

WEBBER WENTZEL

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The Competition Commission of South Africa

Attention: Noluthando Jokazi

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Your reference

2021MAY0010

Our reference

B Phillips / A Liebenberg
3048648

Date

6 August 2021

Non-confidential

Dear Noluthando

RE: Request for Submission on the Online Platforms Market Inquiry Statement of Issues from Cars on the Internet Proprietary Limited (trading as Cars.co.za) ("Cars")

1. We refer to the Commission's request for submissions on the Online Intermediation Platforms Market Inquiry ("**the Inquiry**") Statement of Issues (the "**Statement of Issues**"), dated 7 July 2021.
2. We repeat each item of the Statement of Issues in bold and italics before providing Cars' responses. Some of the issues raised in the Statement of Issues have already been addressed in Cars' responses to the information requested directly from Cars by the Inquiry. Where relevant, we have made reference to those responses.
3. Please note that the submissions contained herein are confidential. Accordingly, we attach a confidentiality claim on behalf of Cars.

INQUIRY SCOPE AND RELATED ISSUES FOR SUBMISSIONS

4. ***Item 3.1: Stakeholder identity and scope of submission - the Inquiry requires some information on the stakeholder and the scope of their submission to contextualise the submission and enable potential follow-ups by the Inquiry on any submission made.***

- 4.1 ***Question 1: Provide the name of the firm or organisation, contact person and contact details.***

Please refer to Cars' submission dated 30 June 2021.

2021 08 06 WW To CC (Statement Of Issues Submissions) (Confidential Marked Version)

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 Grealay 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 Ramjattan 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

4.2 **Question 2: Indicate if you would like your identity to remain confidential (Y/N).**

No. However, as noted above, this submission is confidential as it contains certain strategic business information that is not in the public domain.

4.3 **Question 3: Provide a brief description of the activities of your firm or organisation, and, where applicable, where the firm fits within the value chain for online intermediation (i.e. as a business user, aspirant business user, platform, consumer) or the organisation's interest in online intermediation platforms.**

Please refer to Cars' submission dated 30 June 2021. Please refer in particular to Annexure A.2.¹ of the submission.

4.4 **Question 4: Indicate what specific type of online intermediation platform is the focus of the submission (i.e. intermediation of either goods, services or software, and what particular type of good, service or software) or whether the submission is of a general nature across all platforms.**

4.4.1 Cars.co.za is an online classified automotive platform. The platform lists cars for sale from across South Africa and connects vehicle buyers with sellers.

4.4.2 Please also refer to Cars' submission dated 30 June 2021.

5. **Scope item 1: Evaluate trends in adoption and use of the different online intermediation platform markets, including the identification of leading platforms across each market**

5.1 **Question 1: What is the extent of adoption and use of online channels by South African consumers for the relevant good, service or software (no. of consumers, transactions or leads generated, value of sales).**

5.1.1 Please refer to Cars' submission dated 30 June 2021. Please see in particular the responses under the heading "Platform Performance Information" and Annexure B.4.² of the 30 June 2021 submission.

5.1.2 Other than information that is in the public domain (such as stock levels and number of business users on the platform), Cars does not have access to similar information for other online intermediation platforms or business users.

5.1.3 **a. What are the drivers of this adoption and use by consumers, and how fast is it expected to grow in the near future?**

5.1.3.1 Please refer to Cars' submission dated 30 June 2021. Please see in particular the responses under the heading "Platform Performance Information" and Annexure B.4.³ of the 30 June 2021 submission.

¹ Annexure A.2. is confidential and not for publication.

² Annexure B.4. is confidential and not for publication.

³ Annexure B.4. is confidential and not for publication.

- 5.1.3.2 In Cars' view, several factors have driven consumer adoption and use of the Cars' platform, including:
- 5.1.3.2.1 the general increase in mobile smartphone and internet penetration in South Africa;
 - 5.1.3.2.2 increased marketing spend, predominantly digital marketing;
 - 5.1.3.2.3 growth in business users making use of the platform, resulting in increased stock levels on the platform; and
 - 5.1.3.2.4 more recently, the Covid-19 pandemic which has accelerated consumers' shift to online platforms (although automotive purchases and sales are still, predominantly, concluded in a bricks and mortar environment).
- 5.1.3.3 **[CONFIDENTIAL]**
- 5.1.4 ***b. Has the online channel become important for business users in reaching consumers and making sales or generating leads, or likely to become so in the near future?***
- 5.1.4.1 From Cars' perspective, it considers its online channel as an important channel for business users to reach consumers and to generate leads, particularly as internet penetration grows and consumers spend more time online. However, Cars cannot comment on the relative importance of the platform from a business user's perspective.
- 5.1.4.2 **[CONFIDENTIAL]** However, as noted above, automotive purchases and sales are still, predominantly, concluded in a bricks and mortar environment.
- 5.1.4.3 Please also refer to Cars submission dated 30 June 2021.
- 5.1.5 ***c. Can the online sales or leads be quickly replaced by sales through physical stores or will closing online channels result in a material loss of customers and sales? Will this change in the near future?***
- 5.1.5.1 Given the volume of leads generated through online intermediation platforms, the closure of online channels by individual business users could result in such businesses losing leads, and potentially customers and sales. However, in respect of the sale of motor vehicles, the online intermediation platforms have limited influence in the overall market, and it is therefore unlikely that there will be a significant decline in overall motor vehicle sales due to the closing of online channels. The demand for motor vehicles will remain and since motor vehicle purchases and sales are still predominantly concluded in a bricks and mortar environment, it will have limited impact on ultimate sales. This trend is unlikely to change in the near future.
- 5.1.5.2 From a business perspective, it is likely that smaller business users may be more impacted, from a lead generation perspective, by the loss of online channels as large-scale dealerships should be able to offset the

loss of leads from online intermediation platforms through their own marketing initiatives. In addition, the loss of online intermediation channels may reduce consumer options since online intermediation platforms play an important part in the consumer research and comparison process.

