

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: Second OIPMI request for information

INTRODUCTION

We refer to the above matter and, more specifically, the Competition Commission's (the **Commission**) letter dated 13 August 2021 (the **2nd RFI**).

We are representing ourselves, Jade E-Services South Africa (Pty) Ltd trading as Zando and Jumia.

The purpose of this letter is to respond to the Commission's questions presented in the 2nd RFI. For ease of reference, we have sought to follow the format of the questions in the RFI.

RESPONSE TO COMMISSION'S RFI

A. STRATEGY

1. **Send the Inquiry all forward-looking strategy, investment commitment, and budget presentations or documents produced over the last 4 years (for retail and marketplaces). These should cover any adjusted strategy or plans following the Covid-19 pandemic.**

[REDACTED]

The budget spreadsheets indicate the original plan for the year and the forecast spreadsheets indicate the revised plan for the year based on actuals for the first few months of the year.

2. **Send the Inquiry all Zando data analytics reports based on (a) customer and (b) seller data over the last 5 years that have been used for decision making by Zando in South Africa (including on new product lines).**

We need clarity on the scope of this question. What exactly is meant by "decision making"

B. COMPETITION MARKETS

3. **Provide all documents, data sheets, presentations and communications in which market share estimates overall and per product category have been estimated over the last 5 years.**

[REDACTED]

4. **Provide all presentations and documents describing the comparative performance or position of competitors over the last 5 years. Include research describing current and future constraints posed by online channels of South African brick and mortar stores. a. Of the competitors mentioned in these presentations and documents, list those that are considered by Jade to have market power. Provide reasons.**

[REDACTED]

5. **Provide the Inquiry with all presentations and documents with price benchmarking against Zando's competitors over the last 5 years.**

[REDACTED]

6. Provide the results of all seller, consumer and supplier surveys over the last 5 years.

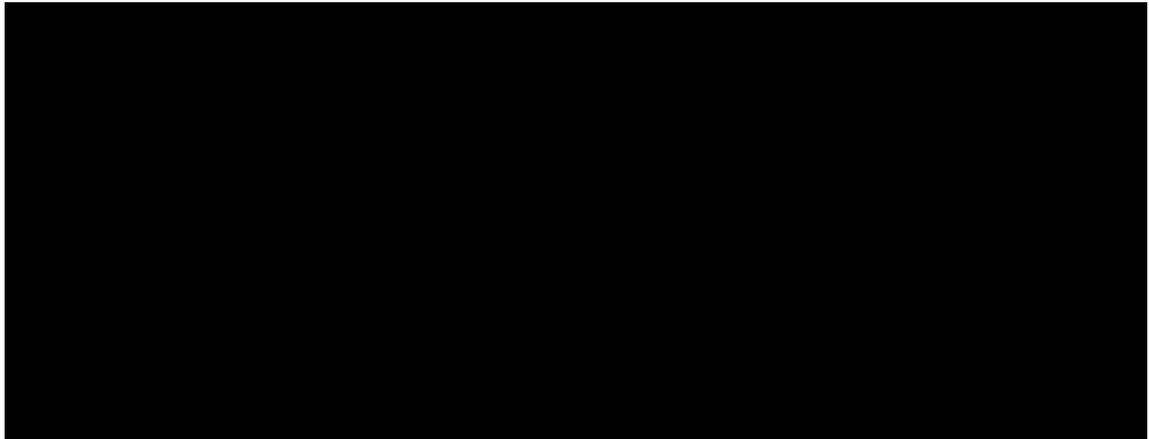


C. BARRIERS TO ENTRY AND/OR EXPANSION

7. Please describe and quantify the costs associated with setting up the (a) Zando Retail business in 2012 and (b) Zando Marketplace business.

We're still formulating an answer to this question.

- 8.



9. Describe all regulatory or legislative barriers to entry and expansion.

- a. Will the legal dispute between SAPO and Postnet over SAPO's alleged monopoly over the delivery of packages under 1kg impact on e-commerce providers and why?**

The biggest impact on our business is the ability to price competitively on international brands compared to international markets. The reason for this is due to the high import duties imposed on apparel and footwear items. International brands in South Africa are moved upwards in terms of segmentation due to pricing i.e a mid-tier brand becomes a luxury brand.

Furthermore, importing clothing sold on Zando's marketplace is particularly challenging:

- a. You need an importer's licence if you import any good. Zando has an importer's licence, however, Zando is not the importer of record for global products, as we do not purchase the goods. The customer purchases the goods directly from the seller- this is the marketplace model.
- b. The customer is limited to 3 imports per year before they need to register for an importer's licence. This is obviously not practical. The customer is then fully responsible for all duties after customs clearance- meaning they won't know the value of the duties until after clearance.

There is a lack of clarity over the level of duties and import VAT due which results in uncertainty of the final price often makes products less attractive to customers.

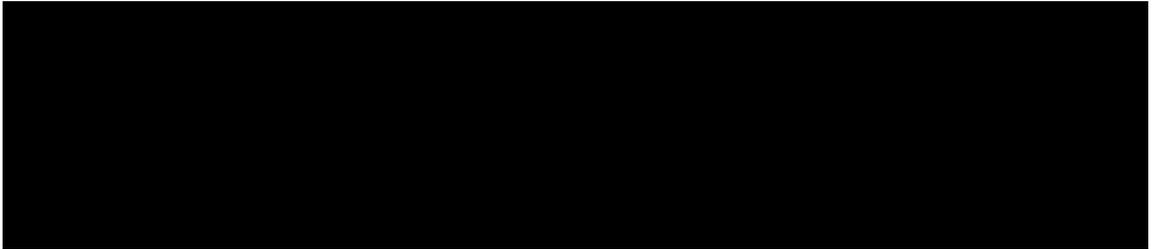
It appears that policies and procedures for import duty were not specifically designed for small consignment, low value e-commerce goods but rather designed for wholesale bulk imports. This should be reassessed to increase variety of goods available to customers and increase customer welfare.

