supply chains and make them so that they are reachable to the people. That means that people are able to sell these products to them. I should be able to go and talk probably to two or three people who are in Pick and Pay in my locality and they say okay fine put your product there and then I will recommend it to the big guys if it does well . What are the things that is needed. This is how you go about it. This is not about single one person in supply development . It should be a broader perspective the second, the other thing that I need to talk to you about is . We need suppliers who are given opportunities to then join the global value chains where they are able to supply other groceries which are outside South Africa. But if you look at that way, South Africa dominates all these big five I talked to you about, they also dominate the sub-Saharan Africa.

They are in Namibia, they are in Zimbabwe, they in Zambia, they in Kenya, they are in Uganda, they are in Mauritius they are I couldn't believe when I saw a Pick n Pay in Mauritius. So you see if you are arrested at home you cannot go to Mauritius. So if we develop, let's look globally. Let's look and say when we develop these guys we want to say develop and supply other places and these guys are in a very good opportunity to talk to other suppliers and so okay fine this is a supply whatever procurement director from Pick n Pay, Procurement director from Makro is able to talk people from

Corn Flour, is able to talk to people from Alida is able to talk to people from other Supermarkets because they are people in the same. The even have conferences on their own and say yes can you see this, we have got this product at home. Is doing very well. This is a South African product why don't you stock it in Spain? Why don't you stock in in you shop in Qatar. So they should actually, the Vanguard of our industries.

Competition Commission: Chair

Can I ask to the extent that within the grocery retail sector they are products that come from China for example and then we then there is this proposal that local retailers must pursue procuring their goods locally, how would they then compete with goods from China that may be sold in South Africa on price because there is that issue and I think this is what has happened to most industries where they were Industry most retailers had to abandon local suppliers for Chinese products that are cheaper And which consumers tend to go for what is your view the view on that

Soweto Brands: P. Gundwa

The view is if you look at it is it was from a cost analysis point of view. And I told you this is a guy who is making probably say fridges I'm making fridges having a factory. I just want to give you a good example even grocery or whatever you talk about. I'm just using fridges as good example. I employ one thousand people.

I have with a very big plan that I have got in the industrial area. I have got some toll gates to pay because now SANRAL has decided to put toll gates. Costs have gone up. So I've got a very big cost base that I'm sitting on.

So for me to be able to to make money I would rather say OK fine what if I get rid of one thousand people I don't get to get rid of the toll gates. I don't go to the industry anymore. I sit it home. Sit on the computer go to Ali Baba purchase goods from China and sell them even they give me whatever in terms of taxes and duties whatever

I pay for can you see where we are coming from. The whole thing is we need to develop like something from a point of view of research and development innovation entrepreneurship. We would then say OK here we are.

We start by buying the machines and we produce the things from home

Competition Commission: Chair

But how do we deal with the cheap with the cheaper products that will come and compete with the local products with locally produced products and you are a retailer because you need to what I'm trying to understand is a situation where you are a retailer you really let's say amongst them one decides that OK this is what I will do. I will support locally produced products.

And but when you do so you have to use you still have to compete with products that are coming from China or elsewhere that may be cheaper. How do you

Soweto Brands: P. Gundwa

Yeah. But first of all if you look at it from the way that I'm talking about is the question of the cost of the cost base. The question is how do we make our products cheaper that's what you're asking me

Competition Commission: Chair

So create efficient efficiency we need to create efficiencies within

Soweto Brands: P. Gundwa

We need create efficiency, we need to say OK fine here we are what kind of people are we I told you in terms of location where do we locate our our industries to begin with. And and then we have got a lot of laws that is stiff for us. COSATU is toy toying, NUMSA is toy toying the other guys are toy toying. And when you look at it it is people at the base who are

actually affected at the end of the day. The industry, the the labour guys are home and dry at the end of the day. They have money which is invested in a lot of the things.

So we need to say when we look at our industrial base how do we make our our industrial base cheaper. Like I'm telling you we making the dishwasher which is as good as sunlight but it's cheaper than sunlight by probably about R10, very big margin. How did we do it.

It's a question of introspection say where are we where can we reduce cost. How do we handle this, how do we this and if we can spin as more products that we can spin in the industry because the ratio sector is overtaking us we have got a very good reason for us to continue producing because our products are moving in the in the in the in the in the pipeline so our products don't move in the pipeline so that is why we end up with all those kind of things for this double that I'm giving you I don't want to have this whole trouble it's better I deal with containers and all this kind of thing and then I forget about all this kind of thing which is happening then if you look at it from an industrial point of view and from my analytical point of view we have to say to ourselves. Here we are we actually have got a very big advantage that we have as South Africa we've got the potential to supply the whole of Africa.

But can I tell you one thing we have we cannot do that because Shoprite and Pick n Pay they control those countries, the goods going to go where they are supposed to be going. So you can see we are sitting on a potential that we are not using because we don't have the channels. Because. We have got things that have to be made very very expensive at the end of the day then you ask yourself if I can make a product which is R10 cheaper, how am I doing it.

Those are the things we we need to ask ourself how are we doing if we need to change our culture for the benefit of our future generation, let it be. There is no problem with that.

Competition Commission: Chair

OK. Can I ask you also you also made the point that kind of putting a blame on the competition authorities almost when you pay when you created that picture of how the retail sector has taken over other industries and everything that has happened obviously. When the retail states when the retail companies acquired any businesses let's say those are the in mergers that should have been notified to the commission authority commission authorities and approved by them.

Are you aware or do you realize that even the competition authorities are limited on what they can do if there is no participation by parties like yourselves. Coming forward and making submissions that oppose those these mergers in fact when the commission when they when they when the commission authorities are not even aware of your existence What are they supposed to say you can't they cannot anticipate and negative negative impact on an entity that they don't even know exists so if there is no active participation by the small businesses themselves by the township businesses themselves that are negatively impacted by these retail businesses how. How how how do you expect then the competition authorities. To do anything about the situation I know this inquiry is seeking to do that but historically that was the situation it is difficult.

I just want your comment on this, that you do do you appreciate that they may be a difficulty for for the competition authorities to to to to to to poke a hole in a submission by made by any party by any stakeholder whether a retailer or not if there is no opposition to the matter before it by parties affected by that matter. Do you understand?

Soweto Brands: P. Gundwa

Yes I do. The first thing that you have to look is we look at our complication in terms of the makeup of our society are we that complicated that we know where there is subs how many how many people here own spaza shops, who are in the shop?

Probably this is probably non they don't even probably know that we are having these this talk. So you see we have to assist our people that is the role of the government. To say if you look at the complication of our society are we complicated to that level that we know what the competition commission is, we don't know. The second thing is that we fear victimization like I told you I almost did not come here.

Because I do not want to be seen. It's better I fight them in the trenches there but you know I'm dealing with one guy who they know me or whatever I'm doing there if I succeed I succeed. So we fear victimization. So this guy's complaining. Like I can tell you I have got emails and emails, I even said this guy I am going to report this guys to this competition to this for the South Africa Competition Commission. I've been indicted and even forwarded the emails to Competition Commission, this guy said you can you go there, I actually have got an email evidently that you I'm sorry you can go wherever you want.

Competition Commission: Chair

You also mentioned that purchasing managers just on the black listing issue that you mentioning now. Earlier on you spoke about that as well as the the relationships between purchasing managers of the retail companies and them having close contacts through Liblink and WhatsApping each other and therefore implying, you even said this that some kind of collusion going on there. Can you speak more on that just explain that that aspect only what do you how do you understand them to be colluding? How do they deal, what's that forum that you understand them

Soweto Brands: P. Gundwa

What I'm saying here is the question of birds of the same feathers fly together. So when you're a lawyer we all says you've got a bar, cars and lawyers tend be ...

Competition Commission

Sorry Mr Gundwa are you assuming that they may be flying together in this case or you for a fact that they do

Soweto Brands: P. Gundwa

What I am saying is, it is this is very obvious when it is me and you we probably have done the same thing or in the same industry we tend to talk together at the end of the day so what you do or whatever like I'm telling you I've received too many e-mails from different people is I can tell you I couldn't believe the they look like they have been written by one person .Their behavior is the same I have never seen a change. The same email that you get from Pick n Pay is probably the same email that you get from Boxer is probably the almost I could have I'm sorry I am not an analytic of how things are written but this is what I am telling you. I am not saying they collude but what I am saying is natural they talk to each other. They have got meetings they have got associations they discuss in some countries with the rogue states like they have got they put their own me because they put it their own almost every association they did they

Competition Commission: Chair

Can you spoke speak about those e-mails. The e-mails for example that you say are sort of couched in the same manner. Are these were these e-mails that were in response to your efforts when you try to knock off. Would you make would you make those e-mails available to this inquiry so that we can also have a look at them, please

Soweto Brands: P. Gundwa

I wouldn't like to do that because these are people that we are looking forward to be partners with and I don't want to like I told you to actually like I'm crucifying them I want them to I am giving evidence the name court of law but I'm just trying to say if you look at the behavior the behavior is the same then you ask yourself this is me probably even if I got a nose which is is like this sort of like this probably along the way there is a certain girl who will love me but when you find almost everyone doesn't love you, you ask yourself the answer is the same. They you start to ask yourself are these people cut from the same cloth or there's some kind of this I'm telling you this I'm I'm not trying to be up I'm talking from experience rather practicality where you experience these people and you go to Cash and Carry in Rustenburg or in whatever they and they say no my friend we don't procure from here, you will have to go to Pick n Pay. You have to go to head office.

Competition Commission: Chair

Mr Gundwa, I want to just want to go back to what you just said now you also need to be need to appreciate that it would be difficult for the inquiry as well as for the Competition Commission at any point in time to deal with any wrong doing not necessarily in the form of a serious violation of the Act But what you've implied here for example where you feel that there can be discussions where parties are kept out and are blacklisted when they try to to have their products sold by the retailer by their various retailers without without evidence being presented to the Commission or to this inquiry do you realize that our hands would be tied.

Because we won't have the basis to act we won't have even the basis to make suggestions that this is the way to do things

Soweto Brands: P. Gundwa

No but I'm saying to you if I'm what I'm trying to say to you is my my my my presentation is it's not meant to persecute or to do something my presentation is to say in generality from the overview from what you see this is what they do which a complicated which a person who is not complicated who cannot do a deep analysis and introspection of the situation cannot see it .

So you can see like I told you about the ability to support private labels how the the retail how people end up being like manufacturers in fact they are actually manufacturing companies . So this is what I am saying. I am actually giving you giving you the general overview without saying trying to say A is wrong B is correct

Competition commission: Chair

So you are giving us things that you want us to interrogate

Soweto Brands: P. Gundwa

The thing I think you could interrogate and find out how does this thing happen how does the do with how does it work in real senses. This is how it works and

Competition Commission: Chair

You also mention that suppliers in the retail sector lack by gaining power. How do you know this is. Do you know it from your perspective or you just know it generally from speaking to other suppliers that.

Soweto Brands: P. Gundwa

I know it from I know that one from perspective and recently I can even give you a newspaper article where the chief executive officer of Rainbow Chicken has been interviewed he said it's difficult for us to maneuver because its a one buyer, it's two

you two people with three people. You know they tell you what they want at the end of the day. And this research has been done in other countries where they did same research like the one that we are struggling with now . Same stories have been found because this is the guy that if we are not able to be able if you want to sell your chicken.

Where else can you sell it from besides going to Pick n Pay, Spar and whatever. So if the oh my friend for 1kg we can't take it at R3 why don't you make it R2,50. You will say probably I have children at home I have got some workers to struggle with, my profit is going to be down probably I make a margin of R,20 if they can buy more probably I'm better off. Let's see how they do it so that I'm talking about so so you you you you don't have but don't have bargaining power. And you can't bargai because your hands are tied and you can't bargain because if you cross the li ne you are out.

Competition Commission: Chair

Thank you Mr Gundwa

Competition Commission: Du Plessis

MrGundwa the products that you currently producing if you listed the products how many how much are you producing at the moment per year.

