



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

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Sunnyside and virtually via MS TEAMS**

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And Doris Tshepe*

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PROCEEDINGS ON 09 NOVEMBER 2021

CHAIRPERSON: Sorry Craig, can I ask you to mute your speaker please? Thank you. Welcome to the second week of the public hearings into the Online Platforms Economy and today we are commencing with the eCommerce platforms and today's session in particular we are going to start with BidorBuy represented by Craig Lubbe and Jacques Jordaan. We are then going to hear from ADEO and consumers may be more familiar with their retail offering, 10 Leroy Merlin, and thirdly we will heard from RomTech, which is a seller on these platforms who also has their own website.

In the afternoon we have got two sellers on platforms, Elite Shopper and Next Buy and then lastly we will be hearing from Makro. The schedule for tomorrow has been disrupted because unfortunately an urgent matter requires that I am unavailable, so we have rescheduled Takealot to the 24th in the afternoon and Price Check and Red Puppy which is an online platform will be scheduled for the 19th of 20 November.

I am going to hand over to Ms Rahma Leuner who is a senior economist at the Commission to introduce the eCommerce platforms and also the kind of issues that had been raised in the further statement of issues.

MS LEUNER: Thanks, James. Okay, I am going to take you

through the platform, landscape of eCommerce and then some of the competition issues we are interested in, followed by the issues that were related to business users.

To start, eCommerce intermediation platforms are those that facilitate sales for third party sellers. They appear to make use of two main business models. The first is the lighter touch version where the platform simply takes orders and payment from the consumer and sellers fulfil the order delivery from their own store or warehouse. This
10 model is asset-light, it is low risk and operationally simple for the platform.

Its primary function is to attract customers via marketing, but there is less control over the customer experience as most rely with the sellers on the platforms, including product range, pricing and delivery speed. Examples of these include BidorBuy and Leroy Merlin.

The second business model both involves the own retail of product sourced from suppliers and there is also more hands-on in relation to sellers in that platforms may
20 manage the lead time orders of third party sellers or even store and distribute their products.

In this case examples are BidorBuy, Loot and Zando. This model requires more assets such as warehousing and logistics, holds more risks and is also more operationally complex in that you need to manage logistics

for third party sellers. On the upside there is greater control over the customer experience, for example express delivery, guaranteed stock and returns policies.

Many of these types of platforms started as pure online retailers and later moved into starting a marketplace to scale their business and expand their product range at low cost. For both of these business models they may be focused on specialist, product categories or be more generalist, with specialists driving traffic by being the best in
10 class in category whereas generalists do this by being a convenient one-stop shop.

Other than that there are also pure online retailer stores which being Superbalist, Yuppiechef amongst others, and generalists being eCommerce retailers such as Snatcher and Wantitall. There are also their own sales channels of suppliers, like Apple and Samsung and then there also the online channels of brick and mortar stores such as the Foschini group and Makro.

Another category of online intermediation platforms
20 within shopping are comparison shopping sites such as Price Check and Google Shopping which provide transaction these to various types of retailers. Their business model is attracting consumers through marketing the best, the benefit of price comparison across many retailers and then charging the business users on a cost per click basis.

Based on preliminary submissions eCommerce marketplaces and pure online retailers have a disproportionate share of online sales related to online brick and mortar or even the online supply portholes, although this may differ by product category, depending on the type of brand and also regulate to barriers.

Takealot also seems to have a substantial share of eCommerce in South Africa with some early domestic entrants having failed to scan in line with overall online
10 market growth, including during the accelerate growth in online traffic during the pandemic.

There are a few areas of interest under platform competition. First because scale may be important for efficiency and profitability in the long run, platforms may pursue growth over profits in the short-term, capital funding is therefore probably necessary to sustain early losses, which raises a question about whether smaller platforms can survive or thrive in a future without such backing.

One way in which platforms may pursue growth is
20 via high marketing spend to draw in customers. Besides the traditional marketing platforms, employ search marketing like Google Ads, Google Shopping and comparison shopping services like Price Check, but also attract customers through free spend and discounts. The inquiry is interested in exploring whether capital or preferential arrangements with

media companies with which they are linked may advantage certain platforms over others, and especially new SMME ones.

Secondly the retail offering of eCommerce platforms are impacted by their ability to purchase from suppliers distributing key brands at competitive prices. To the extent that certain platforms struggle to obtain these or obtain these at un-competitive prices this may also impact platform competition, the evidence so far does not however suggest
10 the exclusivity for branded supply products is a material feature of eCommerce platforms in South Africa.

Thirdly we also, while we have no evidence of exclusive arrangements with sellers that restrict them from using other platforms, there are price parity provisions which require these sellers to price less favourably on the platform relative to their own or other sales channels. While this may not always be enforced, this clause has not been removed and there are also penalties, which begs the question regardless of whether sellers are aware that this clause is in
20 fact not enforced.

The inquiry would like to understand the motivation behind these policies and also whether they have anticompetitive effects.