If SAPO were to control the delivery of all packages under 1kg this would have a severe impact on ecommerce in South Africa. They would be able to control the pricing with no

healthy competition. One of the highest drivers of the success of an ecommerce platform is their ability to deliver accurately, in a timely manner to a consumer with clear communication during the last mile delivery process. SAPO's track record is questionable and if high volumes of packages experience poor delivery service this would have a severe impact on the ability of ecommerce platforms to function.

D. PLATFORM PERFORMANCE OVER TIME

- 10. Provide annual financial statements (AFS) and finance reports (as in Annexure D) for the South African operations of your business over your last 5 years (including 2020/21).**



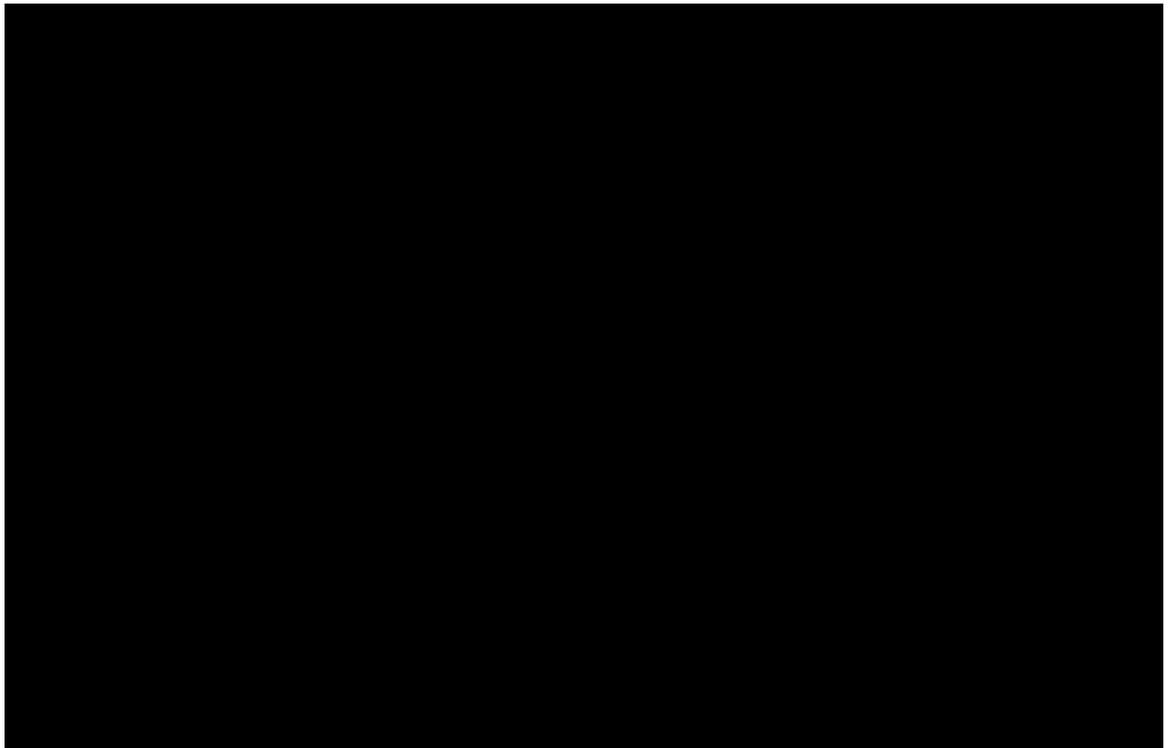
- 11. Provide management accounts for your South African business over the last 5 years (including 2020/21).**

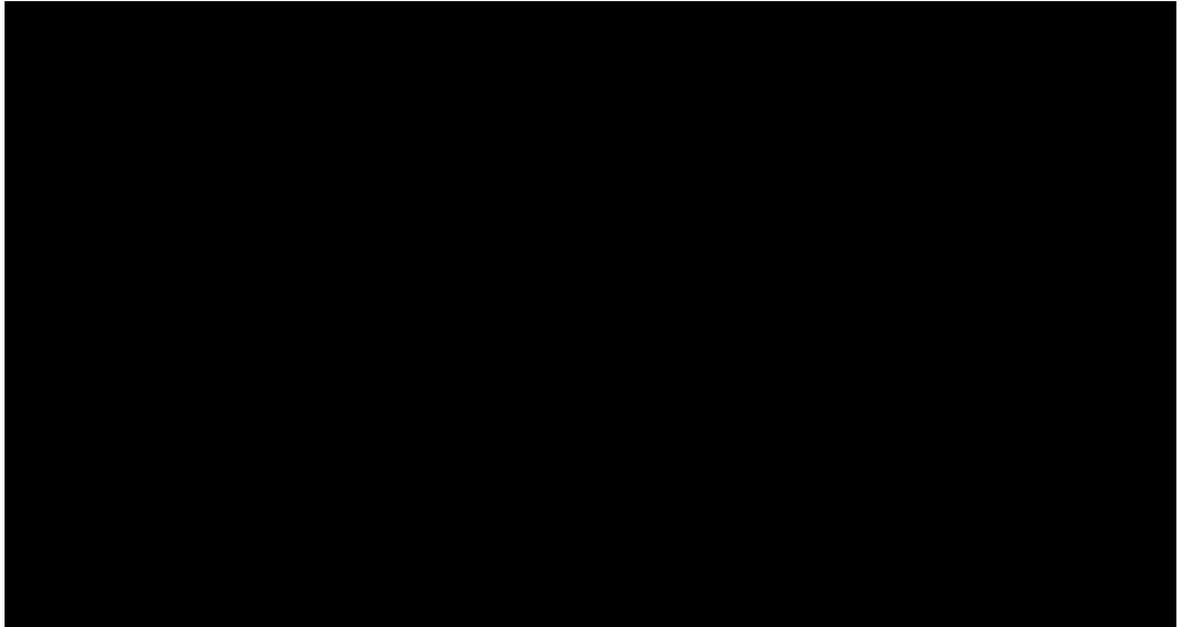
a. If not contained in the management accounts, provide annual data on average items/order and average order value over the last 5 years.