5.2 **Question 2: Indicate the relative importance of online intermediation platforms compared to the websites of individual businesses for the relevant good, service or software.**

5.2.1 Cars cannot comment on the relative importance of online intermediation platforms compared to business users' individual websites, from the business user's perspective.

5.2.2 However, there are several advantages to online intermediation platforms, including greater convenience for the consumer as the platforms aggregate the product (vehicles) of many business users (dealerships) rather than having consumers search dealer websites individually. This improves consumer choice and the ability to compare offerings across vehicle make and models, mileage, age and dealerships.

5.2.3 The business user (dealership) reaches a much broader set of consumers, potentially resulting in sales that the business might not otherwise secure. In some cases, the business user may find it is more economical to use online intermediation platforms than its own website.

5.2.4 **a. For each of the above routes to market, what is the share of consumers, leads or transactions, value of sales (overall and for an individual business user), and how is this share evolving over time for (i) online intermediation platforms and (ii) websites of individual businesses?**

5.2.4.1 Not applicable. Cars cannot comment on the share of consumers, leads or transactions generated from online intermediation platforms versus business users' individual websites.

5.2.4.2 The number of consumers making use of and leads generated by the Cars platform was provided in Cars' submission dated 30 June 2021. Please see in particular the responses under the heading "Platform Performance Information" and Annexure B.4.⁴ of the 30 June 2021 submission.

5.2.5 **b. Can the sales or leads generated through the online platforms be quickly replaced through businesses' own online website/store or will leaving the platform result in a material loss of customers and sales? Will this change in the near future?**

In Cars' view, while it is less unlikely that the leads generated through the online platforms can be replaced in the short term through a business' own online website or online store, this is more likely in the medium to long-term if businesses invest in digital marketing, such as through *Google* search marketing. From a sales perspective, as noted above, motor vehicle sales still

⁴ Annexure B.4. is confidential and not for publication.

predominantly take place through physical engagements and since the demand for motor vehicles will remain notwithstanding online platforms, the absence of online intermediations platforms is less likely to have a significant impact on sales.

5.3 **Question 3: Identify the leading platforms and emerging online intermediation platforms operating in the area that is the subject of the submission, including their relative size based on users, transactions facilitated or leads generated, value of sales and own revenues (overall and for the individual business user on the platform).**

5.3.1 Please refer to Cars' submission dated 30 June 2021 in respect of Cars. Other than information which is in the public domain (such as stock levels and number of business users on the platform), Cars does not have access to the same information for other online intermediation platforms or for business users.

5.3.2 To the best of Cars' knowledge other players in respect of online motor vehicle intermediation platforms include *Autotrader*, *Carfind.co.za*, *Surf4cars*, *Gumtree.co.za* and *OLX.co.za*. Based on publicly available information, in terms of size, Cars understands that players in this sector list varying numbers of vehicles on their sites, ranging from c. 21 000 to 160 000, although there is some stock duplication across these platforms. Cars does not have any information on number of users, transactions, sales or revenues generated by other players in the sector.

5.3.3 **a. Are any platforms a 'must have' channel for online sales or leads, or increasingly becoming so?**

From a business user perspective, Cars is unable to comment on which platforms are considered to be 'must have' channels for online sales or leads for motor vehicles. Business users make use of various and often multiple online motor vehicle intermediation platforms to generate leads.

5.3.4 **b. What is the history of entry and exit by other platforms operating in the same area?**

5.3.5 To the best of Cars' knowledge, the *Autotrader* platform has the longest operating history, having started as a print publication, then incorporating digital support before transitioning into a full digital platform.

5.3.6 Both *Carfind* and *Surf4Cars* launched their respective online platforms shortly before the Cars platform entered the market in around 2009. Players such as *Gumtree* and *OLX* appear to have leveraged their horizontal platform to drive its automotive offering in recent years, and appears to have gained traction in this space.

5.3.7 Cars does not have any knowledge of entrants existing the market.

5.3.8 **c. Have any emerging platforms expanded to such an extent that they increasingly represent an alternative to the leading platform(s)?**

The Cars platform entered the market after *Autotrader*, *Carfind* and *Surf4Cars* and has grown to scale in terms of stock listed on the platform. Other classified

platforms such as *Gumtree* and *OLX* appear to have grown significantly, and have surpassed some motor vehicle online platforms by number of motor vehicles listed.

5.3.9 ***d. Have any historically leading platforms declined substantially in importance and use in recent years?***

Not to Cars' knowledge.

5.4 ***Question 4: How should the market power of online intermediation platforms be assessed (e.g. share or size) and what are the metrics that should be used in that assessment (e.g. user base, transactions, revenue)?***

5.4.1 In Cars' view, and given the two-sided nature of online intermediation platforms, several metrics should be taken into account in determining the market power of online intermediation platforms, including:

Business Users:

5.4.1.1 Average stock (vehicles) listed on the platform; and

5.4.1.2 Number of business users making use of the platform;

Consumers:

5.4.1.3 Number of active consumers (unique browsers); and

5.4.1.4 Number of leads generated through the platform.

5.4.2 Again, it is important to note that the supply and demand for motor vehicles exist independent of online intermediation channels, and that most automotive sales are still, predominantly, concluded in a bricks and mortar environment.

