



## **COMPETITION COMMISSION OF SOUTH AFRICA**

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In the matter of

### **ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)**

held at

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

on

**11 November 2021**

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**PANEL:** *James Hodge – Chairperson  
And Doris Tshepe*

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#### **TECHNICAL TEAM**

*Itumeleng Lesofe*

*CCSA Internal Team*

*Tshegofatso Radinku*

*CCSA Internal Team*

*Siphosethu Tetani*

*CCSA Internal Team*

**COMPANY: Buzz Delivery**



**Gauteng Transcribers**  
Recording & Transcriptions

PROCEEDINGS ON 11 NOVEMBER 2021

CHAIRPERSON: Good morning and welcome to the second day of the second week in the Online Platforms Market Inquiry. Today we are shifting to delivery platforms, which will occupy us today we have in the morning Dryver Foods, Buzz Delivery and Sisters on the Move and in the afternoon we have Uber Eats and Quench. Tomorrow morning we have Paarl Eats, We Dash and the Restaurant Association of South Africa and in the afternoon we have Mr D.

10           As this is a new area for the public as well I am going to ask Mr Tshegofatso Radinku from the technical team just to talk through the kind of issues that we have picked up in terms of food delivery and just introduce this new platform area before we listen to some of the participants who have come to the public inquiry.

MR RADINKU: Thank you, Chair. I will focus on three key areas of further statement of issues, namely the delivery platform, landscape and trends, platform competition, business user competition and treatment which also includes  
20 SMEs and historically disadvantaged individuals.

In terms of platform, landscape and trends the online intermediation delivery platform operations can be broadly delineated between food delivery from restaurants and other store delivery categories, including grocery, alcohol and pharmacy.

The Covid pandemic has seen a large increase in online restaurant delivery orders by customers, especially in the higher levels of lockdowns where restaurants were prevented from doing sit-down or they only operated at half capacity. Despite the massive growth in restaurant food delivery the preliminary evidence suggests that there has been, there has not been a material change in the number of competitors or the market structure. Mr Delivery and Uber Eats still account for most of the restaurant delivery through  
10 online platforms when measured by number of orders and food value, with both platforms realising material growth over the period.

In fact, some recent entrants have even closed, despite the market growth and others have not expanded their reach materially during the pandemic.

In respect of groceries and other delivery categories the pandemic has seen a growing number of consumers opting for store delivery to reduce social contact, this has seen the major national grocery chains all invest and  
20 improved online delivery service. In some cases this has been approved through national chain or retailers acquiring an existing online grocery platform and rebranding it. The grocery store category it appears to be higher cost relative to restaurant delivery due to the need for some in store shoppers or staff to collate the order for delivery.

Moving on to platform competitions and some issues that are emerging there, in the restaurant delivery competition between platform take place to both sign up restaurant and to draw in customers to place orders. There are feedback effects within the category, as the number of restaurants is important to consumers, given that varied and convenience are amongst the most important factors for consumers making use of delivery platforms.

Customer reach may influence whether restaurants  
10 end up on a platform. In addition, with platform technology and an effective driver delivery system are important for consumers and repeat use on the platform.

On the restaurant side explicit exclusivity clauses with restaurants do not appear to be a prominent feature of these delivery markets, with some of few, with only few instances identified and typically on a limited duration, although we know that these are some national retailers or national chain restaurants.

Whilst restaurants may multi home as a result, it  
20 appears that there is a resistance to listing on many available platforms. It is not entirely clear yet as to the reason for such resistance. The resistance may stem from pay multiple monthly fixed cost of using platforms, the difficulties in integrating the multiple distribution channel at the restaurant or incentives to drive more business through a

channel, such as reward with lower commission rates or promotions.

Resistance to multi homing is seen to inhibit entry and expansion, especially where restaurants are popular. For instance, it is evident that national fast food chains feature prominently in customer orders and small domestic delivery platforms have indicated that these chains are not willing to contract with them.

On the consumer side of the market there is also  
10 the ability to multi home, as a result marketing expenditure is a prominent cost to drive customers to the platform. Marketing takes the form of brand and awareness, marketing, search marketing such as Good Ad and most prominent targeted new and active eater promotions directed to the consumer through app or e-mails. These promotions can take form of free delivery, meal price reduction of re-  
pend.

Many of the promotions seem to be sponsored by the platform itself, but platform also incentivise restaurants  
20 to promote their platform and offer promotions through the platform. The incentive may be in the form of reduced commission or enhance orders through more prominent display positions. Currently it is not clear whether the commitment to promotions on one platform may limit the extent of promotions undertaken by restaurants on the other

platform, thus resulting in other platforms having to fund promotions themselves to a greater extent.

Smaller platforms have indicated that the extent of either promotions by large platform particularly are unsustainable without deep capital backing to support losses and pose a significant barrier to enter an expansion. Excessive promotions may be why perhaps some food delivery platforms are loss making.

In terms of the price parity it appears that there are  
10 some platforms that have concluded some historical price parity, so historical price parity clauses were concluded in contracts requiring that restaurants would not make menu pricing on a particular platform higher than the restaurant price or sold through other food delivery apps.

