



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

18 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: BOLT FOOD



Gauteng Transcribers
Recording & Transcriptions

PROCEEDINGS ON 18 NOVEMBER 2021

CHAIRPERSON: Welcome back from the break, and as I indicated earlier we have the pleasure of Bolt Foods joining us now and I would like to welcome Mr James Townsend-Rose who is the Country Manager, South Africa for Bolt Foods and James, I believe we have also got Mr Andrew Gasnolar who is Head of Public Policy Saouthern Africa for Bolt, Ms Wisahl Jappie who is policy and regulatory advisor to Bolt, and Mr Abdul Waheed Patel who is policy and regulatory advisor to Bolt as well, so welcome.

MR TOWNSEND-ROSE: Good morning.

CHAIRPERSON: I believe you have a presentation for us, James, so I am going to let you and Andrew launch that and take us through.

MR TOWNSEND-ROSE: Great. I will have to check if you can see that.

CHAIRPERSON: We can. Perfect, thank you.

MR TOWNSEND-ROSE: Okay, okay happy. I think we have done introduce, so I think we can dive straight into the presentation and the way I want to run is really just to first of all give an introduction to Bolt at large, Bolt Food sits within a greater organisation and I think that context may be important for the purposes of the Q & A later.

Il then dive into Bolt Foods and then look more closer to the Bolt Foods in South Africa and our perspective

service of online food delivery, and then some pertinent points around our relationship with restaurants, particularly around pricing and commission structures, and which is finished with the remarks and then looking forward to the Q & A session after that.

I will first just dive into who is Bolt. Bolt is essentially an ability platform that was launched in 2013 in Tallinn, Estonia. For those who are not familiar to the brand, but may be familiar to other brands, perhaps similar to the likes of Uber. Since that time, so the last seven, eight years we have grown to have 75 million customers, we are in 300 cities in over 45 countries and we have a wide range of partners, two and a half million drivers and about 100 000 couriers across those regions.

We do focus on a couple of smaller non-traditional markets, so our focus is on mainly essentially Central and Eastern Europe and Africa and we have done that for a number of reasons. These tend to be the smaller markets which are harder to operate in and so more often than not less competitive than some of the larger markets, by focus our investments and our expertise we also crosspollination benefit between our different verticals in the business and we already built local expertise to solve of the delivery challenges within these markets.

If you look at the journey of Bolt, as I said it started

in 2013 purely with ride-hailing or e-hailing and since then we have diverted into multiple different verticals to a point where we now have, we have a delivery vertical which is around foods and grocery delivery. We have a rental vertical, which is E bike and car rental, and then our core business is the ride-hailing business, so we have diverged quite a lot. In South Africa prevalent is just ride-hailing and food delivery right now.

So just focusing on Bolt Foods for a moment, so we
10 are available in 20 countries and 40 cities across Europe and Africa. We often see some synergies whereby, ride-hailing customers and then customers will use our ride-hailing services and our food services and they might be introduced to the platform through one or the other.

Bolt Food launched in 2019, 2020, so really in the height of the pandemic and we did have to adjust very fast as a vertical to dealing with, from the constraints of the pandemic and we had to quite quickly get into delivering other verticals as well restaurants or shops, but we have
20 over various countries and various times delivered other products, groceries and electronics and, but our core business is very much on restaurant delivery and once the restaurants were open again to delivery we did veer back into focusing on restaurants.

Now what are we trying to be? Now we do have

ambitions in the Bolt Food vertical, we are now looking to be one of the bigger players in this vertical, one combined with restaurant delivery and grocery delivery, so ja we have, we have launched and have grown fast and continue to be keen to grow fast in the future.

What is Bolt Food? I think you have heard from the other players in the market, but I do not think we need to belabour the point of what exactly Bolt Food does, because really how Bolt Food works is very similar to our competitors
10 in the market, UberEats and Mr D, essentially we are a marketplace.

Just when you go to the next slide, we are, our role is essentially to create a platform where customers and restaurants can meet each other and we facilitate that transaction and all the operational complexity that goes alone with it. I know there is a large amount of technical and operational challenges in making sure that that transaction works to the benefit of both customers and restaurants. Essentially the customer gets their food hot
20 after fetching it from the platform.

Bolt Food is live in a number of markets and we continue to explore others. South African launched in early 2020, so it was one of our first countries that we have launched in and subsequently we have launched in three other African markets, which we also see similarities to, so

there is definitely some expertise growing in our understanding of the African market and how that equates to the business in South Africa as well.

Some of the advantages that we bring when we go into a market, essentially we already have a base of potential customers, so we do tend to move, when we go into a new country with Bolt Food we go into a country where rights having exist already and things brings with it obviously some benefits with an existing customer base who are on a
10 standard brand and has seen value in interacting with the brand and also allows for cross formation benefits. We can move customers from one vertical to another.

Technology expertise, we have a technology product HQ in various parts around Europe, we have expanded a lot of our core in Estonia due to mutual constraints over the last years, but we built up some expertise in this area.

That being said, if you look at our products compared to the competitors there are still gaps in how a customer and a restaurant and a courier interacts with our
20 product compared to the competition in this market, so whilst we have built expertise here, it is a very competitive field and we are relatively late in the market, but we are catching up.

In addition to that we have built over the years some operational and a very capable team based in

headquarters component and Estonia to support the local operations team here. We are a relatively small team in South Africa, we are 22 people on the operations side, not including customer support, and then a delivery team and HQ that support us with their expertise and support, but again that team is relatively small as well, ja.

I just want to show an example of that integration that I mentioned. So you know, you may have used or seen that Bolt app and you will see that when you raise your profile in the app you will see the Bolt Food button, you will also see Bolt Food promoted in the actual right heading application and it speaks to some of the value that we can bring to the customers who are using our platform in the interoperability between profiles and user journeys and the expectations from the brand which is generally centralised around one of good value to customers, so from a core value proposition it is really around delivering great value to customers without the ride-hailing or the food side in South Africa.

From a journey perspective nothing too surprising here. Essentially when you go onto our app you will see a range of restaurants in your local area and you will choose a meal. You will then proceed to checkout, you can obviously pay by cash or by card and then the clever action happens in the background where we link your delivery up with the

courier who will then deliver your order to you and you get insight on the journey if that courier picks up the food and delivers to you.

Throughout this process there is customer service support at any time, so if you have any queries or questions or concerns during the order or after the order you can raise it with the customer service team.

The platform for the restaurants looks a little bit different to this. They essentially see an order and accept it, 10 they then get told when the courier is arriving and some notification to help with the handover process and then they get the invoicing and financing date sent through to them through a partner portal that provides them access to information, an opportunity to update and change some details to provide a better experience for the customer on the application.

It is a provider-driven marketplace, so the first thing that we do when we move into market is get restaurants on the platform. Restaurants have a lot of buying power as a 20 result, it is a selection driven business. So customers come onto the platform and stay on the platform when they see a good selection and good price. So the way we, essentially we operate is when we move into the new market we onboard restaurants first before opening up to customers to ensure that when they go onto the platform for the first time

they see adequate collection and enticed to use our product.

Just a little bit on South Africa, if you look at you know, the opportunity here it is a reasonably large market within the Bolt Food table, you know with a large population, a regional GDP per capita and a relatively large eCommerce and potential food delivery market.

I think the important thing here is not necessarily the size of the market, which is still very small on percentage terms of the total of food and veggie economy.

10 That is really in the rate of growth and this has been further accelerated by Covid, as restaurants became, well for a short time very reliant on delivery platforms and it certainly accelerated customer usage of delivery platforms.

That being said, it is still a very small percentage of total volume through restaurants and they are some headwinds, so [indistinct – 00:11:47] are the developments of restaurants' own delivery, so restaurants are increasingly looking to either partner with third party fleets or actually operate their own fleets and build their own application
20 either through iOS and Android stores or online. I mean, I have shared some examples there of Debonairs who do that.

The other obviously constraint to further growth are competition, majority competition in the market is either Mr D and UberEats and we will go into a minute the kind of history of the food delivery industry in South Africa, which is not

new and then the last one is just the food market or in home dining or in restaurant dining is obviously constrained to further development.

As I mentioned earlier, you know Covid did accelerate the adoption of food delivery platforms and we are starting to see that growth slow down now as we trend back to the normal times, but it certainly increased the market size in the last year or 18 months.

So just on the food delivery history in South Africa,
10 and I am sure the panel knows a lot of this information, but really the two big players through time have been Mr D and UberEats, you know Mr D has a long history in food delivery first of all with those pamphlets with the magnet that was stuck to our fridges in the sort of nineties and two thousands and then more with the takeover by Takealot and the transition to a digital platform on an app and then UberEats entering the market very aggressively in 2015 and their expansion to markets within a year, 2017.