Soweto Brands: P. Gundwa

Like I said to youwe started producing these products in in February and we cannot produce more because we have got a problem of the distribution channel we can't join the value chain so what we are depending on is on the spaza shops. And I want to tell you one thing spaza shops will tell you that we can't buy something that South Africans don't buy something that they they've never seen on television.

I'm telling you this is a practical example. I got my mom who is in Soweto she went to the to the to the church. And then she said OK give me twenty

I got some spaza shops around me I want to go in to promote them to the spaza shops and the spaza shops are owned by Bangladesh, they are owned by Somalis.

Then she found no these people couldn't take them I said why they said no that they cannot sell it because they have never seen it on television. South African don't buy something they have never seen on television. Then I went to Soweto, Bram Fisher with my car with, it has got big stickers written Soweto Dishwash parked it to my mom's place now this Bangladesh guy was passing through the road, he saw this car parked with this Soweto thing.

Can imagine what he did, he knocked at Mum's place and sad hey mama I've seen that this thing you are selling here, there is even a car that has got that brand. Do you still have some. How many did you order, 50 of each.

Competition Commission: Du Plessis

OK so how much do you produce at the moment?

Soweto Brands: P. Gundwa

Right now that now we are producing a very minimum depending on the demand that we have because I'd like you said this is these spaza shops are rudimentary they don't have the they don't have a purchasing person you just have to go talk to him, he buys three he buys four. So in terms of in terms of distribution is a very expensive distribution channel.

Competition Commission: Du Plessis

So you mentioned that you approached spaza shops in Soweto, where else in which other areas have you approached spaza shops.

Soweto Brands: P. Gundwa

Given where I stay Alexander is very new to me so our Alexandra has been a very good distribution center for us in terms of moving around . And you have to move them you find that this can take three and take for whatever happens. Tembisa is good because Tembisa is big and it has got it's a very vast area from end to end so basically I can say we are mostly in tembisa and in Alexander.

Competition Commission: Du Plessis

Ok, and how much are you currently supplying to spaza shops there

Soweto Brands: P. Gundwa

Like I said to you know that there is no is these spaza shops are controlled by one individual who sometimes if you go there is not there so you can't exactly you can't plan

Competition Commission: Du Plessis

I yet that with all of that how much are you currently supplying to them

Soweto Brands: P. Gundwa

How much we are currently supply and probably we are talking about probably about three hundred. About three to five hundred a week. A unit a week unit so we can

Competition Commission: Du Plessis

Which products sell the most of the five products that you produce.

Soweto Brands: P. Gundwa

Dishwash does very well. Pine Jell depending with with their with the place that you go but like I told you there is even I retail a guy I talked he said my friend go and test your product in the spaza shops if it succeeds you see will come and order from you.

The problem with the spaza shop industry is its rudimentary, you can't plan with the precision you can't be guaranteed of orders every day. And usually people buy there middle of the month when they are broke end of the month they go to Pick and Pay, they go to Shoprite, they go to Spar so it's a very low and they also want to say no my friend friend you can't sell at this price go down so at the end of the day you also have to go down in terms of the price you would have done but you say I find the same effort that you are putting probably along the way things should shape up

Competition Commission: Du Plessis

I don't know if you followed the public hearings this week but on Monday and Tuesday we had two buyer groups that made submissions representations in this in these hearings the one was EST and the other one was UMS, have you ever approached them or other buyer groups to sell your products remember these buyer groups are not affiliated to the big four that you've been to the big five retailers that you've been talking about now they are completely independent and they supply independent wholesalers and retailers have you approached them yet in terms of getting your product to the market

Soweto Brands: P. Gundwa

We did that but we were told the same story. My friend if you purchase your product, people don't know about it.

And those ones are even more particular. They are very very particular they are more they are more selective than even our big retailers because they want to buy a product and

usually they're given the list by because they have their own members already in their list so they think they are very particular if you have our product that they want to sell product that that move that is known so if you are not known if your product is not they say it's sorry my friend but. The other question they ask is do you have it in Pick n Pay. They ask you do you have it in Spar. No no it's not in Spar, no no my friend I can't buy from you.

Competition Commission: Du Plessis

Which buyer groups exactly did you approach?

Soweto Brands: P. Gundwa

There is one which is usually for these Somali guys. But as I told you the story is the same

Competition Commission: Du Plessis

And others. Apart from the Somali guys which other buyer groups did you approach?

Soweto Brands: P. Gundwa

Like I'm saying we approached probably about five buyer groups but the story was the same. Us my friend we are more particular because when we buy for this group we are buying for our members and our members don't want to take something that is not known that is that they didn't know and remember most of these buyer groups distribute to the smaller spaza shops. There are some spaza shops which are not real spaza shops which are almost like a shop like here, like if you go to Hillbrow you got to Yoeville. There are probably bigger shops, others they actually sell to sell to other spaza shops.

Competition Commission: Du Plessis

OK if you could maybe just go to the last slide of your presentation. The last bullet and the franchise mode that you are mentioning here what exactly do you mean w

Soweto Brands: P. Gundwa

What I mean is you see sometimes you take some actions where like I told you if you have a franchise system that means if we have got Pick n Pay and Shoprite that operate in Soweto, they are owned by Soweto people. Its simply as all that. I buy the name , the brand not that I buy the name, the brand, I put my my that Soweto is not owned by by the but it's not owned by the Shoprite group is owned by the people who stay there it's owned by the people who are there likely how we have got our probably like what do you call it our franchise especially in the fast food industry whereby those guys like what you call McDonald's , they don't own most of those shops. The are owned by the people so they so they say that it's a distribution because like I told you people buy from Pick n Pay or from Shoprite because they know it but what I'm saying is if there is they cannot transform themselves can they not change we have to find a way of changing them.

Competition Commission: Chair

Thank you Mr Gundwa, if we have follow up questions for you we will we'll make contact with you outside of this outside of the public hearing and we do thank you for your presentation today..

Soweto Brands: P. Gundwa

Ok, Thank you very much

Competition Commission: Chair

OK, let's take we know we are running out of time. So we debating amongst ourselves whether we should be a very brief break or should we take maybe a tea break I think let's take a tea break a ten minute tea break and then we come back here.

According cording to me it's 12:07. So let's come back at 12:15.Thank you.

SESSION 2

Competition Commission: Chair

Thank you ladies and gentlemen our we will be getting our next submission from Soweto Business Access, and we have Mr Mphuthi Mphuthi will be doing the submission on their behalf thank you, you may proceed sir.

The Soweto Business Access: Mphuthi Mphuthi

Um good morning everyone my name is Mphuthi Mphuthi, I am with a Soweto business axis, I'm the chairman of S.B.A um you'll bear with me I'm not familiar with this terrain and as the results you'll bear with me if I do not speak the way you expect me to speak but um jah uuum I am almost thirty years in retail I'm at the third generation retailer in Soweto my grandfather started um way back in the in the sixty's in business, my father started as a distributor um but eventually he became a retailer so when I say I am almost thirty years in retailer it means I have seen it all. I've seen the imagens of the traders the disappearance of the Cash and Carry's I've seen a lot come and go but never in my wildest dreams did I think that we would be in the situation that we're in today.

I'm glad you that you've come to go back but I would have been even more grateful if you had come to a township. So that you can get a better feel, of the depth of the problem, and mine is not going to be a very academic presentation as was the case with my with the previous speaker, actually because we we we are tired as a retailers we are tired we are tired and that's why you're going to find there's going to be a few people that are going to be in some of these sessions because we've presented to government to say help us help us, and sadly sadly nothing has happened and that's why you find that people are sometimes reluctant to be seen in the some corners over

and over of we are dying um as I said please just bear with me how do I navigate through this um where is my these are some of the Giants that have come from Soweto retail, um you've got um on my left we've got the late Mr Tsile one of the first generation retailers in a in a Soweto um He died an unhappy man, because he lost a lot of properties that he had a lot of like a businesses that he had, on my right um is a gentleman who's big right now is occupied by foreign nationals and when I speak of foreign nationals um I I get a lot of information from his um observations. When I say foreign nationals are funded by the United Nations, it is based on that Eeh Eeh onfaircent Eeh Eeh Eh observations when I say foreign nationals are funded by Ee Other sources Ee I'm talking fact meaning Eeh It then begs the question you know to what extent will whatever we have going to share with you going to make a difference you know to a whole lot of people that have been Eeh Eeh the you know marginalized and on the extreme on my extreme left is the first person to open a Pick n' Pay Eeh so called spaza in a township Eeh Eeh we call him Bra Solly. But perhaps let me go back to the issue of just maybe defining one or two things when we talk of a small business guy in Soweto when we speak a retailer in Soweto who are we referring to? we are referring to people who are traditionally through government policy have been confined to operating one shop it was government policy that you as a black person were confined to a township and as a black person you're confined to operating within certain hours, as a black person you were confined to the types of products that you could that you could sell and as a process in the process that then talks to the size of the businesses that we operate, our business are operating from small Eeh premises largely because we were not supposed to survive. We were not supposed to be destination Eeh Eehh Ee Eeh you know Eeh Eeh grocery Eeh Eeh Eeh Eeh operators, we were supposed to just Eeh top up what ever Ee you know people wanted on a small quantities and the rest would be bought from bigger retailers in town.

And as a result when we survived as a retailers we survived against the policies we survived against a whole a whole lot of um Abuse, because you had police that would come into your shop they could confiscate properties and you're powerless, and as a result we come from a situation where we had to survive against all odds. And in the course of surviving. A lot of us have remained small. It was deliberate that we should not grow and in the course of becoming a small you can imagine what that means when you then have to feed people from that small operation it is very difficult when

you go into the township you are going to see that a whole lot of retailers they are family run and what that tells you is that that shop represent beyond just the owner it represents the survival of the family, therefore an impact on that particular shop has got far reaching consequences. Because it affects not only Ee Ee the retailer him or herself but also the greater Ee Ee Ee the greater family, so you can imagine what it feels like when we suddenly have to contend with the proliferation of you know super chains in our townships, when we speak off super chains we talking Pick n' Pay we talking Ee Shoprite I think my Leonard friend before me Ee put it well in terms of the dominance you know that they enjoy in terms of the value chain.

Through that domination it allows them to be able to offer products on a broader scale meaning they've got a wider product range, and in the course of having a wider product range they are then able to appeal a lot more to you know whatever whatever income whatever disposal of income people have now in our case we have limited space, you know historically and deliberately so we've had limited space and as a result we could not give Ee Ee Ee Ee they manufacture the volumes that they wanted, you would remember that it cost money for a manufacture beat Tiger brands beat Unilever Ee beat national brand or whoever it cost them money to deliver to individual shops, so the the wholesalers have always been seen as you know as a best alternative for us as a retailers but the unfortunate reality is that the same wholesalers have then started competing with us and as a result I mean you had your Pick n' Pay your Pick n' had they had their own wholesaler, you had Ee Mass cash they've got their own wholesaler even Metro Cash n' Carry they had their own wholesalers who were able and prepared to open their own spazas in the townships and the question then becomes. How do we as a retailers in the township then survive we survive by giving people credit, a lot of the a lot of the people that you see in the township you may see them are getting grant money you may know them as teach as you may know them as you know public servants but a lot of them they are in debt.

And they cannot afford to live you know in a cash environment and that's why a whole lot of them they come to us for for for for for credit. And they saddest part when they come to us for credit we are then having to give them credit because we want them as clients, but what is then happened is in the cause of the mushrooming of the shopping centers in the in the township the same shopping centers are now able to

give people credit it can be a Woollies card you can It can be a bank card or in whichever fashion but the long and short of it is given the verity of the products that are on the shelf you are seeing a lot more patches in power buying power going to the to the super chains as opposed to buying from the from the small from the small guy but the sad reality is that. We have tried to survive, so when we see instance like Ee like this, It's a very painful thing, It's a very painful thing. We have never been helped by government, we have never been helped by government. We feed our children we feed our grandmothers, with moneys that we get from our the spaza now to see Pick n' Pay opening a spaza It's very painful, it is very painful you're talking and Multi billion rand company opening a spaza it is very painful, if you consider the fact that If you go to Diepkloof shopping center you've got an anchor tenant, one grocery anchor tenant and the same anchor tenant is an anchor tenant on grocery is an anchor tenant on Liquor and in the cause of being an anchor tenant they enjoy protection within the shopping center.