The inquiry understands that for some platforms this is no longer the case, especially for the recently concluded contracts, but the inquiry is still interested in understanding what the restaurant's actual understanding and practice is with respect to historically concluded contracts, as it is  
20 unclear if restaurants are necessarily aware of the change and would price differently even if they are aware.

If there is uniform pricing then it appears that eater promotions are the only means to compete on price rather than through commission levels, which may encourage excessive promotions.

Over and above the historical pricing we note that some platforms also still maintain the price, the price parity. The inquiry is still interested to understand the rationale for such and its implication on competition.

The above discussed market features may explain why smaller platforms have not been able to take advantage for the market growth and why a number of these platforms have exited in recent years.

In terms of business user competition and treatment  
10 a notable feature of restaurant delivery platforms is the differentiations in the commissions charged to different business user segments, namely international change, national change and independent restaurants. Independent restaurants are typically charged substantially higher commission relative to the fast food chains.

Platform cite the order volumes that these chains bring, as informing this differential treatment as well as the reduced cost of loading the listing. This differentiation is fairly unique to the delivery is with differentiation uncommon  
20 in most other platform types, even where larger business may generate more transaction volume. The exception is online classifieds.

In some platform categories SMEs are charged lower commission fees. The inquiry does need to get a good understanding for the reason for such differentiation, the

essentiality of such differentiation for the business model and the impact the differentiation has on the participation of SMEs and HDPs restaurants that are subjected to higher commission fees.

Higher commission fees may impact on participation through either lower order volumes from the higher menu pricing or lower margin from restaurants, these smaller restaurants observing higher commission fees or may have a limited impact.

10 Higher commission fees may also be used to support lower commission fees charged to larger restaurant chains and in this way impact on delivery platform competition.

As with many other types, platform types delivery platforms do provide scope for influencing the search ranking and discoverability of the restaurant on the app or the website, such is typically restricted to a delivery radius around the customer location as a filter, thereafter the search will be impacted by delivery factors such as dispute, 20 time and fees, the contextual factors such as the type of the meal, the time of the day, availability and the restaurant's performance like rating, however display prominence will also be impacted by promotional offers, paid advertising placement and premium ranking position purchases whereby a restaurant can pay for position on the list.



Whilst promotions are typically labelled to draw in customers, there is no consistency in practice of labelling sponsored ranking across different platforms. At this stage the internal inquiry has limited in favour of on the participation in such promotional programs across restaurant types and the impact on discoverability and order placement. The inquiry is interested to understand whether independent restaurants to tap into this opportunity or whether they are more frequently used by restaurant chains.

10 A review of the terms and conditions contained in the business user contracts indicate that there are some areas where the practice needs to be understood better to assess the fairness, this includes an understanding of which party may be, may have more control over the risk identified in the case of wrong orders or food returns.

And lastly there is no, there appears to be no participation, I mean participation appeared to have any specific, no participants appeared to have any specific programs to support independent or HDP restaurants and in  
20 fact preliminary evidence suggests that the practice seems to be the opposite, namely subjecting them to worst terms than larger restaurant chains. Thank you, Chair.

CHAIRPERSON: Thank you, Mr Radinku. We have a slight change in the program. The first participant is going to be Buzz Delivery and we have Heather Veldhuis and Irvin

Bogopa, as I understand, joining us virtually. So I would invite them now into the virtual hearing. Welcome, Heather. I do not know if your colleague is also joining us.

MS VELDHUIS: Hi, gents. Unfortunately not now, but that is okay, we can continue.

CHAIRPERSON: All right Heather, so this public hearing is being streamed off on YouTube, just so you are aware because if there is any confidential information then please do not traverse that in the public hearing and if you need to  
10 come back to us with any answers that do involve confidential information you are welcome to do that at a later stage. So I believe that you do have a presentation, so I am going to invite you to share that presentation with us.

MR VELDHUIS: Alright.

CHAIRPERSON: And then to take us through it and then the panel and the technical team may have questions for you.

MR VELDHUIS: Thanks. I am just looking for the share option. Sorry forgive me, I am a bit lost here, I am trying to  
20 find it.

CHAIRPERSON: Heather, I believe it is the white block with the arrow that you click on to share.

MR VELDHUIS: Yes, ja I have gone in there. I am now clicking on the screen share, let me see. Oh, there we go, I found that now and it should be open.

CHAIRPERSON: We do not have it yet.

MR VELDHUIS: Alright, I am looking for it. Oh, there it is, okay. Alright, let me know when you see it.

CHAIRPERSON: We do, so you can put it on slideshow mode.

MR VELDHUIS: Okay, it is on slideshow mode.

CHAIRPERSON: Ja, I think we are just seeing the PowerPoint presentation within the PowerPoint application at the moment.

10 MR VELDHUIS: Okay. Let me go out from here and, okay let us see. Slideshow, is that working for you?

CHAIRPERSON: Not yet. I mean, we can still proceed on this basis if you are having difficulty.

MR VELDHUIS: Alright, ja I think let us continue if that is okay with you. You can see the screens.