5.4.3 ***a. Which platforms if any do you view as having a degree of market power? Provide reasons.***

5.4.3.1 Given the number of players active in the online intermediation space in respect of motor vehicles, it is difficult to say, in the absence of any economic, empirical or consumer data, which platforms (if any) could be considered to have market power.

5.4.3.2 The number of platforms active in this space means that consumers and business users have various options available to them and market participants are therefore constrained by the countervailing power of consumers and businesses and their ability to switch between platforms. This is illustrated to some extent by the fact that many business users list vehicles on multiple platforms and therefore do not consider a particular platform to be dominant.

5.5 ***Question 5: Is there any other aspect to the adoption and use of online platforms, the dynamics between online platforms and other sales channels or the identity and power of leading platforms that you deem relevant to the Inquiry?***

- 5.5.1 As indicated above, it is important to note that supply and demand for motor vehicles exist independently of online intermediation channels and that the majority of automotive purchases and sales are still, predominantly, concluded through in-person sales. Therefore, although consumers make use of online intermediation platforms to search for vehicles, the online intermediation platforms have a very limited impact on the overall automotive marketplace and the volume and value of transactions that take place.
- 5.5.2 Online intermediation platforms in the motor vehicle sector are therefore not only constrained due to the number of competitors in the sector and the countervailing power of business users who have the ability to switch between online multiple platforms, but also by businesses (dealers) facilitating sales through their own online platforms or through other forms of marketing and the fact that sales still predominantly take place through in-person engagements with dealers.
6. **Scope item 2: Evaluate whether any market features, platform conduct and/or contracts and terms of use with business users and consumers are likely to have the effect of raising barriers to entry and reducing competition amongst platforms domestically. These include, but are not limited to, MFN or price parity clauses, exclusive contracting, loyalty incentives, conglomerate leveraging (incl. data and advertising) and predation**
7. **Scope item 3: Evaluate other barriers to entry and expansion by rival platforms, including but not limited to network effects, capital costs and consumer marketing costs**
- 7.1 **Question 1: Explain the business model of the platform, including but not limited to:**
- 7.1.1 **a. The value proposition for consumers and business users**
Please refer to Cars' submission dated 30 June 2021.
- 7.1.2 **b. How it generates revenues and what the major cost items are**
- 7.1.3 Please refer to Cars' submission dated 30 June 2021, specifically Annexure A.2.⁵ and Item 5 under the heading "B. Platform performance information"
- 7.1.4 **c. How the platforms initially seek to build both the consumer and business side, incl. subsidisation and investment strategies.**
- 7.1.4.1 Please refer to Cars' submission dated 30 June 2021, specifically Item 5, Item 9, Item 10 and Item 11 of the submission.
- 7.1.4.2 [CONFIDENTIAL]
- 7.1.4.3 [CONFIDENTIAL]

⁵ Annexure A.2. is confidential and not for publication.

7.2 **Question 2: What are the barriers to entering online intermediation platform markets?**

7.2.1 Entering the online intermediation platform space requires an investment in technology (i.e. the platform itself), as well as investments in consumer marketing, and marketing selling and on-boarding of business users in order to attract a sufficient critical mass on both sides of the platform.

7.2.2 This will require initial capital funding as well as funding until the platform reaches break-even point or is profitable.

7.2.3 **a. What barriers do new entrants face which the platforms that launched first may not have faced?**

7.2.3.1 As with any new entrant in any market, the main challenge would be to attract business users away from the 'older' platforms. However, in the automotive space, in Cars' experience, most business users are willing to make use of multiple platforms, and are willing to switch platforms readily if the right offering is available. New entrants of course do not have the benefit of scale which is attractive to business users, however, give the fast pace at which online channels grow, achieving scale is not insurmountable if the right investments are made.

7.2.3.2 Investments in marketing is, in Cars' view, critical for any new entrant. Older players already have an advertising presence so new entrants may need to spend more on marketing. In addition, given the dependency on Google Search for consumer marketing, the effective marketing cost may increase as more players enter the market, however this holds true for all participants within that market.

7.2.3.3 Lastly, new entrants may need to invest more in technology upfront, compared to existing platforms who have had several years to build their platforms. Although with the advancements in technology, they may well have the benefit of the latest innovations without having to go through multiple iterations.

7.2.4 **b. What elements of the platform can be purchased from third-parties (e.g. cloud computing, distribution & logistic services) and what is required to be owned and offered by the platform itself?**

7.2.4.1 Please refer to Cars' submission dated 30 June 2021, specifically the responses to Item 15 and Item 17.

7.2.4.2 [CONFIDENTIAL]

7.2.4.3 The approach may vary from platform to platform depending on the platform's business model and needs.

7.3 **Question 3: What are the barriers to expanding the platform once established to reach profitability and a critical mass of online transactions**

Please see response to Question 2 above. In Cars' view, the same points apply here.

7.3.1 **a. What number of users and transactions represent critical mass for the platform?**

7.3.1.1 Please refer to Cars' submission dated 30 June 2021, specifically the responses under the heading "Platform performance information", and Annexure B.3.⁶ to the submission.

7.3.1.2 In Cars' view, it is difficult to determine an exact number of users that represent critical mass for the platform, as critical mass is dependent on a number of variables, including the platform's business model, the different type of business users and consumers that make use of the platform, and the respective contributions of each of these categories.

