BY EMAIL

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Online Intermediation Platforms Market Inquiry
The Competition Commission
The DTI Campus
Mulayo (Block C)
77 Meintjies Street
Sunnyside
Pretoria

Dear Noluthando

RE: REQUEST FOR INFORMATION BY THE ONLINE INTERMEDIATION PLATFORM MARKET INQUIRY

1.   **INTRODUCTION**

1.1   We refer to the above matter and, more specifically, the Competition Commission's (the **Commission**) letter dated 21 May 2021 (the **RFI**).

1.2   We act on behalf of Jade E-Services South Africa (Pty) Ltd trading as Zando.

1.3   The purpose of this letter is to respond to the Commission's questions presented in the RFI. For ease of reference, we have sought to follow the format of the questions in the RFI.

2.   **RESPONSE TO COMMISSION'S RFI**

2.1   **Background and business activities**

2.1.1   **If your company operates multiple businesses, provide the most recent organogram depicting the companies directly and indirectly controlled by your parent company and all its subsidiaries.**

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2.1.2   **Indicate if your company or related operating companies are owned and controlled by Historically Disadvantaged Persons ("HDPs").**

Not applicable.

2.1.3   **Briefly describe the platform business and how it is positioned relative to other platform businesses.**

2.1.3.1   Zando forms part of the Jumia Group. It was founded in 2012 and has since established itself as one of South Africa's leading online fashion stores. The Zando platform allows consumers to shop via desktop, mobile or native apps.

2.1.3.2   Zando currently stocks approximately 600 fashion brands. The brands are split across the Apparel, Footwear, Homewear, Kids, Beauty and Sports categories. They are sourced by outright buying, consignment or via the local and global marketplace. Zando provides for three business models in the manner that it sources and distributes its products:

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2.2   **Platform Performance information**

2.2.1   **Provide the most recent audited annual financial statements (AFS) for the South African operations of your platform business. If the AFS cover a number of businesses then provide the management accounts for the South African platform business alone.**

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2.2.2   **To the extent that it is not contained in the AFS, provide a detailed financial breakdown of both revenue sources and operational costs of the platform for the most recent financial year (April-March Basis, if not, indicate).**

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2.2.3 **Since the launch of the platform in South Africa, provide the following information for each year of operation:**

2.2.3.1 **Site traffic**

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2.2.3.2 **Number of active consumers**

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2.2.3.3 **Number of businesses on the platform**

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2.2.3.3.3 The businesses run entirely independent from zando.co.za and there is no sharing of customer databases or marketing across platforms.

2.2.3.4 **Number of transactions or leads generated on the platform.**

2.2.3.4.1 Please find a breakdown of the yearly transactions on the Zando platform from 2012 to May 2021 below:

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2.2.4 **Provide illustrative examples of any monthly management reports on key metrics used to track the performance of the platform. If no such reports exist, then provide a list of the key performance metrics that management uses to track the performance of the platform.**

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2.3 **Business Model**

2.3.1 **Provide investor or any other presentations that describe your company's current business and business model. If no investor presentations exist, provide internal documents describing the business model.**

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2.3.2 **Provide all internally and externally commissioned research and/or studies conducted in the past three years on the consumer side of the platform, the business user side of the platform and the market position of your platform relative to competitors.**

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2.3.3 **Provide copies of your company's latest marketing materials and presentations used in engagements with different types of potential business users of the platform.**

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2.3.4 **Provide copies of your company's latest marketing materials targeted at consumers.**

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2.4 **Relationship with Business users**

2.4.1 **Provide information on any segmentation of the business users on the platform used by your company.**

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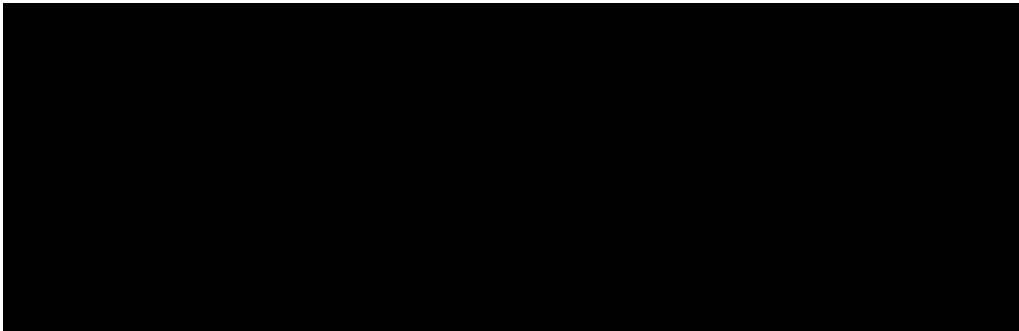████ ██

2.4.2 **Provide documentation or presentations sent to business users that provide a breakdown of all fees and commissions levied by the platform including any add-on services available (e.g. promotions, display prominence, search prominence, market intelligence, etc) and penalty fees.**

    2.4.2.1 **<u>Marketplace</u>**

    2.4.2.2 Account managers contact potential sellers and ensure, as an initial step, that they read this page: https://www.zando.co.za/sp-sell-online/. Account managers then send information about the business model to the potential sellers via email. The business model operates such that Zando takes a commission of between 15% and 20% on sales as well as a R30 delivery fee per order.