CHAIRPERSON: That is absolutely fine. Please go ahead, Heather.

MR VELDHUIS: Okay.

20 CHAIRPERSON: And we could just, ja I do not want to constrain you, so take the time you need, but if we can keep it under sort of 20 minutes that would be great.

MR VELDHUIS: Sure, absolutely. Thanks so much. Alright, I think just as an introduction I am Heather Veldhuis, the Director for the Buzz Delivery, it is a 100% woman owned business. My background [indistinct – 00:17:10].

CHAIRPERSON: Sorry Heather, we ... (intervenes)

MR VELDHUIS: [Indistinct].

CHAIRPERSON: You are breaking up at the moment, so we are missing a bit of your speech.

MR VELDHUIS: Okay, thank you. I will try and speak a little slower perhaps, let us see. My network should be stable. This load shedding is having lots of fun with us. You are welcome to stop me and I will just continue from where I had left off.

10 CHAIRPERSON: It seems okay now.

MR VELDHUIS: Alright.

CHAIRPERSON: So and we understand the challenges of load shedding, that is why we have had to push you up the order.

MR VELDHUIS: Thank you. Alright, so my history is studies in industrial psychology and sociology, I have worked in Human Resources, software development and consulting. I had left corporate to learn how to run business and had bought a small delivery business, as we now know it as an  
20 uber or a Mr D back in the day, approximately 10 years ago at the time was competing very enjoyably with Mr Delivery in the Pretoria space.

I became the largest franchisee of my brand in the country, so I clearly mastered the skills back then. I had, so I have been running my own business now for over 10 years

and Buzz was born about four years ago where I had realised that in order to expand and grow I needed to develop a footprint nationally in order to satisfy the needs of the national franchise brands.

In order to do this I could adopt a typical franchise model, but given that this was becoming a more of an eCommerce space and that focus on technology was becoming more prominent, it did not make sense to franchise, it made more sense to licence and develop and  
10 my passion and my skills have been kind of zoned in that way also.

So it was born to then develop a concept or a business model that could be replicated and brought to others in order to run their businesses independently, but with the support of technology. So I think my inclusion in this process is very much appreciated, especially when it comes to my vision and my values in as far as how this should grow here in South Africa.

So at about the same time that I had developed the  
20 Buzz brand Mr D had received some money internationally I believe to digitise and start developing their ordering platforms and Uber Eats had just come into town. I was not too concerned at the time simply because they had created a market and I was quite happy to move within the slipstream of that market, because it still allowed space, little did I

know that it would consume pretty much every piece of that pie and it would leave myself and the people that we are trying to develop in this space without any pie or any space for manoeuvring, so the inquiry comes welcomed and I want to share with you just very basically in line with your terms of reference my view on this, if that is okay.

So we, how I have seen this industry and what I have seen over the last 10 years is that there are three main pillars to the success of a business like a replication, I suppose, of Mr Delivery or an Appetite or an Order In, the good old fashioned brands that existed before the digitisation or the, as people would call it the disruption and it is, the one pillar is that of online marketing, which is why I like that it was focused on as a separate investigation, as well as the online ordering which comes into play with your intermediary platforms and the focus on how they operate and lastly is that of the successful delivery and I know that the investigation is not focused much on the gig economy, because that falls within a different space, but there is still a major impact on the success of these independent SMEs when you look at delivery strategy and how that forms part of their business and our main focus is building economy through delivery.

So if we had to look at the trends for online marketing, data has become the new currency, without data

you really have, you are working in the dark and  
... [intervenes]

CHAIRPERSON: Sorry Heather, can I just ask you to move  
your slide presentation on? I think you are on slide 2 now, is  
that right? Just for the benefit of the public.

MR VELDHUIS: Slide 2.

CHAIRPERSON: If you are moving to slide 2 just move it on  
in your presentation so the public can also see that.

MR VELDHUIS: Alright, I have moved on. I think there  
10 might just be a delay. Are you on to slide 2? Search and  
social digital media as an SME.

CHAIRPERSON: We can only see slide 1, your introductory  
slide currently. I do not know if you can click on the left  
hand side on the second slide.

MR VELDHUIS: I have. On my screen it is showing the  
second slide, it says trend online marketing.

CHAIRPERSON: Continue to talk, we have at least got the  
presentations. If there is some delay, I am sure it will come  
through.

20 MR VELDHUIS: Okay.

CHAIRPERSON: I do not want to interrupt you.

MR VELDHUIS: Thank you, alright. Please if it has not  
come through in a minute just prompt me again, I do not  
mind. So one needs to consider all three pillars and I have  
started with the online marketing and as I have mentioned

that data is virtual currently and your typical social media platforms work from data using algorithms to manipulate and make, take advantage of the data that is available.

So your SMEs do not necessarily have readily available data, yet the platform provides that, which is a great leveraging factor. Owning your virtual space in business versus a brick and mortar, there is obvious cost differences. It is imperative that we have our own virtual space in the form of media profiles and websites. Search engine optimisations and the knowledge of how that works can definitely leverage an SME in as far as traffic and reach versus the typical footfall that you would find in a supermarket for instance and what is great is with data you can control that traffic, but that is dependent on spend.