7.3.1.3 [CONFIDENTIAL]

7.3.1.4 [CONFIDENTIAL]

7.3.1.5 [CONFIDENTIAL]

7.3.2 **b. What costs are scalable with the operation and what costs are fixed?**

7.3.2.1 Please refer to Cars' submission dated 30 June 2021, specifically the responses under the heading "Platform performance information", Item 5 and Annexure B.3 (page 11 and 19 - 21).⁷

7.3.2.2 [CONFIDENTIAL]

7.3.2.2.1 [CONFIDENTIAL]

7.3.2.2.2 [CONFIDENTIAL]

7.3.2.2.3 [CONFIDENTIAL]

7.3.2.3 [CONFIDENTIAL]

7.3.2.3.1 [CONFIDENTIAL]

7.3.2.3.2 [CONFIDENTIAL]

7.3.2.3.3 [CONFIDENTIAL]

[CONFIDENTIAL]

7.3.3 **c. What level of investment is required to bring the platform to critical mass and in what areas is investment required?**

7.3.3.1 As outlined above, any new online intermediation platform requires an investment in technology (the platform itself), as well as investments in

⁶ Annexure B.3. is confidential and not for publication.

⁷ Annexure B.3. is confidential and not for publication.

consumer marketing and marketing, selling and on-boarding of business users, in order to create the so-called network effect.

- 7.3.3.2 It is difficult to determine the exact level of investment required, as this would be impacted by the market in which the platform operates, the number of other players in the market and as well as the timing of entry into the market.
- 7.4 **Question 4: Have any late entry platforms expanded to reach critical mass and become effective competitors to the initial established platforms? If so, please list these.**
- 7.4.1 Cars cannot comment on whether any other platforms have reached critical mass.
- 7.4.2 However, as noted under Question 3, the Cars platform entered the market after *Autotrader*, *Carfind* and *Surf4Cars* and grew to scale (in terms of stock listed on the platform). Other platforms such as *Gumtree* and *OLX* may also have achieved critical mass, particularly given the number of vehicles listed on these platforms.
- 7.5 **Question 5: Have any online intermediation platforms attempted to enter the market but were unsuccessful in the past three years? If so, please list these.**
- Cars is not aware of any entrants in the motor vehicle online intermediation space who have entered the market and who have been unsuccessful in the past three years.
- 7.6 **Question 6: To what extent do (i) consumers and (ii) business users make use of multiple platforms for the relevant good, service or software?**
- 7.6.1 Please refer to Cars' submission dated 30 June 2021, specifically responses under Item 9. Based on market research undertaken by Cars, it appears that consumers tend to use multiple online platforms when conducting research and comparing vehicles across dealerships.
- 7.6.2 Cars' also understands that many business users make use of multiple platforms to reach consumers.
- 7.6.3 **a. If yes, do (i) consumers and (ii) business users limit their use primarily to a few platforms only, and do they tend to utilise mostly one?**
- 7.6.3.1 Other than the responses contained in the Cars' submission dated 30 June 2021, Cars does not know the detail of whether consumers or business users gravitate towards a few particular platforms, although it is aware that many users make use of multiple platforms [CONFIDENTIAL].
- 7.6.4 **b. What drives these patterns of platform usage by (i) consumers or (ii) businesses?**
- 7.6.4.1 Please refer to Cars' submission dated 30 June 2021, specifically the responses under Item 9.

7.6.4.2 [CONFIDENTIAL]

7.6.4.2.1 [CONFIDENTIAL]

7.6.4.2.2 [CONFIDENTIAL]

7.6.4.2.3 [CONFIDENTIAL]

7.6.4.3 [CONFIDENTIAL]

7.7 **Question 7: What are the critical success factors in attracting more consumers to the platform and converting them from trial to ongoing and loyal use?**

7.7.1 Please refer Item 9 of Cars' submission dated 30 June 2021.

7.7.2 [CONFIDENTIAL]

7.7.3 [CONFIDENTIAL]

7.7.3.1 [CONFIDENTIAL]

7.7.3.2 [CONFIDENTIAL]

7.7.3.3 [CONFIDENTIAL]

7.7.4 **a. What are the challenges faced by new platforms in attracting and/or converting consumers and how do these challenges differ to those faced by the early platforms entrants that launched first?**

7.7.4.1 In Cars' view, the marketing investment required from new entrants is probably the biggest expense since 'older' platforms already have an advertising presence and a degree of brand loyalty. In addition, given the dependency on *Google* Search for consumer marketing, the effective marketing cost may increase as more players enter the market. However, as noted above, this applies to all participants seeking to engage in this type of marketing.

7.7.4.2 Related to the marketing element is the fact that new entrants also have to build a sufficient level of quality stock (vehicles) to list on its platform. This will require new entrants to attract business users for listings which can be marketed to consumers. Existing players may already have existing relationship with business users, although, as noted above, business users are amenable to making use of multiple motor vehicle online platforms in order to generate as many leads as possible.

7.7.4.3 Lastly, new entrants may need to invest more in technology upfront, compared to existing platforms who have had several years to build their platforms.

7.7.5 **b. Is there any conduct (incl. terms of use) of the leading platforms that increases the difficulty of other platforms in attracting and/or converting consumers? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?**

No. Cars is not aware of any conduct on the part of the online platforms that increases the difficulty of other platforms in attracting or converting consumers. As noted above, business users and consumers make use of multiple online platforms to list and browse vehicles.

- 7.7.6 ***c. Is there any conduct (incl. terms of use) of platforms that limits the basis for competition between platforms for consumers on any parameter of relevance to consumers (e.g. product range, service levels, prices)? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?***

No. Cars is not aware of any conduct of platforms that limits the basis for competition between platforms for consumers.

