

WEBBER WENTZEL

in alliance with > **Linklaters**

The Competition Commission of South Africa

Attention: Noluthando Jokazi

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Your reference

Noluthando Jokazi
2021MAY0010

Our reference

Robert Wilson / A Liebenberg
2188995

Date

16 July 2021

STRICTLY CONFIDENTIAL

Dear Noluthando

Request for information by the Online Intermediation Platform Market Inquiry (the "Inquiry") from Woolworths Proprietary Limited ("Woolworths")

1. We refer to the Commission's request for information dated 23 June 2021 (the "RFI").
2. For ease of reference, we repeat each item of the RFI in bold and italics before providing Woolworths' response.
3. This letter is ***strictly confidential***, and we accordingly attach a confidentiality claim on behalf of Woolworths.
4. ***Item 1: Indicate the current size of online sales through your own website or application in terms of:***
 - 4.1 ***a. Monthly customer site visits***
 - 4.2 ***b. Total monthly number of transactions***
 - 4.3 ***c. Total monthly value of transactions***
 - 4.4 ***d. Proportion of total sales by your company (i.e. incl. physical stores)***
 - 4.5 ***e. Growth rate in monthly online sales***

Please see Table 1 below.

2021 07 16 WW To CC (OIPMI) (Confidential Version - 2)

Senior Partner: JC Els **Managing Partner:** SJ Hutton **Partners:** BW Abraham RB Africa NG Alp RL Appelbaum DC Bayman KL Beillings AE Bennett AP Blair DHL Booyesen AR Bowley J Braum MS Burger M Bux RI Carrim T Cassim SJ Chong ME Claassens C Collett KL Collier KM Colman KE Coster K Couzyn DB Cron PA Crosland R Cruywagen JH Davies PM Daya L de Bruyn PU Dela M Denenga DW de Villiers BEC Dickinson MA Diemont DA Dingley MS Dladla G Driver W Drue GP Duncan HJ du Preez CP du Toit SK Edmundson LF Egypt KH Eiser AE Esterhuizen MJR Evans K Fazel AA Felekis G Fitzmaurice JB Forman L Franca KL Gawith OH Geldenhuys MM Gibson CI Gouws PD Grealy S Haroun JM Harvey JS Henning KR Hillis Z Hlophe CM Holfeld PM Holloway AV Ismail ME Jarvis CA Jennings JC Jones CM Jonker S Jooste LA Kahn ACR Katzke M Kennedy KE Kilner A Keyser MD Kota JC Kraamwinkel J Lamb KJ Lebea E Louw M Mahlangu V Mannar L Marais G Masina T Masingi N Mbere MC McIntosh SJ McKenzie CS Meyer AJ Mills D Milo NP Mngomezulu P Mohanlall M Moloi N Moodley LE Mostert VM Movshovich C Murphy RA Nelson G Niven ZN Ntshona M Nxumalo AN Nyatumba A October L Odendaal GJP Olivier N Paige AMT Pardini AS Parry S Patel N Pather GR Penfold SE Phajane M Philippides BA Phillips MA Phillips DJ Rafferty D Ramjettan GI Rapson K Rew SA Ritchie NJA Robb J Roberts G Sader M Sader H Samsodien JW Scholtz KE Shepherd AJ Simpson N Singh N Singh-Nogueira P Singh S Sithole J Smit RS Smith MP Spalding PS Stein MW Strauli LJ Swaine Z Swanepoel A Thakor T Theessen TK Thekiso C Theodosiou T Theunissen R Tihavani G Truter PZ Vanda SE van der Meulen JP van der Poel CS Vanmali JE Veeran B Versfeld MG Versfeld TA Versfeld DM Visagie EME Warmington J Watson AWR Westwood RH Wilson KD Wolmarans DJ Wright M Yudaken

Chief Operating Officer: SA Boyd

Table 1

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Total Online (Website and Mobile Application)	Monthly Averages
a. Monthly customer site visits (sessions)	[CONFIDENTIAL]
b. Total monthly number of transactions	[CONFIDENTIAL]
c. Total monthly value of transactions	[CONFIDENTIAL]
d. Proportion of total sales by your company (i.e. incl. physical stores)	[CONFIDENTIAL]
e. Growth rate in monthly online sales (year-on-year)	[CONFIDENTIAL]

5. Item 2: Indicate the business process flow for order fulfilment on your online sales operations, including whether any aspects are outsourced to third parties (and if so, the fees payable)

- 5.1 Woolworths employs pickers that 'shop' for customers in respect of online food sales. Woolworths outsources the delivery of these products to DSV couriers. Woolworths also offers *Woolies Dash*, an outsourced arrangement with OneCart, which employs the pickers and drivers.¹
- 5.2 For online fashion, beauty and home sales, Woolworths has an arrangement with On The Dot ("OTD") in Gauteng, with pickers employed by OTD.² Woolworths also uses DSV or other couriers such as FedEx to deliver its products to customers.