Fourthly we are also interested in promotional activity across platforms and whether sellers are incentivised

to promote over larger platforms rather than smaller ones, than others. We are also interested in whether promotions on other platforms or own sales channels are impact by price parity clauses.

Price parity alongside these promotions may reinforce the customer perception that certain platforms consistently offer the best prices, which may then make those platforms default for those customers.

10 Finally on platform competition the mere universality of Google Search and its role in search marketing for price comparison sites has resulted in enforcement action in the Europe Union and also in Turkey of a preferential treatment for Google Shopping.

Naturally the same questions may be raised in South Africa as Google Search is pervasive here as well with the Google Shopping unit having overtaken Price Check in the provision of price comparator services since the form was launched in 2017.

20 A number of concerns have also been raised in relation to seller treatment and competition between sellers and the retail arms of certain platforms. There is a concern that where there is a hybrid model with an own retail offering it is not clear if ranking or display favours the platform's own retail product over third party sellers. Platforms have indicated they do not do this and have no such incentives,

however we are also assessing whether there is any kind of implicit buyers that weights factors that own retail would have a natural advantage such as delivery timing and promotions.

The rationale for selecting products for own retail versus third party sellers is also something that the inquiry would like to understand better, this includes information that is used by the platform to determine what, the retail itself and any conduct that may limit the activities of third party sellers in terms of product range, but also pricing where they compete with the own retail segment.

There also exists platform specific exclusivities whereby the retail side of the business gets products or product launch exclusivity from branded suppliers. This means that third party sellers would not be allowed to sell or launch the product on the platform, just the platform owner. Again the inquiry would like to understand its rationale and also its impact on competition.

As many sellers seem to be dependent on certain platforms, we are also interested on whether there is exploitation of sellers, this may be reflected in the terms and conditions and service level agreements for example, if they are one-sided or unreasonably transfer risk to third party sellers, but they could also be reflected in the practices adopted by the platform in relation to its sellers.

And then finally as I come to the end of the presentation we also would like to explore the extent and ease of participation of SMMEs and HDPs on marketplaces, including on-boarding processes and fee structures, amongst other things. At present it does not appear that there are any support programs targeted specifically at this group of sellers. And that brings me to the end, thank you.

CHAIRPERSON: Thank you very much. Craig and Jacques, if I may invite you into the public hearing, you can switch on
10 your video. Thank you very much for making time available to bring your experience and knowledge to this inquiry.

MR LUBBE: Thank you. It is a pleasure. Ja, thanks for having us.

CHAIRPERSON: Thanks, Craig. I do not know if you have a presentation or you want us to just jump in with some questions.

MR LUBBE: We can jump, so I have explored areas around the main topics that the Commission has shared with us, so happy to talk through those or if you want to just start with
20 questions that is absolutely fine.

CHAIRPERSON: No, please go ahead and please also obviously introduce BidorBuy in the process, although many South Africans may be familiar with you of course.

MR LUBBE: Perfect. So ja, thank you once again for having us. BidorBuy was established in 1999, making it one

of the oldest online platforms in the country and it has grown to become one of the leading shopping and auction marketplaces and essentially we function to create a safe and convenient way for people to shop virtually anything, either at a fixed price or within an auction format online and so essentially we are, we function to allow sellers to transact with eyes that they might not have normally had access to.

We do function mainly in the transactional component of this and I will highlight this throughout the
10 session. So we do not own for example the delivery process, but we do provide integrations with many of the shipping providers and payment providers to help facilitate these transactions to take place safely and efficiently.

So I have been given a number of areas that the Commission would like to explore. I will go through them, I think if you want to stop me at any point you are welcome to, unless you want to just ask questions at the end, but the first point was the question around why does BidorBuy not have a
20 retail arm, so essentially why does BidorBuy not sell on our own platform.

So to be absolutely transparent, we have and continue to sell I think in a small way, and this is largely around testing the platform, testing integrations with providers such as Parcel Ninja, and I will touch on some of these providers, and so we have done this throughout

BidorBuy's history, but in no meaningful way.

This is perhaps one of the biggest differences between BidorBuy and I think many of the other online platforms that you will hear from and so essentially our main and primary focus is to help facilitate the sale of goods between buyers and sellers and these may be individuals or businesses alike and so our focus remains this as our primary goal.

Our team is also small and so we do not have any
10 immediate aspirations to enter into the retail space. I think also importantly is that given the size of the team and the structure of the organisation we also do not have any policies or mechanisms in place to segregate data such as retail insights and perhaps insights and relationships from suppliers et cetera, and have no way to segregate these two worlds, the retail and the marketplace from each other at this point in time.

The other point we have been asked to cover is the main benefits that BidorBuy offers a seller on the platform,
20 so the first point is that it is free to list, there is no barrier to entry in terms of being or gaining access to the platform. We see another benefit is providing merchants with brand awareness. Because we draw millions of essential potential buyers every month and we spend a considerable amount of time focusing on featuring either organically or through paid

media, through search engines, et cetera, merchants who make use of our platform gain access to this and can essentially ride on the efforts that the marketplace provides for them.

