



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

16 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Itumeleng Lesofe

CCSA Internal Team

Tshegofatso Radinku

CCSA Internal Team

Siphosethu Tetani

CCSA Internal Team

COMPANY: 0800PROPERTIES



Gauteng Transcribers
Recording & Transcriptions

PROCEEDINGS ON 16 NOVEMBER 2021

CHAIRPERSON: Good morning, and welcome to the second day of the third week of the public hearings into the Online Platforms Market Inquiry. Today we are continuing with property classifieds and our line-up is first of all 0800Properties who was rescheduled from yesterday, then we have got My Property, after that we have got Private Property. That makes up the morning session until 13:00 and then the afternoon starting at 14:00 we have
10 Property 24.

So I would like to welcome Mr Manning from 0800Properties. Mr Manning, welcome to the inquiry. You can un-mute your visuals now.

MR MANNING: Thank you.

CHAIRPERSON: Mr Manning, we understand you are an estate agent and you wanted to bring certain things to the attention of the panel and the inquiry. Can I ask you just to give us a little bit of details of your own agency and then proceed to cover what issues you wish to raise with the
20 panel, and we will have questions following that.

MR MANNING: Thank you for this opportunity of presenting my views on behalf of a lot of people who would not be able to, under normal circumstances, present their views to the Board.

I have been in property since 1982, my whole life I

have been involved in property in various positions, working with various agencies, both large and small, working with developers.

Up until Covid I was also training previously disadvantaged agents and I think I am qualified to give information to the Competitions Board in that I was working as an agent even before the Estate Agents Board was established and I have gone through the whole processes of changes and seen changes in the marketplace and changes
10 and although these are my personal views, I think they would be endorsed by many other smaller estate agents, because people do not realise although that you belong to a big estate agent, you are running your own business within a business and the company has umbrella control over you, which is not, which helps you in education and properly establishes yourself, but in latter years many agents have broken away from the bigger agencies and gone on their own in order to survive mainly because you, as an estate agent you share the commission with a company.

20 They have different bases according to your seniority, but in the lower ebbs if you are an intern estate agent you normally start on a 50/50 basis and then earning your commission you still have to pay your taxes and all the statutory requirements and working as an estate agent, as a new estate agent, there are a lot of barriers to entry. One of

the main barriers to entry is the cost of advertising your properties and the other statutory requirement that are involved in it and the Estate Agents Board has control over those other statutory requirements, but they do not have control over advertising.

Now over the years what has happened, we had, in the old days we had, we could advertise in the Star smalls for example or Rand Daily Mail, that is going back a long time, I do not think many people will remember those
10 publications.

Then we moved on to mainly advertising in the Star, Saturday Star and the Sunday Times also had a property section, but because of changes in technology and changes in behaviour in the market we have all switched to online advertising, but taking a step back, and this is the important item that I want to bring to your attention, there are certain players in the property field, mainly the top agencies, that previously were controlling the advertising in order ostensibly to give...

20 CHAIRPERSON: Mr Manning, you are frozen on our side. I do not know if you can hear us.

MR MANNING: The Property Association was run by, was chaired by or run by or ... [intervenes]

CHAIRPERSON: Sorry Mr Manning, you froze for a moment. You were just introducing the Property Association,

so maybe if you can just step back.

MR MANNING: Right. The Property Association was established by major agencies in order to assist people in advertising properties on behalf of all the agents in regions. I can only talk about Johannesburg region, because I was not involved but I believe they also had sections in the newspapers like the Cape August and the Natal Mercury, I think it was.

What they did, they went to the publicists, the
10 newspapers and they bought that supplement that was distributed in the newspapers, like for instance the Saturday Star publication. They controlled the advertising and also made a profit on it and I think this was not in the, it did not benefit anybody in any way other than lining the pockets of those people who were shareholders in that or the directors who controlled that.

So they controlled the advertising in such a manner that the big people who give, the big players like the top five agencies, the Pam Golding, the Javitz, the Rawsons, those
20 big people and they gave themselves discount in the advertising, because they controlled the advertising.