For management accounts please refer to the Finance Reports provided in question 10.

For Average Order values please refer to answer provided in question 14.

- 12. Extend "Annexure N - Revenue detail" to include FY2016-2018. Also clarify the following:**





13. Describe how Zando segments its product categories.

Zando stocks brands across Apparel, Footwear, Homewear, Kids, Beauty (including Grooming) and Sports categories. Zando uses the following category trees for ease of navigation based on customer experience:

a. The Apparel and Footwear categories are segmented by gender and age i.e. Women, Men and Kids. After gender, the categories are segmented into product types i.e. Dresses / Tops / Trousers / Shorts / Accessories, etc. and then into silhouette of product i.e. Womens Tops, segmented into Blouses / Tanks and T-shirts etc.

b. The Sports category is also divided by gender i.e. Women and Men. This category is distinguished from A. above insofar as this apparel and footwear is designed for technical performance. The brand has developed the product with special features for specific sports activities. Example: running, gym or doing yoga.

c. The Beauty and Homewear categories are considered niche categories. Beauty and Grooming is broken down into gender i.e. Beauty is for Women and Grooming is for Mens. The categories are then segmented by end use or purpose. Example: Women include eyes/lips, etc. whereas Mens will include shaving/skincare, etc. Homewear is categorised by what products would be used in that room example: bedroom will have bedding and bathroom will have towels.

14. Provide annual data on the following for the (1) Marketplace, (2) Marketplace Express, (3) Retail (excluding White-label products) in total and for each product category (as per Question 13) over the last 5 years.

- a. Number of listings**
- b. Site traffic**
- c. Number of transactions**
- d. Gross marginal value ('GMV')**
- e. Revenue**

f. Cost of sales

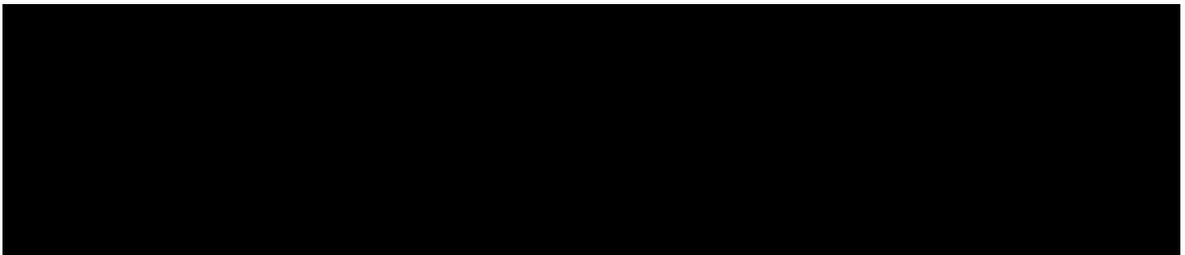
g. Product margin before stock write-offs, obsolescence, and returns losses¹ (Retail only)

h. Take rate percentage² (Marketplace and Marketplace Express only)

i. Gross profit

Please find the "Annual Info" attached as **Annexure 4** hereto.

15. Send the Inquiry all documents and presentations with assessments of the impact of the Covid-19 pandemic on Zando business including vis-à-vis its competitors.



E. MARKET CONDUCT

16. Has Zando ever considered applying the following restrictions and incentives? If yes, send the Inquiry all presentations, documents (including agreements) and email communications in which they were considered or applied over the last 5 years.

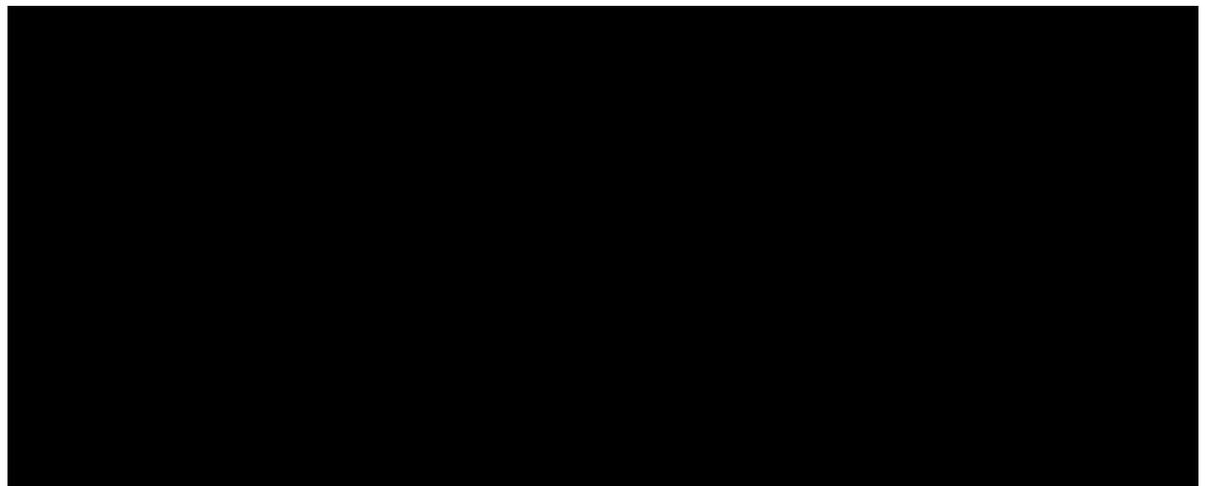
a. Exclusivity agreements (preventing the use of other platforms)

b. Loyalty incentives (discouraging the use of other platforms)