Meaning I took these pictures, after it came to my attention that a multi billion rand organisation was now competing with a small, small operators in the form of our grannies who sell what is known as kota. Kota is a staple food for us in the township I don't know what is kota in English, what is kota in English? bunny chow, let's settle for bunny chow as an example you know. When we sell kota, we sell kota because we created kota it is us that came up with an innovative way in a Wish we could be able to feed our people. When we sell some products yes we are in business but our approach to business is not being just for profit we are in business to feed our people. It is not about just making money it's not about is not as profit driven so all I'm saying is this is one case of where I had an altercation with the management of Ee Ee Ee Ee Pick n' Pay liquor now let's let's remember that when you have an anchor tenant in any shopping center.

It's an agreement between the land or the land owner and that particular tenant to say you are supposed to draw people into our shopping center, and that's why you're going to find that a whole lot of anchor tenants they enjoy preferential treatment in terms of the rates that they pay. Despite being multi billion rand organisation they Joy preferential treatment and in many instances they pay less per square meter than us as small as small operators. That being the case it means the cost of them operating

their business by virtue of their rand being a lot more affordable it means they now enjoy a better benefit, now the same retailer they use what is known as merchandisers in their shops, meaning they've got people that come in pack in their shops, they've got people that have got to come and also do in-store promotion in their shops at no cost to them in fact they actually get paid to provide that space so the anchor tenant gets in to a shopping center in a township where people have had smaller Ee Shops then takes massive space for which they pay close to nothing for that space and then they get merchandisers to put product on the shelves, they are having to compete with me who is having to buy for cash because when I buy from every wholesaler I buy for cash but in the case of the existing super chains, they don't buy for cash. Thirty days, sixty days, ninety days, well that means they are able to turn that stock over and over and over and over at minimal at minimal profits.

In certain instances being Ee you know using what we call loss leader tactics meaning there are certain products that gets sold below cost just to be able to bring people into the shop and there are those other types of agreements that get that get entered into between the property owner and the landlord that you need to give us enough food print into into the shopping center, so in the process the land I mean the tenant will do whatever it takes to be able to attract people even if it is Ed expense of Ee of you know whoever they are operating against.

So all I'm saying is the saddest part is that we are then having to deal with people that do not pay cash for their stock, people that are Ee Ee Ee Ee are using merchandisers in their shops people that are having little or not rental in their shop now what is the opposite of that? if you go to one of the biggest shopping centers in Ee soweto and I'm goner talk about soweto even though I've got dealings with Ee with other areas we well with some of the projects that we do they go beyond soweto I mean we go to rural areas we are passionate about rural area development but I'd like to use soweto as an example, when you go into one of the biggest shopping malls they do not want to give S.M.M.E's long term leases because they say we do not trust you, so what ends up happening is despite your profitability, they are going to give you short term leases which is twelve, eighteen months lease.

You know subject to a success but today is a clause to that Ee renewal Ee renewal of that lease when you renew that lease it is with an escalation. So you find a situation were when you start operating as an S.M.M.E who's got no Ee Ee Ee Ee Financial backup you put up your own money to Ee you you put up a lot of deposit for starters it's normally three months Ee in advance that you need to put up, in addition to putting at three months deposit then you then have this annual escalation Ee even when the lease expires so if you start with a lease for ten thousand and then after eighteen months as collation let's say for argument's sake is ten percent it means in eighteen months you're talking what? Ten one hundred.

Ten Ten Ten Ten jah Eleven thousand you'll pardon me I'm here I can't work out but the bottom line is that yes let's say it's eleven thousand, now by the end of five years chances are you will end up paying fifteen thousand Rands rental why because they cannot they refuse to give you long term leases and in the process it means your rand keep escalating while a multi billion rand largely JSE listed entity enjoys Ee Ee much protection when it comes to the rent, now the reality is that there are a lot of people who are operating by borrowing money from their families so the death of any and every shop as a result of you know competition from like the one that the picture that I'm showing you, It is from the Diepkloof square were not far from there the is another a Pick n' Pay spaza the one that you know the concept from Bra Solly you know and not from not far from the there is a B.P. Feeling station which is entering into a relationship with a Pick n' Pay so you then have a B.P. with a Pick n' Pay you have a spaza a you have a Pick n' Pay spaza and then in addition to that you then have a major Pick n' Pay in the Diepkloof square, now the question then becomes who are people going to prefer buying from?

Now i'll go back to Bra Solly, Bra Solly is bean a member of our organisation not a member but we've worked together together his a beneficiary from from some of the projects that we've run. You look at the prices at which he was selling, the price of mealie meal that he was selling as an independent retailer it is different to the price at which he is now selling now he's a franchisee. Meaning in the course of him aligning with the bigger players one would have thought that the prices were going to go down but in actual fact the prices are going up and I'm saying some someone needs to be able to understand how that operates, one would have thought that their prices were

going to stay the same if not go down, but I mean we've got we've got evidence I mean to the effect that the prices have I mean on staples like you're mealie meal have gone up that is issue number one. Issue number two when major groups come in and open their shops the promotions are so destructive that a lot of the money that we have borrowed to open you know other businesses like a bakeries you know you know those businesses just go under.

Because you would get I remember when Shoprite opened at Maponya in Dube, they sold bread for Three rands I mean that is below cost even for us why did they do that because they get their products for free, well not for free they get it on terms meaning they're not paying cash as opposed to if I want to get flour from the wholesaler I would have to pay cash, in that case they are prepared to use that as a loss leader and in the process.

Under-cut people that have been operating in the township as I said a lot of the prices that we set, unfortunately, unfortunately for us a lot of the our pricing model it is not profit oriented most of the time a lot of the times when we said profit we said we set prices in an effort to make it affordable for families within` area to be able to put food on their table. And as a result the slightest change in terms of margins you know it undercuts us and in the course of undercutting us I mean we end up suffering a great deal but as I said if you consider the fact that we borrow money from family. To be able to operate those businesses it means our families then get affected the kids that we take to school get affected I mean it's a very it's very rare to come across you know black retailers that actually earn salaries, we don't earn salaries, we don't earn salaries. We work businesses in order to be able to service our communities in order to be able to to help our families and I'm not talking just survivalist operations like your spaza's we're talking even you know moderate size businesses. You know so all I'm saying is without being too long like I said my presentation is it's a very it's a very short one unlike my learned friend.

But coming back to the issue of, coming back to the issue of how can you Pick n Pay Liquor be selling rolls? How can person who has stopped other retailers from selling other products because when you enter into a lease agreement you are restricted to the type of products you can but they enjoy such protection to the extent that they are

products that they are able to sell you know outside of the outside of their lease agreements stipulation. But the bottom line is that when you look at the price at which they sell those rolls it is with no intention but to be able to take the monies that our people are spending on kota.

Spending on kota and taking that money so that people can come in space and and buy this roll now you are taking money from grandmothers who are taking their grandkids to school to that I spoke to the manager but I told him but are you aware that there are people that you are going to take out of business he says "It's is the nature of business" you know but all I'm saying is end of the day they forget that when they leave their employment within within the same shopping malls you know within the same retail outfits it is us as as as as spazas as shop who are prepared to give them you know a decent fenals because a lot of them debt the issue of debt in South Africa is a big problem which must not be undermined.

Because when something happens to those people they end up coming to us you know for help but the point that I'm making is we run businesses not purely for profit so it becomes very sad when you've got organizations that can afford to give one person and 100 million as a salary one person. One person 100 million rand as a salary in one year. You know and you're saying those people must be prepared to compete you know on top of looking after their families and we're saying that is not possible so without being too long. I'm saying.

You are going to see a lot of small business people shying away from presentations like this because we've spoken to government we've spoken to the Premier, we've spoken to spoken to the MEC, eeevery government department knows the destruction that is happening within the townships, everyone knows and the question then becomes when we come to The Competition Committee I mean Commission is it going to make a difference you know, is it going to make a difference that right now given the bad situation in our township's they the mushrooming of shopping has made the situation even worse. Because you need to remember that in the course of us making money through our shops in our township we have traditionally ploughed back in our township we've bought from people in the townships we have supported small scale manufacturers people that are bringing fruits and vege's are from outlying areas

from rural areas we've supported those people but reality is that right now we're not creating a rich people as retailers in the township largely because we you know we are on our knees.

We have the shopping mall as the killing us and in the course of killing us they are killing our economy because they are not ploughing back into the economy they are not ploughing back into our township.

You know and I'd like to agree with the previous presentation as far as you know the impact of no name brands. You remember that no name brands means you know we don't know even the identity of the manufacture so it becomes a lot easier for big retailers to import products you know at the ridiculously low prices and bring them into the townships and be able to flood the market, you know no one it is difficult well not no one it is difficult to be able to compete with cheap products that are coming from you know places like China, India etc etc but the long and short of it is that we are having you know as township retailers we are having to close our shops we're having to give a shops even to foreign nationals and in the course of doing that you know you'd end up with this this this is the reality.

This is the reality that we are having to live with. Their a lot of fake products that are making their way into our townships, there a lot of products that are being distributed in our township through foreign nationals. Their a lot of jobs that are going to be lost in townships due to foreign nationals bringing substandard products into into a into a townships. And I'm not saying this because one is being xenophobic, it is a reality that a lot of people are wanting to push a lot of low quality expired products they use in foreign nationals and in the course of using foreign nationals they are undermining a lot of the companies that we as township retailers have been loyal to, job creating, manufacturing bit , the Unilever's of this world, we have been loyal to those kind of companies because we know they are creating jobs in a township in our country but in the course of allowing a lot of foreign nationals to to be opening up in our townships in our shops we are then seeing a lot of a lot of fake products making their way into our township you know and it is not just allegation it's I mean it's a reality that's why I think in the coming week or two we should be meeting I think there is a group that specializes in regulation of bar codes in South Africa we are meeting with them in

order to be able to see to what extend lot of these fake products you know undermining you know existing you know law abiding manufacturers. I think on that note can I just give you that, can I just give you that. Thank you.

Competition Commission: Chair

Thank you Mr Mphuti, but you you when you started off you mentioned that a number of foreign nationals that are creating businesses in townships are funded outside the country. Can you would you be able to give us contacts of the person that you mentioned that has direct knowledge of that kind of that funding and how it's done. You don't have to disclose it here now.

The Soweto Business Access: Mphuthi Mphuthi

All right I have always done that, yes, yes.

Competition Commission: Chair

The contact, no no, we need his not telephone numbers and where we can reach him because that's that's very important we've taken note of what you've said. I'm not going to explore that any further. And umh you also mentioned that the on the on the issue of of the types of lease, of lease agreements that small businesses are being made to conclude when they enter shopping malls were you given where at the end duration of the lease is twelve to eighteen months and then at the end of that lease period when renewal time comes there's an escalation clause which is financially implications for the smaller players. What do you understand this to be and I want you to speak honestly what is the feel what is the what what is the understanding it is the money making scheme, is an oppression is it intended to keep smaller players out is, it is it up or is it intended to oppress what what is what do you think is happening. How would you explain explain that kind of approach by the malls or property developers in this regard.

The Soweto Business Access: Mphuthi Mphuthi

Property developers in this regard are in the money making business. And they will do whatever it takes to maximize their income through rental you know. And I have yet to come across instances where they have been accommodating to small black businesses. If you go to major shopping malls you will see brands of JSE listed

companies. That tells you that the intention is to be able to empower their already empowered and forget about those that are not empowered.

If you look at the the the the number of people that want to go into shopping malls but cannot get into shopping malls it is an indication of the bias that the property owners have towards big business because they believe that big business it's a lot more fashionable you know. Even though you do see big business folding, you do see the likes of what is it I think is it Truworths, Stutafords yes It's in trouble but they still give them protection which that not give to SMME meaning shopping malla are an extension of the big business agenda.

That's why I'm saying I wish we could learn from you know if you go to Lens for instance when a shopping mall was set up in the when they mooted the a shopping mall in Lenasia Indian, Indian operators there said you must have within the the mall there must be space for small businesses within that shopping mall meaning in the course of you benefiting from the people of this of this area be prepared to accommodate small ,small operators local operators who's rental most probably is going to be is going to be subsidized as opposed to rental which is similar if not more expensive than what the big boys are paid.