Platform algorithms are those unseen virtual intelligence where systems are configured in such a way or platforms are configured in such a way that it appeals to certain trends of human behaviour and as much as we speak about being in the fourth industrial revolution I think we have shifted from fourth to fifth very quickly, because we are now in a very virtual space where logic is apply digitally and not necessarily manually, so it is a combination of the two.

Paid manipulation of data, so for these SMEs as much as online marketing is a lot easier and it is something you will not need to for instance step out and distribute



flyers. It is a lot more comfortable in how we approach our audiences, but it is quite expensive and it does make reach easier, but one needs to consider the costs involved in that and the time taken.

Entertainment platforms are great marketing platforms and smart marketers will combine the entertainment aspect with their message and of course one needs to consider the interconnectedness of the web and how these algorithms and virtual reality alter what it is we  
10 see both on mobile and via the internet and our searches.

So there is a lot of science involved in these platforms that can either leverage an SME, but also become a barrier to an SME if there is a lack of knowledge, if there is a lack of funds and a lack of access to the information that is relevant to their business.

So if we can have a look quickly at the barriers for online marketing, one as I have mentioned is access to the data but also access to these platforms, whether it be, for instance I was mentoring and coaching one of our affiliates  
20 whom you are going to be listening to in about an hour or so and we could not make connection for simple reason that network is bad and there is load shedding and there is, you know, access to date is very difficult, access to platforms are difficult because of our infrastructure.

Capital for virtual space to own your own

eCommerce platform, the cost involved in developing that and maintaining it, understanding virtual relevance in online business and what products are easily sold online versus others that are not in as far as services also or accessible.

Knowing what systems or platforms that work for you as a business, as an SME, knowledge and resource to pay for the manipulation of that data, access to online markets. The market is currently dominated by first to market platforms and those first to market platforms would  
10 be your, in our space where we operate, in your restaurants industry it would be your Mr Delivery and your Uber platforms. I understand that Bolt is now starting to make more of headway in Cape Town and coming up here to Gauteng, which might split that pie a little, opening up a few gaps for more players in the market.

Where is the market now? Markets are constantly changing and evolving. It is an understanding of how to read data, the development of content and competing with content creators in as far as budgets and then most  
20 importantly in the online marketing space is the conversion to sales.

It is all good and well having our presence on all of these platforms, but unless we know how to convert that to a sale that skill is required and then of course social media platforms have their own built-in intermediating services, like

Facebook for instance with their own market, securing their own trade markets without having to leave the platform you can sell your products in a social media platform and a marketing platform. That is... Is everybody still with me? Are you guys on ... [intervenes]

CHAIRPERSON: We are here?

MR VELDHUIS: Intermediating platforms.

CHAIRPERSON: We are here. Your slide presentation does not appear to be moving forward, but I think just continue.

10 MR VELDHUIS: Oh, ja.

CHAIRPERSON: Just continue, because you know we have got it as the panel and we will make it available on our website for the public afterwards.

MR VELDHUIS: Thank you, alright.

CHAIRPERSON: But at least we are hearing you very clearly, so that is great, that is the most important thing.

MR VELDHUIS: Alright, okay great, thank you so much. Alright, so now we are moving on to intermediating platforms. So I had to touch on the marketing, because it  
20 plays a very big role. If you are going to be participating or placing your business on an intermediating platform it is inevitable that you are going to have market digitally, you are going to have to understand the internet space and how to run business and how to market your business outside of the traditional forms.

So when we look at the virtual windows as an SME one needs to consider that unless we future [indistinct – 00:30:44] our businesses and know what platforms are available to us we are going to fall by the wayside.

There is space for traditional markets and traditional forms of selling, but we are very quickly going to fall behind in as far as trade nationally or internationally. Exclusivity is not an option, it is a risk, so any intermediating platform that requires you to exclusively place your products  
10 on their platform I believe is risky and it is in my view  
bullysome and limiting your potential as a business. So I  
would never recommend that and if there are platforms out  
there this should be regulated from a competition  
perspective.

Understanding the platform markets, who are your customers and who subscribe, so when looking at these platforms, do they make public what the consumer makeup is? Do they provide the SMEs an idea of what customers form part of their subscription or subscribed pool of  
20 customers? And also, what access do these SMEs have to market with the product they have?

It is knowing the percentage of your, what percentage of your business that can rely on platforms to remain sustainable and I think we all fall into the trap of wanting to place our full business on the platform without

looking at what is sustainable for the business in the long run and how much of your business should be derived through these platforms versus traditional means.

What comes first, the product or the platform? The chicken and egg scenario, do we have to have a product first or shall we look for a platform and then start sourcing the product? And for a lot of SMEs the challenge here is that unless you can move products you do not have access to the prices from suppliers that you would otherwise have had, so  
10 that start-up cost is quite significant and it is a barrier to the entry, but at the same time you have a platform that allows you to move products, so that helps them to move product to a basic level where negotiations can start taking place with suppliers, so it is a matter of asking what first and when, timing is everything.