    2.4.2.3 Additional information about fees and commissions levied by the platform, including any available add-on services (e.g. promotions, display prominence, search prominence, market intelligence, etc) and penalty fees can be found in the Marketplace guidelines: https://new-sellercenter.zando.co.za/zando_local_operating_guidelines and https://new-sellercenter.zando.co.za/condition.

        Please see the table below for a breakdown of fees, commissions and penalty fees for the various services provided:

    2.4.2.4 ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮.

2.4.3 **Provide documentation on any criteria that must be met for business users to operate on the platform or to access certain features of the platform. If no such documentation exists, please describe the criteria that must be met.**

    2.4.3.1 The criteria varies for Marketplace, Marketplace Express and Retail. Below we set our details of the criteria for the different platforms:

Marketplace

2.4.3.1.1   In order for a business user to operate on the Marketplace platform, the Account Manager will first check: that the seller's assortment matches Zando's needs and requirements; that the pricing is relevant compared to other sellers and type of products; that the seller has sufficient assortment (minimum 10 products); and that the content (pictures and description) meets the following requirements:

(a)   that the user uses either mannequin/model and/or garment images;

(b)   that all images be placed on a grey background ranging from RGB values of 240; at a size of 8 Bit (RGB Mode) and that the image is cropped at 200mm x 200mm;

(c)   that the image is saved at 12 (highest) quality setting;

(d)   that the final dimensions are 1100 x 1375 pixels at 300dpi (equating to 9.31cm x 11.64cm at 300dpi);

(e)   that, if the image is a garment image, the product must have a 5mm gap from the frame;

(f)   that, if the image is a mannequin/model image, the following requirements must be met:

(i)   the mannequin/model must be straight-standing to ensures results that look mannequin-like;

(ii)   a white backdrop must be used and the model stand must be approximately 1.5m from the backdrop;

(iii)   the main light should come from the front and above right of the model, with a fill light on the front side left;

(iv)   the model's head and/or feet should touch the top of the image; and

(v)   the floor should be cleaned in Photoshop.

2.4.3.2   In addition, the Account Manager must ensure that the seller complies with the following South African Bureau of Standards (SABS) code of practice:

Labelling requirements

2.4.3.2.1   The label must be clearly visible, and no part of the information can be obscured. Furthermore, the trade name or trademark may precede or follow indication of fibre content, and the fabric or article must be appropriately labelled. Moreover, the information must be easily accessible to Zando when the product is sold or displayed.

Size of labels

2.4.3.2.2   The labels should either be woven or printed on satin. The size of the label should be 20mm x 90mm (total including fold) and should be of a suitable size and material so that the information is clearly legible. In addition, the label must withstand the appropriate cleaning treatment throughout the useful life of the product, and where the label is in direct contact with the wearer's body it must not cause irritation to the skin.

Application of labels or marking

2.4.3.2.3   The label must be: (i) securely attached to the article (i.e. as a sew-in label), (ii) attached to the packaging (iii) labelled on the packaging itself, or (iv) by swing-tag or sticker.

Naming and percentage sign

2.4.3.2.4   The label must either provide the generic name or the generic name and the trade name. In addition, the label must be in one or more of the official languages of South Africa. The percentage sign must either be symbolised by the % symbol or must use the word "percentage".

Products containing two or more fibres

2.4.3.2.5   Where a product contains different fibres that are sold together as a complete unit (i.e. two-piece suit or skirt with a bodice), the fibre content of each unit or component must be indicated. However, where a product contains the same fibre content and is sold as a complete unit (i.e. skirt and top) only one label or indication of fibre content is required.

Individual Sales Packaging and Article Numbers

2.4.3.2.6   The seller is required to deliver all individual articles in individual packaging (e.g. shoe boxes, polybags). The individual packaging must be unrestrictedly suitable for onward sale to end-consumers. In particular, this means that it must be undamaged and clean both on the outside and inside (e.g. tissue paper). The seller is further required to label the individual article with a clear article number. Such an article number only exists if the number refers to the individual article as homogeneously-sorted.