There have been some other players, so OrderIn
20 was a player for a while, then it fell out and then there have also been some local smaller players over time which would have not necessarily gained the traction that they expected, to a point now where the three largest players to our estimate are Mr D and UberEats and ourselves, ourselves being a very distant third. We are only live in two cities and

in Johannesburg, which we have launched recently, we are only live in a very small part of it, so we are still relatively small to the incumbent.

It is a very challenging landscape and I am sure we are going to discuss some of these points later in the Q & A. You know, first of all South Africa is an environment where there are significant economic headwinds for a large percentage of the population, and what does it mean? It means that value for money becomes a central part of any value proposition for most brands, most consumer brands in South Africa and in a low margin business like the platform delivery business this can squeeze margins, you know further and it can become a little bit of a race to the bottom to gain market share and you can see that in that all the platforms essentially are competing on price, both on many price and offering low delivery fees.

The other headwind for us is obviously our competition are very mature both in product, their experience, their geographical spread, the data that they have collected over the last years and how they can use that, the restaurant collection and the relationship they have and when customers and restaurants are making decisions around whether to engage with Bolt Food they are obviously comparing us with these incumbents, so you know that comparison is being made by the customer and the

restaurant and given our relative units to the market and our nation and the size of our team, it can create a headwind.

There are some operational challenges in the market as well specific to the South African, South Africa. The one I have picked out here is just cash. There are users predominant using cash and this creates some significant challenges within growing the market in South Africa and that there are safety and financial impacts of handling cash that puts a further squeeze on the profitability of the model
10 in the market.

So just a little bit on our history, so as I said we launched in 2020, I was not in the seat at the time, my predecessor was, but we launched about a week before lockdown, which was terrible timing and launched into Cape Town into the CBD which then really emptied during that period.

The company had to pivot quite quickly into offering other products, because the restaurants were shut during that level 5 lockdown period in the initial stages of Covid, to
20 move to delivering groceries, pet food, health supplements and off the shelf medication, to relatively lower pay. Customers were not prepared during those careful times to try new brands and they were really looking to purchase something they knew and what was quite a scary and chaotic environment.

As the months progressed and the lockdown levels eased we dropped some of the other verticals really to focus specifically on restaurant delivery only and our aim during 2020 was really to focus on helping retailers who did not have delivery partners to stay in business and potentially offering those who already had a delivery partner to try someone else.

We offered quite generous commission to restaurants during that time to try out our platform. We did
10 struggle to gain customer traction during that period, again I think there is a lot of reasons behind that, but last year, towards the backend of last year and the beginning of this year we started to see more traction on the platform. I think people were emerging out of a state of shock during the year.

We also had some products upgrades that allowed to show a value to customers and the way the customers experienced our brands in the user experience on the app improved and we also rolled out the ability to purchase by
20 cash and that is when we started to just see a little bit more growth towards the beginning of January, February this year in Cape Town only.

Essentially what we do now is we allow restaurants to deliver products in Cape Town and a small part of Johannesburg, to deliver that food to customers by courier

and having stayed in Cape Town for almost well, two and a half years, sorry one and a half year as our only market we then expanded out of Cape Town and we launched in Johannesburg about four or five weeks ago, so we are still relatively new, young there and learning and understanding the market in Jo'burg, which is quite different to Cape Town and relatively small compared to the Cape Town volumes that we experience today.

I just want to touch a little bit on our relationship
10 with restaurants. So first of all this is to show how a customer experiences the restaurant. I think our user experience, our discovery to how a customer finds a restaurant is still relatively rudimentary, so there is not crazy algorithms behind it, it is more just filtering and some basic rules that we can apply to different categories, but essentially a restaurant goes onto our platform and can search for a restaurant by a number of ways, so restaurants that currently have a discount to offer.

We also show customers restaurants who have
20 faster delivery, we see the customers who are hungry enjoy that. We expose all restaurants new to the platform in its own category towards the top of the search. We also have a pickup option where you can essentially order through the platform, but pick it up yourself, so we provide that option as well and we also re-show customers restaurants that they

have ordered from before.

The vast majority of restaurants on the home screen are essentially in a long scroll beneath that top portion and they are based on proximity to the ETA, that is the ordering mechanism.

The other way that a customer can find a restaurant is to search, as you can see on the second right, the second button from the left at the bottom there, it is a little search tag, so they can search by the restaurant name or by a tag.
10 So if you are looking for a burger you can search by burger and it would show you all the restaurants that you can tag here, so that is another way that restaurants find the restaurants.

In terms of our relationship and how we price and how we enter in an agreement with a restaurant, essentially each restaurant is dealt with on an individual case by case status. At the moment it is not possible for a restaurant to automatically sign up for the platform, it is still quite a manual process. Half of my team are essentially a sales
20 team who go around and meet restaurant partners and discuss the value of the platforms and negotiate essentially you know, the terms of an agreement with the restaurant on a case-by-case basis.

As I said a couple of slides ago, this is a selection driven business and we are competing with some incumbents

who have got over eight or nine thousand restaurants on the platform, so obviously what is important to us is to get more restaurants on our platform as quickly as possible, so we really tried to make it as appealing and friction free as possible, so start-up costs for restaurants are nil. There is no fee for joining the platform.

Any fees are associated against the transaction and there is no fixed fee upfront and we also want to take out the rest. We understand for restaurants that Bolt Food is a new
10 brand, especially in the new market that we go into, so we want to take out any potential downside to the restaurants who might be hesitant to join something new, having experienced UberEats and Mr D for a number of years, so we take out any penalty fees or costs associated with cancelling.

If the restaurant business sees value on the platform they can simply turn off the tablet and we will come and pick it up and we are done.

We also, restaurants are also using multiple
20 delivery partners. I think you know, some restaurants have issues with that, they see it as an operational headache to manage multiple tablets or multiple integration, especially around invoicing and managing invoices and also trading with staff who deal with different platforms, but we do see most of our restaurants operating across multiple platforms.

We also work with restaurants who have their own delivery platforms, so they just see us as an alternative to marketing channel or distribution channel against their own delivery channel as well. So there is lots of different variations against each restaurant, all negotiated on a case-by-case basis.

So just you know, a couple of points to conclude on before we get into the Q & A, you know from our perspective I think food delivery is such a nations industry still in
10 South Africa, we have obviously got two large incumbents, but that aside it is still developing incredibly quickly and the rise of Covid has definitely accelerated some of the trends we have been seeing over the last couple of years and we have seen that in obviously all sectors, but this is this one sector that has seen it particularly highlighted.

It is competitive. I think the nature of all digital marketplaces is you know, it becomes very competitive with many delivery platforms co-existing and some complexity there with own delivery platforms and fleet partners offering
20 services to restaurants as well, so it is a competitive and complex environment.

Then the last one is just a point on the consumers, just to double down on that point around consumers being attracted to choice being the key differentiator and consumers will end up going to the platform that has, you

know the best selection of restaurants and the best value. All other parts or all other differentiation factors within a platform environment will tend to normalise to each other, so the experience for the customer will be relatively similar, the way a customer searches will be similar, the delivery service will be similar, the courier partner indeed might be the same person who also has the app, so this is where the differentiation really happens, is on restaurants and pricing particularly in this market. Thank you for your time. That is
10 all I have to say on the introductory remarks and ja, looking forward to Q & A.

CHAIRPERSON: Thank you very much, James. Ja I think, look I think a lot of what I want to ask is your journey as the late entrant, but before I start I just wanted to touch on a couple of things. I mean, you said that it is obviously quite a lot of tech and complexity behind what we see, we just tap, you know purchase and expect our food in 30, 40 minutes, but a lot happens behind that.

I mean, in talking to some of the sort of national
20 chains I think they have highlighted that is quite a hurdle for them to get over in doing their own. It might be fine for my local butlers in Cape Town who had a good reputation in their area, but rolling out nationally seems to be a lot more challenging and I suppose that part of doing an inquiry like this you start to test these different products, so you would

be pleased that I downloaded Bolt app and you do deliver in my area in Johannesburg, but I have used some national brands and I am not going to name them, but to be frank, the food came after more than an hour. The one time it was cold and maybe I persisted because I know a lot more about what happens in the back, but eventually you just say that is not the experience I want.

I mean, maybe if you can just comment on that how the platforms that invest on this tech on a global nature
10 compare to some of the sort of chains that are doing this or trying to do it.

MR TOWNSEND-ROSE: Yes. I think for a local player there are essentially two options you can go download, off the shelf delivery, technology that you can, you know you can purchase and you can adopt and there is probably some supporting costs associated with that and these will tend to be developed by software houses and they offer a basic service and then you essentially take over the operations of that service.