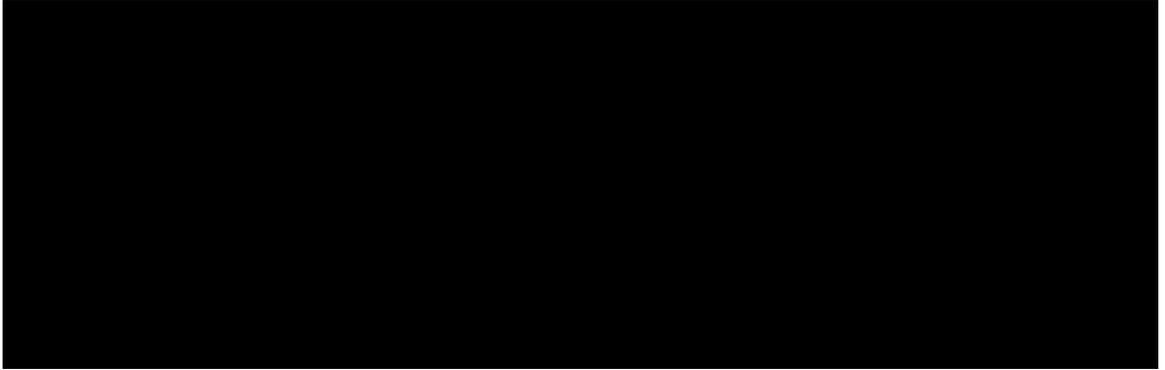
c. Parity clauses (the T&Cs - including prices - on other platforms and on sellers' own sales channels must be at least as good as what is offered on Zando)



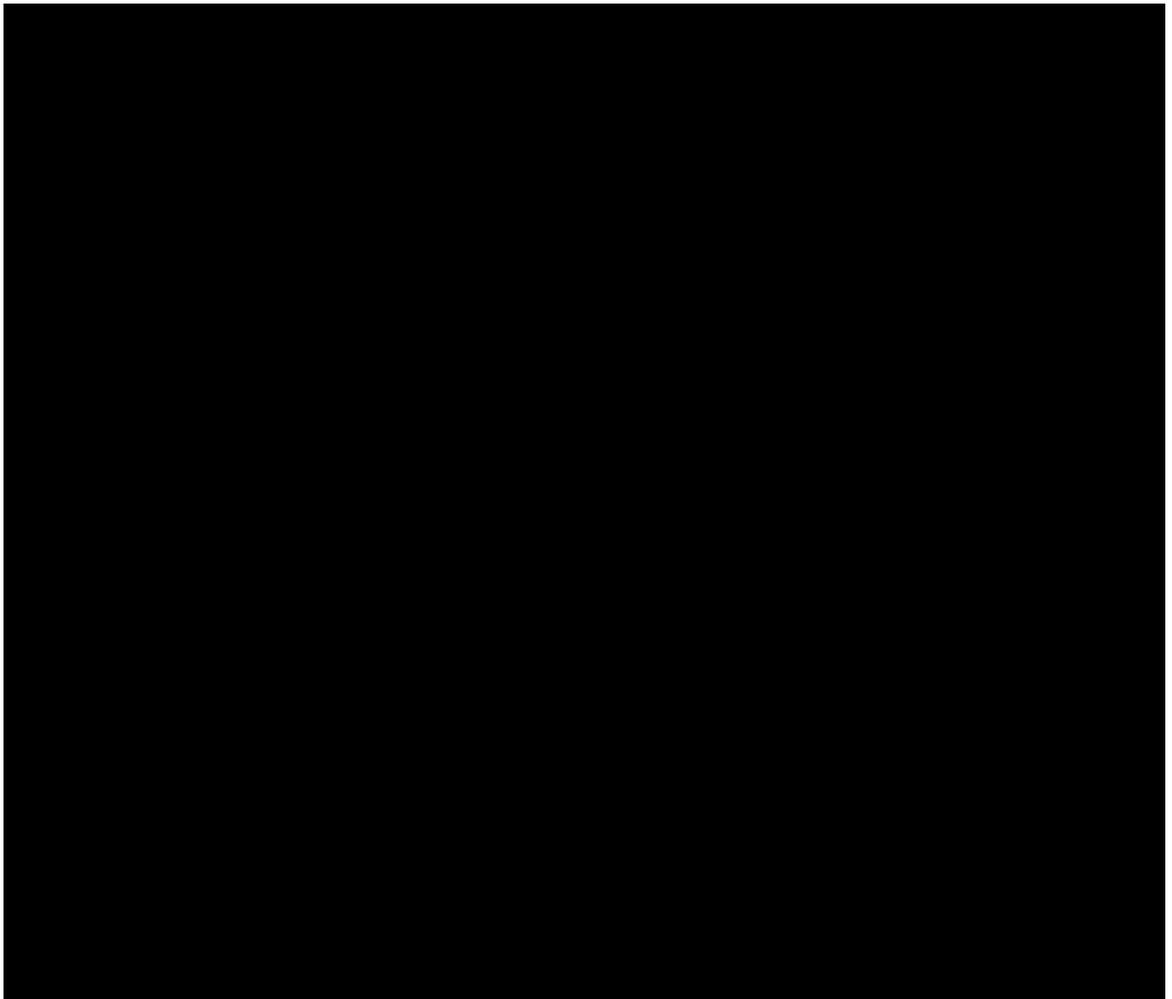
17. Indicate over the last 5 years the total transactions, total sales value, and average gross profit/loss percentage per annum (i) overall and (ii) for each of Zando's product categories (as per Question 13 above¹³) where:



18. Indicate over the last 5 years the total transactions, total sales value, and average gross profit/loss percentage per annum (i) overall and (ii) for each of Zando's product categories (as per Question 1313) where:

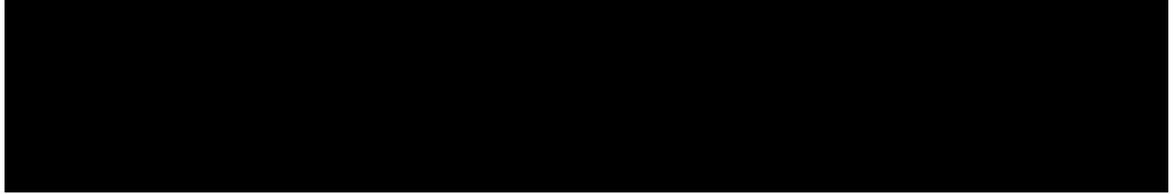


19. Justify any negative margins and/or gross profits and quantify efficiencies arising therefrom.



20. Describe all synergies (including delivery) between the Zando businesses in South Africa and provide estimates of the costs savings (e.g. shared delivery) and

benefits (e.g. marketing to one another's customers) generated therefrom over the last 5 years.