Competition Commission: Chair

Okay, you also mentioned that when you when you entered the the malls or when when a small business enters a shopping mall you would ordinarily be a profitable business. However this profitability is not being recognized through the through the lease agreements that you obtain from the developer. How is profitability determined how would you be how would you determine your profitability is it based on the business that you're operating prior to you entering the mall or what documents are you presenting to the developer to actually, to have these discussions on profitability so.

The Soweto Business Access: Mphuthi Mphuthi

Bank statement.

Competition Commission: Chair

Bank statements, and how would you know what they are what kind of engagement occurs, we just don't have we need we need to have a sense because (yes) we don't know we don't how can we will speak to them it when we do speak to them will be given a different picture, we always told that small businesses are being accommodated every day but they always know that they will make it because they cannot afford these rentals. And not once have we been told that they have they have the kind of small businesses that they bring in actually profitable businesses that then come to the mall and feel so, we just want to understand what kind of what kind of discussions take place and that undermine your profitability for example and then it leads to a lesser lease period than those of the bigger businesses and I'll say anchor tenants in the grocery business for example.

The Soweto Business Access: Mphuthi Mphuthi

You know demonstrate you need to demonstrate that you've got money for starters. You you cannot come in if there's no evidence that you've got money. And that on his own means that there's a whole lot of people that would not be able to make it despite the viability of their projects, so when I say bank statement I'm saying you need to show that you are liquid financial, financial you know. And naturally I mean your financial records they are key it does require that you need to demonstrate that you've operated someone profitably before meaning its not a new, but all I'm saying is these are subtle, these are subtle ways in which the property owners are going to make sure that it is only big business that actually survives you know.

Competition Commission: Chair

Ok, let I I I get the point you making, let's say you do present bank statements and then you then enter into negotiations how does it what kind of communication what kind of, what feedback we do get from a property developer that will justify to you that you do not deserve anything more than eighteen months of lease of a lease arrangement when someone else is getting a longer lease for example what in that in engagement how do they discuss what how does this discussion happen.

The Soweto Business Access: Mphuthi Mphuthi

Well I'm going to talk of the sectors that are outside of retail that outside of grocery shop you know because if you go to to to groceries I mean they normally have exclusive agreements meaning a whole lot of us would not be able to to to operate.

Madam Chair:

You don't even make it to..

The Soweto Business Access: Mphuthi Mphuthi

No no because they've got exclusive exclusivity clauses there. But every every month you need to give a report, you know all of you all of your performance. And every month you do get to show that you are profitable, every month they get to understand if you are growing or not growing. But I have yet to see instances where in that cause of them understanding that you profitable they are able to give you long term leases the lease is to remain that way you know, they remain short term because they you know because the normal stories that you cannot be trusted as an S M M E's you know and those are just some of the subtle ways in which I'm saying that we end up in a situation where communities that have never been empowered and then having to compete with people that have enjoyed all sorts of protection you know during apartheid and even now I mean if you look at I mean Whitey Bason just I think it's a couple of months ago you know he cashed his, he cashed his shares you know he get over a billion Rand, a billion Rands one man got a billion Rands and you ask yourself how did he get to expand the way he has expanded. The one of the things that we always forget and very quickly so is that apartheid preferred that black business remains small. And in the process there was a lot of support and protection that was given to white business. In the course of them enjoying their protection they built their reserves, cash reserves you know they built up war chest. When the South Africa eventually came into this democracy Whitey Bason was able to grow Shoprite bigger and faster during the democracy than if you would have grown during the apartheid.

The same would apply with all the other with all the other SA retailers, yes so all I'm saying is it becomes very said when you realize that people that have enjoyed the fruits of apartheid are not ploughing back into the township the same way that we in our small way have been supporting township economy.

Competition Commission: Chair

Ok, on the issue of the Pick n Pay spaza shops and in the different engagements you mentioned that you had not not related to the other spaza shops with government did you did you try to speak to government on what the that the entry of Pick n Pay spaza shops in the townships could have what impact it could have to it could have on smaller businesses or businesses in the townships was the discussion ever because I do understand that this is n initiative that it was supported by the Gauteng Province Government for example.

The Soweto Business Access: Mphuthi Mphuthi

One of the first people that I send an Sms to is the premier.

Competition Commission: Chair

Which Premier.

The Soweto Business Access: Mphuthi Mphuthi

Gauteng Premier (madam chair, the current?) yes, to ask him, to ask him if it is true. When he could not answer that he then had Lebo Mayile answer me the MEC for Economic Development. I asked the MEC if you understood the impact of the decision that they're making on the local economy via SMS I was able to tell him that he has betrayed us. He has betrayed us because when we held meetings with formations for retailers including informal retailers called spazas, we confided in the government in terms of the challenges that we have a small businesses.

It would have been proper for them to say we are going to help you grow but what is then happened is my government and my political organisation then saw it fit to go and do what we said needed to be done but in a way that did not benefit the people that actually brought to the complain. So all I'm saying is I have heard I've lost all sorts of respect for the MEC he knows it, I've written to the Minister. I took those those pictures I took them straight to the Minister I hope you'll remember that I Minister of Small Business I hope you do remember that I was part of the task team that she set up to be able to you know find co-exist and solution between South Africans and foreign nationals. So she's one of the people that I hope that we've been betrayed by

our own government because they are able to offer of liquor licenses to Pick and Pay faster than liquor licenses to our own people there's a long queue of people that do not have liquor licenses but Pick n Pay has got liquor licenses.

There's a long queue of people that are seeking finance to be able to set up businesses being retailers or whatever but the government has not has not been able to have it so in answer to your question I think every economic cluster decision maker knows I swear them they know how I feel and I do believe that we confided in them in the same way that we have confiding in you and instead of coming up with solutions that are going to benefit us they have then come up with solutions that have actually cost the township economy even more because their monies that are being made by all those super chains they're not been ploughed back into the into the township. Nothing, I have yet to see evidence of any benefit that we've enjoyed since this establishment of of a shopping malls.

Competition Commission: Chair

Ok, thank you also mentioned that you mentioned, you mentioned Shoprites, Shoprite at Maponya Mall.

The Soweto Business Access: Mphuthi Mphuthi

No Dube, there's Maponya, then Dube, then Maponya mall.

Competition Commission: Chair

Maponya is a area?

The Soweto Business Access: Mphuthi Mphuthi

Eeh, how do I put this, how do I put this

Competition Commission: Chair

Beacuse I know Dube, but I do not know Maponya when you say Maponya is it a section?

The Soweto Business Access: Mphuthi Mphuthi

Who can best clarify this for me, who can clarify this for me. (Another gentleman answers) Maponya owns properties, he has shops around Soweto before Maponya mall. And that's one of the properties.

Competition Commission: Chair

OK, its actually a shopping centre

Gentleman:

Maponya is the landlord and Shoprite is the tenant on Maponya's property

Competition Commission: Chair

Ok , thank you very much sir. What year was okay, so how long had ma do you know can you recall when Shoprite, how far back.

The Soweto Business Access: Mphuthi Mphuthi

It's over ten years, over ten years

Competition Commission: Chair

Okay but this is what they did, ok, thought it was something that happened recently (no,no) and then you also mentioned the issue of fake products, the picture you presented here is this where was this taken and how did you have access to it.

The Soweto Business Access: Mphuthi Mphuthi

Aaah, we've got more pictures of products that are expired, you know products that are being sold in the townships right.

Competition Commission: Chair

In foreign nationals stores?

The Soweto Business Access: Mphuthi Mphuthi

Yes, you know that people know what they want when they buy things but when people are poor half the time they did not have much of a choice, you know so you that is the sad reality that we haven't to confront with, with you know foreign nationals because they are being used a lot to be able to push a lot of you know fake products

and we've got a lot more a lot more pictures but I just wanted to to to illustrate you know a point here.

Competition Commission: Chair

You also mentioned the situation with Bra Solly's Pick n Pay spaza shop, where the mealie meal price went up . What why do you think that is a they increased the price what would you say is he function of. How would you explain that ,do you think it was way where he was or I mean you say Bra Solly which means you probably know his person (yes) how was the sourcing the mealie meal. Did you continue using his own suppliers or was using suppliers that are used for example by Pick n Pay using for example Pick n Pay distribution center to get products. Do you know how this arrangement is, do you have any idea?

The Soweto Business Access: Mphuthi Mphuthi

If you look at your, your typical it's called a franchise for a reason because you're buying into a system is and if you're buying into a system it means you are not only the equipment, the refrigeration, the air con but also buying into the products that are going to be on the shelves. So it is a ten key solution meaning most of the time products get brought from he buys from I think he sources he sources from another another Pick n Pay I think the one in Protea if I'm not mistaken and in the course of sourcing their product from another Pick n Pay I would like to believe that he is then having to share whatever margins between himself and that and that and that one. But the point that I was alluding to is the fact that given the fact that he does not have the time and opportunity to be running around like he used to he then gets a given products brought to him you know and at a particular price be to the price which is sourcing or buying for as well as the price at which is supposed to be selling because I'd like to I have yet to know of Pick n Pay's that are undercutting each other price wise i've yet to hear that.

Competition Commission: Chair

Thing. Ok thank you, in the submissions you made when the terms of reference were issued I think around 2015 you said big financiers which most were beneficiaries of Apartheid and private companies open walls without being sensitive to the needs of

small businesses that have fought against black marginalization . On the role of financiers what role would you say banks or financiers have played in this picture we've spoken about, the retailers , property developers, what role would you say financiers play.

The Soweto Business Access: Mphuthi Mphuthi

The fact that you can establish a store, a fully furnished store. Fully furnished stocked, you know, you know without putting it down a cent it means someone is providing the someone is providing the finance you know. It is a well known fact that. A lot of businesses operate based on their balance sheet. You know meaning they get to to you know the funders extend a bigger a bigger facility to people that have got to get stronger balance sheet and as a result that is why you are going to find that when a Mcdonald for argument's sake just siting an example A Mcdonald opens a they'll tell you that it is cost five million to to to to you know to open that Mcdonald. I think it's just a couple of days ago there's one outlet that was open for ten million rand, refurbished for ten million rand just one outlet that means that there are funders that are working you know with the with the with operators Now that is one of the sad thing that you're finding that I can be able to come up with proposals like the previous speaker said you know where you have lobbied financiers, you know to be able to open black branded ventures and they're saying we cannot fund you because you do not have a track record.

So if you wish for me to be able to get specific examples of funders you know working with with super chains and more than happy to do that you know but it is a reality that given the you know their balance sheet able to enjoy better protection from financiers

Competition Commission: Chair

What ideas do you suggest to this inquiry to consider if for example were to speak to the both the retailers or financiers. Let's start with the financiers in finding common ground to operate in the township in a sensitive manner I will use the word "sensitive". What would be a sensitive approach and what ideas do you have.

The Soweto Business Access: Mphuthi Mphuthi

Ok let's let's remember that the retail sector is under no obligation to be compliant because they do very little business with with government. BEE legislature was one of the tools that had been used to be able to compel big white companies to embrace transformation and as a result it would help a great deal if The Competition Commission where to try and convince you know big retailers that the jobs that we are losing in the townships because of the mushrooming of shopping malls are going to have a bigger impact in the long run on everyone the crime that we are seeing in the township is as a result of joblessness in the township.

The joblessness that we are seeing in the township is as a result of big business being insensitive you know to socially economic requirements within townships. So in answer to your question I would recommend that you speak to the powers that be for them to understand that it is not about profit only, it is not about profit only it is about keeping communities sustainable you know so if companies are going to come in as if communities are in a developed country or developed economies it then shot changes all the efforts that have been made in terms of telling people to keep away from crime because the same people once they are unemployed they resort to crime.

So unfortunately the reality is that we have to talk to the moral fiber of the of the bigger chains like I said why keep us on one billion rands, one billion rands for one man you know and I have yet to see an example of him ploughing that money back into an area that is not whit meaning in a township you know in a way that is not going to benefit him financially so all I'm saying is. Yeah on the grocery front of the margins as such that you know there's very little you can you can do in this stage you know there's very little you can do but if you can talk to to Mr Bason you know just talk some some, yes some sense into him.