20 The second option is to invest in your own platform and you know, like any software development it is a costly, it is a costly game, not least of which software developers are such a constraint globally right now so as to get a quality software development team is going to cost you a lot of money just in headcount cost before you even started

developing the platform.

It is obviously not a once-off cost. Customers have gotten increasingly picky over their expectations and so you are constantly having to reinvest in the platform to offer additional you know, forms of payments or additional features or search functionality. The list of what you have not done yet just grows and grows and so I can see why you know, as you said some of the local players or national chains would struggle to see value in developing their own
10 platform.

With that said, I do not really know the economics of this, you know in setting up your own delivery service, but certainly I can see why the larger global technology businesses to have an existing pool of software engineers do have an advantage here purely, you know if nothing more, because it is just a large pool of resources from which to draw from to focus on what is essentially their core business.

So I think for a restaurant chain their core business
20 is not software development, so there will always be this tension between you know, improving our food, our menu, our own journey versus you know, do we want to invest in developing the platform, which we know very little about. Ja, so I think those are my thoughts on that matter.

CHAIRPERSON: Ja, and I think you raised an interesting

issue about it is not once-off, that I suppose expectations get set in the market by you know, also how fast it comes and, but all the other features.

I mean on that I just wanted to ask about the payment options, I mean you talked about the cash and I know Fintech is developing quite rapidly in this country at least, I mean are there more payment options to sort of overcome the lack of credit card and extend this product into other communities where you know, people do not have
10 those sort of devices or sorry, credit card type facilities? Is that something that is happening?

MR TOWNSEND-ROSE: Ja, I think there is you know, there is additional benefit with having multiple payment options and if you look in, if you just go to any eCommerce journey in South Africa when you get to the checkout you will see often five or six different options, debit, credit, instant EFT, maybe Discovery or eBucks, you know these are all various options and I think it has been, well I do not know the exact data, but just the more options you have you are just going
20 to be able to reach the needs of more people.

Cash is still such a big part of the economy, but it is a challenge for us to work with, so it is obviously part of a software team development into a market in maximising conversion rates for customers on the platform is to look at ways that we can increase the types of ways that you can

pay to try and bring customers out of the cash environment and into another environment where they are comfortable with.

CHAIRPERSON: Ja and sorry, that is one thing I did not check quickly on your app, but I mean are these making it into the delivery service area? I know they are in eCommerce, but are they making it onto your type of platform yet?

MR TOWNSEND-ROSE: For us it is just cards and cash
10 right now, I would not be able to speak to the competitors. Over time I would expect that we would invest in adding other options, but you know we are, our product team are working on so many other countries for us to localise or to get a local integration product is very challenging, so it is something like Discovery Miles or eBucks, it would be unlikely in a short time, but we will certainly look to it in the future.

CHAIRPERSON: Ja and you know, I mean you have mentioned that you have launched in three other African
20 countries.

MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: I mean, is part of the thinking there to get in early because a late entrant obviously will go to it, but has challenges?

MR TOWNSEND-ROSE: Yes, I mean there are definitely

advantages to being the first mover, unfortunately in all of those markets we are not first mover, we have actually gone into the African continent relatively late, so you know whatever designs we have to move into those countries, that was not to be the first mover, it was to expand our footprints and attempt to compete against already quite well-established incumbents.

CHAIRPERSON: And then maybe my last question on the technology side, I mean you talked about the headache on the restaurant side, that some of them see it as a headache trying to deal with a few different tablets or hand-held devices, as I understand.

MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: And I had asked one of the others just about the technology on point-of-sale integration and where we are in that, because I mean what we are seeing in other platform types, not food deliveries, these sort of middle software companies can make quite a difference to how many platforms you can list on.

20 So in travel you have basically a booking system that drops rooms in 20, 30 platforms, so just if you could let us have insights from your side around where that is going.

MR TOWNSEND-ROSE: Ja, definitely tablets will come off the table over time, it is a headache for everyone. It has allowed us to move quite fast, you know we can get a tablet

potentially off the shelf and we can bring restaurants onto a platform relatively quickly, but as soon as volumes reach any kind of scale it then becomes an operational headache for them to manage and to be honest, it has impact on our and the courier partners and the customers as well, so our product team are somewhat focused on the point of integration, we have a small part of our team who are executing products, point of sale integration on a prioritisation basis.

10 You know, in South Africa we are put against the other huge countries that our product team are looking at, so right now there is no, none of our restaurants in South Africa have point of sale integration, although we are in discussion with some of them.

 This is obviously done on a software basis, not a restaurant basis, so for example you know, we would look to integrate with Pilot as an example and then once you have integrated with Pilot software then anyone who uses a Pilot point of sale would have an opportunity to be integrated with
20 us, so we would not go necessarily restaurant by restaurant, we could go by point-of-sale platform to point of sale platform based on who uses that point-of-sale software.

CHAIRPERSON: Ja, and that makes sense, I mean just, I am not in the restaurant business, I mean are there many of these different points of sales or I mean, are there a couple

of big ones where if you integrate you can get quite a large chunk of restaurants?

MR TOWNSEND-ROSE: I do not know the exact detail, I think it is three or four well-known that would probably cover 80 or 90% of the market and then you know, a handful of others, but that is an estimation.

CHAIRPERSON: And I mean often obviously the big national chains are going to have their systems, would they be using these Pilot or whoever or do they have their
10 bespoke ones?

MR TOWNSEND-ROSE: They largely have their own, or sorry, they would have their user off the shelf system, but it may have been augmented over time just to suit their own needs, so similar to you know, to SAP software, you buy the core product and then you adapt it or it is adapted for you to suit your particular needs, which may make the integration more context.

CHAIRPERSON: Alright, thank you for that, I think that definitely helps. So I did want to just explore you know, you
20 as a later entrant and the journey you have been on, I mean you said in your presentation it has obviously been a challenge, but I just wanted to sort of go back to sort of more the restaurant business. We can talk about grocery later, but as I understand from your presentation you are not doing grocery anymore.

MR TOWNSEND-ROSE: No.

CHAIRPERSON: It is just restaurant, alright. So I mean in entering, and it may be in Cape Town or Johannesburg, as you indicated your customers wants restaurants and choice, so I assume that beginning of this journey is partly signing up restaurants and I would assume that you know, we have heard from others that South Africans like some of the big branded chains, so I assume you would have approached them as well to get them on your platform, is that right?

10 MR TOWNSEND-ROSE: That is right, ja.

CHAIRPERSON: And you know, we have heard from some of them, we have heard from famous brands and they said well look, we have got two, that is what we are sticking with. I mean, maybe if you could just talk us through some of those discussions. We are not naming any brand and we are not, it is just sort of you know, you are in the room or members of your team are in the room, I mean what goes down there? How do you try persuade them to get on the platform and what are some of the reasons that you secure
20 some of them and not others?

MR TOWNSEND-ROSE: Our core, our essential value proposition to restaurants is that we are going to, or we bring incremental customers to their platform, so we are introducing people who have not yet tried to use you know, Mr D or UberEats and we are going to bring those customers

through to them, largely to result our ride-hailing you know, the scale of our ride-hailing customers.

So we essentially, when we go into, we can look to our ride-hailing and present through to that platform. It might have been the first one that used food delivery, so they come onto our platform and then they join the, they order from the restaurant, so that is the core part of our value proposition to restaurants.

You know, you rightly pointed out that what is
10 important to us when we go into the market is to get selection onboard, as I said it is a selection driven business, and there are three or four relationships that would cover somewhere between 30 and 50% of the total market, so that is three or four negotiations or agreements with restaurant chains which cover a vast proportion of the total spend on platforms.

These restaurant chains obviously have a lot of power in the market because of that and I think the conversations with them over time have been largely
20 positive, so inquisitive from their side onto the additional value that we can bring, you know tend to test around off scale and the operational friction it would cost them to partner with someone who is still in, you know one and a bit cities.

You know, you mentioned a brand called, you know

a famous brands who obviously represents a number of brands beneath them, I think it has about two and a half thousands different locations and for them to partner with us on, you know whilst we did in Cape Town and Jo'burg, I can imagine with complexity that team and headquarters who manage delivery platforms is relatively small and so for them you know, partnering with us while we are still covering a small area you know, could potentially be a distraction.

It is not a position I am comfortable with and we
10 hope to change it, but that is for us to prove to them as we expand across South Africa and you know, that type of approach or that type of you know, response from famous brands is pretty similar to the responses we have received from the other two or three really large chains which is you know, we have seen you guys before come and go, let us kind of keep talking and we will see how you do and let us enter into a trial agreement.

We are starting a trial with some of the bigger names in the next kind of four to six months, and then
20 depending on that increment or value that we say we can bring they will then move into a wider partnership.