Another important point is that on BidorBuy as a merchant you own your customer, we do not withhold customer information from our sellers and this is partly due to the fact that we rely on sellers to deliver goods directly to their customers and so essentially they own that customer
10 and they are free to market to that customer, as any business would if you purchase from them.

We also allow and provide the platform for brands to build reputation. We have an online rating system allowing any buyer or seller who transacts on the platform to rate the counterpart of that transaction and therefore you have access to this rating system that can benefit you in the long run.

We also have a dedicated team of customer service, consultants and security agents in the background making
20 sure that the platform remains safe and also mediating between buyers and sellers in the event that a question comes up around shipping or where is my parcel, et cetera.

We also offer unique buying formats, which I think is also unique to BidorBuy and it is in the name, we allow sellers to offer products at a fixed price, so straight buy now

offering, we also allow them to offer product on an auction format and that is I think quite a unique offering and then something that sits somewhere in-between is that we have this idea or feature of offers where if a seller elects to offer this a buyer can offer a price that is different to the fixed price by now and the seller has the opportunity to either accept, counter or reject that offer.

Another point that we offer to our sellers is that we facilitate safe and secure payments. We have over 10
10 different methods on the platform and so this means that there should be almost no reason why any buyer should not have access to transacting on our platform, these include EFT, cash deposits, credit card, we have a voucher system called Bob Bucks, Discovery Miles, Mobicred which is a short-term loan product offering, Payflex which is a short-term repayment offering, Snap Scan, Zapper, Masterpass, SCode and for international customers PayPal as well.

We also facilitate affordable and safe delivery integrations, so while BidorBuy is not directly involved in
20 offering delivery ourselves, we have identified and integrated with a number of reputable partners, these include You Africa, which is a shipping aggregation service amongst other things, but what they do for us is allow our merchants to select from multiple carriers, allowing them to offer, to access the best price from point A to point B.

We have click and collect type option in the form of Pargo, allowing merchants to drop or to essentially ship a parcel to a collection point which may be a retail point or other location, and we also have an integration with a company called Parcel Ninja which offers a warehousing facility together with a career based option and more in the works that we are busy with at the moment. So that covers the main benefits to using the platform.

When we come to the point, the Commission has
10 asked us to look at barriers to expansion and eCommerce, this includes obtaining new customers. We would refer to these as buyers and sellers as well, and including those selling sought after brands.

So the reality is that it is expensive to compete within the market, particularly with regard to marketing, exposure, brand exposure and customer acquisition, so this covers all aspects around areas such as acquiring a customer, encouraging them to engage with our site and buy from our merchants, ensuring the security of the platform
20 and the integrity of the platform and getting these customers to purchase something across multiple merchants and in so doing also ensure that they are satisfied so that they return and so we can repeat the cycle again and again.

In terms of customer acquisition specifically it is a highly competitive space, particularly to acquire new buyers

and sellers when consumers have funds to dominate digital and traditional advertising channels.

We essentially do two types of marketing, the one would be around building brand awareness and traditionally you would see this in traditional media such as TV, radio, billboards, et cetera. This is exceptionally costly to do and to, I think do so in a meaningful manner.

In terms of the other type of marketing is focused around driving performance and we do this mainly through the use of Google Ads and a few other platforms and even in
10 this space it is exceptionally expensive to compete and be front of mind at all times within the marketplace space. I think this is largely also driven or due to the fact that the category coverage of the types of products that are on offer are so broad and wide that it becomes incredibly challenging to compete in this space.

We also find, depending on the types of merchants, so in terms of merchant acquisition or seller acquisition this really does depend on the type of seller that we are trying to
20 welcome onto the platform. Some of these merchants have their own, you know warehousing et cetera, but others require for this to be a appease and this is something that BidorBuy cannot offer off the bat or at least from our company ourselves and rather we are allowing these integrations or partners and this does sometimes make the

relationship more complex and potentially less attractive to some merchants.

I will add that to many small businesses who have I think simple structures, I think the freedom that BidorBuy offers a merchants I think is highly attractive where they do not have these formal processes and restrictions in place.

In terms of customer retention we find that there are lengthy marketing cycles, so continuous investment is required to retain customers who are able to find similar
10 products on competitor sites, particularly in the space of high discount type marketing strategies. This is a continuous challenge to keep customers returning to the platform and I have highlighted that we also do not have warehousing or owned logistics and so essentially the customer delivery experience, although generally good, is varied, depending who you purchase from on the BidorBuy platform.

The one point around access to brands that I was asked to mention, so we feel strongly that shoppers want to
20 buy products, including branded products that have I think high brand value, from marketplaces. So we know that there are millions of potential customers every month that are transpiring on platforms such as ours, but from time to time we do discover that merchants are informed by the providers or suppliers that they are not authorised to sell these

particular goods on our marketplace.