Competition Commission: Chair

you you just mentioned job losses and it had an opportunity to to go through some of the submissions made by some of the market trends like Spar I do recall. One of the benefits that they said some of the benefits that they pointed out to us that that they when the enter townships and rural areas is that they create jobs they bring quality and they bring low prices. You've just said their entry has just resulted in job losses in your view.

The Soweto Business Access: Mphuthi Mphuthi

Ok I think we need to distinguish between a Spar most of the time it works sort of like a franchise model owner managed and then there is shopping malls. There's a big difference there. In your typical Spar they do try to allow the owner to source products from wherever.

They do accommodate the likelihood of certain products finding their way into the shelves from their local local communities but it is very difficult for there bigger, Well I know that Pick n Pay they've tried they've tried recently I think it was last year they started and have an effort from their side to be able to source us products you know from black suppliers. And I think that is one of the opportunities that offer a great deal of opportunities as far as job creation because retail by its nature you know in the township it does not it's no longer as as as as as big as it was before you know so yes your typical Spar would create jobs. But your typical shopping mall would actually create destruction in a township. So you would. Find a township surviving you know if there are a lot more standalone operations as opposed to when they are shopping malls which are dominated by JSE listed companies.

Competition Commission: Chair

On this very point Mass Mart in its submissions I think last year to us employed us to in considering the impact of of big business interest the townships or in fact issues raised by the inquiry. To look at these issues through the lenses of consumer welfare , what is your comment that consumer welfare, basically basically meaning even if a trader suffers the consumers on the ground benefit and that's that's the consideration that this inquiry should take from this from their presence in these areas not the fact that some businesses have had to close down, what do you say to that.

The Soweto Business Access: Mphuthi Mphuthi

Well just a quick disclaimer, yes just like I'm saying just a quick disclaimer. Remember that when Walmart you know came into the country. I think I was the only person if if

my memory serves me well that lobbied parliament for Walmart to come into the country and in the process I mean I was against an action of the COSATU's of this world you know so I just need to bring that to attention but also bring to attention that in the course of that happening at two hundred million rand fund was established you know for supply develop and you know yes and that fund then sought to buy a lot of fruit and veggie from black farmers. Personally I did not benefit I just need to bring to your to attention I've never benefited from from that transaction but the whole idea of seeking Walmart to come into South Africa was for us to be able to have more competition so that like I say the consumer could be able to enjoy you know the benefits of the consumer who is a consumer?

Right now if we look at that joblessness rate in the township compared to you you know you Sandton in you know yes there would be a black person like yourself or maybe staying in Sandton yes you are black. But I'm just I'm just citing an example you know would be staying in Sandton and if you enjoy those benefits it's yah it's you know it's good. But if you look at person in the township. The benefit is that they enjoy it needs to go beyond just saving on that tin stuff, we need to look at job creation not just saving on food stuff someone needs to be able to look after the welfare of you know creation of creation of jobs you know so we cannot be a society that is just bent on saving for the sake of for the sake of just you know saving money on a on a on a tin of fish you know.

So in answer to that yes we do believe that there would be a lowering of price, yes but let us also bear in mind that we need to go beyond their consumer oriented mentality or consumer oriented economies especially in the townships, in the township we do need a lot more. So answer to your question yes there would be a saving as far as the cost of the product but to what extent have we created people that are dependent on the state you know we want a producing economy and that cannot happen when we have shopping malls mushrooming like they have. So all I'm saying is let them open more shopping malls in Sandton you know that in the township then we will we will see the difference. Yah in Sandton you are more than welcome you can enjoy that but in the township there's a lot more destruction that is caused by shopping malls.

Competition Commission: Chair

In that submission you also mentioned a number of bakeries that closed as a result of something shopping malls in townships as well as supermarkets entering the townships. Do you have it do any list of owners of these bakeries that they can go to and speak to that closed as a result of .

The Soweto Business Access: Mphuthi Mphuthi

I'm sure we can look into that.

Competition Commission: Chair

Ok and then you also mentioned the impact on informal traders in taxi ranks who are being killed Metro Police in protection of big retailers in this malls. of people in these modes and then you for example mentioned Bara taxi rank, Jabulani Mall and Diepkloof square. Is this a fact are these things that have happened can you speak more to that. Where informal traders were affected.

The Soweto Business Access: Mphuthi Mphuthi

We as black people in the township we're not supposed to operate businesses. So when the Bara taxi it rank was established as a taxi rank. Yeah as a taxi rank. We set it up against the wishes of the of the Apartheid government. We set it up from scratch in the course of setting up that taxi rank we set up small businesses that are going to be able to feed people that way using the taxi rank in the course of that happening you would then had a taxi rank that was buzzing with activity. I need to emphasize we set it up not the government, we set it up.

As you and I speak right now. We who set it up we operate in outside in the sun without toilets without any form of decency, in the sun we who set it up. The same taxi rank you've got Cambridge which is owned by Massmart, you've got Pick n Pay operating within Black Chain so all I'm saying is there is a lot of sacrifices that we as a township business have put into establishing what you see as buzzing economies, buzzing township. Up until as you and I speak we've never enjoyed any support whatsoever be it as a taxi industry, be it as informal traders. So that is the unfortunate situation that we are finding ourselves so in the course of a whole lot of us operating in the same way you we've always operated in the during the Apartheid era in a the

form of hawkers selling at bara, JMPD is now coming to remove us from operating where we've always operated and who then gets to benefit from that is the Pick and Pay that gets a benefit from that, it is the Cambridge that gets the benefit from something that we created and I am saying that is not fair you know and naturally in the course of those Cambridge which can turn violent because you talk of confiscation of valuable goods you know like I said valuable goods which are not necessarily to feed us alone but to be able to feed our kids I mean there's bound to be some violence but all I'm saying is as you and I sit right here right here right now McDonald is enjoying, Furn City and all these big international as well as local listed companies they are joining their fruits of something that we created and I'm saying that is not fair.

Competition Commission: Chair

Thanks, earlier on in your submission you mentioned that it could have been better if we had this hearing in Soweto. Which, do you have any suggestions as to in Soweto for example which areas could consider when we could be able to draw in other businesses and traders that are, have been affected or to whom this inquiry has relevance.

Sefate Molife Imports sales and Distribution: Chris Sefate

I would suggest that you have the same place where we hosted the Reserve Bank Governor I think it's a month or so ago. When the Reserve Bank Governor came and head what people on the ground were saying it became apparent to him that people by virtue of them being in the township it does not mean they do not know anything. It does not mean they do not understand how things work but it also means they do have ideas of how things can be done differently so I'd like to say to you I think we are as S.B.A. we are the most active organization in Soweto we have the biggest network of business forums you know in and across Gauteng we would be able to find a place suitable to yourself depending on the number of people that you expecting but we can get to a place they can accommodate you know hundred people or even get into me two hundred five hundred people who can accommodate but it will depend on what you wish but we we we've just done it with with a with a Reserve Bank Governor you can do it with yourself as well.

Competition Commission: Chair

Thank you Mr Phuti.

Competition Commission: Du Plessis

Two questions there before we break for lunch. What is the average amount of people that a typical spaza shop employs and I'm talking I'm talking about a local uprighted spaza shop.

Sefate Molife Imports sales and Distribution: Chris Sefate

On average it would be two.

Competition Commission: Du Plessis

And at what level will they, at what level will they be, who will be that typical be.

Sefate Molife Imports sales and Distribution: Chris Sefate

It would typically be the owner and someone that would help in terms of loading offloading, packing and unpacking stuff but also doing home deliveries because you do remember that there are a lot more spazas per area than there are supermarkets. But there is always this co-existence relationship that exist between shops and spazas to the extent that you know even opening times they are there to be able to compliment each other. So a spaza typically would on average be two people and you typically get a spaza in almost every street.

Competition Commission: Du Plessis

Ok and then in general how many people on average would a general dealer have.

Sefate Molife Imports sales and Distribution: Chris Sefate

It would depend on the stock variety that is there because a general dealer would have your your meat section, would have your grocery section I think increasingly you are finding that there is also the liquor component so it would depend on what you classify as a general dealer and that will then depend will then dictate you know the size I mean if you look at Mr I forget his name because I'm here. If you look at ok let me give you his name, let me give you his picture. This gentleman here on my right for, why do I forget his name (laughing). On my right His shop I think it had about fifteen people because it's one of those shops it was slightly bigger so because he had groceries

there and had a small, he had the lotto, he had you know butchery and a small mini wholesale for the hawkers to come and buy from there so it would depend on the product range.

Competition Commission: Du Plessis

OK last question similar to the question that Ms Mtanga has asked you to give us a list for example of the bakeries that had closed down as a result of the shopping mall can you do that also in respect of shops that wanted to open up a shop in the mall but that could not decide because of an exclusive lease agreement between the mall and the anchor tenant. So similar to the the list that you that you indicated you would give to us in respect of those that closed down a list of all those businesses that could not to enter that you are aware of that could not enter because of the exclusive lease agreements in the malls.

Sefate Molife Imports sales and Distribution: Chris Sefate

I'm sure we can get that.

Competition Commission: Du Plessis

Thank you

Sefate Molife Imports sales and Distribution: Chris Sefate

But naturally it is not just are you wanting to focus on just groceries?

Competition Commission: Du Plessis

Typically groceries but if you have others I we will consider them back but obviously our focus is groceries if the groceries and any grocery product so it could be a bakery for example or butchery or something like that, ok thank you.

Sefate Molife Imports sales and Distribution: Chris Sefate

Alright, no thank you and yes thank you for this opportunity but like I said before you know we have appreciate all the work that you are doing you know it would help a great deal if you were to also set foot in the township so that you can see what we can do together. Yes and yes do speak to Mr Whitey Bason to you know that billion

rands. I'm being serious please do speak to Mr Whitey Bason we do believe that you know he's a true African but he must show you know his commitment to it does not send a good good signal when a person that has enjoyed so much protection from this democracy is seen taken money out of, out of the township and not ploughing money back into the township. Thank you.

Thank you Mr Mphuti, (hands clapping). Ladies and gentlemen I will now Arjun for lunch and come back at 14:30, thank you.

SESSION 3

Competition Commission: Chair

I think our next submission is from, sorry we are now commencing, sorry we are now reconvening reconvening after they left lunch adjournment. We will kick off with Mr Sefate Molifi or Chris Sefate from Sefate Molifi Imports sales and Distribution business. Thank you.

Sefate Molife Imports sales and Distribution: Chris Sefate

Thank you for the opportunity I know that I should have actually brought in the formal presentation. When I actually heard this platform on Power F.M. I said you know what definitely I'm going to come through here and play and do a presentation cause they are some of the information that I need to actually share with you.

I came here as a personal capacity as well as Sefate Molifi which is a new business which was actually registered in 2015. Firstly year I just want to actually give you my background so I can understand where I come from in terms of the decision I perform for me because I just want to give you the inside of the industry especially the FMCG.

My name is Chris Sefate as I have just mentioned. Originally from Katlehong currently residing in Glen Vista where I stay. I'm a sales and marketing by profession. Currently I'm an entrepreneur. I left my paid job last year in June to start my own business. My qualifications its a certificate in Sales and Marketing and customer centricity and I've actually obtained my second qualification through University of universe of Johannesburg which is a diploma in advanced business management.

I have 18 years experience in the FMCG industry where I started as a trainee. I won't take long in introducing myself . I have actually worked for different companies where I have actually worked for Coca-Cola that's where I was trained to be a sales rep. I started with only a metric and then that's when I developed myself to have my qualifications.

I want to start with on my presentation with the retail agencies and including the the suppliers which are these two guys actually culprits to me. To I'm not trying to actually expose them but I just want to actually speak the truth with what I've actually seen and the reason why I want to say this is because I'm want I hinted or I actually tempted to actually get the business in some of the the guys but they were so reluctant and to actually give us the reason why I'm saying these guys are actually culprits is that the so-called Tiger Brands, Unilever, P. and G. AVI, group they only offer the merchandising and sales agencies to the big guys.