- 7.8 ***Question 8: What are the critical success factors in attracting business users to the platform and converting them from simply having a presence to expanding sales through the platform?***

- 7.8.1 Please refer to the responses under the heading "Relationship with business users" in Cars' submission of 30 June 2021.

- 7.8.2 [CONFIDENTIAL]

- 7.8.3 [CONFIDENTIAL]

- 7.8.3.1 [CONFIDENTIAL]

- 7.8.3.2 [CONFIDENTIAL]

- 7.8.4 ***a. What are the challenges faced by new platforms in attracting and/or converting businesses and how do these differ to those faced by the platforms that launched first/early?***

Please refer to the responses under Question 3 and Question 7 above.

- 7.8.5 ***b. Is there any contracting or conduct of the leading platforms that increases the difficulty in attracting and/or converting businesses? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?***

No. Cars is not aware of any conduct that increases the difficulty in attracting and/or converting businesses.

- 7.8.6 ***c. Is there any conduct (incl. terms of use) of platforms that limits the basis for competition between platforms for businesses on any parameter of relevance to business users (e.g. product range, service levels, prices)? If so, what is the rationale for the conduct, does it provide benefits to businesses or consumers, and is it essential for the business model?***

No, we are not aware of any conduct of platforms on the part of online platforms that limits the basis for competition between platforms for businesses.

- 7.9 ***Question 9: Do any of the platforms hold a portfolio of online businesses, and if so, does that portfolio provide them with any advantages relative to single***

platform entrants (e.g. on consumer data, marketing, consumer loyalty, business user loyalty)?

7.9.1 ***a. If so, explain why it constitutes an advantage and whether it can be replicated by other platforms.***

7.9.1.1 Please refer to Cars' submission dated 30 June 2021, specifically Annexure A.1.⁸ Cars does not hold a portfolio of online businesses.

7.9.1.2 Cars is aware that other platforms such as *Autotrader*, *Gumtree* and *OLX* have a portfolio of other online products or offerings and/or belong to a broader group offering other products and/or services. Cars cannot comment on extent to which this presents certain advantages, but depending on the scope of businesses involved there may be benefits to be obtained through economies of scale, access to marketing channels and/or joint marketing and the potential for sharing consumer data across platforms.

7.9.1.3 As with any group of companies operating a portfolio of businesses, there may be scale and efficiency advantages, as they may be able to leverage their existing technology, consumer data and portfolios to reduce the level of initial and ongoing capital investment required, and spread this across their operations.

7.10 ***Question 10: Do any of the platforms have promotional arrangements with other businesses such as discounts or special deals to their customers?***

7.10.1 ***a. If so, explain what arrangements exist, the rationale for the arrangement, the benefits to the platform and whether it hinders other platforms from securing customers or business users.***

Please refer to Cars' submission dated 30 June 2021. Cars does not enter into promotional arrangements with other businesses. Cars cannot comment on the business practices of other online intermediation platforms.

7.11 ***Question 11: In general, what has been the experience of smaller South African online intermediation platforms competing with established platforms in South Africa?***

Please refer to the responses to above (see Scope Item 1, Question 3 and Scope Item 2 and 3 and the responses to Questions 2, 4, 5, 7 and 8).

7.12 ***Question 12: Are there any other market features or leading platform conduct which increase barriers to entry for new platforms and/or limit competition between platforms not covered in the answers to the questions above?***

No. In Cars' view all relevant market features have already been discussed above.

8. ***Scope item 4: Evaluate whether platform conduct, contracts, prices and terms of use with business users are discriminatory or unfair, and the likely effect thereof on consumer choice, competition amongst business users and the participation of***

⁸ Annexure A.1. is confidential and not for publication.

SMEs and HDP owned firms. This includes, but is not limited to, the existence of self-preferencing conduct, discriminatory pricing, promotional or pricing restrictions, inflated access pricing and access to / use thereof of business user transaction data

8.1 **Question 1: Does the platform, or companies owned by the platform, also offer goods or services or software in competition with other business users on the platform? If so, identify them.**

8.1.1 No. Cars or any related company does not sell its own goods, services or software over the Cars.co.za platform. It does however, through a different platform or online shop, www.sentimetal.shop, sell classic automotive-related merchandise such as apparel, books, scale model cars, etc. These products are aimed at motoring enthusiasts. The platform/shop is located at a separate IP address to Cars.co.za. In addition to having a separate website, it has its own dedicated social media channels to drive traffic to the website.

8.1.2 Please refer to Item 17 of Cars' submission dated 30 June 2021 response.

8.2 **Question 2: Are all platform terms and conditions, including commissions and fees, applied uniformly across all business users operating on the platform (including those with an ownership stake of the platform itself)? If not:**

Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.2.1 **a. Which platform terms and conditions are not uniform or are negotiable?**

Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.2.2 **b. Indicate what factors influence any variation in the terms across business users and the reasons for the variation.**

Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.2.3 **c. What impact, if any, does the variation in terms and conditions across business users have on those business users with less favourable terms.**

Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.3 **Question 3: Do any of the platform terms and conditions place restrictions on the pricing of the business user on the platform itself, or how they price or operate on other platforms or in other sales channels? If so:**

No. Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.3.1 **a. What is the rationale for those terms and conditions, and are they essential for the successful operation of the platform?**

Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.3.2 ***b. What impact, if any, does this have on competition amongst business users or between sales channels?***

8.3.3 Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.4 ***Question 4: Are the platform's terms and conditions operated in a consistent and fully transparent manner? If not:***

Yes. The Cars platform's terms and conditions are operated in a consistent and fully transparent manner. Please refer to Cars' submission dated 30 June 2021, specifically the responses to Items 12 to 14, Item 16 and Item 18.