21. Provide Zando data reports (via email, documents, presentations, etc) that have been shared with Jade and/or its subsidiaries over the last 5 years. Also describe the rationale behind sharing this information.

Please clarify what is meant by "data reports" in this context?

F. TREATMENT OF SELLERS

22. When was the Marketplace and Marketplace Express first established?

Marketplace: 2015

Marketplace express: late 2019 and early 2020

23. Provide data on the number of sellers in each of Zando's product categories (as listed in response Question 13 above) over the last 5 years. We acknowledge there has previously been problems accessing historical seller data but obtaining this is important. For the same period, also provide annual data on the number of sellers that also supply the retail business.

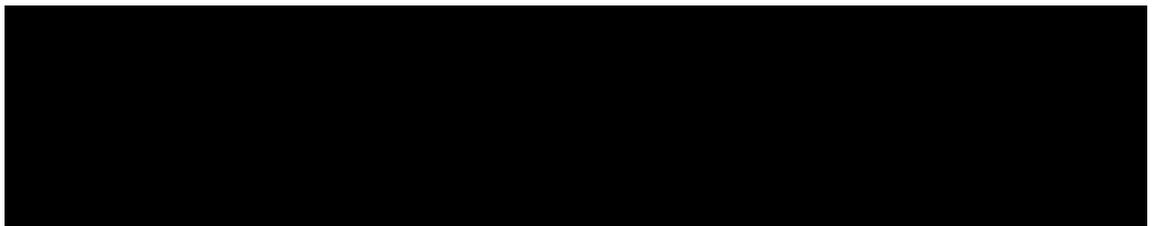


Marketplace sellers have products in multiple categories.

24. Provide annual sales volumes and GMV of products sold on a lead-time versus non lead-time (Zando Express) by (a) Zando Retail and (b) sellers per annum over the last 5 years.

Refer to annual data provided under question 14 ("Transactions by Supplier Type"). Retail and MPL Express are non lead-time.

25. In relation to the four lists of sellers sent to the Inquiry (para 2.8), provide the following data:, number of clicks and transactions, GMV, amount spent on standard fees, penalty spend, and advertising spend per annum over the last 3 years. Also indicate if currently a Marketplace or Marketplace Express seller.



26. Indicate how often Zando has stopped sellers from selling particular products per annum over the last 5 years. Provide a summary of the reasons for doing so.

[REDACTED]

27. Provide a timeline of any changes to the seller terms and conditions and agreements. Indicate if any sellers objected or requested exemptions to each change.

[REDACTED]

28. The following seller terms and conditions were identified as potentially unfair. Offer justifications for their use and demonstrate with data the extent to which they have been applied in practice over the last 3 years.

a. [REDACTED]

[REDACTED].

29. How many times per annum have sellers breached Zando's rules (including poor performance) over the last 3 years?

[REDACTED]

For the same period, provide a summary of the rules transgressed

- Orders not processed on time
- Orders not processed and cancelled for Out of Stock reasons whereas the stock was positive on their SellerCenter platform
- Images not matching our guidelines
- Products not appropriate

and indicate the number of cases where:

[REDACTED]

Seller Fees

30. Provide a timeline of changes/additions/removals to all seller fees since the start of the Zando Marketplace and Marketplace Express up until end July 2021. a. Provide data on the average, median, minimum and maximum total fees paid by sellers as a percentage of GMV in each of Zando's product categories (as listed in Question 13) per annum in the Marketplace and Marketplace Express. Explain your calculations.

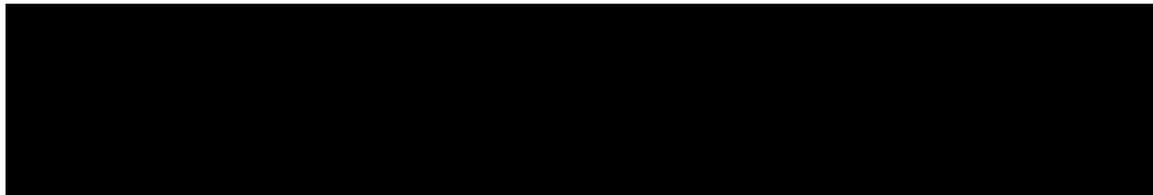
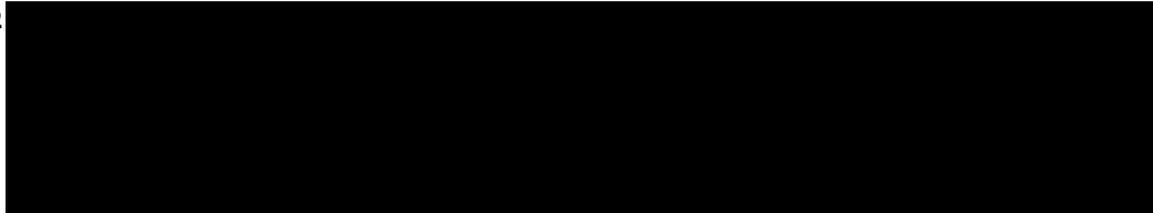
[REDACTED]



31. Provide data on the number of sellers that face different rates to the published rates as well as their GMV per annum over the last 3 years.