I totally understand and appreciate the inherence of scepticism or reluctance to partner with us while we are still relatively small, but you know also appreciate the, you know the conversations that we have been having with all of the

bigger guys who will deliver that you know, additional 40, 50% of volume to the platform.

CHAIRPERSON: Thank you for that actually very useful answer to just get insight and it is interesting that, I suppose that you said that some of them kind of say seen you come and go where I suppose they said we are going to invest in this relationship, we want to know you are going to stick around, I suppose that is a bit of a chicken and egg you know, situation for you, but I mean just from your experience
10 with many of these they are franchise based as well and we heard from famous brands that I suppose head office wants to control that franchise relationship as well, because almost I think they put it you know, it can affect our brand, we are the custodian of the brand and so this is a decision at head office coupled with the franchise I think representatives, they have a National Franchise Council or whatever.

I mean, is that your experience of other of these big chains that it is really a head office decision and not a franchisee decision that is left for them?

20 MR TOWNSEND-ROSE: It does differ between brands. You know, we find that you know, the larger chains are more tightly controlled from head office, some of the newer or smaller chains have a little bit more flexibility associated down to the franchise owners.

Largely in some occasions we have managed to trial

with individual locations, even with some big brands, but as soon as the volumes start moving through that location it gets almost raised up to head office and then they want to take over control of the negotiations for a much wider contract and I, you know I appreciate the opportunity and the value to deal directly with the franchisees, but I also understand why head office wants to control the, you know the quality and the relationship from a centralised perspective, so I think it is sort of a situation where we are
10 happy with them, we are working with that framework to, you know to get effect from those parts.

CHAIRPERSON: I mean, we have obviously got a few global brands as well operating here in the fast food and you are a global company as well. Are those, you know obviously Mr D is a local operator, but are there these global relationships that exist? I mean even does Bolt as a global grouped started to talk to McDonalds or a KFC, I mean is that also happening?

MR TOWNSEND-ROSE: Yes it does, ja. We have
20 relationships with, certainly with McDonalds on a regional, if not global level, but that does not mean that that opens the door for us on a local level, so there might be a, you know an introductory agreement on a very high level between the brands, but the decision to operate with Bolt Food is very much left down to the national owners and then indeed the

franchisees.

So you know, we might have an agreement with for example McDonalds on a national level, but the franchisees then still have the opportunity just to say no, you know we are already working with the other two, so it is a relatively you know, bottom-up decision when it comes to actually pulling the trigger on the relationship.

CHAIRPERSON: No, thank you. That is useful to understand. I mean, Bolt obviously has a bigger brand and
10 you are bigger, it is not like dealing with some of the local platforms we have dealt with, so you have a bigger reputation and as you say you operate in many markets and can even talk to McDonalds at a global level, I just want to ask I mean it has also got to come down to commission fees and as the late entrant who is yet to prove themselves, I mean I am assuming you have got to kind of come in a bit cheaper as well for that national chains to make them sort of invest in that relationship.

MR TOWNSEND-ROSE: Correct.

20 CHAIRPERSON: So I mean we did hear sort of with UberEats and Spur at 20%, you would have to come in lower and I suppose the same for sort of individual restaurants as well, or is the independence not as much a talking point?

MR TOWNSEND-ROSE: It is the same, you know, so if the independence has got a relationship with you know,

UberEats from Mr D and our value proposition of delivering increments or business to the restaurants is not good enough it does often come down to commission where we essentially have to prove ourselves for a period of time and as you say, this often comes down to you know, just a number, the commission number.

So my estimation is that the percentage at which we are lower than UberEats or Mr D is probably similar, irrespective of the restaurant type and you know, these are,
10 we try and do this for a short period of time to essentially prove to the restaurant that we are adding value to them and then we can you know, renegotiate to a position that is more sustainable for us, because we are agreeing on commission percentages that are not sustainable in the long run in order to prove ourselves to the restaurant that we bring value.

CHAIRPERSON: Thank you. I mean just on then the sort of independent restaurants, I mean you have talked about their sort of headache of integrating I mean, and maybe national chains onto sort of choreograph nationally, but for the
20 independent restaurant, I mean is this a big factor or are they a lot more willing to just try out and have three running alongside?

MR TOWNSEND-ROSE: I think probably more willing than the big national chains, independent restaurants and owner operators, so the people you are dealing with are much

closer to the frontline troops as it were, so things like training and you know, support and retraining, it is just a lot easier for this type of provider with such a restaurant and when we are dealing with a larger chain you know, for example a famous brand they would need to train two and a half, three thousand people, which is a huge exercise in itself, which makes that decision a lot bigger.

The smaller guys are a lot more nimble and can make a decision and put the tablet on and give it a go for a
10 month or two.

CHAIRPERSON: So just on that training, I mean would, just to understand the balance of who trains whom, I assume you have got to at least go into the restaurant and show how Bolt works and the interface, so would you be training or is the restaurant training and just also the chains, just to understand? Sorry.

MR TOWNSEND-ROSE: Ja, yes it is a good question. So during the essentially, during the on-boarding process, so once the restaurant agrees to come onto the platform our
20 operations team essentially reaches out to the restaurant owner and offers one of two things; either a remote training session, so essentially we have a Zoom call and go through the tablets online and show them how it works, or an in-person training session where we will actually come to the restaurant. Obviously our preference is for the remote

session, because we can get in a lot more training sessions in a day than driving around the city.

Restaurants tend to have a very high turnover of frontline staff and so often the retraining is done by the restaurants themselves, so we will do the initial training upfront but then you know, within a matter of weeks or months you have got new people operating the system and that is where either the restaurant will do retraining or if we see some of the performance metrics drop we will offer to
10 again do more remote training or come in and retrain the new team.

CHAIRPERSON: And the national chains, I mean I think some of them probably have dedicated training mornings and as I would understand, so would that be sort of choreographed through you at a big Zoom event, so you know 200 restaurants or whatever it is?

MR TOWNSEND-ROSE: Exactly, exactly. Ja, we have recently, we probably had a hundred people on a Zoom call you know, with the option for Q & A and then there is also to
20 train the trainers, so as you rightly pointed out a big chain will have someone who is responsible for training or operational expertise or performance and they would take on the responsibility to make sure that our training material is well shared and communicated with the franchises or the restaurant.

CHAIRPERSON: And I suppose luckily Covid has also meant that people are more happy to do Zoom calls than they were before.

MR TOWNSEND-ROSE: Yes, ja.

CHAIRPERSON: In offering the sort of lower commissions, as you said initially, I mean what is your experience on this sort of pricing of the menu that the restaurants you bring onboard? Do they price cheaper on Bolt before there is lower commission, or do they price the same?

10 MR TOWNSEND-ROSE: We tend to see you know, price parity between platforms and, but to be honest it is not something that we track or measure, we just do not have the technology or the resources to see or track changes in many pricing and compare that with competition, but if you ask me to you know, say one side or the other I would say near enough it is going to be the same as the competition.

CHAIRPERSON: Alright and do you have, I mean contractual terms at least to ensure you are not worse?

20 MR TOWNSEND-ROSE: We do have a price parity clause in the contract. It is not something that we enforce, but certainly appreciate that they might be self-enforced and I think certainly in the engagement with the Commission during this process it is something that we need to relook at, you know given some of the conversations that we have heard with yourselves and others, so that is something that

we will be doing, but ja, right now there is a price parity clause which essentially restrains the restaurant from offering a cheaper price on other platforms.

CHAIRPERSON: But I suppose, I mean I may suppose that while your commission is lower at least there may be even less need for that, because it is less reason to even do it.

MR TOWNSEND-ROSE: For sure, ja. I think if there was going to be a cheaper, you know price platform it would be ja, because our commissions would tend to be higher.

10 CHAIRPERSON: No, thanks James. Then just I suppose the other thing you get in place before you launch the drivers, now you have obviously got the ride-hailing crew where those are cars, which is not always the most sufficient for food delivery, but you have got I suppose people experienced with Bolt and you have also got a fair number of drivers that are contracted to UberEats and Mr D, I think we heard from both of them. I mean, UberEats has no full employment, they are just you know, driver partners as they call it.

20 MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: And it seemed Mr D has some full employment, but the majority are contracted drivers. So as a late entrant, I mean do you tap into this or do you try build some of your own unique relationships with some of the Bolt drivers?

MR TOWNSEND-ROSE: You know, certainly in an effort to move fast we cut in largely into the existing pool of courier partners. Our model is very similar to UberEats and that means that that pool of drivers is potentially the same pool of you know, courier partners that we would want to attract. So you know, as a result the same driver is likely to be driving for multiple partners.

This is an area where that is still relatively new for us and I think we might develop more akin to a Mr D
10 approach with a combination of you know, employ drivers and driver partners in the future, because those are still to be explored over the next year or two, but in an effort to move fast we are already bringing courier partners onboard as contractors and in a similar way to UberEats and as a result a lot of them are working for a product platform as well.