Then what has happened, it has evolved now into the digital advertising where those people also have some control or influence over the portal and the subsequent, the demise of the Property Association, for whatever reason,

was taken over by the same people in the name of REBOSA.

Now REBOSA decided to endorse Private Property and I think it was for similar reasons that they could give themselves discounts on their bulk advertising, because advertising is a large proportion of the budget that is needed to operate a successful estate agent.

Now I believe that similarly they are controlling Private Property. I cannot talk for Property 24 because I do not have any insight to that, because I do not use them at
10 all. I solely advertise on Private Property and I am actually at their mercy and so are all the other smaller...

CHAIRPERSON: Mr Manning, you are frozen again, I do not know if you can hear us now.

MR MANNING: Okay ja, I stopped, I stopped talking there, but I will continue now.

CHAIRPERSON: Ja?

MR MANNING: And that led me to my own personal experience with Private Property where they were giving me a 50% discount on the subscription prior to Covid and that if
20 you look at my original submission, point 1 whereby I say that they, I submit that they are price gouging by the removal of an established discount in lieu of a general price increase to some of its customers.

Apparently some of the customers still obtain a discount of 50% on their advertising and that was disclosed

to me by one of the managers at Private Property. So within Private Property the small agencies or the small players are being heavily discriminated against as opposed to being supported.

CHAIRPERSON: And is that your main submission, Mr Manning?

MR MANNING: No well, there are five points.

CHAIRPERSON: So maybe take us through quickly those other four and then we will follow with some questions.

10 MR MANNING: Alright, and then there is the submission. Well, what would you like me to do? It is really repeating what I have put in writing.

CHAIRPERSON: Ja, but this is a public hearing.

MR MANNING: Right.

CHAIRPERSON: So you have come and you want to make it public and the public probably want to hear what your concerns are.

MR MANNING: Ja.

20 CHAIRPERSON: So I think take us through your other points.

MR MANNING: Okay. Then the undue influence that is exercised by large estate agencies over Private Property and the capture of Private Property by REBOSA in the same manner as its predecessor, the Property Association, and there is a distinct conflict of interest between REBOSA and

Private Property in that some of the common directors are directors of large estate agencies and directors of Private Property, so therefore they have an undue influence over the manner in which Private Property is managed.

Then there is limited competition between the two portals, Property 24 and Private Property. In fact the public cannot distinction between the two. I get many calls saying that, from clients saying they saw my ad on Property 24 and it is impossible for them to see my ad on Property 24,
10 because I do not advertise on Property 24.

Okay and then the further submission that I submitted yesterday to supplement the information to the Board, I mean to the Competitions Commission, do you have that in front of you?

CHAIRPERSON: We do.

MR MANNING: Okay, whereby I say now competition is choked by gatekeepers, for example Prop Data, allowing Private Property control advertising and manipulating advertising channel to independent smaller advertising
20 portals, adding to the cost of advertising, as one must use a gatekeeper to feed the advertising to the other portals.

Now they will come up with a defence that this is a technical issue. What an agent has to do, everybody needs a website today, so there are website providers that can feed properties to the portals and in fact from one portal to

another portal, for example in my original submission I show that you can feed Property 24 to, you can feed from Private Property to Property 24 without using a website called Fusion, so that is something that I would like to hear a response from them because their costs, for instance I developed my own website and it only cost me R800 to do.

Now these website providers charge thousands of Rand every month to do it and one of the main reasons that they say that they can, that you need to use them is because
10 they feed to all the different portals, but what they do not tell you is that there are extra costs involved and it is different, for instance if I wanted to advertise on IMO I would have to select IMO, pay a subscription to IMO and then come and pay a subscription to Private Property in order to feed my adverts to IMO.

Now it is all very well complaining, but there is a solution that I suggest, is that the portals all contribute in proportion to their size to a free service that will allow the public to direct their advertising to whichever portal they
20 would like to do, to advertise. So I think I better read my, well what is the solution.

All property advertising portals should be regulated to supply a free feed service to all portals, paid for by, this free service should be paid for by the portals in proportion to their size, in that way it would give the small portal the same

opportunity to receive advertising as the larger portals, whereby the public and property practitioners will be empowered to choose on which portals they wish to advertise, free of any gatekeepers' influence.