8.4.1 ***a. Identify those aspects of the platform operation which are not fully transparent or consistently applied.***

As noted above. The Cars platform's terms and conditions are operated in a consistent and fully transparent manner.

8.4.2 ***b. What are the reasons for the lack of transparency or inconsistent application?***

As noted above. The Cars platform's terms and conditions are operated in a consistent and fully transparent manner.

8.4.3 ***c. What impact does this have on business users or a class of business users?***

8.4.4 As noted above, the Cars platform's terms and conditions are operated in a consistent and fully transparent manner.

8.5 ***Question 5: Do you consider the platform terms and conditions to be fair to business users or a class of business user (e.g. SMEs), or are some considered unfair and are the subject of complaints? Unfairness is typically defined to include those terms or conditions which unreasonably transfer risks or costs onto business users; are one-sided in favour of the platform; are onerous or not proportionate (or related) to the objective of the clause.***

Yes. Cars is of the view that the platform's terms and conditions are fair to all business users and have received very few complaints regarding the platform's terms and conditions.

8.5.1 ***a. For those terms and conditions subject to complaints or considered unfair, provide reasons why you consider them unfair or not.***

As noted above, Cars is of the view that the platform's terms and conditions are fair to business users.

8.5.2 ***b. Are any of these terms and conditions essential to the success of the platform in their current form?***

As noted above, Cars is of the view that the platform's terms and conditions are fair to business users.

8.6 **Question 6: Do you consider the fees or commissions levied by the platform to be fair or not? Provide reasons for your view.**

Yes. Cars is of the view that the fees levied by the platform are fair. In this regard, please refer to Cars' submission dated 30 June 2021, specifically the response under the heading "Relationship with Business Users", Item 12 and Item 13.

8.7 **Question 7: Are there any other aspects of the platform conduct or terms of use with business users that you consider discriminatory or unfair, or which impact negatively on consumer choice, competition amongst business users and the participation of SMEs and HDP owned firms? Please explain.**

No. Cars does not consider any aspects of the platform's conduct or terms of use discriminatory or unfair.

9. **Scope item 5: Evaluate whether the ranking algorithms used by platforms, including any pay for position or promotional opportunities, negatively impact competition on the merits, consumer choice and/or the participation of SMEs and HDP owned business users**

9.1 **Question 1: How important is ranking highly on the online intermediation platforms 'search' function and/or featured/promotional displays to the discoverability and sales of a business user's good, service or software product? Where applicable, provide evidence or experience of increased click throughs or sales associated with better ranking or featured displays.**

9.1.1 There are several factors that could impact on the performance (views and leads generated) of vehicle listings, other than the search ranking or whether the listing is a featured display or not, including the make & model, region and price bracket of the vehicle.

9.1.2 From Cars' perspective, importantly, featured displays (referred to as "Premium" listings) are not displayed at the top of the search results, unless it qualifies as the top listing based on the consumer's sorting choice.

9.1.3 [CONFIDENTIAL]

9.2 **Question 2: How transparent is the operation of search ranking to a) consumers and b) business users?**

9.3 The operation of the search ranking on the Cars platform is transparent to both consumers and business users.

9.4 [CONFIDENTIAL]

9.5 Please also refer to Cars' submission dated 30 June 2021, specifically the responses to Item 20 and Annexure E.3.⁹

⁹ Annexure E.3. is confidential and not for publication.

- 9.5.1 ***a. Where applicable, provide the factors that determine the search ranking or featured displays in order of importance, and the rationale for the choice of these criteria.***
- 9.5.1.1 Please refer to Cars' submission dated 30 June 2021, specifically the responses to Item 20 and Annexure E.3.¹⁰
- 9.5.1.2 By default, stock (vehicles) are sorted by price (low to high). However, this can also be set to have the 'Most Recent' listing as the default sort.
- 9.5.1.3 The search ranking and featured displays is ultimately determined by the consumer based on the sorting options selected. There are a number of other sorting options available to the consumer that will determine the ranking of the listings on the platform.
- 9.5.1.4 As noted above, featured displays are not displayed at the top of the search results, unless it qualifies as the top listing based on the consumer's sorting choice.
- 9.5.2 ***b. Outline any consumer or efficiency benefits associated with these criteria over others.***
- 9.5.2.1 In Cars' view, the majority of consumers researching used vehicles are price sensitive and therefore ranking search results by price (low to high) is efficient for the consumer.
- 9.5.2.2 The second potential default ranking (Most Recent) ensures that the consumer view stock (vehicles) recently loaded onto the platform, and that are therefore likely to still be available.
- 9.5.2.3 The consumer is also provided with a number of other sorting options, depending on their own requirements.
- 9.5.2.4 Please also refer to Cars' submission dated 30 June 2021, specifically the responses to Item 20 and Annexure E.3.¹¹
- 9.6 ***Question 3: What are the means for business users to impact on their search ranking and generate featured displays?***
- Search Ranking:
- 9.6.1 As outlined above, by default, stock (vehicles) are sorted by price (low to high), although there are ways to enter the search where 'Most Recent' is the default sort.
- 9.6.2 Business users can therefore influence their search ranking by ensuring their stock listings are complete (i.e. all relevant information has been captured), regularly updated and that their vehicles are priced competitively.

¹⁰ Annexure E.3. is confidential and not for publication.

¹¹ Annexure E.3. is confidential and not for publication.