This would typically come in the form of wording such as unauthorised distribution and with the implied threat that the merchant relationship could be jeopardised if they do not comply with a group distribution.

This puts us as marketplaces I think in a precarious position where what you will find it forces the merchants who are trading on the platform with particular brands may be forced to either import grey product or transact with the risk
10 of operating in the space of unauthorised distribution. I think this has a brand damaging effect or a growth effect on the marketplace where we would welcome reputable brands from reputable suppliers on all platforms.

I have also been asked to talk around regarding the competition from brick and mortar retailers and the online channels. So I think the introduction was I think fairly accurate in that I think online players have been far ahead of brick and mortar channels who have moved into the eCommerce space and I think this is largely a function of
20 many of the online players or the brick and mortar players, excuse me, being slow to the party.

I think investment has not been there historically. I think that has changed dramatically in the recent years and I think we are seeing some exceptionally big and powerful retail or traditional retail players who are likely to play a very

meaningful role in eCommerce.

I think another point around this is that many of the brick and mortar channels have been I think fairly well focused on, have a different mindset on the concept of return on investment with I think the need or intention or expectation that investment should be achieved or return on investment should be achieved far sooner than what many of what the pure play online players have traditionally had.

I think what brick and mortar retailers do have,
10 which should not be trifled with, is the idea that they have a national footprint, ability to offer click and collect, which pure play online players simply cannot offer because they do not have physical retail stores and I think exceptionally strong brand recognition that all South Africans know and so I expect that if we have this conversation in the next few years that many of our, what we would call traditional retailers will be playing a much more significant role in this industry.

I did touch on this, but the Commission has also
20 asked that we highlight the extent to which eCommerce platforms emphasise growth over profitability. In terms of build sustainable online businesses growth is definitely valued above profitability in the short to medium term. Of course in the long-term profitability is the end goal, otherwise I think no players would essentially be in

business, but in order to maintain a reputable online business large investments into infrastructure, people and services is needed.

As an example, BidorBuy host multiple service to reduce any risk of failure or downtime. We house terabytes of product images and info and we are able to service customers in buy now or auction format with exceptionally latency. This infrastructure is exceptionally costly.

I think also in, if we look back over the 20 years pre
10 being able to essentially make use of infrastructure on a subscription type model such as cloud computing, large investment into physical hardware had to be made and this is an exceptional investment.

It is also, ja I think in terms of this high growth and essentially acquiring new customer s is targeted far before profitability becomes achievable or even sought after and the intention is that there will be some points where critical mass is achieved and the return investment will start.

That said, I think in a market where competitors are
20 currently investing heavily in customer acquisition I think any large or meaningful online player is in the likely position of either choosing profitability or losing market share and I think this is the reality of where we are still right now. I do not think South Africa in terms of eCommerce has reached adulthood, so to speak, and I think we may be or not in our

infancy, but I think we are still on that journey.

I have also been asked to speak briefly on the impact of conglomerate benefits on eCommerce competition. In terms of this I am, I do not believe I am fully qualified to answer this, as I do not think we as a business fully understand the impact. I think we could potentially speculate and I think we would look with interest as you know, to the Commission's findings once they are out, but we could speculate.

10 If there were a meaningful player who perhaps invested in warehousing and then subsidized that warehousing cost by charging third parties to also store their goods, adding to that logistic services that are for their own use and then subsidising that by charging third party merchants to make sure of that, you could see I think a clear benefit of how these complementary services could offer to each other and then also benefit from the subsidising that the third parties pay to make use of these.

20 We could add on things like payment gateways potentially if there were a player to own that piece of it as well, that could also I think have a favourable effect on the business and I think coming from that as well having access to media channels and potentially a price comparison site or search type site, I think these could all benefit from each other and the businesses could get I think far stronger

exposure than what a third party may be, may have access to for the same price and investment.

In terms of the role of search and price comparison sites and how the direct consumer traffic, we see this as exceptionally important, at least to our business. Search engines I think have been, particularly in the early days of BidorBuy, have been one of the main reasons why people discover the site and we refer to these sort of search channels as either organic, meaning search engines that
10 discover our content and display this for free to customers and then we also see another form where we invest heavily into paid media.

I think most brands, including ours, paid even to bid on our own brand name, so the word BidorBuy is even invested behind so that when customers search for us they may even be clicking on an advert to our own name. So we definitely do rely on this and I think if we extended this to the Google Shopping product for example, this is an exceptionally important piece to our business and I think
20 quite frankly as a, if I were a price comparison site in South Africa I think I would probably not be enjoying the dynamic or the power that some of the strong search engines have where they essentially have the opportunity to capture a customer far before they even reach the results of a search page in the form of a shopping result.

So I have mentioned that we invest very heavily into the paid medical space, this extends to Google Shopping, this will extend to other forms of Google paid ads and Facebook ads amongst other platforms as well, but ja, I think the investment is notable and I think without it if we did not invest in it we would definitely be losing market share.