Price to customer is very difficult, it is a definite challenge for an SME, because they cannot derive the pricing from suppliers that the bigger brands would one needs to consider that their price to customer may be higher  
20 on these platforms than your larger brands and then staying in the driving seat of your brand. The platform is a vehicle, it is not a destination.

If you are running your business, and this has always been a concern to me and we will talk about the barriers now, who owns your brand? Is it you that is driving

your brand forward on multiple platforms and traditionally in that you control the dynamic of your brand, or are the platforms controlling the dynamic of your brand? And that forms part of your business strategy and your business plan moving forward, so this is my advice to SMEs that are looking at moving on to intermediating platforms.

But what are these barriers? First of all the intermediating platforms become gatekeepers to your customers, they choose how and when and what you see in  
10 as far as customer information. In fact you know, if one looks at the value of your business, your business is made up of assets, but it is also made up of your customers, it is your clients, so if you have to sell your business one day, what portion of those customers are yours, would you say? And this becomes a sustainability question, it also becomes a risk question.

If you do not have access to understand who your customers are and what value your business is, it starts to change the dynamic of how we define business. Owning  
20 your customer, what is, I have just mentioned the value of your business and what is the customer loyalty? Is the customer loyalty to your brand and to your product, or is the customer loyalty to the platform? And as much as the platforms are aggregators that provide a system and that provide a mechanism to sell product, it encroaches very

clearly on the customer loyalty. The loyalty programs are often built into these platforms, but does it encourage loyalty to the individual business brands or does it encourage loyalty to the platform itself?

I have worked within the restaurant industry now for, as I have mentioned, over 10 years, prior that in the hospitality space and I can tell you that in the beginning of an Uber and Mr D digitising and moving into the space and then building the market the way they have, in the beginning  
10 we started to see a transition of sit in customers in your restaurants to that of delivery by about 10, 15, then 20% of the first two years, thereafter we could see a drastic increase of deliveries versus sit in customers within the restaurant brands and large franchise brands.

Over the next two years where Covid hit it drove the market toward deliveries and still has sustained large percentages. This has become huge risk for the restaurant brands in that who owns that customer, who owns that customer information and who owns that data? As a  
20 turnover based, or as any business requires turnovers one needs to understand what the cost implications are that for instance for a restaurant where we have turnover based royalties, we have turnover based rentals and how that increases costs not just within the platform, but also to other aspects of business.

One needs to understand who is your business partner and can you trust them. These intermediating platforms, as great as what they are in providing access to market it comes to a point when one needs to analyse what bargaining power have you given to the platform versus what you own as a business and I think that is where that balance comes in from a competition perspective.

At what point do you start losing power within your business to maintain, grow and expand. What conditions do  
10 they have for entry and have they made this public?

I run also a franchise type business where we have multiple brands that make use of these platforms and on one of these platforms they allowed me entry with these multiple brands, but on the other they would not allow me entry and when querying the policy behind their allowing access I was told that it is policy and I said well, that is great, but then let me understand what risk you are covering in that policy so that we can rationalise whether my brand's entry on your platform is justifiable or not and I was blocked and told that  
20 it is just policy and should I wish to question it, it is not going to happen, because there are too many levels within their bureaucracy or their structures to allow for conversation like that with an SME, or they did not mention particularly with an SME, but with myself in particular and I would really like to open those conversations.



Who is making the decision? Where is this policy? How is it documented and on what basis are they blocking entry of certain SMEs versus others? And I am still yet to receive answers on this.

Legality of trading terms and the risk it places on the sustainability of your business, I think we are all familiar with one trading platform or intermediating platform that has currently changed contract for various reasons and, but one of the main aspects that have been concern to me for the restaurant industry for instance is that that was the liability or the, not the liability should I say, the responsibility of the store owner or the restaurant and not of that of the platform or the aggregator and very few businesses actually read these contracts to understand what the implication was for them as a business from not paying vat on delivery fees.

Many of them were of the opinion and understanding that this vat was paid over by the aggregator and were not educated in the space of what their legal committee requirements were, having contracted with this platform. So that for instance has placed many of these businesses at risk and should there be audit going further I really plan, hope that they have in fact covered all bases from a vat perspective.

Ranking and rating of your business, is there transparency on all platforms to say that those criteria are

first of all relevant to your business? And also, how does the algorithm work? What is the logic behind the rating and ranking?

If we understand the policy behind the ranking and the rating we can understand as an SME whether this is going to be to our benefit or to our detriment, because these are the decisions we need to take when selecting what platforms to use.

So the platforms have their own marketing modules  
10 also which allow you to manipulate the market that they have secured through their own marketing means and you may manipulate the information on the data that exists within that platform, but it comes at a cost.

So much like you have your marketing platforms that allow for a trading or a marketplace for selling of goods, so you also have your intermediating platforms that allow for marketing, so there is a crossover in these platforms between one and the other.