CHAIRPERSON: And do you offer any training as well? I mean, you obviously tap in to move fast, but do you also contribute to the training side?

20 MR TOWNSEND-ROSE: Ja, so we offer training and testing and performance management and communication, we also offer a Bolt Food bag and a uniform, although not all couriers take up that, because they have already got some from other partners.

CHAIRPERSON: Ja, I have seen that where you have

ordered from one platform and then someone arrives with a box of another platform, it is interesting.

MR TOWNSEND-ROSE: Ja.

CHAIRPERSON: I mean as the new kid on the block, much like persuading restaurants, I mean do you have to sort of persuade drivers much that you are going to bring them volume and it is worth sort of keeping that app open while they are out on shift?

MR TOWNSEND-ROSE: Yes, definitely. We found that
10 when we launched in Cape Town last, the beginning of last year and we are finding that now in Johannesburg where we on-boarded couriers and certainly the start of a launch the volumes are relatively low and so you know, some couriers will only come online for a little bit and then if they do not see an order coming in soon they might drop off, and these are almost like the early stages of a marketplace where there is not enough liquidity, there are not enough orders and there are not enough couriers and there can be quite a high friction in the marketplace, you know some of the quick
20 service quality might be lower than what we want.

So really what we look for during that phase is to try and get out of it as quickly as possible by driving volume you know, through the market, the restaurants are happier, the couriers are happier and that is what we do.

So for a short period of time couriers might be less

satisfied with the platform, but then over time as the orders increase they become increasingly sticky and we find you get sort of core base of couriers who are obviously using the Bolt app as their primary app, they become almost the core base of courier partners and then we have a smaller number who come in and out and obviously are still deciding which way to go between us and other platforms.

CHAIRPERSON: Maybe for the benefit of the public and ourselves who are not drivers, I mean how does that work?

10 Do I have multiple apps open and I get a sort of notification there is a delivery in your area, you know close to where you are located, you know press to accept that order or not? Is that how it sort of works?

MR TOWNSEND-ROSE: Ja, you are ready to be a driver, you absolutely nailed it, ja.

CHAIRPERSON: I have also got a scooter, by the way, so.

MR TOWNSEND-ROSE: You are ready to go, we will send a bag. Ja, the driver will have a driver app that is specific to the drivers, each of our partners will have one of those. The
20 driver can keep all of those apps open all the time and essentially there would be a notification through the app to say there is an order for pickup and that courier has the opportunity to pick up that order or not.

To be honest, actually for Mr D it might be slightly different if they you know, they have employees rather than

courier partners or contractors, but certainly that is the approach that we adopt throughout that and then the driver would just be instructed where to go to pick up the food and then told where to go to drop off the food to the customer.

CHAIRPERSON: And I mean just a last question on drivers, I mean do you find as sort of the later entrant drivers see a notification of Bolt and think maybe let me wait for UberEats, or are people quite happy to just take what comes first?

MR TOWNSEND-ROSE: It is a very sensitive environment
10 as well, I mean the value proposition here is almost entirely around price plus some benefits that we, so for example we would offer our couriers insurance while they are using Bolt Food, but really that decision as we understand it is made in the moment about what will Bolt Food offer me to accept this order versus the order I might get in a few minutes on other platforms, and it will vary from day to day, week to week and during the month, so it is different multiplies of search pricing coming into effect.

So we are, we are definitely competing for couriers,
20 but we have not seen it to be a constraint on our growth today. My expectation in the market is that over the next few years you know, there may well be a significant shortage of couriers, in which case it might become more competitive and we will probably some evolution in the relationships between couriers and platforms in the future [indistinct –

00:59:50].

CHAIRPERSON: I think I mean, that is helpful for me to understand, because I suppose what you are also saying is not a set fee per delivery, it is based on then probably dispute.

MR TOWNSEND-ROSE: Correct.

CHAIRPERSON: And you might have a different fee to UberEats and your order might be you know, the different dispute, so.

10 MR TOWNSEND-ROSE: Correct, ja.

CHAIRPERSON: And sorry, just one last question on that, I mean it may be that at popular sort of delivery restaurants, I mean you can often see a load of drivers parked outside, I mean would they also expect that maybe they may get multiple orders from one little food quart that they could then sort of get a few deliveries at the same time and that may be more likely on one of the leading platforms? I mean, is that something that plays into the delivery choice?

20 MR TOWNSEND-ROSE: I mean ja, certainly positioning, couriers are pretty smart and they know where the orders are going to come from, so once they have finished an order they will go and sit next to you know, the big chains or the big stores where the volume is coming from.

The apps will tend to offer the delivery to the courier that is the closest, so it is probably beneficial for

them to just hang around. Different apps have different approaches to multiple or batch delivery. You know, right now Bolt Food does not offer, does not do batch deliveries, so we do not allow couriers to pick up multiple orders to deliver to multiple customers. We feel it has a negative effect on quality of the end product, because the courier is essentially making a longer journey for the second or perhaps even the third delivery.

10 Some of our competitors do multiple batching deliveries and that is certainly taken into account when the courier is accepting the order, so from our understanding, from our workshop to couriers they will potentially not take a Bolt Food order because they will wait for a batched order from one of our competitors because it is going to give them more money and we, you know totally respect that, but that is the courier's choice to make, but we feel as the business that we should be prioritising quality, so we do not do the batching, even if it meant that that courier would adopt Bolt Food over the competition.

20 CHAIRPERSON: No, thank you for that. I think then obviously you are ready to lunch and now it is just the customer, so it is marketing to the customer and attracting them to Bolt Food and I appreciate last year you kind of, I suppose I mean when you started in Cape Town it was a bit more low key, as you said you know.

It may be one of those case studies for the business schools around launching in a pandemic that you could write up in your retirement, but was the initial just sort of settling down in South Africa, getting the technology working, the drivers working, just making sure it sort of, you had a product that sort of ja, worked for the competitor before you go big?

MR TOWNSEND-ROSE: Yes, there was definitely some initial testing when we launched and again I was not in the
10 business at the time, so it is almost sort of second-hand information, but definitely during that first kind of nine months it was obviously some testing.

There is also further product feature rollout, so as I understand that we launched with a very rudimentary product that for example did not have the cash option payment as a feature, which is a reasonably high proportion of our total payment, so that would have obviously you know, reduced as well.

I think the, you know we also had some internal
20 challenges around you know, the way the team is structured and the kind of team development over that time and just you know, looking back to last year, which was just a crazy one anyway, I think customers were just reluctant to change. There was enough going on, people were keener to stick to what they knew and not try new things and it is very hard for

a new brand to break out into the new cycle during that period as well.

You know, it is hard to remember now, but we were just consumed by Covid at the time, you know that uncertainty, so for a new business to come in and make a splash was incredibly hard and I think the initial growth of the business suffered from that as well.

CHAIRPERSON: But now I suppose 2020, we have settled in a little bit. I mean obviously a feature we have seen in
10 this market is maybe the consumer addiction to promos and I suppose it is a bit like other retail, you know promo pricing is a tool that is used to bring consumers in and once you have got them in maybe they order a bigger basket or they order from you tomorrow without a promo, so it is a kind of a driver. I mean, is that how this sort of industry works even globally or in other areas, other countries?

MR TOWNSEND-ROSE: Yes, I think the product is relatively similar. Let us assume, although it is not the case today let us assume that all the platforms have the same
20 selection of restaurants, in our case in food delivery you know, eCommerce might be a selection of products and the product experience is essentially the same.

You know, you pick a product, you check out, you pay and it gets delivered, so there are very few areas left to compete and especially in a market like South Africa which

is so price sensitive. The value proposition to the customer becomes one of price and I think when you are new to a market with incumbents that have been around for a while that price differential between yourself and the competition is going to have to be exaggerated to get customers to move from what they know to something new and try something different.

I do not think that is unique to platforms in general, but it is certainly something that we found in our growth in
10 Cape Town towards the beginning of last year that once we started sharing more value to customers on the platform we started to see increased traction and customers moving from, well from other platforms to us or trying us out or trying food delivery for the first time on Bolt Food.

CHAIRPERSON: I mean have you found that, because you also do not have some of the big chains, franchise chains, that you, it is also you have got to be a little bit more exaggerated because you know, consumers may go into your app and see, I mean I think I see you have got a Nando's
20 and you have got a, if I recall from looking yesterday maybe a Pizza Hut, but you know you do not have McDonalds on at the moment.

MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: So is it you have got to be even more exaggerated for that reason?