Featured Display:

- 9.6.3 A business user can only generate a featured display through a Premium package. In this regard, please refer to Cars' submission dated 30 June 2021, specifically the responses under Item 13 and Annexure D.3.¹²
- 9.6.4 ***a. What means do not require payments and to what extent do these means improve ranking or featured/promotional displays?***
- 9.6.4.1 As outlined above, business users can influence their search ranking by ensuring their stock listings are complete (i.e. all relevant information has been captured), updated regularly and that their vehicles are priced competitively.
- 9.6.4.2 A business user can only generate a featured display through a Premium package. In this regard, please refer to Cars' submission dated 30 June 2021, specifically the responses under Item 13 and Annexure D.3.¹³
- 9.6.5 ***b. For means that involve a payment, indicate the prevalence of pay-for-position or featured listing payments on the relevant platform i.e. how many positions on the first page involve payment, what proportion of business users make use of these and what proportion of revenue does this generate.***
- 9.6.5.1 [CONFIDENTIAL]
- 9.6.5.2 As outlined above, featured displays (referred to as "Premium" listings) are not displayed at the top of the search results, unless it qualifies as the top listing based on the consumer's sorting choice. Therefore, the number of featured listings on the first page can differ depending on the search criteria and ranking applied by the consumer.
- 9.6.6 ***c. What is the extent of SME or HDP-owned firms making use of the different means to improve ranking or featured displays, particularly those requiring payment?***
- 9.6.6.1 In 2020, Cars launched the Flexi package, with the aim of providing market access to small, independent dealers. These include dealers controlled by historically disadvantaged persons. In this regard, please refer to Cars' submission dated 30 June 2021, specifically Item 21.
- 9.6.6.2 [CONFIDENTIAL]. However, not all SME or HDP-owned firms necessarily make use of the Flexi package. Unfortunately, Cars is unable to comment on the SME or HDP status of all business users on the platform.
- 9.6.7 ***d. How essential is the pay-for-position for the business users and for platform sustainability?***

¹² Annexure D.3. is confidential and not for publication.

¹³ Annexure D.3. is confidential and not for publication.

Please refer to responses under Question 1 and 3.b above.

9.7 **Question 4: Are there any features of the search ranking or featured display system that are likely to hinder consumers making optimal choices in their best interests? Please explain.**

Cars does not understand there to be any features of its search ranking or featured display system that hinders consumers in their decision-making process. To the contrary, its search features are aimed at supporting the consumer and assisting in making the best choices. Consumers have several different options to "filter" and then to "rank" results. In this regard, please also refer to Cars' submissions of 30 June 2021, specifically Item 20 and Annexure E.3.¹⁴

9.8 **Question 5: Are there any features of the search ranking or featured display system likely to disadvantage SME or HDP-owned business users directly or indirectly? Please explain.**

9.8.1 As outlined above, business users can influence their search ranking by ensuring their stock listings are complete (i.e. all relevant information has been captured), regularly updated and that their stock is priced competitively. In Cars' view, this is the main mechanism to ensure that business listing feature in search results. This does not disadvantage any business user.

9.8.2 In terms of featured displays, SME or HDP-owned businesses that may still be relatively small in size may not always be able to pay for a Premium package. Although, as noted above, Premium package listings are not displayed at the top of the search results, unless it qualifies as a top listing based on the consumer's sorting choice. Therefore, the number of featured listings on the first page can differ depending on the search criteria and ranking applied by the consumer, and does not necessarily disadvantage SME's, HDPs or other businesses not on the Premium package.

9.8.3 **[CONFIDENTIAL]**

9.9 **Question 6: Are there any features of the search ranking or featured display system likely to disadvantage South African business users directly or indirectly relative to global brands or business users from other countries? Please explain.**

Not applicable. The Cars platform is based in South Africa and all business users (dealerships) making use of the platform are also based in South Africa.

9.10 **Question 7: Are there any features of the search ranking or featured display system likely to disadvantage business users directly or indirectly relative to goods, services or software supplied by the platform itself in competition with third party business users? Please explain.**

Not applicable. Neither Cars nor any related company sells its own goods, services or software over the Cars.co.za platform, apart from its online shop,

¹⁴ Annexure E.3. is confidential and not for publication.

www.sentimetal.shop, which sells classic automotive-related merchandise such as apparel, books, scale model cars, etc.

10. **Scope item 6: Evaluate any other barriers to entry into online commerce for SMEs and HDP owned firms, including but not limited to marketing costs, technological and product challenges**

10.1 **Question 1: In respect of the platform that is the subject of this submission, indicate what has been the experience and challenges of SME and/or HDP-owned businesses in:**

10.1.1 **a. Listing on online intermediation platforms;**

Cars cannot comment on the experiences of SME and/or HDP owned businesses specifically. However, Cars launched the Flexi package in 2020 [CONFIDENTIAL]. This package therefore aims to improve the ability of smaller businesses to make use of the platform.

10.1.2 **b. Generating exposure and sales on the platform once listed; and**

Cars cannot comment on the experiences of SME and/or HDP owned businesses specifically. Cars notes however that dealerships utilising the Flexi package are afforded the same opportunity in terms of exposure to prospective buyers.

10.1.3 **c. The extent of support offered by the platform to SMEs and HDP-owned firms specifically in onboarding and generating sales.**

Cars cannot comment on the experiences of SME and/or HDP owned businesses specifically. Cars notes however that it provides a dedicated online support team to Flexi customers, providing insights as well as digital sales and advertising guides. Please refer to Cars' submission 30 June 2021, specifically Item 21 and Annexures D.7.¹⁵

10.2 **Question 2: In respect of platforms that offer access to a global customer base, indicate what has been the experience and challenges of South African businesses generally, and SME and/or HDP businesses specifically, in:**

10.2.1 **a. Listing on online intermediation platforms;**

Not applicable. The Cars platform is based in South Africa and all business users (dealerships) making use of the platform are also based in South Africa.