And then one needs to understand that the  
20 conglomerates are offering ridiculously good deals for the consumer, which is great, but what it does is it also trends the consumer to look out only for specials and deals and this is not sustainable for SMEs. Cutting the profits, the larger organisations cutting their profits to maximise market share in competition with each other, which are really two

monopolies in the restaurant space at the moment that then your Mr Delivery and your Uber, in this competition between the two of them for market share they have closed the gap for SMEs through this aggressive marketing technique of specials and deals and making it very difficult for SMEs to afford these very same opportunities to the consumer.

Moving on from that, some more boundaries or barriers, what criteria determines your exposure to the market and is this transparent? Recently having joined one  
10 of the platforms I was given the opportunity to make use of functionality that some or most other businesses do not have access to and when changing the settings I found very quickly that my market opened up quite significantly and having an understanding of software development, having an understanding of the logic that is applied when developing a software platform like this, I am very aware that functionalities change the logic of how one is exposed to the market, but I would like that to be transparent to SMEs so that we can make the most of the platform.

20 Contract law in South Africa is much like going into a franchise, you are subject to all the terms in that contract that you sign. The legal costs make it impossible to contest, so once you have signed that contract as an SME do you understand the implications or the terms and the fairness of the terms within that contract? Because as an SME versus a

larger entity the contest is not even a question and I think there is some ethic perhaps that needs to be applied by these organisations to at least take into consideration the fairness to SMEs and I think that is what this investigation is touching on.

Fair access to functionality and features, as I have mentioned earlier, is this inclusionary or exclusionary? It would seem that certain functionalities are advertised versus others that are kind of shifted under the rug and only on  
10 further investigation and prodding and me being the personality I am, to ask but what can I do about this and can I add that, do we start to realise that there are additional features or functions that are not initially exposed to the regular business and I think we need to understand what the full option or catering is versus the larger brands that are given these options as almost buy-ins to bring them onboard.

SMEs are not charged the same commissions as larger franchises, this has been my experience, having worked in the industry, having spoken to multiple  
20 restaurants, it is quite clear that there is no particular standard insofar as how they apply these costing and I am finding that more SMEs are charged the higher rates, anything between 20 and 30% and the SMEs are charged in a higher region versus the larger franchise brands, obviously because the brand is what draws the consumer in it in the

best interest of the intermediating platform to incorporate the larger brands, but do they make enough space for the smaller brands, is the question.

Then service and support are critical to SMEs, the same as large brands. So in large brands you have structures internally that allow for, when I say large brands, sorry let me clarify, we are speaking large franchise brands in this instance.

10 They often have a support structure or system within their processes that support the franchisees. SMEs are individuals without that kind of support structure and yes, they have had a choice, they have had a choice to start on their own or buy-ins who have franchise, but the intermediating platforms are they provided with sufficient training, sufficient access to support for SMEs to enable them this, in the same way that larger brands are enabled and therefore allowing them better and easier access to the market that exists on the platform?

20 Who defines and mentors or sorry, monitors the regulation criteria for product and service standards, is a question in my mind, and how is it applied fairly? So for instance, when being blocked with my brands wanting to enter onto one of these platforms one of the reasons given was that I was told as an SME I need to have a retail space in order to have entry onto the platform and this is virtual

business. What is the point of having an online platform if I now need to incur brick and mortar costs as well? What are the service standards? What are those regulatory standards that are required from you as a platform of me so that I can assure you that those standards are met? Do you have assessments? Do you have criteria that you can send to me so that it can be fairly applied?

I am working from an office space? How does that differ from a shop front and why would that make any  
10 difference to my access to that platform? So these are the arguments that are being had and I have no doubt that your SMEs are venturing into this space for the reasons that we do not want or cannot afford the brick and mortar expense of running a business.

The next point is that the platform has full access to your business IP and detail. What stops the platform from replicating your concept or your product or sharing it with someone else? So in conversation with a restaurateur not so long ago I was posed with a question and they said to me  
20 Heather, why is it that I should concern myself with being on this platform when they can tomorrow decide for themselves what it is they want and simply do it themselves? And that is a very good point.

What protects the SME from the sharing of information with regard to the IP? And when I speak about

IP you have got to understand that in order to be on this platform, and yes it is made public, the detail of your products, but also the business model that your applying is exposed to.

So SMEs need to be cautious as to what they are exposing on the platforms and how secure they are, not now, but maybe in 10 years when the platforms decide that perhaps they can make more money selling the products themselves.

10 So I am moving on now from the intermediating platforms, the barriers and the trends to that of deliveries and I know that in the terms of reference they had said look, the gig economy is falling within a different space, but I felt that it is worth the mention.

The gig economy and the aspect of drivers and deliveries impact on SMEs and eCommerce. On demand delivery, SMEs require on demand delivery to remain competitive. eCommerce without delivery is like eggs without bacon, what is the point?

20 This is where the costs sink the ship and that is simply because the costs, with the larger entities in competition with each other have not only driven costs down for consumers, but they have driven the costs up for delivery drivers. Conglomerates have dominated the delivery space and driven the cost of deliveries are beyond what SMEs can

afford.

Competition is offering free delivery whereas an SME needs to cover those costs and ensure that that delivery driver is earning his fee or her fee.