MR TOWNSEND-ROSE: It is hard to say definitively, because we do not have the AD testing opportunities to try, but intuitively yes, you know we are, we would essentially, you know in terms of how any marketplace would work is if your selection is not the same, which you have pointed out it is not quite there yet you know, then you essentially are having to discount more than you otherwise might if the selection was comparable.

CHAIRPERSON: And certainly from what I have seen that
10 that is kind of what you have done, I mean I see in my area I am kind of in the 40% of most things and as I understand that has also been a bit of your strategy in Cape Town as well. Is that right?

MR TOWNSEND-ROSE: Yes. So you know, weekly driven, weekly campaigns showing that value to customers, exactly. I think if you know, as you said you are in Jo'burg, so again as we launch into a new area we also show more value to customers if we go somewhere new to come introduce the brand to that area as well.

20 CHAIRPERSON: And I would, I mean I would assume you would get some response from the sort of other two big platforms, but maybe let me ask you that, because they have also got the national chain, so if people want those they do not have to discount that, the customer is going to still come to them. I mean, how have you seen this sort of reaction?

MR TOWNSEND-ROSE: It is actually very hard to actively measure quantitatively the offer on other platforms, so you know we try and understand how the different players operate in the market and they kind of value proposition and we think we have seen some reaction from the other players.

To be honest, we are still so small that you know, I am just pleased that they even know about us at the moment, so any reaction will I think still probably be quite small and may be governed by other forces other than what
10 Bolt Food is going.

CHAIRPERSON: I mean, we have I suppose heard from Cape Town is maybe that there has been collateral damage on the more localised platforms that are caught in this sort of price war, you know. I think one said to us you know, they are closing shop after more than 10 years just because they just cannot compete anymore. I know that may be part of business, but I suppose that that is going to be what happens when we have deep discounting.

MR TOWNSEND-ROSE: Ja, and I am sorry to hear that. I
20 think you know, obviously we talked about earlier you know, the sort of the race to the bottom of a value driven business you know, which is in a highly competitive environment, obviously t his happens.

You know, we picked up some of the inherent costs of operating a platform as well and I think that yes, the

pricing is important, but the cost of building and maintaining a competitive offering in technology is just incredibly hard for a localised player. So you know, I understand that the pricing may have had a factor, but you know that is significant other cost in running a local business, that I am sure is also a challenge. Ja, it is not an ideal result.

CHAIRPERSON: Ja, and that is why I mean I just, as you said there and I maybe just want to explore that with you, because you know obviously we have a mandate to look that
10 can we keep this you know, open for local players as well, also as a South African mandate for historically disadvantaged groups and we have heard and we will hear further on Monday about, you know from two other local platforms, but I just want to understand.

I mean, is it sort of inevitable that it is going to be a big platform game, this that there were opportunities in the early days, but once you get a sort of, the bigger platforms entering and flexing their funding muscle and even you know, entering a price war with each other that really this is
20 where we end up? I mean, do you think that is the case or there is a space for others?

MR TOWNSEND-ROSE: I think it is hard to you know, forecast with food delivery, I think I will be drawn to looking at a platform industry that is just a bit older for what the future holds for food delivery and eCommerce to me is the

obvious one, you know having started maybe seven to 10 years prior to food delivery, so you know you have still a lot of people entering into eCommerce, so international, global and local from bit global players and not so much in South Africa and then over times, perhaps in 10 years you have just seen mergers and acquisition, amalgamation, amalgamation and closure to a point where you have now got in each country maybe one or two really big players who deliver, you know the majority of the products on eCommerce
10 and ja, probably two max.

Then the knish essentially, of which there are many in eCommerce, have just gone a different way, so they have gone for more curation more specified around a particular customer cohort, they are focused on branding, they are focused on building a close relationship with the customer.

So if you perhaps would apply that to the food delivery, what is 10 year's time look like in South Africa it is probably you know, a couple of big platforms, maybe three who are you know, doing the broad play in every restaurant,
20 every cuisine site, every payment option and you know big pep teams you know, et cetera and then a whole bunch of others who are catering to a different knish marker and they would lower upfront cost, lower technology cost but must closer relationships with customers and you know, perhaps a knish product type or own produced product, so you know

cooking your own food and delivering it through a platform.

I think one of the drivers here is going to be the cost of off the shelf technology over time, so at the moment I think it is still quite high. So to set up your own delivery platform is expensive, but over time perhaps that comes down and then, you know but for example Shopify came into the eCommerce market and made it very cheap to run your own eCommerce store, if something like Shopify comes into the delivery play then again it makes it much more
10 accessible for smaller knish players to be able to address this opportunity in a way that suits the customer needs.

CHAIRPERSON: No, thank you and I appreciate you know, your sort of honesty and perspective. I mean just on this knish, I mean you are right, I kind of have through these hearings got a sense that what has survived, I mean just take eCommerce, sort of you know, those that have managed to survive one day only, they are quite different, it is a daily deal, it changes every day, there is a limited number of products and then we have got Bidorbuy, you have The
20 Auction as well and there seems to be some knishes there and we also obviously had Yuppy Chef for a while, they have been sold, but specialists in a particular vertical.

I mean, what we have seen I suppose in delivery is almost differentiation by location more at the moment, so we have come across quite a large number of almost township-

based delivery companies and they have obviously come I suppose, managed to develop because they are not competing head-to-head. You, UberEats and Mr D are not in their area, so there is more scope, but I suppose their concern is as soon as those markets are developed that they may get, well attract the attention of the bigger platforms and we have seen that starting to happen in the township economies and they may be pushed out.

So I am just wondering where, are there many
10 knishes in food? When you have got all the cuisines and all the, well you do not necessarily, but all the restaurants and all the options.

MR TOWNSEND-ROSE: I actually do not know the answer, I do not know if we know. I do not think the market is possibly developed enough to know where those knishes are yet, so I think you know the customer is always going to buy value and that might be price, there might be selection, that might be you know, the way they buy and did not buy and you know, and one day only, but whatever the customer sees
20 value in that is where they will go.

So you know, if a township delivery company comes under pressure from you know, someone moving into their market who offers you know, a generic range of food and it is a generic operation and they understand the market, I am sure there are opportunities in there to develop something

different. I could not hazard a guess exactly what it is from this standpoint, but I would have thought that would be.

CHAIRPERSON: Ja, and I think that is what we sort of explore as the whole process of the inquiry unfolds.

MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: I mean I think you know, again knish one is interesting because you are not going to necessarily have the volumes and so you know, it may become less efficient and I think what we are also hearing a lot is about marketing and visibility, obviously for national platforms, well let me
10 ask you, I mean you know, what are the important marketing channels?

Obviously there is promos and I can see that, you can send me direct messages because you have got ride-hailing and you maybe have a customer database that you can tap into, but in delivery do the Google and Facebook of the world play still an important role?

MR TOWNSEND-ROSE: We actually in the best modes of our marketing spend into delivering value direct to
20 customers, so that is our kind of core business standpoint on marketing, so actually our digital and above the line marketing spend is relatively small.

I think Facebook is probably where we do spend a little bit, nothing on Google, no YouTube ads and obviously our customer base exists through our current food base and

[indistinct – 01:18:58] is an obvious place where we would market the services to, but relatively small right now. I think if you go onto our Instagram or Facebook page you would see that.

CHAIRPERSON: Because I suppose with delivery it is really the app, you want people to download the app on their app and once it is there you know, hopefully the promos drive them to actually use it and just raise awareness of the promos through sending their marketing messages.

10 MR TOWNSEND-ROSE: Exactly, ja.

CHAIRPERSON: Ja, because we heard yesterday with sort of autos, and it is an infrequent product, so it does not mean necessarily that app usage is high as obviously food delivery.

MR TOWNSEND-ROSE: Ja, ja, I can understand that.

CHAIRPERSON: I suppose you know, what has concerned us with this trajectory, and I just want to have an open discussion with you, is I suppose that you know, I am sure you have heard our interactions with the others, but there
20 could be a few consequences of this. I mean, the one is that it is an industry practice to differentiate the commissions, so we have got you know, much lower for chains versus independence and I suppose I have a sense with this, but I may be wrong, that obviously you have got to keep the consumer with deals and you have got free delivery.

I know this now and I mean, you accept that this has got to change, you know, your commissions that you have come in with are not sustainable, so we end up with sort of rising commissions and almost the business size funding, the consumer side a bit because the consumer is addicted to deals and so that balance as well between the two.

It may be an inevitable part of the platform, but you know I think those are some of the sort of concerns that we
10 have, especially if we run out of options in terms of delivery. So I do not know if you have got a, I mean you may have a view on that, but I more wanted to ask you about sort of you know, where do we go with those concerns, if anywhere to be honest.

MR TOWNSEND-ROSE: Ja.

CHAIRPERSON: So let me just leave it to you if you want to say something on that.