10.2.2 **b. Generating exposure and sales on the platform once listed; and**

Not applicable. The Cars platform is based in South Africa and all business users (dealerships) making use of the platform are also based in South Africa.

¹⁵ Annexure D.7. is confidential and not for publication.

- 10.2.3 ***c. The extent of support offered by the platform to SMEs and HDP-owned firms specifically in onboarding and generating sales, including relative to other countries.***

Not applicable. The Cars platform is based in South Africa and all business users (dealerships) making use of the platform are also based in South Africa.

- 10.3 ***Question 3: What are the benefits and challenges faced by SMEs and/or HDP-owned businesses in establishing an independent online presence?***

Cars cannot comment on the experiences of SME and / or HDP owned businesses.

- 10.4 ***Question 4: Provide any other comments on the challenges faced by SMEs and HDP-owned firms in establishing an online presence or South African businesses establishing a global online presence.***

Cars cannot comment on the experiences of SME and / or HDP owned businesses.

11. ***Scope item 7: Evaluate the extent to which the findings and any identified remedies in respect of core platforms are generalisable across online intermediation platforms***

12. ***Scope item 8: Determine appropriate remedies where an adverse effect on competition or the purposes of the Act are found as set out in section 43C(3) of the Act***

- 12.1 ***Question 1: Identify any market features which may hinder, impede or restrict competition in the online intermediation platforms that are the subject of the submission.***

Not applicable. Cars has not identified any market features which may hinder, impede or restrict competition in the online intermediation platforms relevant to motor vehicles.

- 12.1.1 ***a. Identify whether such features are market-wide (i.e. do all platforms in the same line of business exhibit these features) or limited to certain platforms only (e.g. such as those platforms with market dominance).***

Not applicable. Cars has not identified any market features which may hinder, impede or restrict competition in the online intermediation platforms relevant to motor vehicles.

- 12.1.2 ***b. If market-wide, identify if the adverse effect of such features applies to all online intermediation platforms or is limited to certain platforms only, such as those with dominance.***

Not applicable. Cars has not identified any market features which may hinder, impede or restrict competition in the online intermediation platforms relevant to motor vehicles

- 12.1.3 ***c. In your experience, do these market features apply to online intermediation platforms other than those which are the subject of this submission.***

Not applicable. Cars has not identified any market features which may hinder, impede or restrict competition in the online intermediation platforms relevant to motor vehicles.

12.2 **Question 2: Identify any market features which may undermine the purposes of the Act (set out in paragraph 3 of the introduction) in online intermediation platforms that are the subject of the submission.**

Not applicable. Cars has not identified any market features which may undermine the purposes of the Act.

12.2.1 **a. Identify whether such features are market-wide (i.e do all platforms in the same line of business exhibit these features) or limited to certain platforms only (e.g. such as those platforms with market dominance).**

Not applicable. Cars has not identified any market features which may undermine the purposes of the Act.

12.2.2 **b. If market-wide, identify if the adverse effect of such features applies to all online intermediation platforms or is limited to certain platforms only, such as those with dominance.**

Not applicable. Cars has not identified any market features which may undermine the purposes of the Act.

12.2.3 **c. In your experience, do these market features apply to online intermediation platforms other than those which are the subject of this submission.**

Not applicable. Cars has not identified any market features which may undermine the purposes of the Act.

12.3 **Question 3: Where any potential adverse effect on competition has been identified for the online intermediation platforms that are the subject of this submission, provide a recommendation as to an appropriate remedy or suite of remedies that directly addresses the concern identified.**

12.4 Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

12.4.1 **a. Provide reasons why the remedy is likely to successfully address the concern.**

Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

12.4.2 **b. Identify if there are likely to be any potential unintended consequences from imposing the remedy.**

Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

- 12.5 **Question 4: Where any potential adverse effect on the purposes of the Act (set out in paragraph 3 of the introduction) has been identified for the online intermediation platforms that are the subject of this submission, provide a recommendation as to an appropriate remedy or suite of remedies that directly addresses the concern identified.**

Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

- 12.5.1 **a. Provide reasons why the remedy is likely to successfully address the concern.**

Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

- 12.5.2 **b. Identify if there are likely to be any unintended consequences from imposing the remedy.**

Not applicable. Cars has not identified any potential adverse effects on competition in relation to online intermediation platforms relevant to motor vehicles.

13. **Submissions as to the scope and issues**

- 13.1 **Question 1: Are there any additional areas of inquiry into online intermediation platforms not contained in the Terms of Reference that you believe are important for the Inquiry to cover as part of its work. If so, identify the specific area of inquiry or issue and the reasons why the Inquiry should include it in the scope.**

At this stage there are no additional issues which Cars believes should be included in the scope of the Inquiry, given the broader nature thereof.

- 13.2 **Question 2: Are there any other features of online intermediation platforms and the participation of business users on those platforms in South Africa of relevance to the Inquiry and which has not been traversed in the questions above? If so, please provide details as to the feature and the relevance for the Inquiry.**

At this stage, there are no further features which Cars believes has not been traversed in the questions above or its response to Inquiry's request for information.

- 13.3 **Question 3: Are there any other submissions the stakeholder would like to make of a general nature?**

- 13.3.1 There are no further issues with Cars wishes to raise at this stage. However, Cars reserves its rights to make any further submissions should it become necessary in the context of the Inquiry or otherwise.

13.3.2 Cars remains available to address any questions or queries the Inquiry may have in respect of its submissions.

Yours sincerely

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