Apply driver absorption techniques, this is what is happening, is during the peak periods at month-end and at certain times of the year what these platforms do is they open up application for drivers just prior the peak, need for drivers and absorb the drivers within that market, making it  
10 very difficult to secure the service delivery for a small medium enterprise because they cannot compete in the amount of money that these drivers are earning and of course there is no regulation with regard to a gig driver and the gig driver world.

So in a nutshell if we had to look at the three pillars and we look at solutions ultimately we can talk about barriers until we are blue in the face, but at the end of the day there needs to be a few factors to be considered. One is knowledge, knowledge about this new world of business,  
20 knowledge about adapting one's mindset to how business is run and how it can be run.

The second is the cost, where are SMEs deriving funding to develop software that can compete? Where are they developing funding or where are they deriving funding for the marketing expense required to compete in a space



where you have two main players in the on demand delivery market?

It just, it seems almost impossible to gain entry and how do we open these backs? How do we open these slip streams again to allow for a greater variation of businesses in this space? They could possibly offer a lesser cost to the stores, could offer a lesser cost to the consumer, because competition ultimately drives the costs up for running these businesses and these SMEs do not have international funds  
10 to throw at a market that is already absorbed.

So what we are looking at also is a support mechanism in as far as software, so I have developed a software for my own business, it is a white labelled software and it is a multi store software with the capability of online payments and the logistics and workflows that enable the delivery to take place also and I have made it white labelled on purpose, I have made it white labelled so that multiple businesses can utilise with their own brands the very same technology that one can expect from an Uber or Mr D, give  
20 or take some functionality, because one needs to remember that the developments of this software is very expensive and requires a lot of insight and IP into this industry.

I believe that I have applied as much as I can into the software to at least get SMEs into the market at a minimal cost and enable them or leverage them into this

market with technology that they do not necessarily have funding or access to.

We have also developed partnerships with both for profits and non profit entrepreneurial development entities, we have rhapsodised and we have also our distribution X which are contributors to the business models and the mentoring programs that we put in place for affiliates.

I am currently developing and coaching and I have had the privilege of working with five lovely young black  
10 women owned businesses to enable them to understand not just the technology, but also the industry and how to penetrate certain industries like the restaurant industry to gain confidence through reputation that I have developed over years, but in parting that on others to develop a national footprint and I would love to grow that further.

So we want to build the larger economy through the creation of employment and creation of further businesses utilising our models and IP. The affiliates are coached and supported by the Buzz Delivery network. They have shared  
20 network resources like software marketing and training and we also provide the business plans and financial application information for funding, where and how the funding becomes available.

So going back to our three pillars of success, it has never let me down, it has always, it starts at one end, but it

does not really end at the other, it is a consistent balance between the three. It is online marketing, it is online ordering and then successful delivery in building economy through delivery and that is where I end my presentation and I really hope that this has been useful to you and you are welcome to ask questions.

CHAIRPERSON: Thanks, Heather. If you could put your camera on.

10 MR VELDHUIS: Sure, let me do that. I am back, there we go.

CHAIRPERSON: There we go, we can see you. Yes, well I think it has been incredibly useful, you are absolutely right and I think the panel appreciates the fact that you have clearly gone through the statement of issues, you have thought about this before coming to participate and I think it is a rich presentation that does traverse a lot of the themes that we are battling with.

20 Maybe if I can just start with a few sort of clarity questions, I mean as you went through your discussion sometimes you were a bit cryptic about sort of your other brands and I just wanted to understand when you talked about you know, not just your Buzz platform, but when you have got other brands on other platforms. Are these restaurant brands on delivery platforms or are you talking broader in terms of eCommerce or other platforms?

MR VELDHUIS: It is eCommerce, so we have developed six brands that we are hosting currently on Uber and hopefully Mr D if they would allow me some entry and they cover different retail lines, I do not mind sharing at all.

The first is a pet food brand called Fancy Paws, the other is the Corner Cafe, there is one that has been in operation for some time now called Brim Braai. There is Snappy Baby which is a baby brand and Best of Beans Coffee Co is currently in development and Sweets and Gift is  
10 our sixth brand.

My mission is to develop these brands to replicate on multiple platforms by, again in the same way as the Buzz Delivery network providing a business model to small medium enterprise and teaching and developing them while utilising an actual business plan and guiding them practically through the steps that need to be taken in running an online business.

CHAIRPERSON: So if I can just clarify, so I mean these are products you put on and their retail products, but it is also  
20 part of a process for you of demonstrating how the platforms can be used to promote brands and develop them for other SMEs.

MR VELDHUIS: That is right, yes and the [indistinct – 01:01:33] is you know, very few people understand how the platforms can really benefit and leverage and provide access

to SMEs, so as much as we speak about the barriers and the downfalls one needs to consider the facts that there are benefits. It is just when we start to move away from the balance of utilising these platforms for our sole purpose of existence as business. It is where the platform starts to run your business, it becomes the bigger player or power player in your business versus you running your own and I think this is where we go wrong as small business or even as big business, because I have seen the bigger brands to the  
10 exact same thing.