2.4.3.2.7   The colour code must be integrated into the article number. If the seller does not use different article numbers for different colours of an article, then the seller must state the colour in an additional way (other than by stating the specific colour). The article number must also be identical to the article number stated in the purchase order confirmation.

Prohibited

2.4.3.2.8   Within the Marketplace platform, there are various images that are prohibited. These include: images with part of the product for sale cropped by a frame edge; text, logos, borders, colour blocks, watermarks, or other graphics over the top of a product or in the background; images that show packaging, brand, or swing tags, except for stockings or socks; visible mannequins; images that do not match the product title; nudity or sexually-suggestive images; and images that are blurry, pixelated, or have jagged edges.

Marketplace Express

2.4.3.2.9   The seller must provide sufficient information and supporting documentation to fulfil a Know Your Customer (**KYC**) request. In this regard, a due diligence questionnaire is sent to the seller requesting such KYC documentation. The supplier must also adhere to the Inventory Guidelines and Delivery Guidelines set out in their contracts.

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Retail

2.4.3.2.11   The seller must provide sufficient information and supporting documentation to fulfil a KYC request. In this regard, a due diligence questionnaire is sent to the seller requesting such KYC documentation. The supplier must also adhere to the Inventory Guidelines and Delivery Guidelines set out in their contracts.

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2.4.4 **Provide documents describing the potential and/or new business users the onboarding process. If no such documents exist, please describe the onboarding process as described to potential and/or new business users.**

2.4.4.1 The onboarding process differs for Marketplace and for Retail/Marketplace Express:

Marketplace

2.4.4.2 The following steps must be followed for Marketplace:

Step 1: The business user registers on the following link: https://new-sellercenter.zando.co.za/user/signup/dostep/step/1 and fills out all mandatory fields (contact details, tax details, business registration details, ID);

Step 2: The business user verifies their account through their email address;

Step 3: The Account Manager contacts the business user and checks on all criteria described in D14 of the registration document;

Step 4: The Account Manager validates the creation of the account;

Step 5: The Account Manager offers a training session and provide guidelines for creating content and fulfilling orders. These are available at the following link: https://new-sellercenter.zando.co.za/zando_seller_center_guidelines;

Step 6: The business user creates products;

Step 7: The Account manager verifies the products so that they can go live; and

Step 8: The Products go live on Zando.

Retail/Marketplace Express (the first seven steps are the same for both Retail and Marketplace Express)

2.4.4.3 The following steps must be followed for Retail and Marketplace Express:

Step 1: A contract and KYC due diligence questionnaire (**DDQ**) is prepared by the Legal department and sent to the Key Account Manager (**KAM**);

Step 2: The KAM sends the contract and DDQ to the business user/seller/supplier;

Step 3: Once duly signed and completed, a copy is returned to the KAM who sends it on to the Legal Department;

Step 4: Legal will check for amendments and variations and negotiate further if need be;

Step 5: Legal will check that the DDQ is completed correctly and supporting documents are attached;

Step 6: If no amendments are necessary, the contract will be loaded for approval and signature through Zando's online contract management system, Hyperlex; and

Step 7: Zando's Chief Purchasing Officer will sign the contract through Hyperlex and a countersigned copy will be returned to the business userseller/supplier.

Retail

2.4.4.4 In addition to the above seven steps, the following steps must be followed for Retail:

Step 8: A commitment sheet of what Zando would like to buy from the brand is sent to them based on a catalogue with pictures and pricing;

Step 9: The **business** user/supplier then confirms what is available and Zando raises Purchase orders accordingly;

Step 10: When the delivery date approaches, the business user/supplier will make a booking to deliver the stock;

Step 11: Upon delivery, the stock is checked in and a sample is sent to studio, whereupon the item is photographed; and

Step 12: Once photographed and quality checked, the product is pushed live by the studio team.

<u>Marketplace Express</u>

2.4.4.5   In addition to the above seven steps, the following steps must be followed for Marketplace Express:

Step 8: The brand suggests what they would like to put in their 'store' on Zando;

Step 9: The Zando team look overs the suggestions and gives further suggestions on whether they agree with the number of units and styles, based on what is currently selling on the website;

Step 10: The business user/supplier then confirms what is available and either Zando or the business user/supplier loads the styles onto Sellercentre along with images of the product;

Step 11: Once the business user/supplier can deliver, a Send-to-Warehouse request is then raised;

Step 12: When the delivery date approaches, the business user/supplier will make a booking to deliver the stock;

Step 13: Upon delivery, the stock is checked in; and

Step 14: If no photograph of the item has been provided, a sample is sent to studio, whereupon the item is then photographed; and

Step 15: Once photographed and quality checked, the product is pushed live by the studio team.