MR TOWNSEND-ROSE: I think the concerns are valid and the feature uncertain in this space. You know, as we talked
20 about, it is highly competitive and there is pricing pressure downwards on the customer evaluation side to customers and then upwards on commissions to restaurants to essentially cover the costs of the value that you are offering to the customers.

[Indistinct] and how this plays out in the competitive

market from here to the next couple of years is largely uncertain, you know a couple of potential outcomes, you know we might get restaurants just getting increasingly dissatisfied with you know, the offering that they get, you know it becomes unsustainable economically to them to partner with one or any platform, so you see restaurants either dropping off platforms entirely or exploring other options to earn delivery or we see as a result of that trend that platforms start passing on more costs to customers and
10 the customers start to pay more for the cost of the, the real cost of the delivery, which puts downward pressure on commissions on restaurants.

I think you know, my sense is it is going to sway a little bit over time and if you think about a liquid marketplace in supply demand scenario, we have got this three sided marketplace and it is constantly going to be moving between the three and as it moves out of an equilibrium there is always going to be some friction with one party, but as it scales and gets bigger that centre point should get, or the
20 movement around the centre points should get smaller and we should find a place you know, within the platform players where there is a sort of agreeable equilibrium and if that does not then you know, then there is a problem with the whole economic market and I do not think any type of intervention is probably going to change that. It is going to

be a case of over the next few years you know, we find that equilibrium or we do not.

CHAIRPERSON: No, thank you, thank you James. I mean, I do appreciate that you are engaging with us, I think there was a bit of reluctance from others to really engage, but I think it really helps our process to understand this a lot better, because we also do not want to go in and blunder around and mess everything up too much.

MR TOWNSEND-ROSE: Yes.

10 CHAIRPERSON: Just before I explore sort of that equilibrium, as you put it, I mean do you have experience from more mature markets in the Bolt group or is it all quite early days still? I think you said you launched in 2019, was that globally?

MR TOWNSEND-ROSE: Yes, to the first, so launched sort of the vertical in 2019, the first delivery platform went live in early 2020, so it is still very new.

CHAIRPERSON: So we are privileged to be one of your first markets then.

20 MR TOWNSEND-ROSE: Yes, I think South Africa was in the first wave.

CHAIRPERSON: Great. So I think you saw, I mean we raised, so I just want to explore what we are seeing happening in other parts of the world and you are a platform owner and I just want to understand how this plays out, you

know, so I think I had raised with Mr D that we had seen New York City contemplating a commission cap and San Francisco has done the same.

I do not think Bolt is operating in any of those, but you know the thing whenever you do an intervention is you do not know necessarily how that plays out, so I just wanted to ask you as someone who operates you know, if you were in those situations and you are slapped with a cap of, I think they are in 15% or maybe 20%, but so there is a maximum. I
10 mean, how does that sort of change your model in a way?

MR TOWNSEND-ROSE: Ja, and I think the, you know if you just think about the three-sided marketplace is if your income from one side that is constrained you would have to adjust your income or costs from other sides of the marketplace. So if there was a catch-up hypothetically speaking you would have to again hypothetical look to reduce your courier costs or to reduce your discounts or increase your cost to customer, so this might be passing on additional delivery fees or service fees to customers and
20 reducing discount and I think that is where you know, you would obviously now, interfering with this liquid model or marketplace you then over a period of time would understand with this intervention with the marketplace operate or could operate and it might be on a provider to provider level based on you know, the cuisine type or the size of order or the

average delivery dispute which has some impact on the variable costing and then there would have to be a decision by, made by either of the remaining parties, the couriers, the customers or the platforms to operate in a market under that constraints.

So if costs are passed on to the customer then you might just leave, because actually now it makes more sense for them to go and pick up the food or eat there, you know, they like getting that food delivered, but not that much.

10 If you reduce the fee to pay the couriers, well actually I might go and get another job, I have got lots of job opportunities or I have got another opportunity, then I will actually go and the platform might also say well, this commissioning cap is not really financially viable for us right now you know, based on our commission cap, so we need to pull out of the market or change our structure in another way.

20 So those are just some of the ways I think that you know, a business or a platform owner would think about if that constraint was put on a platform.

CHAIRPERSON: No, thank you. I think that makes sense. I mean the courier side, I mean as I sort of understand that is you know, the hardest to change, I mean there is real cost there and already it is fairly competitive, so I assume, you know in South Africa there is a high unemployment rate, I

assume we are probably relatively cheap there and there may be less scope, so probably the customers would have to bear more of this than you know, play with courier.

MR TOWNSEND-ROSE: Ja, ja.

CHAIRPERSON: I am just thinking it through.

MR TOWNSEND-ROSE: Ja, ja, I would have thought that would be the case, ja.

CHAIRPERSON: I just want to understand then also from the customer perspective, because I mean what we are also
10 hearing is that restaurants are more and more likely to pass through on high menu prices, so I am just wondering whether the customer is necessarily that much worse off with a model like this just in the sense of there may be higher commission fees, higher menu prices, I kind of get promos, but when I am not on a promo I am kind of paying higher and it is a promo offer, higher menu price.

MR TOWNSEND-ROSE: Yes.

CHAIRPERSON: With lower commissions, may there also be less incentive for restaurants to push up the menu prices
20 as much? So the overall deal, as you say I mean it is, you can look at income from different sources, but the overall deal does not necessarily change that much. I do not know if I can get your thoughts on that.

MR TOWNSEND-ROSE: Ja, I think that you know [indistinct – 01:29:18]. It is hard to, it is hard to sort of know what that

would look like without actually thinking about exactly what the commission cap would be, you know what is the average inflation or menu inflation to a customer and then you know, what would that mean to base on that cap and that commission and the menu inflation, what that would mean for a customer. Ja, so I think it is hard to just speculate without having the details there.

I think inherently you know, if the customer did end up paying more, and I know we were discussing that would
10 they end up paying more, maybe they actually end up paying the same or less, but if they did end up paying more I just think it would be you know, a move away from platform delivery as a service towards just other forms of eating, so more supermarket shopping, more in restaurant dining and more you know, maybe pickup, so using platforms as a marketing channel and more pickup services, which is obviously a slightly different model.

CHAIRPERSON: No, thank you. I mean the other I suppose challenge for some of the entrants even like
20 yourself has been signing up the national chains. Now we talked earlier about point of sale integration, I mean do you think that is going to solve that issue or national chains are still going to say look, I still want to really have only a few partners in the game?

MR TOWNSEND-ROSE: I think it is a requirement, but I do

not think it solves the core issue, which is one of how much additional value to we bring to big chains who are already partnering with platform delivery companies, so if we were to go live with one of the bigger players you know, we would have to you know, top our development time to integrate [indistinct – 01:31:07] as a principle, it would just be one of the conditions of the contract, but I do not think that is the core blocker to partnership right now, you know they are rather looking for greater geographical coverage and I think
10 just tenure, you know they want to see us around for a bit to know that we are not going to be one of the other players that had come into the market over the last five or six years, which I do not actually do not have a lot of experience, I am really, it is just what we have been told, who have you know, explored in the early days and then partnered and then dropped off the radar.

CHAIRPERSON: Thanks. I mean, and I am just exploring ideas here, so you know as I said who knows where we will end up. It has been a very interesting public hearing
20 journey, I must confess we have learnt a huge amount.

So apart from a sort of cap, what if there was a sort of prohibition of discrimination? So this might be looking, you cannot charge small restaurants more than large, but we are not capping your actual fee, I mean how do you see that playing out?

MR TOWNSEND-ROSE: An interesting one, I think you know to make that model economically viable for a platform it would probably mean that the commission, if everyone had to be charged the same commission, the commissions that were charged to international chains, the big guys, would be higher than they are currently paying and then you know, the smaller guys would probably be paying a little bit lower than they are paying.

I think what this might well end up leading to is the
10 larger guys probably dropping delivery platforms. Their margins are, the big players are high volume, low margin industries and so you know, each percentage point on commission they are very sensitive to. They also are more likely to have the big software teams, the technology expertise and the operational expertise to manage a delivery service at scale.

So what I think we would probably see is you know, the smaller guys who do not have that expertise sticking with the delivery platforms will be on a reduced commission, the
20 bigger players migrating to operate their own delivery platforms and then because the delivery platforms would lose the draw and the customer footprint that the big guys have, potentially delivery platforms becoming unviable as a result, because the selection is now not necessarily where the majority of the customers want to shop, they would be

going on to you know, the McDonalds app or the KFC app or you know, famous brands' app to order their own food.