6. Item 3: Provide a breakdown of the costs of your online operations, including

- 6.1 **a. A breakdown of the total costs of your online operations on a monthly basis, incl. fees payable to third parties.**

Please see Table 2 below.

¹ For further information on Woolies Dash, please see https://www.woolworths.co.za/content/article/app-content/woolies-dash/_/A-cmp212140 . For more information on OneCart, please see <https://www.onecart.co.za/> .

² For more information on OTD please see <https://www.onthedot.co.za/> .

Table 2

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6.2 ***b. The average cost for order fulfilment per order in Rand terms and as a percentage of order value***

Please see Table 2 above.

6.3 ***c. The total monthly marketing costs used to promote the online sales channel incl. search, social media and above the line marketing.***

On average, the total monthly marketing costs are approximately [CONFIDENTIAL]. However, it is difficult to provide a precise amount as most Woolworths' marketing links to the website. However, the main objective of the advertisement may not necessarily be to promote the online sales channel. For example, the primary campaign could be poultry, but all of Woolworths' digital spend would link the advertisement to the website or the mobile application as a destination point. In this case, the main objective of the advertisement would be to promote poultry at Woolworths (in all channels) and not promote the online channel.

7. ***Item 4: What have been the challenges in establishing your own online sales service and meeting customer service expectations.***

7.1 [CONFIDENTIAL]

7.2 Woolworths fulfils online fashion, beauty, and home orders through a centralised distributor in Gauteng. Woolworths is profitable in these channels online when it achieves sufficient scale.

7.3 Covid-19 has severely disrupted Woolworths' services. Furthermore, Woolworths is sensitive to any disruption that may impact labour and transport, including fuel hikes and taxi strikes.

8. ***Item 5: What is your experience of consumer online behaviour in your product category, including:***

8.1 ***a. The extent of online channel adoption and for which product categories***

The adoption of online shopping has spiked since the onset of Covid-19. [CONFIDENTIAL]

8.2 ***b. Consumer use and preferences for online platforms with multiple businesses relative to the direct channels operated by businesses***

8.2.1 Woolworths does not list its products on Takealot, Superbalist or UberEats. Zulzi³ and OneCart carry the Woolworths catalogue on their sites, but Woolworths does not have any commercial relationship with them.

³ For more information on Zulzi, please see <https://zulzi.com/> .

8.2.2 Both Zulzi and OneCart charge delivery and service fees directly to the client. Woolworths understands that Zulzi's and OneCart's services are relatively large but are still smaller than Woolworths in overall e-commerce.

8.2.3 [CONFIDENTIAL]

8.3 **c. Whether platforms are necessary for reaching certain consumers**

8.3.1 Certain smaller retailers or retailers without online websites or mobile applications use platforms (such as Takealot and Superbalist) successfully. [CONFIDENTIAL]

9. **Item 6: Provide any market research (incl. consumer research) undertaken by your business on online sales channels.**

Woolworths does not have recent customer survey information.

10. **Item 7: If you make use of online platforms to sell your products in addition to your own online presence, please answer the following questions:**

10.1 **a. Name each platform used and indicate the total number and value of monthly transactions through each platform**

Woolworths makes use of Quench. [CONFIDENTIAL]

10.2 **b. Provide the average wholesale price discount on the retail price or fees payable to each platform, whichever is relevant**

[CONFIDENTIAL]

10.3 **c. If you were to stop selling through all these online platforms, could the sales generated through these online platforms be quickly replaced by sales through your own website or traditional sales channels (Y/N)? Please explain.**

Yes. [CONFIDENTIAL]

11. **Item 8: If the above questions do not cover any areas you consider important for the understanding of your business model, you are welcome to provide other information and/ or comments that may assist the Inquiry.**

Woolworths does not have any further information or comments currently.

Yours sincerely

WEBBER WENTZEL

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Letter sent electronically. A signed copy will be provided on request.