This will reduce the dominance of the major property portals and stimulate competition, and this is my major, major contribution to the Competitions Commission, to investigate and to make recommendations on that to the industry, because we are totally at the mercy of these
10 organisations and we do not have freedom of choice where we go.

Further if I want to, the pricing structures, all these different portals are so difficult to understand or to find information, no pricing is transparent at all. I asked GumTree where I should go to feed to them, they referred me back to, and they said Fusion does the feed for free. When I went back to Fusion and asked them for a free feed to GumTree they said I have to pay a subscription to them. So for the ordinary person in the street or reasonable person
20 or educated estate agent it is extremely, extremely difficult for them to advertise on the portals of their choice. The whole industry is controlled by Property 24 and Private Property.

When Caxton bought, as I recall, Private Property from the previous owners, one of the stipulations, there were

stipulations made by that Competitions Commission in giving them the licence to operate and I think those should be reviewed and gone back to and see if Private Property is complying to that.

CHAIRPERSON: Thank you, Mr Manning.

MR MANNING: Okay, one last point, sorry.

CHAIRPERSON: It is fine.

MR MANNING: Private Property is now also competing with the micro and previously disadvantaged estate agents by acting as a promoter posed to an advertiser, using Private Property Relationship Managers to promote properties for certain favoured advertisers. This is an unfair business practice, as the service is not open to all at a fair price, as the Relationship Manager is responsible to many advertisers. That was in my submission, the last point 8 in my submission yesterday.

CHAIRPERSON: Thank you very much, Mr Manning. The panel has maybe a few questions and then we have the technical team here, so my fellow panel member Ms Doris Tsepe and then the technical team you are probably familiar with who had been communicating with you. Let me just start just to understand your size, how many listings do you have at any one time typically on Private Property?

MR MANNING: Okay, about 300 to 500.

CHAIRPERSON: And what fee are you paying currently to

Private Property for those listings?

MR MANNING: I think we need to just retract, in the estate agent industry there are people who do rentals and there are people who do sales, there are people who sell developments, so there are subsections in the estate agencies that deal with the different sections. At this point in time I am only doing rentals.

CHAIRPERSON: Thank you. Ja, I think that is an important addition.

10 MR MANNING: Yes. I have to look up the amount. It is R3 800 odd, I do not have an invoice, a current invoice in front of me. I can get that information for you.

CHAIRPERSON: No, that is fine, I think you have got it in your submission.

MR MANNING: Yes.

CHAIRPERSON: I just wanted to ask, I see as part of your submission you have also subscribed to a branded listing.

MR MANNING: Yes.

20 CHAIRPERSON: Can you explain why you subscribed to that as well?

MR MANNING: That is a contentious issue. Okay, in order to extract extra fees out of us the portals discriminate against the smaller companies by not allowing them to place their logos, so in order to place your company logo you have to pay an extra fee for that.

CHAIRPERSON: And how important is it to have your logo?

MR MANNING: Well, it is not important, it is essential because if you go on to advertising and you look at people who cannot afford it and just advertise they get a blank screen as a logo. You just get a shadow profile, and who will deal with somebody showing a shadow profile?

I do not know, what a shadow profile is, it is a blank page, so you say, would you deal with somebody who has not got a blank page, that is a blank page in today's market?

10 I do not know if ... [intervenes]

CHAIRPERSON: So you, ja you are saying that is fairly essential.

MR MANNING: It is not just essential ... [intervenes]

CHAIRPERSON: And in effect you need to buy that additional element.

MR MANNING: I think it is fundamental to the public to know who they are dealing with.

CHAIRPERSON: And Mr Manning, you have said that it is a large portion of your budget, I mean the property portals will
20 say that in fact this is a very good deal because it cost more when you had to do print and it is a small part of your commission in fact, so maybe if you can give us an understanding of how much this advertising on the portals feeds into your costs and how it affects the margins in your business.

MR MANNING: Okay well, this would be different from small to large businesses, that proportion would drop significantly, but if you analyse the costs of a small estate agency, now let us say a one-man show, because there are many one-man shows. The last time the statistics showed more than half of the estate agents in South Africa operate as a micro or sole proprietor as opposed to the larger agencies who have different levels of branches with different sized staffing.