CHAIRPERSON: I mean I just wanted to explore that, I mean as it, obviously a commission cap is different because you cut the revenue sources, which might mean you also have to cut some of your cost like marketing, but without an actual cap, I mean a big part of this game is huge marketing to draw customers and once you have customers they want choice, they want the selection and we hear from the
10 national chains, to be honest, and I know some of your larger rivals do not like to hear it, but they kind of say ja, you know we are dependent because they have the customers, the customer is on their app ordering and we are not there, we are not part of the decision.

So if you still are able to market and that cost is covered by a slightly higher commission, I mean is this still not a viable and still not, well still going to leave the big chains saying well, we have got to be there? I mean that is maybe my thought, but let me have your response.

20 MR TOWNSEND-ROSE: Ja, ja I think it is such a hypothetical play, it would really tap some of the economics of the various models. I think to really understand that you have to have a deep understanding of the way that the big chains think about delivery and the underlying economics, you know the agreeable commission window essentially.

You know, we as platforms have obviously negotiated a position with the bigger chains, but what was the witness of that negotiation? Are we towards the bottom end or the top end? If we go higher, is it viable for them? If we go lower you know, it would just benefit them, but it is less viable for us and I think without understanding that it would be very hard to be able to put into, or to sort of change the model in a way that one is certain around the outcome.

10 If you said look okay, everyone in the market has got to be on 22%, that is it, now if that was totally outside of the negotiable or the possible area of agreement with the international chain or the big guys I think that ja, they would obviously have to either change the way that they think about the underlying economics or change their model or think about things like developing their own platform, but I think without that data it is largely hypothetical.

CHAIRPERSON: I mean, would it, just go back to our earlier discussion about the cap, I mean would it also, let us
20 say it is outside that window, so I do not know what that window is, but let us say 20% is their maximum, I mean would it also not make you have to start to say well, if I am going to keep them on the platform I have also got to shift a little bit then to the consumer, so I may be charged a little more for delivery to keep us all in the 20% game, so to

speaking?

MR TOWNSEND-ROSE: Ja, ja, I think the economics of the market they can still apply, whereas you cannot get the income from one side, you have got to shift cost or gain income from other sides to maintain a liquid platform.

CHAIRPERSON: And then as I said just exploring diverse things, but the, I mean I suppose for some of the local platforms it is just the ability to keep up with the marketing spend. If one looked at some sort of cap on marketing, how
10 does that play out for Bolt and others?

MR TOWNSEND-ROSE: You know, I am obviously not sitting in your shoes, but I think that would be very hard to measure or to manage. Yes, I am not sure, I am not even sure you know, I guess there is obviously very different types of marketing, there is above the line, below the line and digital and facial and in app values and discounts, there is e-mails to customer bases.

You know how do you, how would one even begin to think about measuring or managing the measurement,
20 measuring the management of that approach? I would not, I would not know where to start.

CHAIRPERSON: Ja, I suppose that you know, an alternative maybe is we often in competition law think about predation being you know, unprofitable. We know that many platforms maybe need to fund in order to kind of get the

economics going, but there is also a limit to sort of how long that goes on and it is the deep, potentially the deep pockets as we have seen in globally from venture capitalists that can fund it for a long time that maybe has that sort of effect on all that collateral damage, as I mentioned earlier.

I mean, there may be a profitability test, in which case you know, that may be another way of thinking about it. As a soccer fan we know there is financial fair play in Fifa and those sort of rules have also been brought in, but maybe
10 let me put that to you and in thinking about it also put that obviously you are trying to get traction in the market and that is your strategy at the moment, so it could impact that, but think about it maybe in response about for a large incumbent versus a new entrant or in a flexible way, let me get your thoughts. I know I am throwing curve balls after
curve balls and you may want to think.

MR TOWNSEND-ROSE: No, no, I enjoy a hypothetical spit balling session. I think the, you know I would look for examples of something I did that worked before and again
20 your experience is in this field and not mine, so have that there been interventions in this type of space where a marketing cap is limited to even the playing fields?

I think a lot of the marketing spend in us and our competitors is really around price to customers or value to customers and so if you include that in [indistinct – 01:40:58]

essentially we end up raising pricing to customers and you know, there is a [indistinct] effect that now customers are paying more for food and that is obviously you know, the key stakeholder in the platform game as well, so you know potentially restaurants benefited, some other effect on commission structures, but now you know those customers who also work in the restaurants and our key important stakeholders end up paying more for food.

Ja, so but again back to my original point you know,
10 I know very little about what those kind of effects of that type of approach would be and I would just look to examples globally where that type of intervention has been done and how did it work and what was the second order effect to the hard to fathom you know, before doing it.

CHAIRPERSON: Ja, I suppose I mean that is what is interesting to me is, I mean we all, I mean you say it is unsustainable, the current, if you are making losses and others, at some point the market has got to come to some sort of break-even point. I assume your shareholders do not
20 have unlimited money to fund consumers forever and I think the others may feel the same, so I mean if it was more of a financial fair play so to speak, yes the customers would lose the short-term discounting as you fight with each other, but we are all going to have to get there at some point anyway, and does it shape who is left in the market when we get

there?

MR TOWNSEND-ROSE: Ja, and I think your point around sustainability is interesting and we are going way out of you know, food delivery in South Africa here, so you know if you think about the businesses' responsibility is return value to shareholders, over the last 20 years businesses have returned significant value to shareholders without being you know, "sustainable" or profitable and that is really the big chance in the macro environment over the last 20 years and
10 digital platforms and additional businesses and that continues to be the case today with you know, the big market leader not necessarily in South Africa in this case, but globally in Uber's case who have not returned a profit in the, you know 10 plus years of doing business, but their shared price continues to be sustained at a very high level and hold a high valuation.

So I do not think it is immediately obvious that platforms globally are driving hard or that the end game is profitability and I know that is very hard to, you know to
20 fathom or to contextualise for a lot of people, but this is the environment that we operate in today.

My sense is you know, the people who are investing in that space are looking for you know, global returns and so if we had too much intervention in this type of environment it is [indistinct – 01:44:09] the opportunity for growth over

sustainability. One of the effects might be that we start to lose investments into this space in South Africa and I think if you look at the, you know the value flow to the cash flow from, you know on a global level, my sense would be that the bigger platforms in South Africa have been value created in the market in South Africa, whether it be cheaper food to customers, whether that be more order to restaurant, you know with platforms covering the costs of discount, whether you know paying for couriers, essentially those losses that
10 the platforms make in the early stages of growth are foreign invested capital that then gets redistributed into the market, operate locally.

You know, I understand there are some other effects of that, but there is certainly some benefit to platforms coming into the country in that way and one of the risks, and you know again hypothetical, but we are talking hypothetical here, is that too much intervention just means that these of investments are not made and we stop seeing a capital inflow from the bigger companies into the market.

20 Obviously the counter to that is okay, in the absence of those bigger platforms there is then an opportunity for local players to perhaps more compete on a more even playing field and that is why I guess is the job to balance up the various pros and cons of those two potential scenarios and I appreciate it is a difficult type of decision to

make.

CHAIRPERSON: No, very difficult and that is why I appreciate your engagement that at least then we can understand you know, from someone who runs a platform how they might think about it and respond as well, you know.

I mean ja, I suppose we are getting too far away from food delivery in South Africa to discuss the kind of shareholders and why shareholders pour into UberEats or Uber globally, but let me just check with the team if there is
10 any more questions from them. I think I am basically done. Ja, I just want to check my notes quickly, sorry. Ja, I think James, thank you very much and Andrew and your team, I do not have any more questions and nor does the technical team or my fellow panel members.

So I do really want to thank you for an honest engagement and for engaging on hypotheticals, I think it made this session very valuable for us to understand and also to understand the journey of a late entrant and the challenges they face in doing that and I am sure all of the
20 users of Bolt Food will appreciate the foreign investment, subsidise their meals in the evening, but I wish you all the best in your launch and your expansion and I am sure we will engage in more hypotheticals over the next year as we have to tackle these very difficult questions.

MR TOWNSEND-ROSE: Ja, thanks James, and as we said

before you know, we really appreciate the opportunity to be part of this Commission and the process, we really enjoyed the way that it has been done and also enjoyed the hypotheticals that we played around with today, they are ja, appreciated and thanks very much.

CHAIRPERSON: Thank you, and with that we close this morning's session and just to remind the public at least that this afternoon we have got first Avis to look at car rental platforms, E Dreams for flight platforms, InterCape for bus
10 platforms and then SAVRALA which is the Vehicle Rental Association, also for rental platform, so back to travel accommodation and away from food. With that we are going to close the morning session.

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RECORDED AT:
FORUM DATE: 2021-11-18
ORDER TO TRANSCRIBE: Transcribe soundtrack as per order
TRANSCRIBER: K Swanepoel
SOUNDTRACK:
Date and Time received: 2021-11-18
DATE COMPLETED: 2021-11-19
INFORMATION: Dropbox

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