Okay, I have also been asked to speak around the terms and conditions on our site and specifically around describing our returns policy, any dispute management
10 processes that we have, how we suspend sellers and products on site and also what information sellers are able to get about their customers and then also indicate the process involved in changing our terms and conditions on the platform.

So starting off regarding the returns policy, because BidorBuy is not essentially the seller within the transaction we do not have a site-wide returns policy that we impose on sellers. That said, we do expect that all sellers comply with provisions of the Consumer Protection Act. So as long as
20 merchants are compliant with this they have a level of flexibility to describe and enforce reasonable returns on the platform.

I think where issues do arise, so for example we would also have a dispute management process, but where issues do arise for example a customer may indicate to

BidorBuy that the product was not as described or it is not functioning as described and BidorBuy would then intervene between buyer and seller and follow a mediation type role between these two parties.

We do have a formal dispute process, but essentially we would form the, we would take the role of mediator and try and resolve the matter between both buyer and seller and if it is clear that the seller has not held up their side of the bargain we do have the option to take action
10 against them in terms of refunding the customer or potentially suspending the seller until they have resolved these issues.

These things are also done within a public interest in mind, so where there is a question that for example a merchant is not delivering goods, et cetera, we then take action immediately to make sure that we either limit or totally eliminate any potential damage that could be done to buyers on the platform.

I am just looking at my notes, so I highlight for
20 example on the suspension of an account some reasons that we may suspend an account, these could include suspected fraud activity. In the event that it is reported to us that delivery of goods is not taking place or sometimes the merchant themselves would just simply request that their account be closed, so under no sort of malicious condition,

we would then take the action to suspend that account until they ask us to change that.

We also follow policies around disabling of product on the platform, so BidorBuy has a mechanism on every item page where any member of the public who views a product has the right to report a product to our security team and this is called community watch on our platform and so while we do have a security team that is trawling through content on the platform we also have the members of the public that
10 may highlight us to possible issues with said content. This could be anything from a price that just does not look right, it might be totally harmless, or it could be something more serious.

So we disable products that breach our listing policy. In most instances we reach out to the seller first, so we typically have a dialogue with them and ask them to make changes within a reasonable period of time, but if it is of a severe nature we may also take action to simply close the product.

20 Some of the reasons why we might remove a product is that we suspect that the product may be fake. It might be suspected that the product is illegal. It could maybe be a product that could be deemed harmful or dangerous to humans or animals and, or for example products that contain or are produced from ivory, these are

all just some examples that where our security team would take action and either engage with the merchant or close the listings and notify the merchant.

We also have provision where for example if we see any good or services that does not fully comply with, or does not fit within all of these rules we also have the discretionary right to remove these products.

Now one example of this was prior to the ruling on the display of the old South African flag in public spaces,
10 BidorBuy made the decision to ban this item for sale on the platform. So while we have been aware that there are for example certain products such as stamp collections et cetera, that might not have any harmful intention, we have taken a, we took a very hard stance against the sale and display of outright flags on our platform. This was done prior to the rules and this would be an example of us doing something that we believed was in the public interest, because we believed it caused more harm than comfort to users who make use, to our community that makes use of
20 our platform.

I have also been asked to highlight the information that a seller has access to about their customers. So we provide five main points of information, maybe we could group it as four. We offer the name and surname, the telephone number of that customer, the delivery address, all

done with the intention that the seller can fulfil delivery and engage with the customer regarding any updates and any other point regarding that delivery and checkout process.

Just coming to the process involved in any changes on our seller terms and conditions, so typically we would determine the impact of the change. I think in many cases changes are done, for example when a new feature is added to the platform typically there would not necessarily be a new or a notification about the addition of these new terms,
10 but we would typically engage at the point of a seller engaging or making use of these new terms.

So one example of this would be us adding the addition of a new service provider called Pargo and they had a set of terms and conditions that the merchants would need to agree to when making use of the service on our platform. We add that, those new terms and conditions, but at the same time we are enabling the service, we then make sure that the seller acknowledges these new terms and conditions.

20 Another example would be with the introduction of the POPI Act. In this case we did not necessarily engage with our sellers specifically to tell them about the updates, however it was more us complying with provisions within the Act.

I have also been asked and I think we are getting to

the end of my formal points that I have, is around the ability of small to medium enterprises and historically disadvantaged persons selling on our platform. What is the ability of these groups of people to compete on our platform?

So BidorBuy collects personal information about sellers on the platform, so this is limited to things around your name, surname, telephone number, possibly your address and payment information. We do not collect what we would call sensitive information such as age, race,
10 religion and gender, so we are not in a position to discriminate either way on these groups of people, however there are a number of features that promote small to medium enterprises and HDP sellers on our platform.

We are largely a self-service platform, meaning that any potential seller has the right and ability to sell on our platform. Anyone is welcome to join. There is no provision or mechanism or application process or barrier to a merchant being approved or disapproved. So in its simplest form a seller just needs an e-mail address and a cell phone number
20 and a name and surname and they have entry into selling on to BidorBuy.