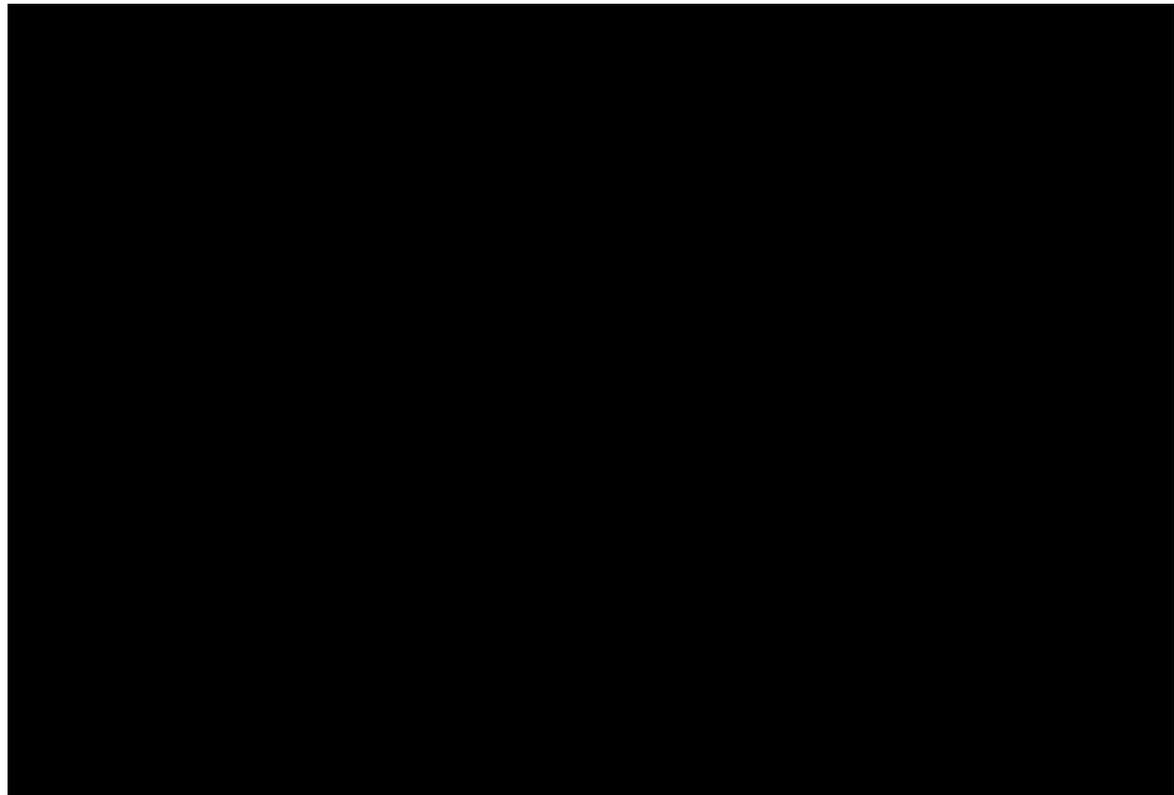


32



Data analytics

33. Please list the data provided to sellers on any kind of seller portal as well as any other information most/all sellers are sent (including via email) on a regular basis. Provide supporting examples of data provided to sellers (e.g. screenshots, emails) and explain how the data may help sellers improve their performance.



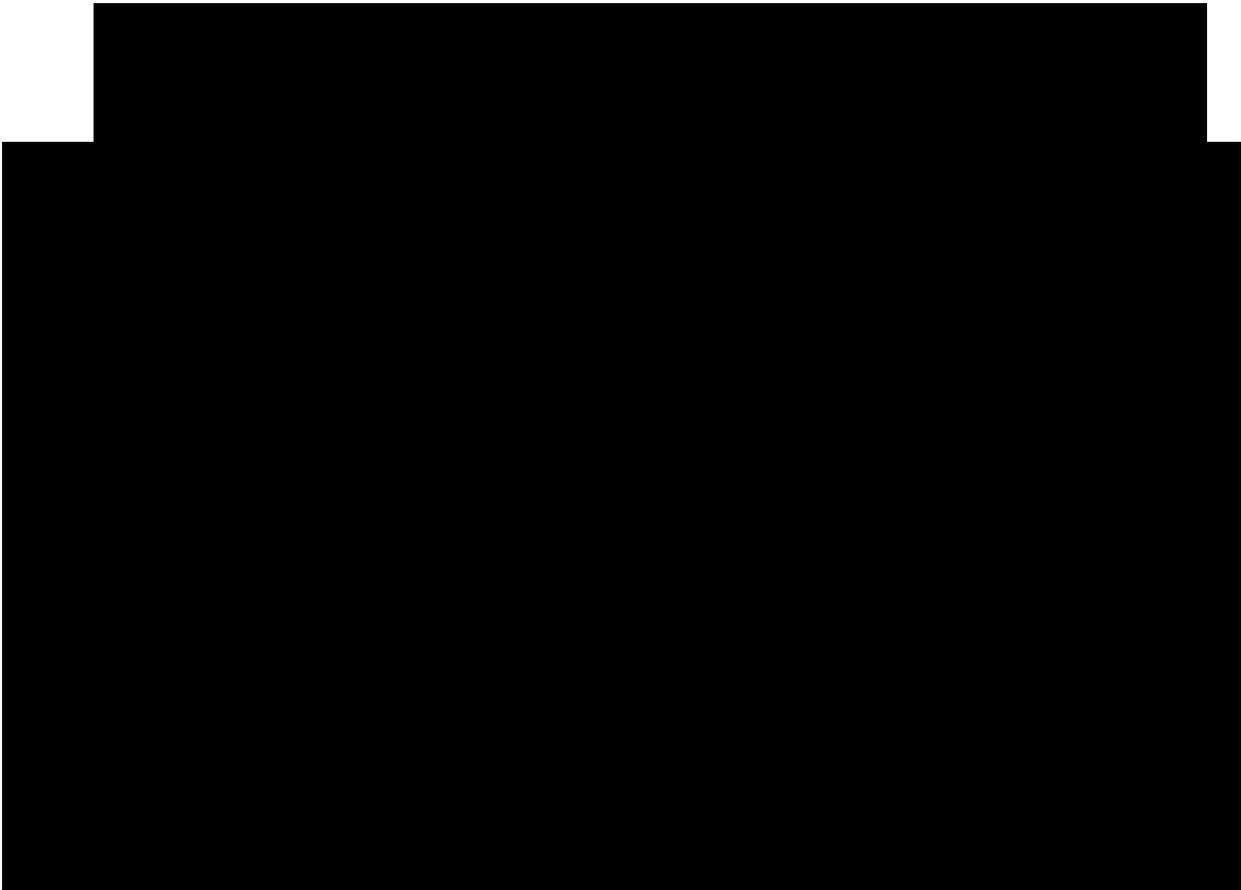


34. Do sellers need to pay anything to get access to all or particular types of data and what are the associated costs? Also provide data on the number of sellers that pay for data and the average payment relative to their GMV per annum over the last 3 years.