10 So for a sole proprietor I would say that that sole proprietor normally would operate from a home office, especially now after Covid and in the future, so the advertising, presuming the home office pays a 10% as allowed to by regulations of SARS of their monthly repayments on their property and you are not allowed to have more than 40 square metres in the house, et cetera, so the budget for advertising would be the major expense there, thereafter, then your mobile phone, then your connectivity and thereafter there are small amounts for stationary and
20 that, so in my opinion the advertising is the largest bill to the small estate agent.

To the larger conglomerates it would be a minor expense, as their turnover is great. You must, there is also one thing that is important to realise, we do not earn salaries.

We only are successful operating as estate agencies of our current transactions, so there can be most that you can go by where you do not do a transaction and then there will be other months that you will have several transactions and you have to operate on your own budget.

It is a business within a business and it is very, very, very difficult for people to enter the industry, because it is only based on commission, whether you are working for a large company where you do get support in terms of
10 education and et cetera and office space, but you still do not earn any money unless you do any transactions, so the advertising is of paramount importance to every estate agent.

CHAIRPERSON: And can I ask, have you looked at listing on Property 24?

MR MANNING: Yes I did, and the reason why I did not do that is that it was slightly more expensive than Private Property and one of the major issues with Property 24, every time somebody clicks on an ad you are charged for that
20 click.

Now in practice people just go through all the ads and just click all the time on different ads that they like, so they might click on five, six of your ads and only be interested in one, so that is why and the bill became exorbitant, so I stopped advertising on Property 24 about

three years ago, because I got a good deal from Private Property, I got the discount and the charge was reasonable for a smaller agency.

CHAIRPERSON: Can I just ask your experience on Property 24, if you are charged for every click does your bill then vary every month?

MR MANNING: Yes, you are charged, I do not know what the situation is today, but at the time that I advertised they charge you a subscription, it was, I think it was in the region
10 of R3 000, R3 800 per month, then over and above that you were charged for featured ads which boosted you to the top of the listing and that boosting is really, it does not matter, because everybody, when you search on a portal you put in your price range, you put in your requirement like for instance an apartment or a house and you will filter those out.

So having a featured property does not really help you at all as an advertiser. It will help you in promoting your brand only, it will not promote, it will not help you actually
20 selling or renting that property by having a featured listing.

Also there is no flexibility in like for instance, in the industry you are allowed to, it has been practiced in the past that you can advertise in a range, because there is always negotiation involved in a transaction in real estate. For instance if you advertise a house at R1 million people will

ask you can you put in an offer, so the obvious answer to that is yes, you can put in an offer between R900 000 and R1 million, which is the asking price and the seller will then be entitled to accept or reject your offer and that is a complete free market principle, yet on the portals you have to advertise at a specific price, you cannot advertise in a range.

CHAIRPERSON: Sorry Mr Manning, I just wanted to just go back. If you are charged for every click, does your bill vary every month?

MR MANNING: Yes, it would vary every month, well it did vary.

CHAIRPERSON: Alright, I just wanted to check.

MR MANNING: I do not advertise on them now, so unless somebody is prepared to come forward and give that information to you, my information is of three years ago and the reason why I did not continue with them was because their pricing, you never, you could not budget for your advertising every month, you did not know whether it was going to be R3 800 or R5 000.

CHAIRPERSON: Mr Manning, the portals often will say that you do not have to use them, that you have got your own website, you could go on GumTree or Facebook. What is your opinion of that?

MR MANNING: The question is treated with contempt from

them, as they have gobbled up all the Google Ad Words it has become, nobody can enter the industry against them. Even the minor portals, some of which are quite, if I quote IOL, that they are nonexistent anymore in the property industry, because they were pushed out.

You cannot compete, there is nobody who can compete against the two major portals, as a small independent, even the larger estate agent companies cannot compete with them because all the Google Ad Words are
10 taken up by both of them and there are no exceptions to that at all.

CHAIRPERSON: Alright, so you do not see your own website as a means of advertising in competition with them. I mean, what purpose does your website play then?