There is no monthly subscription off the bat to sell on the platform. There are certain more premium plans where we may offer a reputable brand, for example a store that features their logo or maybe a banner, but this is not a

requirement to trade on our platform.

We also currently charge fees based on the category of the sale. So there is no impact on for example the status of the seller account, whether they are what we would term a basic seller all the way to an advanced or premium seller that we would refer to on our platform. The fees are restricted to the category and not the status of the merchant.

Also when it comes to search, which is a major
10 component of an online player, we treat search solely on text relevancy, meaning that the results that the buyer sees is based chiefly around what they are looking for, not who could promote with the deepest pockets. That said, I think if we ever were to monetize the search space we would retain this and make sure that text is at least relevant and not solely determined by those who can promote on the platform.

Another point for everyone to compete on our platform equally is that we, and I have highlighted this, is that we allow businesses to access the information of their
20 customers and this, as I have mentioned, is largely because we do not do the delivery of goods ourselves and we also give them the full benefit of owning that relationship post sale.

Then the last point around marketplace feature which is beneficial to SMMEs is that we facilitate payments

on our platform, but we also facilitate the payouts to these merchants on our platform on a daily basis. So merchants have access to the funds typically within a day, provided that delivery has taken place, et cetera, and that there are no security concerns, but there is no for example monthly waiting period or monthly payout point in time. We process these every weekday of the month.

I was also asked to mention any potential remedies that may address factors hindering competition or raising
10 barriers. I do not think I am in a position to suggest anything at this point, I think even the Commission has stated that you know, at this point it is more an investigation, so we are not necessarily sure that there is a clear feature and so I will not add anything to that point, but that concludes I think the formal points that we were asked to address to the Commission.

CHAIRPERSON: Thank you very much Craig, and thanks for that comprehensive response to the questions that we had sent upfront. Maybe just to start on the questioning,
20 just with the consumer journey, I am sure the consumer journey online when BidorBuy started was quite different to what it is now and I seem to remember that at the time it was also many businesses trying to put up a website to sort of I suppose feature in organic search and showcase their products, but maybe if you can indicate your understanding

of the consumer journey insofar as when do I purchase online and what process do I go through in order to identify where I may end up purchasing and why would I click on BidorBuy in the end?

MR LUBBE: Absolutely. So you are quite right, I think if we had spoken 10 plus years ago, we were still on dial-up internet and for any business at that point in time to launch a website would require I think extensive technical expertise and investment. Fast forward to 2021, merchants do have
10 the ability to make use of platforms such as Shopify or eCommerce and it is a lot easier I think to launch your own online store.

That said, just regarding a customer journey, I think having an online store is not necessarily the solution to all things. That is just your entry point. So the next step is that you need to build a brand and typically that involves you are investing in the space of social media or paid social advertising and also through the space of paid Google advertising.

20 So I would guess that most customers start off a search typically based on an interest or a product that they are looking for, they would typically do that through a search engine such as Google or Bing or Yahoo for example and they would then either click on a search result, which we would term as organic, or potentially a paid advert which

would look like search results which would be featured at the top of the search engine results, or even more so if the search is related to product the user may click on a Google Shopping ad.

Another journey that might just find the said website of the user or they may also find their way onto a price comparison site, so I think fairly similar journeys.

And then the question comes in around whether or not they would click on a BidorBuy type marketplace or other
10 marketplace or if they would click on the actual merchant site, so and I think this would vary from seller to seller. I think the merchant that does not have a strong presence in the online space may likely find that a BidorBuy link is clicked, if that result is more prominent.

If they have spent some time and effort into writing good content on their own platform there is a very good chance that the specialist site would feature more prominently, just given the fact that they have the ability to provide I think more relevant content around that product
20 than what maybe a generalist site would have.

CHAIRPERSON: You indicated that even for you it is expensive to engage in marketing to do customer acquisition and retention, so outside of the bigger retailers or brands, to put it that way, I mean for smaller stores is this the reason they end up at a marketplace rather than sort of continuing

to pursue this through their own website? Is that one of the reasons? I mean, maybe just explain why sellers come to you.

MR LUBBE: So we actually encourage, and some of our, and in fact a large portion of the content on our site is done through an integration, which I have not covered yet, which we would call a trade feed or a product feed and so many of the merchants that trade on a platform such as BidorBuy and treated as an additional channel, so while we have a
10 particularly strong collect of communities et cetera, I do not think that is the focus of the Commission.

I think the merchants that we are typically talking about, I would say in most would have sight and make use of BidorBuy or other platform to add to their [indistinct – 00:52:40]. So I do not think it would be seen as an either or situation, it would probably be supplementary to add additional exposure for their business.

I think the other pieces that a small business also has the opportunity to compete I think fairly well within the
20 online advertising space, I think where the challenge comes in is a platform such as ours that has over 30 major product categories and then thousands of subcategories to feature that broad range of product becomes incredibly difficult to compete with others who do the same, but where you form a knish I think there are definitely opportunities to market I

think effectively and I think one of those forms of marketing for a merchant would be to make use of a platform to get that additional exposure.