2.4.5   **Provide the latest standard contracts and/or terms and conditions for business users on the platform. If these vary for different types of business user segments, provide examples for each business user segment.**

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2.4.5.1   **Does your company, or any related company, sell your own goods, services or software over your platform (Y/N)? If yes, describe the nature of goods/services/software sold or offered.**

Yes. Zando sells a private fashion label called Utopia. The product is sourced from China through a buying agent.

2.4.5.2   **Provide the platform terms and conditions, including fees and commissions, applicable for your own goods, services or software, as well as any add-on services used.**

The platform's terms and conditions are available at: https://www.zando.co.za/sp-terms-of-use. ██████████████████████████████████████ ████████████████ Moreover, there are no add-on services applicable.

2.5   **Suppliers to the platform**

2.5.1   **Provide the names and contact details of the ten largest and ten smallest suppliers to the platform in each broad product category, along with the value of any rebates or discounts provided by these suppliers.**

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2.5.1.2   ██ ████████████████████████████████████ This means that there is neither cost nor discount on the items relating to Marketplace or Marketplace Express.

2.5.2   **Do you have exclusive arrangements with any of your suppliers (Y/N)? If yes, identify the suppliers and products subject to exclusivity.**

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2.5.3   **Do you have any preferential arrangements with any of your suppliers for new product launches or promotions (Y/N). If yes, identify the suppliers and products subject to preferential arrangements and the nature of that arrangement.**

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2.6   **Relationship with Consumers**

2.6.1   **Provide the standard terms and conditions of use of the platform for consumers.**

The standard terms and conditions of use are available at the following link: https://www.zando.co.za/sp-terms-of-use/.

2.6.2   **Provide the marketing plan of the company in respect of consumers, including the marketing budget and distribution of marketing spend by channel for the past financial year. If no formal plan exists, provide the marketing spend by different channels for the past financial year.**
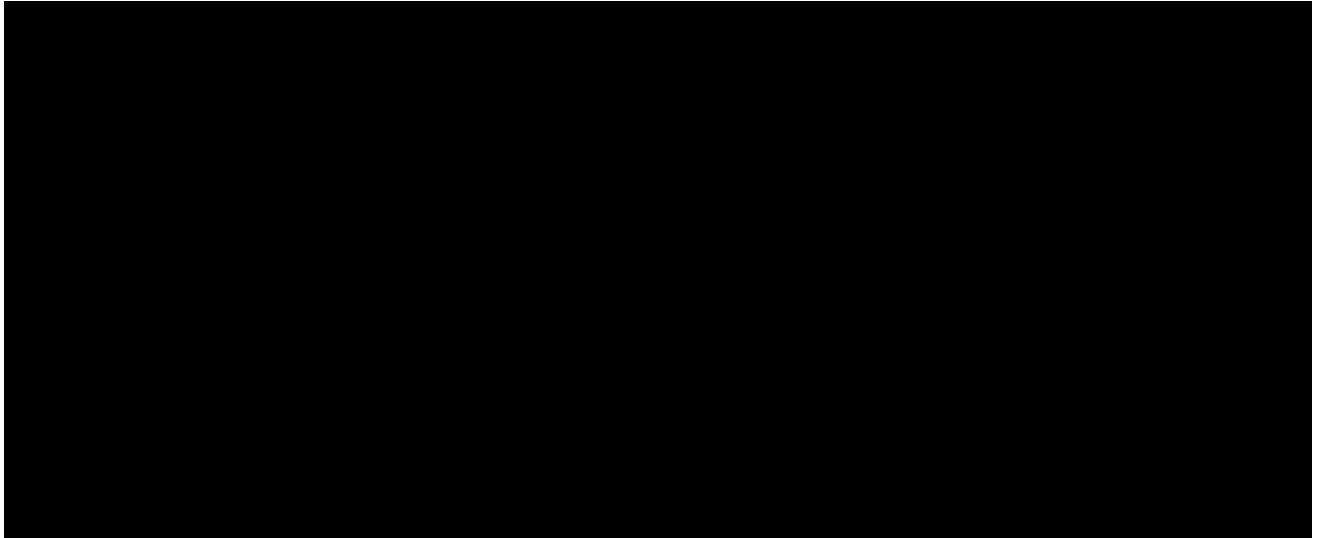
2.6.2.1   Please find the 2021 marketing budget below:

2.6.2.2   Please find the 2020/01 - 2021/05 spend by channel budget below:
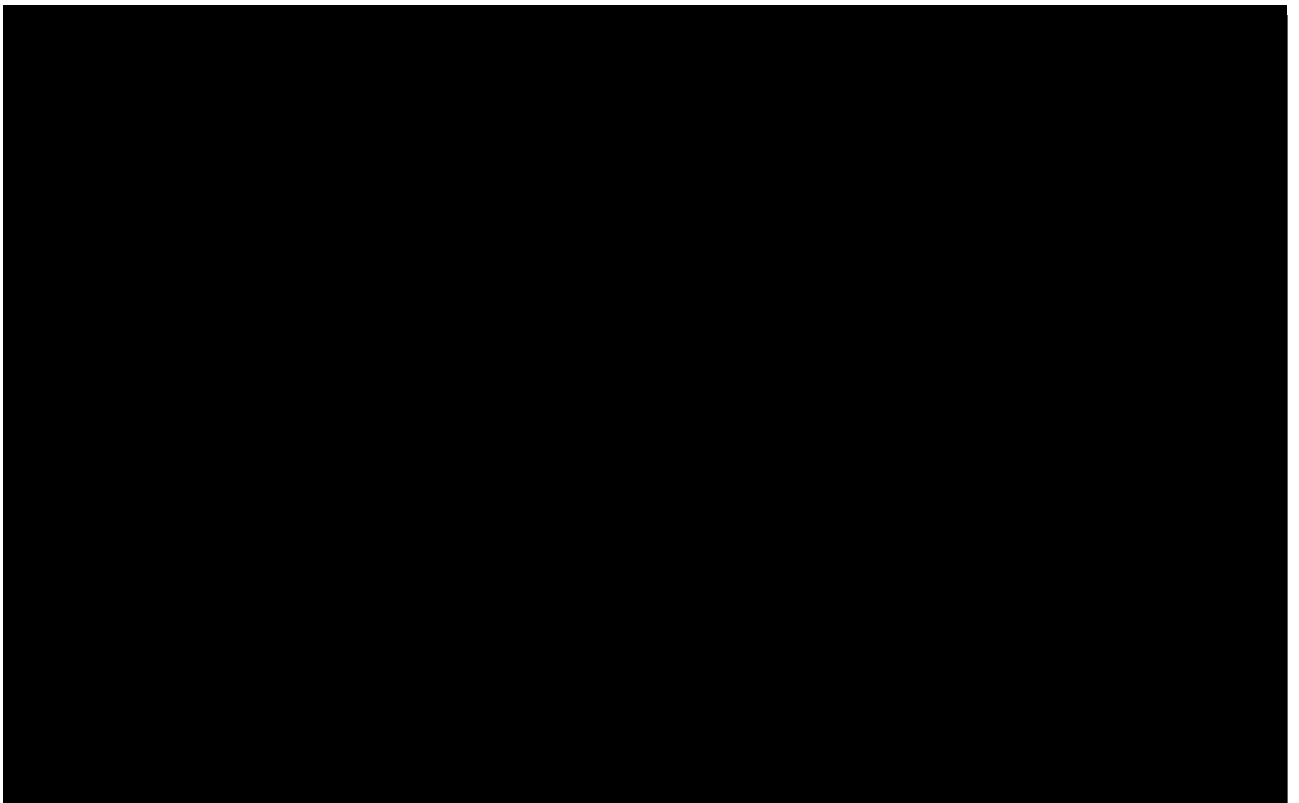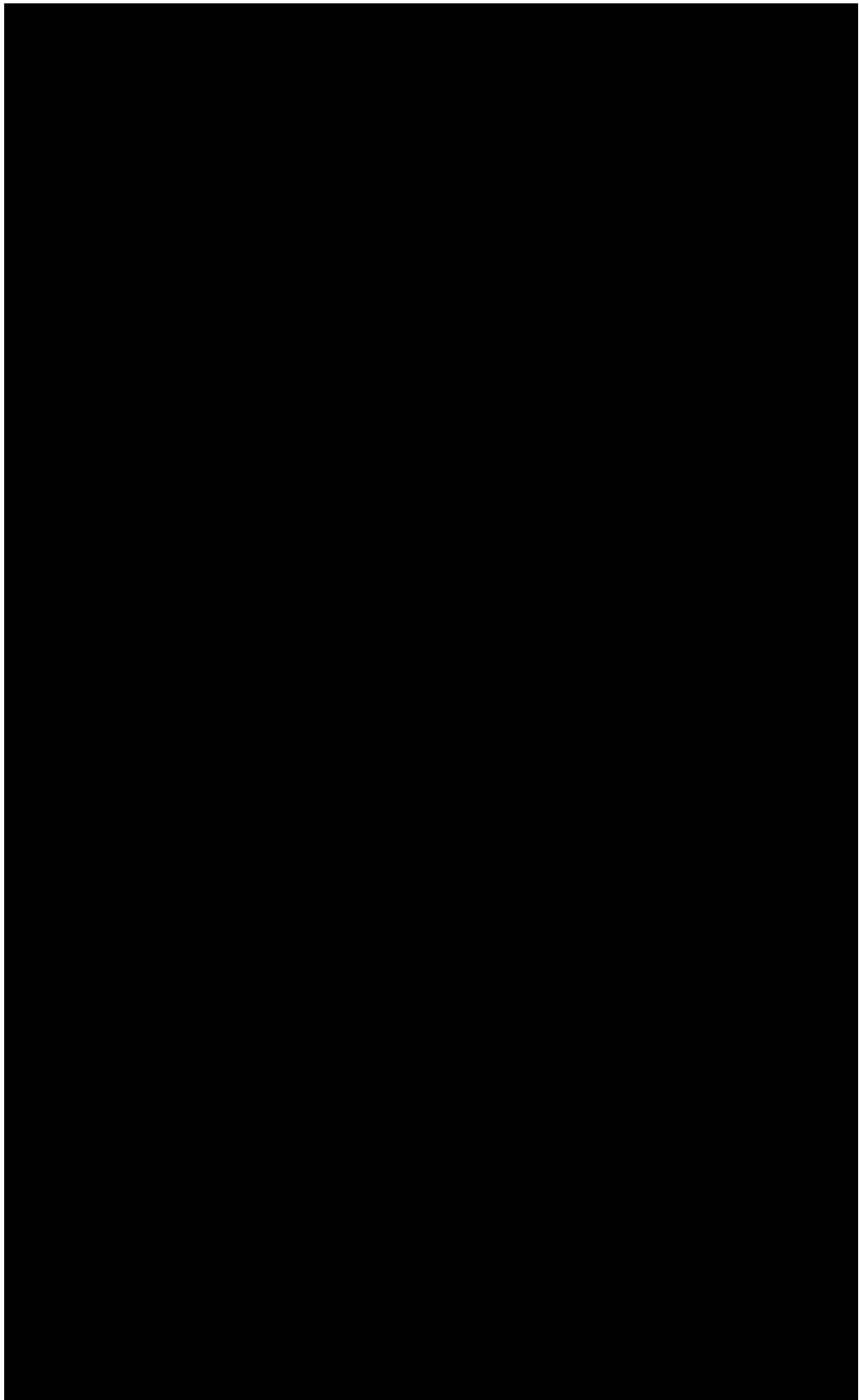
2.6.3 **Provide information on all the factors used in customer search algorithms and their relative weight in the algorithm used for identifying relevant products and ranking results. If the**