Sellers do not pay for access to the abovementioned reports.

Search algorithms, listing and offer defaults

35. Provide a timeline of search algorithm and listing default changes since business inception. Please also send all documents setting out the intent of the aforementioned changes as well as research on the effects of these changes.



Period: January 2020 to date



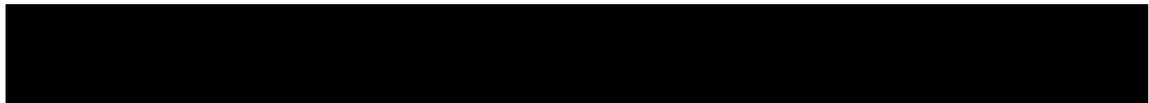
36. As Zando's default listing is based on popularity, provide all research containing assessments of the extent to which historically popular products are favoured over less popular products or new products over the last 3 years.

Jade has not conducted any research.

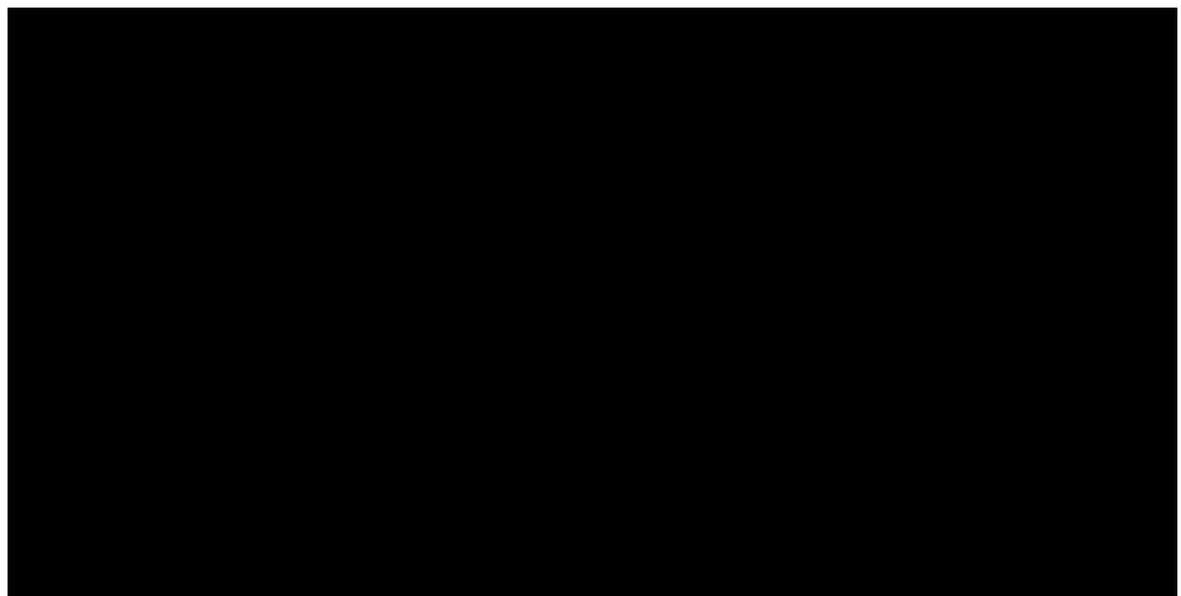
37. Can one product be sold by more than one seller (or both Zando Retail and a seller). If so, please describe which offer is shown to customers

a. Provide data on how frequently Zando Retail is highlighted compared to sellers where offers are provided by both Zando Retail and sellers over the last 3 years.

b. Provide data on how frequently Zando Retail is highlighted even where it does not offer the lowest price over the last 3 years.



38. Based on Footnote 1 in your response on 16 July 2021, different categories contain different weights. List all the weights of product categories and explain the reason for their assignment.



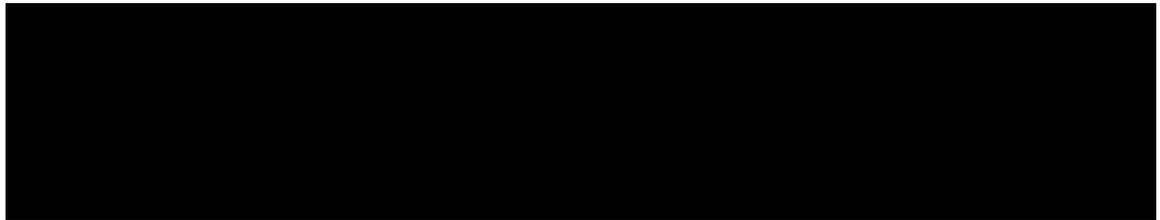
Product presentation including seller scores

39. Zando's operating guidelines explain the metrics that are used to determine the seller score. Please explain in more detail how the seller rating of Zando and other

sellers is calculated. Why is the rating of Zando/Utopia always 100%? a. Provide the average rating for sellers on the Marketplace and Marketplace Express (and Zando Retail if not always 100%) separately for each product category (as per Question 13 13above) per annum over the last 3 years.



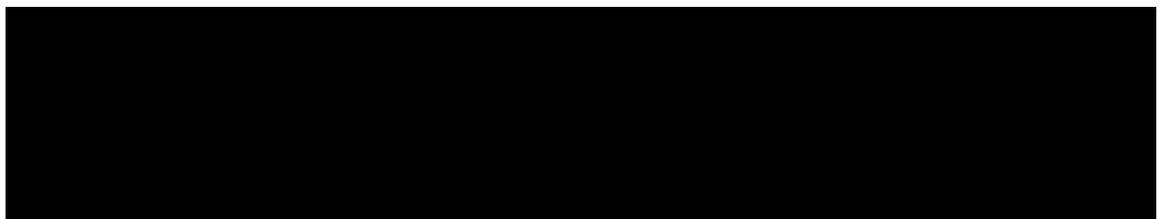
40. Explain why there are no ratings for order fulfilment, quality score and customer rating for Zando Retail yet this breakdown is provided on the product pages of sellers.