I think the other piece that customers or merchants gain by using a platform such as BidorBuy or one of the other platforms is that there is typically an audience that might be slightly different, the typical BidorBuy customer might have a certain, you know might have a slightly different demographic profile than what that merchant
10 attracts and because they own the customer information they then gain a customer from a slightly different profile than what maybe they would have had access to off the bat.

CHAIRPERSON: I mean I suppose it is maybe a proposition within the current environment where we had Google Search last week where a lot of these search terms that say are commercialised and Google is the largest by far in South Africa, it is quite difficult to get discovered on the search engine, I think for a smaller player.

So maybe my question is in that context is it
20 increasingly required to get onto a platform in order to, for that platform to use its muscle in order to get exposure for your brand or your product?

MR LUBBE: Ja, again I think it is again I think a smart choice for any merchant to diversify their exposure or ways to communicate with customers, so I think social channels

are one of them, paid media definitely another one and yes, there definitely are particularly within certain categories, I think maybe challenges there, whether or not they need an online platform or not, I think that you know, you would probably need to chat to the merchant, but I think where the platform has dominance I think that you may see sales that could potentially even dwarf what an online merchant has.

That type of information I would not have from our side, because we only see what a merchant does on our
10 platform.

CHAIRPERSON: Just on the consumer journey, you mentioned that some of the brands sort of indicated that they did not want the seller putting them on a platform such as BidorBuy or potentially other platforms, I mean from a consumer perspective, I mean we would understand often brands are quite important and so consumers may expect to see certain brands on a platform and they exist because they are popular, and the other benefit is a long tail of products online, which you would not expect in a brick and mortar
20 shop, because the shelf space is insufficient.

So I mean, maybe if you could just talk to that, the importance of brands and long tail for the consumer adoption of particular marketplaces or online platforms.

MR LUBBE: Absolutely, and I think we have, as an analogy we have often spoken about our traditional retailers coming

into the online space and how they have legitimised this thing called online shopping and so if we were having this conversation 10 years ago, I think many people were quite scared and apprehensive about selling online and fast forward to 2021 post pandemic or during pandemic we have had South Africans that have been exposed to this a lot more, so now they are actually looking or turning to online as a viable sort of normal shopping method, sort of almost as normal as going into a store.

10 Now very similarly as we are so happy to see big retailers and brands using online because it legitimises the industry in many ways, seeing the brands that you normally know of or like to see in general retailers coming into a marketplace space and not seeing them I think is quite strange and so you know, we have the same potential merchants that are authorised to sell for example a sports watch on their own site.

 They may not for example offer that product on our marketplace as a result and so the customer that shops
20 online they start seeing a different offering in an online marketplace and that definitely shapes the view or impression of that marketplace space as being I think perhaps slightly more informal or less reputable and so obviously it is in our interest to, we would love to have you know, reputable brands offered by merchants who have

authorised distribution in the country and can service their customers with warranties, et cetera.

That for me would be a lovely end goal, I would love to see that marketplaces are treated with the same treatment as physical shopping malls for example.

CHAIRPERSON: Do the brands have a direct relationship to sell rather than through authorised resellers on your platform?

MR LUBBE: Yes. So there have been from time to time a
10 number of brands, sometimes initiated by us or sometimes initiated by a brand and in many cases these brands were engaged by selling on our platform through a third party merchant. This is typically in the space where a brand is not typically focused on selling online, but they would like exposure to for example a platform and in some rare cases we have also piloted projects where essentially we have tried to facilitate that relationship and this has not been done on any large scale by a platform, but I would say overwhelmingly it is typically done through, directly through
20 a merchant trading on our platform for a brand.

CHAIRPERSON: Craig, we do have limited time, so I am just going to ask a couple of, a few more questions and I will see if there are any from the rest of the panel, but just in terms of your relationship with your sellers, and I mean we would understand that you kind of have to set terms and

conditions, you cannot be negotiating with thousands of sellers.

MR LUBBE: Yes.

CHAIRPERSON: But how those are set and how fair they may be, I mean can we just get your understanding or your input on what factors are shaping your decisions around for instance same day payments or returns policy or the fees you charge? So how is that relationship and dynamic between yourselves and the sellers and the power dynamic
10 as well?

MR LUBBE: So ja, I think in terms, just jumping straight onto the fees that we charge, I think our platform is probably below any other platform within the country and I do speak under correction on that, I think there is probably, if we compare for example a BidorBuy fee which may range from 5.75% to 8.7% excluding VAT, if you compared us to for example an eBay platform, which is abroad, you would be looking in the region of 14% for that same transaction and so we, I think, offer a very favourable fee structure.

20 That said, this can change in time and I think it is you know, for example in the interest of both buyers and sellers that fees are adjusted continuously and revisited and same goes for the terms and conditions on the platform. I think you know, every change has typically been done because of some change in the industry or event that has

taken place for example such as the POPI Act, et cetera and, but I think largely also focus on the fact that we want to offer a platform that is safe and reputable to customers.