We as guys with good experience that I can actually run like and I can actually run Unilever now that the agent that the sales and marketing I can run them but unfortunately it's only exposed to the big guys and the big guys when they actually get those tenders we as small guys are not actually expose and we've tried so many times of the guys to actually have a consortium to open our own businesses as sales people cause we know the industry we know from Cash and Carry, QSR Which is quick service restaurant and all those things to go and actually get sales and again it's not only on sales also on distribution side as well which is actually owned by those big guys.

It worries me that for instance if you look at the the who is the mass buyer, which is us blacks as well and I'm not actually being discriminating here but I'm just saying let the fifty fifty on those things so it worries me because the a lot of money on the on those industries. If you can actually go into our books which I will actually recommend you guys to go and investigate and look at how many since ninety ninety four how many black agencies in terms of the sales and merchandising are offered in industry. You will see exactly what I am talking about

My second point it will be on bulk buying. Bulk buying it's a very vulture business. When I say vultures you know exactly what I'm talking about is it means that everyone wants to actually have the one person wants to actually have that you know it's no one can actually come into in that business. It's only companies with big companies like at the Makros, the Elisters , all the guys that you had yesterday unfortunately I was not there yesterday. They actually get preferable in in terms of the distribution from the suppliers and here as I said the culprits are actually suppliers as well.

And the pricing as well which is it's very sad to us even if you are actually going to give me maybe a small percent as a distributor, a price which a person cannot actually afford and and then suddenly you offer someone a 30 day account and for for me as well as a small person you want me to actually pay cash. It's unreasonable and there are terms as well which is the early settlement we are small guys and unfortunately we can't actually able to set the those accounts in fourteen in fourteen days.

The tricky one here guys I don't know whether you actually exposed to the rebates. When you go to to guys like big supplier you used what they called a trade marketing. As a marketer myself as a national sales manager on the previous companies you go and negotiate with the supplier.

You sit down with the supplier and then or us as a supplier they'll actually said we want to sign the trade agreement and the trade agreement is actually the guys who are benefiting in most cases are actually the guys who are the bigger guys, the Makros, all the those big guys which they've got a muscle to actually buy. And the trade agreements are actually from seven percent to fifteen percent. I'll give you a perspective or maybe a scenario how the rebates work.

In a case if a person signed the rebates its a for instance I am a distributor. I go to a supplier and then the supply will actually give me fifteen percent of those fifteen percent they are marketing which is part of the market you want to do on the ground. What you would actually offer as a merchandising and their exposure of the brand as well but however what what what worries is me is that as a supplier for instance I'm giving a scenario here and if I'm a supplier with muscle I'll go and actually buy from the supplier and then with credit obviously and then I can actually buy a product for R21 for instance and I can sell it at R21,50. I can only make R0,50 but in another way I can actually able to make money through the supply on rebates as well. 15% cause the more you buy from those guys they actually give you more rebates.

And to get to small guys where is fairness there? There is no fairness there. Those are those are things that that and the and they will always tell you that those are trade agreement are actually confidential. Yes, they are confidential but what about the small guys who are were unable to actually able to sign those trade agreement.

So it and it pushes back to what the guy the other guys have said like our first speaker and with regards to you to when you get your townships we are not actually getting those business those small business they actually not get making money. Again the guys that can actually sell the very same product that R21 to actually R30 they still make the rebates again.

They can actually sell the very same product at a cost price with no effort to who is actually having more more effort the guys on the ground. Because you need to actually make sure that you get marketing from the guys, marketing on the ground and unfortunately the small guys that don't have muscle for marketing.

And that the third one which is to my second last one is actually what worries me with regards to the retail. It's sad guys when you go to township. When you go to township you get a lot of queues and you ask yourself why are we are black people actually suffering like and then we don't there's no customer service. You get about three or four tills which are empty only two queues that a two tills actually working and you ask

yourself where are the other guys that know a lot of the guys that actually on lunch we either we don't actually have enough enough staff I mean to say.

But got to the elite where we actually stay, I stay there as well well and you know what I actually went my way out to stay in town all the guys all the tills are actually full and you know ask yourself those guys they are making more money out of these guys because you know those guys are buying cash why are we not looking after these guys. Because of the colour or because of the illiterates. I'm asking myself why retailers they're they're not looking after those guys. It's sad guys what is happening in the in the trade. They want that money but they don't want to look after those consumers it's sad.

The last one that I need to mention it's actually our I'm actually talking from the experience guys whatever I'm saying here I'm taking from the experience. My last company other work for it was actually a Sugar company. It was a small miller. That's where I actually got exposed and for me to actually go and work for this small miller it was purposely. I actually asked for a retrenchment from my previous company. They they actually offered I was lucky . I went to actually work in KZN. I was exposed to the sugar industry. The very rotten to the core. The very rotten to the core. You know why I'm saying that because there's no black people who are actually exposed to that business and they don't want to give it to those business.

It's a multi-millionaire business which is we as blacks when you can or want to actually get into that business as a distributor you are denied. They will tell you all those nity gritties to in terms of of do you have a buying power and all those things. We want to supply those guys and let me tell you something the very same big guys they buy sugar from those guys they repackage and set it back into the retailer, the very same thing that we want to do. Why not us? I'm not saying that I am angry you guys but it saddens me. I mean I'm an entrepreneur. Once you become a sales person, you see all these figures because you know exactly I was running a business which is four hundred fifty million. I am capable to try it on my own business if I can run someone's business and that's the reason why I said no there are are a lot of loopholes within the business and it makes

me angry because we are young. I'm only 44. I look young but I'm only 44 we want to employ other people.

There are direct and indirect jobs that we are going to produce as a small business. So we need to actually look at small business small business we are here guys to do justice for this government but our government doesn't want to listen to us. I've got 18 experience 18 years experience in sales and I know exactly what is happening. I can sell you anything but when you actually go to the guys and you ask for an opportunity and opportunity to God to go out and sell something you are denied.

That sugar industry it's a rotten to the core. If you will able to say I'll show you on my last slide you'll be able to sell as a miller able to set thirty two thousand tons to a person who's going to move that sugar to another person to another person there's a bit of a chain. That first a 32 tons is actually 320 million. Just imagine to the person who's going to buy from them and actually have his mark up and the other one is a mark up look at the chain but you we are denied. We are denied.

It's a commodity we want to get in the business but unfortunately because I don't know we're not learned enough I don't know but we want we want to get into that business . I want to have an agency where I'll actually employ merchandisers and we actually employ people who will be actually working as a staff the office bearers will be actually the officer know all those things. We are here to actually to give our expertise but unfortunately our expertise are not taken into consideration.

So it's sad to me what I'm actually and thanks very much guys for the opportunity to really appreciate you know it's been a long and I remember when you guys were at Nasrec, I actually hinted this this to one of the guys. I said guys I need to try and get Competition Commission to expose this market why and it doesn't mean that you want to take market from from so called the guys who are running it now.

We want to actually have a fair share I can actually get a get a business from from small and it's fine for me as well because he said no that's just share the business but the business is not shared. I'll actually just want to share you this slide with regards to what I've just said no. And see the figures exactly when I talk about the sugar

business because that's where I was actually exposed and the reason why I went there I actually did it purposely. I did it purposely for me to actually go there and I don't know when I say

Competition Commission: Chair

When you say that the sugar business is rotten to the core. Are they rotten to the core because the excluding participation by black people or there is there's more to this rot. Can you speak more on that for me?

Sefate Molife Imports sales and Distribution: Chris Sefate

I think this when I say its rotten to the core. It's that when you look at, when there is a price increase, if there is a price increase obviously each and every company will actually each and every company owns a sugar company or sugar mill or whatever those actually announce but look at the buying power on that. And the on that and the buying power it's actually huge. For me as a small business if I want to get into that business unfortunately I won't be able to get it and let me just give you a scenario there's a company in that board there was a price increase while I was actually working for sugar they bought millions, tons and tons of sugar you know what I did because they have got capacity. They store the sugar for a while and they close their mouth.

After three months they come back when in the into the market and they lower the price. Who is going to be affected there. Unfortunately they're going to actually make money. They send all the Sms into their customers. And the guys who are actually on the ground will obvious run because they you'll see that you know what I'll be making a lot of money. I'll be buying at an older price and get it and sell it at a new price.

Those are the things that are actually happening there and the opportunities which are given to the big guys. Give the small guys an opportunity to say, Yes, here is a mill buy from us package it and go and sell it. So those are the things that's actually happening is that the reason why I'm saying there are a lot of things that with pricing with the with the with with packaging as well people who can actually there's companies that are getting this they would tell one company is that you know what we'll buy sugar from this miller but we want you we will actually bring that sugar to you to package it as a private label.

So those are things that I actually happening in industry and in the industry. So we need to actually look at that as well and the same applies to what I just said another. I am not running away from the the agency as well. That's where we want we as an expertise as well in terms of sales and marketing. I've got that 18 years if you have been in eighteen years in those companies like Coca-Cola. Why I'm not actually able to train myself able to to to run my own agencies where I can actually able to go to those guys and said you know what here's a product I can able to sell to you.

Big guys are actually running it if we can actually follow know what's actually happening and I'll be I'll be now be fair. If you look at what Imperial is actually doing now they are getting into that market because they see that FMCG market is there.

Where is TFG now, TFG is because Imperial is there to get in with trucking and sales as well. We as small guys we are actually and underlooked. Why don't you do as I present actually if you look at from 2014 on the last last February because that's that's in the year end look the last one twenty fifteen, twenty sixteen, thirty six thousand eight hundred fifty seven if you take that you multiply it by nine and one thousand five hundred per ton it gives you three hundred and twenty million which is on that 320 million not even a single small distributor has s a share on that. Where do we fit in. We don't want to take to take the whole market share. We just want that small so that we can actually able to feed our families.

I've left my pay job now I'm doing something which is I said you know what let me just run away from it but unfortunately I'm getting to another one as well which is the retail fashion. Competition Commission you need to actually go for that as well. I mean I'm on that now, I've got a product which is I went to overseas and negotiate that product with good faith they don't want to accept me on the trade I don't know why because you know what because I've got a very beautiful brand I can actually give you my website and see and go and go to my website and see exactly what I've actually done.

We are being denied and why because we've got expertise. I've been just imagine with me as a young forty four boy what I've got a South African distributor I can

distribute the brand the whole of Africa not even one single retail fashion store accepted my brand that's a that's what I wanted to actually say.

Competition Commission

Thank you, Mr Sefate.

When you say you are a sales and merchandising agency , Can you just explain for this inquiry and what does that entail like.

Sefate Molife Imports sales and Distribution: Chris Sefate

And on this scenario for instance. I will put in in a picture like this. There's there are I will give you an example and I will just say it as it is.

We've got Unilever, Unilever they've got key accounts. The key accounts they don't don't actually go to the stores they sit down and plan in terms of getting the sales into the stores. They appoint an agency and agency which will be actually going to through each and every stores whether its Spar, whether it's Woolworths and all those guys. Those guys are actually given a commission based on this sales which are brought in into the into the business

Competition Commission: Chair

Brought in through the business derived from ?

Sefate Molife Imports sales and Distribution: Chris Sefate

Exactly. Unilever will actually appoint an agency which is what I'm actually mourning now that we as black people as we are capable as well to have a sales and marketing agency because we've got qualifications, we've got expertise as well. So those from and then the agency will actually employ sales reps.

Competition Commission: Chair

Sorry, so therefore the the more the client that the sales and merchandising agency works with buys from Unilever

Competition Commission: Chair

they don't even buy from Uniliver

Competition Commission: Chair

Sorry, so therefore the the more the client that the sales and merchandising agency works with buys from Unilever. The more commissions is made by the agency. Is that how the agency would work.

Sefate Molife Imports sales and Distribution: Chris Sefate

The agency will actually make more money when they actually sell product which which belongs to too to Unilever.

Competition Commission: Chair

To that to it to those clients to have their say that they ought

Sefate Molife Imports sales and Distribution: Chris Sefate

Exactly. That they're actually looking after on the ground exactly. So the the supplier will actually pay themselves for sales and marketing service will actually pay them for for for merchandising as well which is part of that it's actual it's part of it when I say sales and marketing merchandising a sales and marketing which is it's part of the merchandising as well.