41. Based on Zando's operating guidelines, "*the higher your seller score, the more traffic your store will receive on Jumia*". Provide all research done on the impact of 'seller scores' on traffic and sales volumes over the last 3 years.

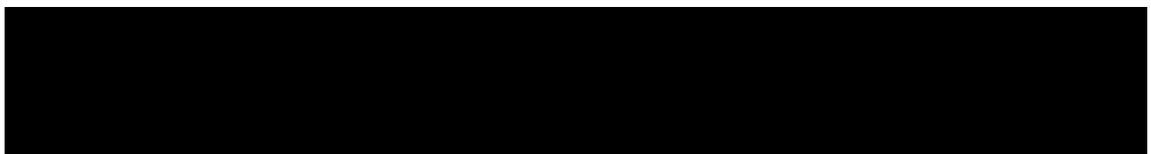
No research has been conducted. We currently do not implement this rule.

42. How often are there low seller scores and how often have sellers been required to pay a 'contribution for low seller score' per annum over the last 3 years?

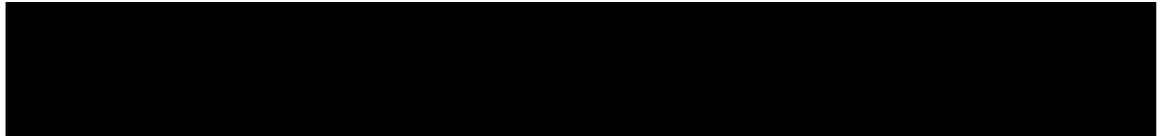


Enhancements and promotions

43. Explain why add-on marketing is only offered to Marketplace Express sellers.



- 44. Describe the various types of add-on marketing or enhancements available to and used by (a) sellers and (b) Zando Retail.**



- 45. Provide a summary of revenue earned from each type of add-on marketing offered to sellers per annum over the last 3 years as well as the minimum, average, median and maximum fees relative to GMV associated therewith.**

We're still formulating an answer to this question.

- 46. Provide data on how frequently the product listings of (a) sellers and (b) Zando Retail are enhanced with add-on marketing and promoted per annum over the last 3 years.**

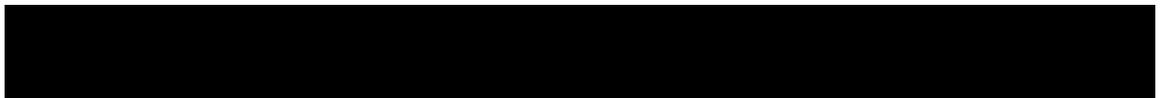
We're still formulating an answer to this question.

- 47. Provide data on the success (e.g. average ad clicks, ad impressions, return on ad spend) of each add-on marketing method used by (a) sellers and (b) Jumia Retail over the last 3 years.**

We're still formulating an answer to this question.

Onboarding

- 48. Indicate how often Zando has not on-boarded sellers per annum over the last 5 years. Provide a summary of reasons per annum.**



- 49. Provide the most recent Zando research on the non-fee costs associated (a) opening a seller account and (b) adding a product listing (e.g. costs of pictures, warehouse delivery).**

We have not conducted this kind of research.

Seller supplier decision

- 50. Send the Inquiry all documents and presentations in which the benefits and disadvantages of being a seller vis-à-vis a supplier is set out over the last 3 years.**

We don't compare the models, but rather clarify the differences. Please find the document titled "Business Models" attached as **Annexure L** hereto, which could be sent to sellers and suppliers.

- 51. Indicate how often Zando Retail has in the last 5 years started to sell products that were previously sold by sellers. Provide a per annum summary of reasons.**



SMMEs and HDP sellers

- 52. Stipulate the annual percentage of all sellers in South Africa that are (a) SMMEs and (b) HDP firms as well as the GMV and revenue generated from them over the last 3 years.**

We're still formulating an answer to this question.

59. Provide the Inquiry with all "Google Auction Insights" documents and presentations over the last 3 years. This data should include among other things data on impression share, overlap rate, position over rate, top of page rate, abs. top of page rate and outranking share of other platforms bidding on the same terms/words as Zando.

We're still formulating an answer to this question.

a. Also provide a screenshot of the aforementioned "Google Auction Insights" information for (a) 31 July 2021, (b) 14 August 2021, (c) 15 August 2021, (d) 16 August 2021 and (c) per annum over the last 3 years.

60. Provide the Inquiry with other advertising results of Zando relative to other platforms provided by advertising agencies or social media platforms (similar to Google Auction Insights) over the last 3 years.

We're still formulating an answer to this question.

H. RELATIONSHIP WITH SUPPLIERS

61. Describe the rationale behind Zando's exclusive agreements with suppliers. Provide annual data on how many of Zando's products were supplied exclusively over the last 3 years

The rationale behind exclusive agreements with suppliers is to give us a point of difference (unique product) to other retailers. Please refer to answer 2.5.2 of initial response for further rationale. No annual data is available.

62. In relation to Annexure M, were rebates provided relative to the wholesale cost or RRP? If it's the latter, provide the rebates relative to the wholesale cost.

We're still formulating an answer to this question.

63. Can suppliers advertise or promote their own products or is this at the discretion of Zando? Provide data on supplier advertising revenue per annum over the last 3 years.

We're still formulating an answer to this question.

64. For the e-commerce services Zando offers to 8 entities, are the products also listed over the Zando e-commerce sites through its retail or marketplace channels? Provide the most recent agreements between Zando with these entities.

[REDACTED]

Yours faithfully

pp Clarke

Jade E-Services South Africa (Pty) Ltd
per: Grant Brown