So I do not think that there has ever been any meaningful intention through any of, for example the changes as these terms and conditions have been shaped where the platform we try and shift a seller into a space that is maybe unreasonably uncomfortable for them without keeping the public interest at heart.

10 Our terms and conditions are changed I think fairly seldomly, I think most of the changes since I have been in this position have been largely cosmetic, but for example the explicit mention of the old South African flag, that was one example. It was, the decision was made unilaterally, we gave an explanation for it and we contacted each merchant individually where we now believe that they were for example contravening this new term and I think you know, in the future we probably will change more areas, for example in the space of delivery.

20 Perhaps at some point we want to enforce higher requirements or higher standard on our sellers and you know, this would go with you know, a decent time period and a consultation with all the sellers, but I am not aware of any major adjustment that was made without any major consultation with sellers.

CHAIRPERSON: Thanks, Craig. Maybe just on the next few questions if you can keep your answer short just so that we can get through them before we have to move on to our other participant, but I mean you do provide your sellers with the customer data and you say you need to because you do not do the final delivery bit. The resistance from some platforms to doing so is the fear that the seller would just market to them and divert sales from the platform, almost a free riding. I mean, what has your experience been of this
10 as you have an open data policy?

MR LUBBE: We actually expect that. I think if we say we give you the customer information we cannot expect that you are not going to market to them and try and sell them something again. We do not know of any major incidents where this data was misused and you know, we feel that once we have helped you facilitate a payment, we charge you a fee for that.

As it stands right now, because we are not fully involved in the full process, we are quite comfortable with
20 the fact that you can own your data and you can market to a customer, even if it means that that customer returns to you directly the next time, we do not have any major issue with that.

We sincerely hope that our platform provides the comfort and service offering that attracts a customer

naturally to us across you know, that particular seller and others in the future.

CHAIRPERSON: And price parity, I mean as I understand you do not have a price parity provision, even if you may encourage the sellers to ensure that good prices are offered on your site. I mean, again it is often argued that this is to prevent free riding, that the seller puts it cheaper on their own site and customers go there. I mean, maybe you can give us your experience.

10 MR LUBBE: Ja, we do encourage this very strongly and I think if you talk to merchants they will indicate this to you. The main reason is that we, you know we currently have in the region of I think it is around three million products on the platform and we are I think fairly liberal with regard to the limitations we allow each individual seller to sell on our platform.

20 So if for example you have a hundred thousand products we will allow that within reason, unless you know, as long as you are not contravening any of the policies and there is no issue with products, but in that circumstance we discourage offering higher prices on BidorBuy. When you are listing a hundred thousand products on our platform, because that would give the buyer no reason to come to BidorBuy and shop if every product was 15% more expensive.

There would have to be a really compelling reason for that customer to shop on our platform and so that is the reason behind why we encourage price parity. We do make allowances, for example particularly some of the merchants who have exceptionally low margins and particularly within the text space. We do allow deviation from this, you know anybody is free to list on our platform, but we may choose not to feature a product like that if we do not believe it is a great offer to the end customer, ja.

10 CHAIRPERSON: Maybe last question from myself is, I mean I would imagine the online space is now fairly differentiated in the sense of you obviously have your value proposition, but there are others as you mentioned or was mentioned by our team that have the retail offering along with the marketplace and do the fulfilment and maybe a more consistent customer experience.

I mean, who do you see sort of your closer competitors for the customer eyeballs and clicks and who may be offering a different proposition that resonates with
20 different customer groups and may be not as close competitor?

MR LUBBE: That is hard to answer I think clearly, you know I think if we look at, and we would typically look at certain ranking platforms and sites, you know competitors that I estimate to be in a similar range in terms of traffic and types

of customer would be those in the space of Massmart, for example we have other I think fairly different sites such as a one day only, which offer an exceptional product offer to their customers, all the way to Takealot who is clearly the leader.

These are all exceptionally strong competitors. I think anyone who takes eyeballs away from our platform is a clear competitor. I think even adding to that those international competitors. So we see some of the Chinese
10 platforms playing a strong traffic role in South Africa and the likes of Amazon, et cetera, who do deliver some product to South Africa as well.

These brands are exceptionally strong and also would be considered one of the types of competitors to our platform.

CHAIRPERSON: Thanks, Craig. I think we are good from our side, but thank you for coming and sharing your experience with the panel and the technical as well as the public. I think it is important that the public who navigate
20 online understand what is behind all of that platform, so very useful. Thank you very much.

MR LUBBE: Thanks, thanks for having us.

CHAIRPERSON: Thank you, and I think we do have our participants from ADEO or Leroy Merlin, is the, I think the consumer brand. So Craig, you can log off and we will invite

onboard, I think it is Mohammed Tayob and Jeremy Filliette.

INQUIRY ADJOURNS

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