Competition Commission: Chair

And then with regards to the sugar companies or sector is the role that you are in. The first point you're making is that there's no participation whatsoever by small and black people in that sector. That's what you are saying. (Chris: Yes)

And then are you also saying that you approach them as as a sales and merchandising agency to work with them or you just making them as an example of the sector where there can be more participation by others and yet there isn't.

Sefate Molife Imports sales and Distribution: Chris Sefate

Exactly. What, maybe let me just put it like this: There is an opportunity but the opportunities are when they actually they they are actually doing it purposely and said

we will actually issue a tender and we as small guys who are actually not exposed to those things they actually not telling us. Where when are they actually issuing the tenders tactually give it to the small guys.

Competition Commission: Chair

How are the tenders issued?

Sefate Molife Imports sales and Distribution: Chris Sefate

I don't know.

Competition Commission: Chair

How are they made public. How would others know

Sefate Molife Imports sales and Distribution: Chris Sefate

That's what we want as well. The exposure to actually get those tenders but we know exactly for instance when I was a actually as a sales rep we know that now there is a tender for for for for Unilever or P N G's actually having a tender. I was still working there I wasn't actually but you know we were keen a but we even said about three guys said can we open our own sales and marketing.

Competition Commission

Sorry Mr Sefate. Are you telling me that even even if you went into their websites there won't be a page where you can actually find a list of tenders that are up and running?

Sefate Molife Imports sales and Distribution: Chris Sefate

To be fair enough, there is but but my point is actually goes to even if there is tenders they are only offered to the the big guys based on that or whatever but the relationship that they've got with with the companies or while whatever or their history of trade.

Competition Commission

What extent other than expertise that is knowledge of how to move the product from the supplier to to the end to the customer. What are the requirements does an agency or distributor need to have that could disqualify a prospective applicant for example.

Sefate Molife Imports sales and Distribution: Chris Sefate

I think it depends but one one that I can say that the capacity of the of the staff. And the system is one of the systems that you might actually have but the system is not a train smash because the very same supplier they offer you system because you send for instance because you take you send you get orders you can send it via to the main supplier and the supplier will actually deliver because they've got relationship with their with the logistics company.

Competition Commission: Chair

Thank you

Competition Commission: Du Plessis

Good Afternoon. Based on your experiences in the industry and they rebates § and the discounts that you've mentioned can you take us through that process and focus only on that give us all the detail you have regarding the various types of discounts one gets a retailer can get and and on what basis are they offered and then point us to that unfairness there that you you've seen there.

Sefate Molife Imports sales and Distribution: Chris Sefate

On the rebate I'll give you a scenario where me for this one supplier can offer 10% on that 10% you will actually it into one point two percent it information liaison. Two percent it will be four for for for for a promotion and the rest obviously it will be allocated for you to to actually if you push serious that's how you actually get it.

And there will be another one which will allocated for if you actually want to pay early early settlement which is about two percent for instance if you buy a stock for about a million. So if you pay us early out o that million you will actually get 2% of that and that is based on volume it starts from truckloads that's where the discrimination comes.

If you don't actually offer me a same rebates as the other guys because I'm not actually going to offer you a truckload were is the fairness because I'm still young. I'm still an infant in the business and I need to actually, I've got a market to actually go and serve. So those are the things which is I can actually elaborate more on on rebates and with rebated the reason why I said it's unfair you can actually buy from the supplier and sell it at cost you still get a rebates. Because you know they rely on the rebates. They can actually know it because you know they want to pool their customers they've got muscle.

Competition Commission: Du Plessis

Is there any and let's take a hypothetical example let's say someone buy a hundred a hundred bars of chocolate and someone buys 10 bars of Chocolate this is now very hypothetical what is the difference in cost to Unilever for example in supplying one hundred units to one retailer and ten units to the other is there a difference in cost because you are the one is buying more than the other?

Sefate Molife Imports sales and Distribution: Chris Sefate

Basically and I do understand in the business principles you know they will always tell you that but. In reality if I'm small I said you know what I can if I can get the same price as him I can come and collect but still it doesn't work. If I can come and collect and get since it was the gov a guy's actually got a full truck I need to get the same price and so they can go and go and get him to come remember this is competition. We need to actually have a fair pricing and that's just my take. That's my opinion anyway because as a business and I understand as a busy busy busy business principles that you know they won't actually say we wont be sending a truck to you and it's unfortunate we will actually give you at this price but yes give me a fair price so that I can come and collect and again it happens guys when you look at the market what is happening now with the Somalians and Ethiopians they are actually buying from the suppliers now and what do you know what to do they've got trucks they go and collect. They cut the middlemen which is the logistics company and they go and actually sell the very same stuff to township and then we thought those guys are cheaper but is just a model which the guys are actually using in between.

The reason why I am saying it, I love this this industry. I am who I am today the industry has made me you know and I'm running my own business which is tough and it's tough I'm actually even planning to sell my house but it's fine I know exactly where I'm going but it's I love this industry because it's a fast moving consumer goods you interact. You know you know you even actually now want to go outside the country and buy other brands and which is unfair for people who are going to maneuver to to get to guys that can actually employ to manufacture. Unfortunately I don't have those capabilities.

My capabilities is to sell. I can sell anything as I've just said.

Competition Commission: Du Plessis

Thank you.

Competition Commission: Chair

Thank you Mr Sefate. Should we have follow up questions or need to speak to you outside of the public hearing (Chris: you are more than welcome) Have you provided us with your contact details. Okay, Thank you very much sir.

We will get our next submission is from Muagies Meat supply. Are they here. Yes, please take a stand. We we need additional chair.. Good afternoon good afternoon could you please just introduce yourselves, that is place your names on the record and then as well as introduce the business that you here about and then you can go ahead with it you may proceed with your submission. Thank you.

Muagies Meat supply.

Good afternoon my name is Mokoka Mohari from Muagies Meat Supply in Sebopkeng with a retail business.

Mgezi Mazibuko

Hi Good afternoon and everybody, Mgezi Mazibuko. I'm actually the non executive director of Mauagies Meat supply. I have been with the company since 2006 when we started to we where basically developing there at that time but we have been

having their books since then. And I think what we we are here for what I'm here for is of to give you some highlights of what I've actually going through this industry in the respect of you know the challenges and within the various issues that the company has faced which I believe would actually naturally affect anybody else out there.

I wasn't sure how to do the presentation because we're not giving any format. How do you want us to approach as.

Competition Commission

Proceed any way you wish to. The floor is yours really . Anyhow, so be comfortable. Sorry just a small question, when you say you are a meat supplier are you are butchery?

Mgezi Mazibuko

Butchery. Butcher's retail

The industry is actually tough however it could have been better if certain things where actually done in the environment was suitable and that there was support and you didn't have to fight with a lot of other people but what I'm going to indicate the first thing is I can provide you with the details later. Over the ten years that I have actually been with the company. Whereas we started with their sales at 2008, 2001 they increased to up to two point five two point six from round about twenty ten twenty eleven.

The impact of the malls starting to come in place it's been a downhill since for the last ten years. The 2016 results were a pathetic one point nine million for the business. Now you want to start to check now what is happening what's the impact where can you improve and some of the things that had to happen is you know your suppliers are increasing their stock on a regular basis. During the December periods there's a tendency that the meat supply basically increases its its pricing. From November up to some way mid January and the company is unable to pass that increase or to put an increase on its own pricing if I can put it that way in order to

basically benefit out of the new pricing. Why, because people just simply don't come and basically buy from you once they see that you've actually uped your price.

There's nothing wrong with that. It's a business. However the downside of that is the fact that your margins are squeezed. Because now you're buying at a higher price and yet you're still selling at the same price that people are expecting you to sell. The other side of it is the fact that our revenues service because they actually expect the expecting everybody to be providing a higher sales during that period which there's nothing wrong out of it they are expecting more VAT out of that but because you've got squeezed margins you don't get it because you paid more on the purchases.

But they don't see that we've been fighting with them over this period and they don't see it that way so that's another problem that we're facing. Our South African Reserve Bank revenue services who actually it doesn't understand who does who don't understand the market how the market is actually performing and during this period they were expected to basically be the same as the rest of the other big guys I don't know if you understand what I'm saying.

Then there's another aspect as well there that of employment that has been coming down obviously due to less sales and you actually need to review your operations and you need to start basically looking at what the what what your your your supply side is actually doing and employment has actually been an issue as well. We've been losing employment over that time. Whereas the company started with how many employees ten employee we are left with how many, four.

The other challenge is that brought about by the local municipalities. Local municipal these premises belong to the local municipalities they have not we have been trying to get title deeds we have put u business plans for the expansion of their premise to make them look you know more like a proper place however when you go to the funder the funder wants to know who does the premise belong to and when you say it's still with the municipality then they will not fund you. They basically tell you ,no, we're not going to spend our money in an environment where we know we are not sure whether we will get that back.

You go to the municipality quality you try to basically make it possible for them to to to to to to drive the process of providing you with what belongs to you or some letter of comfort that can make the funders to actually hear your case. You are the hitting a brick wall nothing comes of that. So it's a very very sad situation in regards to this market around where we are actually coming from.

The impact of the mall It's a pity that our mall. We find people like Moagies Meat Supply who have been there for a number of years in the environment but they will not be allowed or not that they won't be allowed the problem is that what the malls are not able to afford people like them because you've got your big retailers that have got butcheries etc, etc. Now how do you actually basically make it possible that they also still survive and the main reason why I say they don't increase their prices is to make sure that they still get the clients. They still get the clients that they are used to getting over this period when the malls would have actually reduced t their pricing. That also has actually contributed or is contributing towards the business is basically starting to die a slow death I think I am done.

Competition Commission: Chair

You said you are from Sebokeng and is that where the business is operating and how many malls are in the Sebokeng area and what are the names of these malls.

Mukoka Mohari

There are 5 and the sixth one is coming within four kilometers .

Competition Commission: Chair

Okay, let's just just give us the names then we will work on the distances

Mukoka Mohari

Palm Springs mall, Everton Mall, The Sebokeng Mall (Thabong Mall), There is one at the hostel as well its within the same (Competition Commission: Chair let's just call it the hostel mall) Zone 3 Sebokeng mall, Residencia

Competition Commission: Chair

Palm Springs, how far is it from your premises?

Mokoka Mohari

It's about 8km

Competition Commission: Chair

And Everton Mall, how far is it

Mokoka Mohari

It's about 6km

Competition Commission: Chair

And Thabong Mall, how far is it

Mokoka Mohari

Its about 6km as well on the other side. They are all surrounding you

Competition Commission: Chair

And the hostel mall, how far is it

Mokoka Mohari

Its about 6km or 7km. They are almost the same. Within the same radius

Competition Commission: Chair

And Zone 3 Sebokang Mall, how far is it

Mokoka Mohari

Its about 3km. Its closer

Competition Commission: Chair

And then Residencia, how far is it

Mokoka Mohari

Its even closer. Its about 3 as well

Competition Commission: Chair

And you say you say the other five the existence of the of the other five when did they start operating? Did they come after you were already operating or did you set up when they all

Mokoka Mohari

They came after

Competition Commission: Chair

All five of them. Can you speak more on the impact what happened when they came? How what were you doing as a business, who were you selling to and what what did you lose as a result of the of their arrival in Sebokeng. So you basically speak to the nature of the business prior to their arrival while your business what your business was like just take us through that and how you're doing you can go into detail we've got time and then you tell us loss when they are arrived at what became the impact on your business.

Mgezi Mazibuko

I think I've already alluded to the fact that from 2008 sales which I can provide you you will see there is actually a rise in that sort of performance of the business up to round about 2011 and 2012 when these malls start to basically get more and more and more until up to now that side. So the type of people that we were selling for to is actually your local people and its consumers within the locality of the of the shops.

It's a shopping mall basically, It's not a shopping mall but a small shopping complex if I can put it that way where we are based, that's right. Its a very small shopping complex it has got you know it's got other sort of facilities like your dry clean like your bottle store, like grocery small grocery shop etc but it's a very small environment. The people that we are selling to are your local people that are staying around the area.