platform offers consumers different ways to sort the search results, provide information on each of the means to sort the results.

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2.7   **Local business and SME/HDP firm support**

2.7.1   **Does your company have policies/support mechanisms to bring SMEs and/or firms owned and controlled by historically disadvantaged persons on your platform(Y/N)? If yes, provide documentation which details the support provided. If no such documentation exists, please describe the nature of the support provided.**

Not applicable.

2.7.2   **If your company operates a global platform, does your company have policies/support mechanisms to develop South African businesses on the platform (Y/N)? If yes, provide documents which detail any policies/mechanisms to support South African businesses. If no such documents exist, please describe mechanisms used by your company to support and/ or develop South African businesses.**

No. Zando does not have nor has it had policies/support mechanisms to support other South African businesses on its platform. ████████████████████████████
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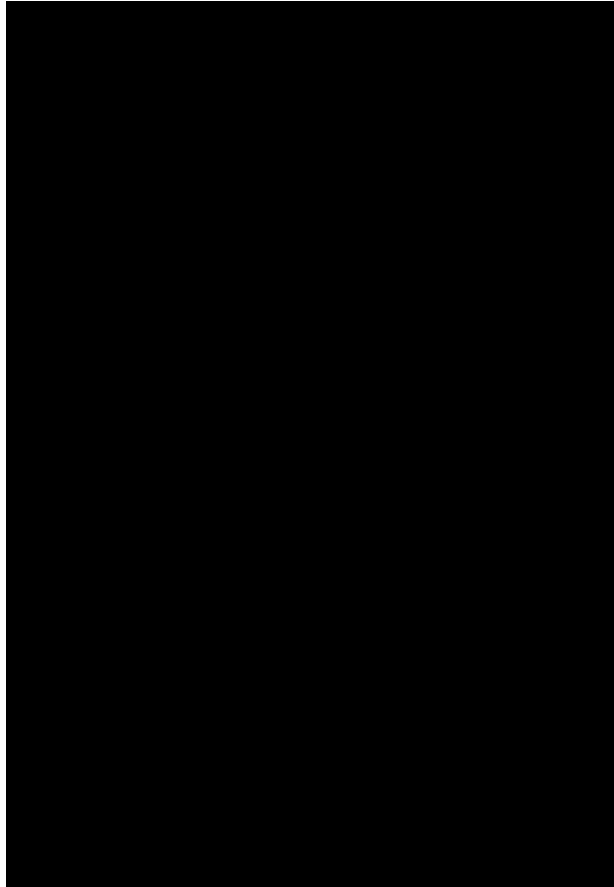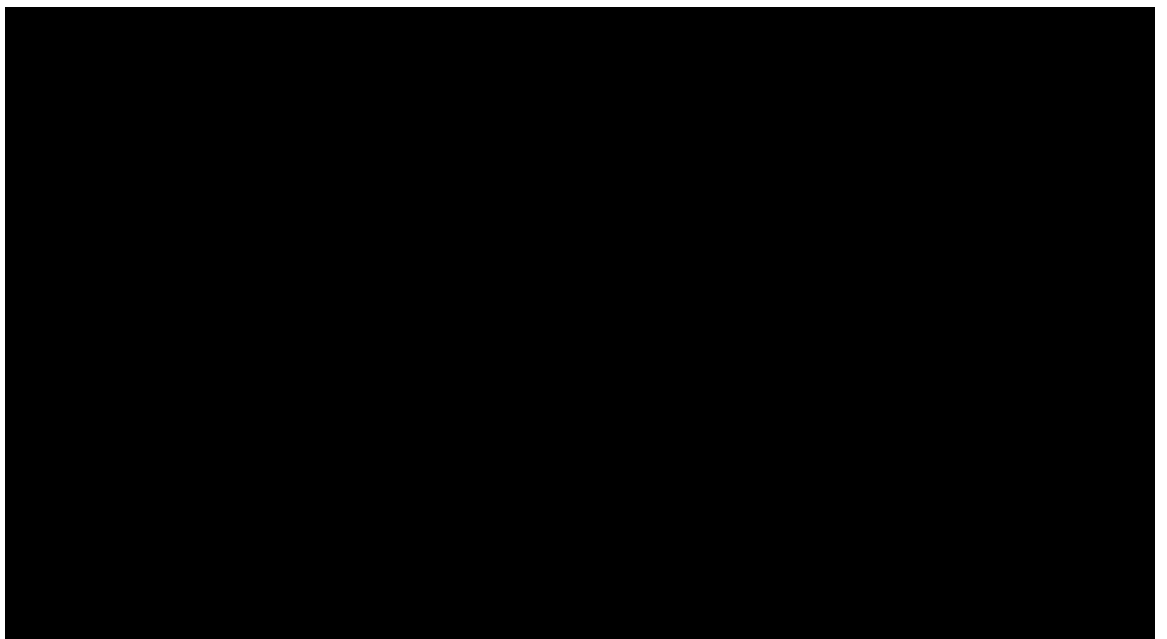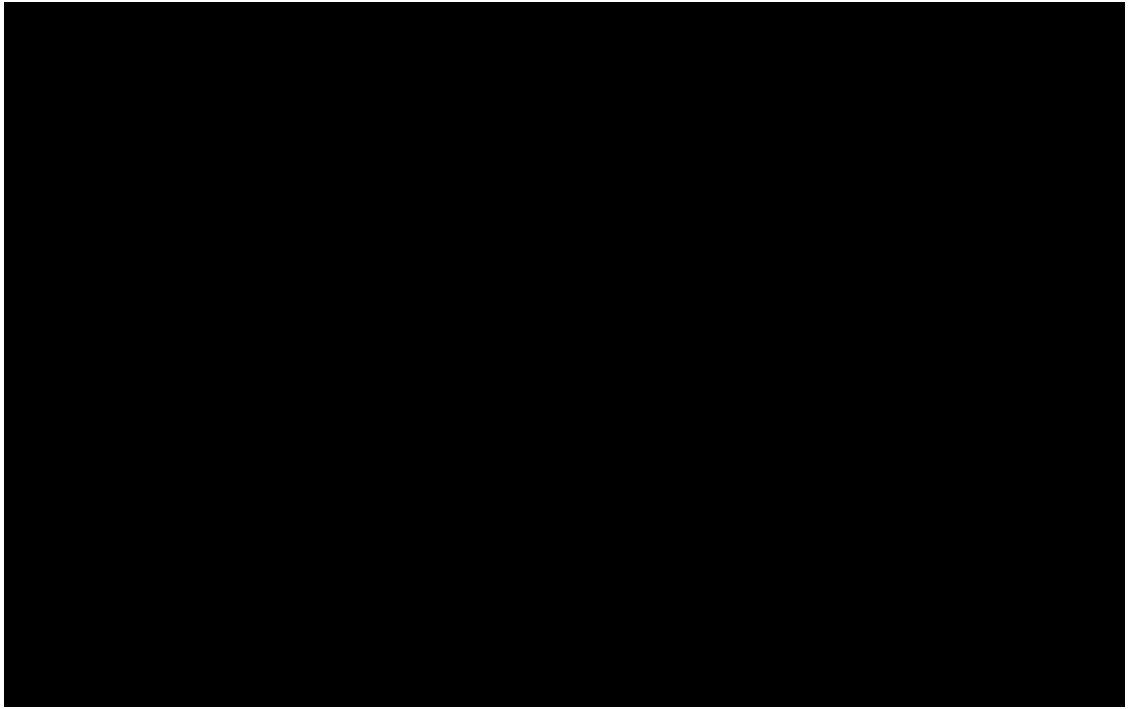
2.8   **Contact details of business users**
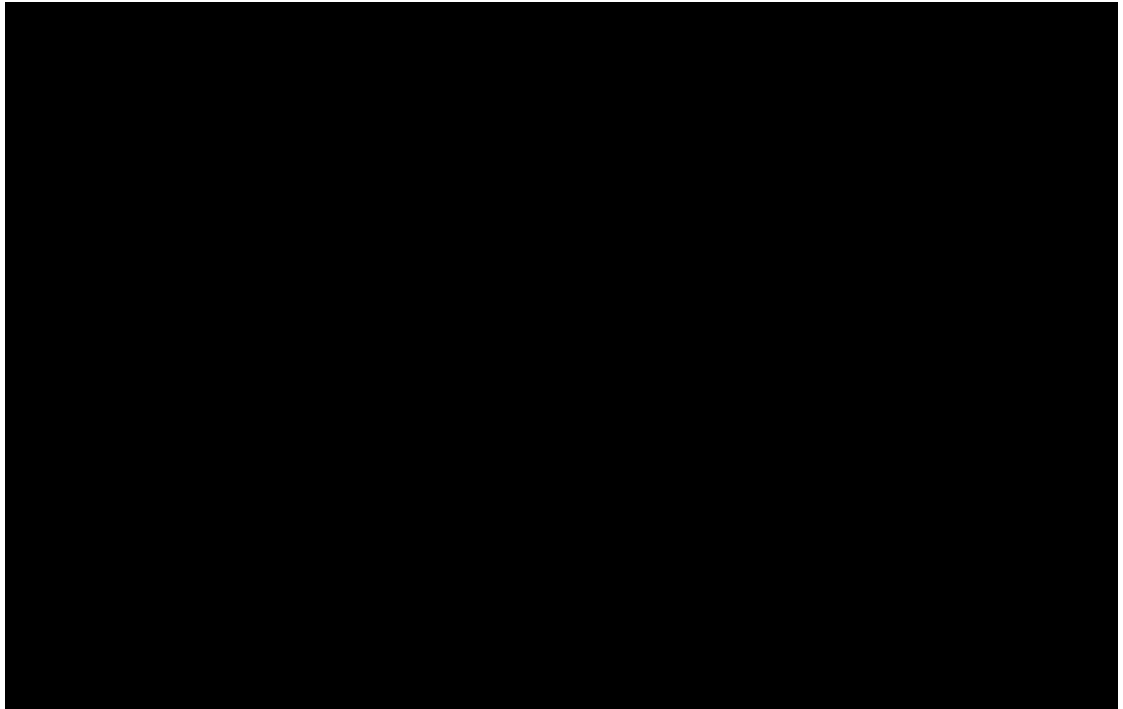
2.8.1   **Kindly provide the names and contact details of the following business users:**

        The 10 largest business users by sales or leads generated through the platform in the last financial year.
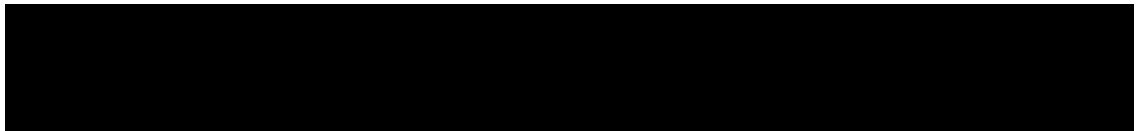
The 10 most recent business users who left your platform (either on their own accord or being terminated).

The 10 most recent potential business users who engaged with the platform but did not end up using the platform (either because they did not meet the platform's requirements or on their own accord).

2.9 **Other**

2.9.1 **If the aforementioned questions do not cover any areas you consider important for the understanding of your platform or other platforms against which you compete, and which are not covered in submissions to the Statement of Issues, you are welcome to send the Inquiry other documents and/or information that may assist the Inquiry. The Inquiry is likely lend greater weight to evidence-based facts.**

Not applicable.