MR MANNING: It is not even a pinprick in the universe.

CHAIRPERSON: Mr Manning, I am just checking if there are any other questions we have. Oh maybe one, sorry, while the team is thinking about it. I mean just on the leads that you were talking about, the sort of clicks and click
20 through, I mean I am sure that there are many leads that you get, not every lead leads to a sale, or in your case a rental, I mean just to get some understanding of how many leads you might typically have before you get to secure a client for a rental property.

MR MANNING: It is substantial, because once you have got

the lead it is not necessarily the advert that drew them. They might want something completely different and to answer your question I would say I need about 20 or 30 leads to convert one rental or sale, sales that would be actually more. You need a substantial amount of leads.

CHAIRPERSON: And when you are talking of leads, Mr Manning, is that someone who has actually contacted you?

MR MANNING: Yes, they have answered through Private
10 Property either by SMS or by e-mail. Now even when you contact them they cannot remember who they contacted, so we have to establish a relationship with them either telephonically or by e-mail.

CHAIRPERSON: So it is not 20 or 30 clicks on a page, as you said happened when you were charged for leads, it is 20 or 30 actual engagements.

MR MANNING: Yes, engagements to convert to one, and it will vary between estate agent by estate agent, but what the public tell me that they, even though they have responded to
20 ads of some agents those agents do not even contact them, so it is not a process of advertising and then converting that advert to a rental. The process is much more involved than that after the lead has been supplied.

So the portals can say they give you thousands of leads, it is as if it is thousands of useless leads. Maybe out

of those thousands of useless leads there are only a handful of leads that can be worked.

CHAIRPERSON: Alright, so it is the quality of lead that you are also getting.

MR MANNING: Yes, yes, yes.

CHAIRPERSON: And if I understand if you are charged every time I click on your property, I might be just exploring, but it is not a lead as you understand it.

MR MANNING: Yes, but just we must differentiate between
10 a click on Property 24 and a lead supplied by Private Property, two different situations.

CHAIRPERSON: We just have a question from the panel, Mr Lesofe. I do not know if you have met him in your previous interactions.

MR MANNING: I remember his name.

MR LESOFE: Good morning, Mr Manning. We have indeed met previously.

MR MANNING: Good morning.

MR LESOFE: Good, good, thank you. So when you started
20 with your presentation you mentioned that you present views on behalf of many other people and as part of your presentation you raised a number of concerns from lack of transparency in pricing, you also raised the concern about conflict of interest in Private Property and REBOSA, you have also raised concerns about access to software

syndication such as Fusion. Would you say these concerns are also shared by the other people that you referred to, and are these other people that you are talking about estate agents?

MR MANNING: Okay, these are people that over the years I have assisted and helped educating them as interns. I do not have a list of people that, I do not represent a list of people, I represent the industry based on my experience over more than 40 years in the business, that is it and I
10 realise what the challenges are of somebody being even a qualified estate agent today in the business or somebody entering the industry.

MR LESOFE: And I just want to ask specifically about other smaller estate agents, have you interacted with them regarding some of these concerns? Do you know if they share these concerns as well?

MR MANNING: Well, the smaller agencies or the larger agencies?

MR LESOFE: The smaller agencies in particular.

20 MR MANNING: Ja, I did contact a few. I sent them your questionnaire, I do not know whether they responded or not. I distributed quite a few of the questionnaires.

MR LESOFE: Thank you, Chair.

CHAIRPERSON: Mr Manning, thank you very much for coming forward to the public hearing and making a

presentation. I think certainly it has helped us get a better understanding of the property classifieds and also the estate agents' relationship with them and I am sure it has also helped the public understand what is behind their search for a property online nowadays and the kind of commissions and other prices paid by the estate agents to list, so thank you very much.

I am glad we were able to help overcome the technical issues and I wish you all the best for your
10 business. We are now moving on to ... [intervenues]

MR MANNING: Thank you very much for the opportunity to participate.

CHAIRPERSON: Pleasure Mr Manning, and please have a good day and I hope that your agency continues to at least provide an income for you in these difficult times.

MR MANNING: Thank you. All the best to everyone.

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