Competition Commission: Chair

So you are selling to the households household in the areas that's your customer base. And the small mall that you are located in what is it called

Mgezi Mazibuko

Its Zone 7 Shopping complex.

Competition Commission: Chair

And then then you also spoke about the impact of of price increases being imposed by the meat suppliers by the meat supplies, Okay can you dwell more on that. That in December is that industry norm. Are these increases applied to everyone in the industry. And why you would they then affect you uniquely to other meat suppliers that you are competing with.

Mgezi Mazibuko

They didn't affect us until the malls came into play. It's all about the pricing at that time because now the very same people that we used to base it that used to come and buy from us and would no longer come and buy from us when we increase. When the price increases come and we actually adjust our pricing and then they will actually just no longer basically come you will start to see a sort of slowdown of the sales during the period when you're expecting the sales to basically go high.

Competition Commission: Chair

OK So who is your who are your competitors in the for example let's just go through the list of competitors in all the malls that you mentioned. In Palm spring who did you compete with the there

Mgezi Mazibuko

Well you've got Checkers. At Everton, I I think it was was it before it was it was Pick n Pay what was it I was Score.

Competition Commission: Chair

You mean Palm Springs. It moved from Pick n Pay to Checkers?

Mgezi Mazibuko

It moved from Score to Pick n Pay. I think Score is a franchise was used to be part of the Pick n Pay group until they made it fully fledged Pick n Pay store.

Competition Commission: Chair

So it's not Checkers, Its Pick n pay?

Mgezi Mazibuko

Checkers is also part of that. Its There

Competition Commission: Chair

So there is Pick n Pay and Checkers in Palm Springs?

Mokoka Mohari

And Watloo. They are in the meat business.

Competition Commission: Chair

So that is an independent butchery and they are also located in Palm Springs. And in Everton who do you compete with? Who's your competitor or which supermakert chain is

Mgezi Mazibuko

It's mainly Checkers.

Mokoka Mohari

Checkers, Pick n Pay, Cambridge, Roots, OBC

Mgezi Mazibuko

These are franchises

Competition Commission: Chair

Yes, I understand and how far is Everton Mall from Palm Springs.

Mgezi Mazibuko

Its about 5km

Competition Commission: Chair

Competition Commission's grocery retail market inquiry – Gauteng 8 June 2017

And then who your competitor in Thabong Mall.

Mgezi Mazibuko

Spar and a Pick n Pay as well is there. Roots as well is there OBC .

Competition Commission: Chair

And how far is Thabong from

Mgezi Mazibuko

Its about 6km

Competition Commission: Chair

And how far is it from Palm Springs.

Mokokoa Mohari

About 14km

Competition Commission: Chair

And the hostel mall, who is your competitor there?

Mokokoa Mohari

Prime meat

Competition Commission: Chair

That's an independent butcher shop. And who else

Mokokoa Mohari

Checkers that's about it.

Competition Commission: Chair

And then at the zone three Sebokeng Mall.

Mokokoa Mohari

It's Spar, and that's all

Competition Commission: Chair

And then so all these malls started coming into the area from 2008.

Mokokoa Mohari

Yes, around that time

Mgazi Mazibuko

Mainly 2010 on onwards.

Competition Commission: Chair

Ok sure, between 2009 and 2010 there about. Then Residencia is one that is coming up. How far is Residencia, sorry how far is Zone 3 Sebokeng mall from your business.

Mokoka Mohari

It's about 3, its about 4km. Very close.

Competition Commission: Chair

Residencia, do you know who. have they advertised any tenant any prospective tenants for for that

Mokoka Mohari

Not yet but they're busy preparing

Competition Commission: Chair

OK when the when will it open do you know you know.

Mokoka Mohari

No, I can't exactly say.

There was a land dispute but it has been resolved so they will be starting starting soon.

Competition Commission: Chair

So it's still going to be constructed.

Mokoka Mohari

It is

Competition Commission: Chair

And then you say you battles with you also had some difficulties with with the local municipalities and trying to get lend to expand your business can you speak more than. Just speak about your location because you said it to us you are based in a shopping centre so what were your plans with regards to that location. Where you moving out of the center and what exactly was going on there.

Mgazi Mazibuko

OK. I can relate to that. the business expansion plan had to do with actually revitalizing the the current butchery to your new type of which where people can just walk in and take their packs and actually basically go and pay a teller a point and then they leave. But the other expansion that was actually planned was to introduce more products in the in the in your in your sort of value chain that's right. And that was going to happen if we could actually obtain shop that was next door that is actually the basically being used as offices by the political party.

And that has been a battle to basically get that going because it's not being used for anything else except meetings.

Competition Commission: Chair

But how how how would the municipality be involved in an issues of a centre. Is this centre owned by the municipality.

Mgazi Mazubuko

The entire centre is owned by the municipality.

Competition Commission: Chair

which is called? Which municipality

Mgazi Mazubuko

Emfuleni local municipality that's right. We have submitted our proposals to them to to to indicate our willingness to to to manage that centre and in the process revitalizing the butchery and everything else that was there. The problem as I have

indicated to you was the fact that they have not been able to come forward in regards to the title deeds. To issue the owners of those shops their actual they are actual title deeds or provide the letters of a comfort. That would say we are in the process of actually doing this offering these people the title deeds because according to according to the municipality these shops have been owned by these people for as long as we can remember and they were supposed to have already been given the title deeds that hasn't happened. OK so now you can't actually go and and capitalize in an environment where you do not own or you don't know you don't know what's going to happen in the future.

Competition Commission: Chair

Okay, when did Moagies Meat Suppliers start operating in that center for example.

Mokoka Mohari

My uncle started in the mid 1990s before 94.

Competition Commission: Chair

And then so with the municipality they would be, how how would the what just speak just people on the title more. Were you going to be allocated title deeds in respects in respect of the areas in which you operating them then so you owned that portion like a sectional title deed (That's correct)

And then but you said to us even with the letter of comfort from the municipality s did you ultimately get these letters of comfort.

Mokoka Mohari

No no

Competition Commission:Chair

You didn't

Mgazi Mazibuko

They never basically came to, Yes

Competition Commission: Chair

Well what is what was exactly what what was promised but then by the municipality and where was the problem in getting the letters. What is the issue?

Mgazi mazibuko

I think it was administration. It was mainly administration from their side to issue those, OK that's right. But at the same time what what what what what we saw as a hindrance was because at that time when they were just about to issue the title deeds they had to do evaluation of the property.

Competition Commission: Chair

Sorry, when they are about to issue the title deeds was this announced? Was it a written, were there documents public document that document that were put out (that's right) in this regard

Mgazi mazibuko

There are documents. And what happened there what transpired a process was actually instituted where they needed to get an independent valuator to come and basically indicate what was the value of these properties.

What happened was the guy, the evaluator basically said that there is zero value on these and that that is when the whole issue died a slow death we never heard anything from the municipality it after that.

Competition Commission

And this may be a little bit of a difficult question that I am going to ask you so let's say in relation to the municipality issue, how would you like they do you have any proposal as to what the inquiry can deal with businesses that are similarly situated like yourself that are in a similar position like yourselves. Were you for example have been operating for years in a municipal property and under the circumstance where for example there was there was there was consideration of giving a title deed title deed which would enable you to get funding from banks and therefore expand your

businesses so what what would you in our dealings with the municipality what would you like the inquiry to do?

Mgazi Mazibuko

I think we come from an environment where we say the government is supposed to create conducive environment for businesses to thrive and to grow and that's how economic development happens. We're hearing people are actually now looking for land and yet there is land that is already occupied that can be improved OK by just engaging people and starting to look at the best way to actually achieve that and creating that environment that the people that can actually develop and create economic prosperity around the areas that they stay should be allowed to do so.

Competition Commission: Chair

And then my last question in view of all the competition that you now have in the area. Let's say if you were to succeed do you still see you still see prospects of your business growing. If you were if you were to get this title deeds if you were to get a title deed on the property that you operating in notwithstanding the business that now is in the area or the competition that is now in the area would this be something that is of use to you if you were to get the title deed. In light of this

Mgazi Mazibuko

Very much so. There's so many

Competition Commission: Chair

Just explain how so

Mgazi Mazibuko

For starters we have a small chisa nyama there. But we can't grow it because of the environment that is actually happening there. No proper paving you know people want to see something that is actually livelier now but you cannot actually go and spent where you know you're not so sure where you are that you'll get your return on investment so if the council can make that commitment to say that we can actually get to do what we want to do and we are protected around doing that then the place can

come up alive again. We believe that it can and we can start to get more clients because we will do all those plans that we have already basically put put behind put around and we have just basically sidelined.

Competition Commission: Chair

My last question are you paying any rental to the municipality

Mgazi Mazibuko

Yes,

Competition Commission: Du Plessis

When the malls come in since 2009 onwards by how much did the turnover of your shop drop with every entry with the entry of every every mall.

Mgazi Mazibuko

I can estimate it round about ten percent

Competition Commission: Du Plessis

With every mall or in total.

Mgazi Mazibuko

Well I can only view it on an annual basis that this has dropped from the previous year by this much I wouldn't that the impact could be you know coming from anyone of those that's correct.

Competition Commission: Du Plessis

So there is is about a ten percent drop per year or 10% drop since two thousand and nine

Mgazi Mazibuko

No, per year that's right, it's been coming down in a slow down.

Competition Commission: Du Plessis

You say you have 4 people left that you're employing how many people did you employ in 2007 for example.

Mgazi Mazibuko

10

Competition Commission: Du Plessis

And what were their what Jobs did they do.

Mokoka Mohari

Sales people, over the counter sales people and your block man and his assistants.

Competition Commission: Du Plessis

When did you when did you have to retrench the six people was it all at once or was it gradually

Mgazi Mazibuko

It was gradual. it was over time.

Competition Commission: Du Plessis

Can you give us a breakdown of when and in response to what. If you can recall of course.

Mgazi Mazibuko

Some it was actually probably we had one death only but apart from that it was a matter of looking at what they're roles were and what the businesses was actually make it over time and we had to sit down and basically decide I think we think this person's role is no longer relevant that person can do a role of two people or three people etc Over time that's the strategy we have actually been applying until now by the it's been painful because some of these people have been people have been there since the beginning of the of of of of the butchery.

Competition Commission: Du Plessis

When the malls opened up in the area did their municipality ever consult with you or are you aware of any consultations that happened before the land was developed into a mall.

Mokoka Mohari

No consultation no this.

Competition Commission: Du Plessis

And also not consultation with the general public or the residents of in the area that you are aware of

Mgazi Mazibuko

We are not aware of those consultations that took place.

Competition Commission: Du Plessis

Did you ever try to enter one of these malls and open a shop in one of these malls around you

Mgazi Mazibuko

yes

Competition Commission: Du Plessis

And what happened then

Mgazi Mazibuko

Space available that. It's a matter of you get the space that they give you and the square meters that they give you is not adequate for the businesses that we wanted to put in there. So that it was very very difficult to locate if you can put it into these new malls.

Competition Commission: Du Plessis

So it was more around space and not not in any way related to the exclusivity in the lease agreements between the anchor tenants and the developer

Mgazi Mazibuko

Well that as well

Competition Commission: Du Plessis

Can you elaborate on that?

Mgazi Mazibuko

A having to now move from an environment where you your rental was actually basically around this much to go into a rental that doubles or three times what you have been paying you look at those things and you start to calculate whether is it actually making sense and you find that no we are not able to basically afford this rental and therefore we can we can't move over to there.

Competition Commission: Du Plessis

Has a developer or owner of one of the shopping malls ever told you that you you can't locate in that mall because Checkers or a Shoprite or Pick n Pay is already operating in that mall.

Mgazi Mazibuko

I think that is actually the other thing that they look at all who already has got the rights to do that and look at whether you're actually bringing any alternative competition but I don't think we in our case we have actually been told that we cannot do that.

Competition Commission: Du Plessis

OK Thank you. Thank you thank you.

Competition Commission: Chair

Thank you. So you have come to the end of today's hearings we will proceed tomorrow at 10. So we shall see you tomorrow at 10 then.

Thank you very much and thank you for coming to the to these public hearings.