They fall into crisis when they start to realise that the bigger portion of their business or customer base is owned by another entity that they have never signed up for as a business partner, yet has such control over their consumer base. Again it is a matter of defining what is business.

Is business owning your assets only and your product, or is business owning a customer base? And I think this is where the question comes in around competition, is  
20 who, and I would hate to say because nobody really owns a customer, you do not own a customer, so it is such an open debate at this point in time, is how much influence you have of that customer base and with technology and algorithms we are talking about a virtual reality here and something I think very few businesses understand, never mind small medium

enterprise.

CHAIRPERSON: And Heather you know, I think you have given us a huge amount to digest and we will not have the time to go through all of it, but let me just pick up a few things. I mean, in a sense what we are going to is the issue of dependency.

MR VELDHUIS: Yes.

CHAIRPERSON: And we even heard last week in the eCommerce platform that in French law there is a sort of,  
10 legislation requires that if a small business becomes dependent on a platform there is an obligation almost to ensure that that is addressed and businesses try to ensure that no one using that platform becomes dependent. That is obviously not a factor here.

MR VELDHUIS: Okay.

CHAIRPERSON: And some of your strategies I think you, you know land well in terms of that, that reminding firms that this is not just their only business and some of the strategies you are talking about is almost selecting a platform to  
20 ensure that you might control the customer, own the customer, but I think the reality maybe is that for many there is not that choice.

I mean it is, I find it interesting that you have gone exactly to Uber Eats for your product launch. So how does that change? I mean, it is all good to say look at the terms,

understand them and we would probably encourage the same, but do people really have a choice in affecting that? As you found, those are the rules.

MR VELDHUIS: Yes, actually you are absolutely right. There is one of two choices you have and that is simply, I think it is that first market concept that was highlighted in your terms of reference. There are really two players to select from at this point in time and speaking to the restaurant industry it is very interesting, because the only  
10 way I think to provide fair competition is to allow more players into the space, however businesses are hesitant to allow more platforms, so that in itself is a barrier to entry, because they do not want the complication of having to deal with more than one service provider for instance, so there is that mentality in the business, but I think that is more of an education than anything else.

It is a fear of technology and understanding of technology. You know, the future of business is algorithm, it is data and it is understanding the future and applying it  
20 now.

CHAIRPERSON: So just in terms of a solution based approach, if I look through some of the things you have raised like such as who owns the customer, what access do you have to the customer, I mean maybe from your perspective are there more concrete solutions you would

proposed to the panel in terms of what you have outlined in your presentation that may change that level of dependency and may also I suppose allow the SMEs more of a stake in the overall consumer transaction? So maybe if you can go to specifics if you have thought through that.

MR VELDHUIS: Yes. Understand from these aggregators the policies behind the algorithm, the policies between, behind the access, the logic that they apply in the functionality it can be taught to business. I will give you an  
10 example.

Facebook you have many marketers who have learnt by experience how to manipulate the algorithm criteria by tweaking certain functionality, it has become a science. The same with these platforms, there are functionalities firstly that are not exposed to everybody and only to some and that for me is a concern, because that allows certain people access to certain parts of that market the others do not have access to, which could be viewed as unfair.

CHAIRPERSON: Sorry Heather, can I just interrupt you?  
20 What are these functionalities that are only available to some?

MS VELDHUIS: I am not sure if this is something that I could fall into trouble with, but there are certain functionality, because I am a person who prompts and pushes and finds the necessary means to answer and solve



my problems I have attained the privilege I guess of having certain interactions with one of the platforms that has allowed me access to certain functionalities that they have not made public to somebody else, but the functionality exists.

I know I am sounding cryptic, but if you will forgive me it is not, I do not want to get them into trouble, I just want them to be more transparent about it. So I think for me it is about policy, it is about transparency of standards and it  
10 is about how are they regulating these standards, because I think it is a bit hypocritical to say well, we have these standards, we will not allow you as a non retail front to come onto my platform, but I cannot tell you why, I cannot tell you what the standards are that need to be met, and who is actually observing these standards? Who is out there that is assessing these individual businesses that are seated on the platforms? I have not seen any.

CHAIRPERSON: Alright, we can take up in an in camera session, confidential session with you some of the details of  
20 that.

MR VELDHUIS: Sure.

CHAIRPERSON: But I think the panel would want to find out more. So transparency is one angle and I suppose it is a degree of transparency also on the ranking algorithm.

MR VELDHUIS: Yes.

CHAIRPERSON: You have got some of the tools and I would also hear from some of your comments, and I do not want to put words in your mouth, but understanding the contract is another thing that you say businesses do not fully understand.

It is a lot of terms and conditions in legal language and what we have seen, I mean what this probably resonates a bit with, we have seen in Europe a platform to business regulation that came into effect I think in 2019 which focuses  
10 on transparency, plain intelligible language, but on something like this sort of language do you think it is beyond plain intelligible language in a language, but actual proper education before someone joins of exactly what the rules are?

MR VELDHUIS: Yes, yes, I do believe that and also just, sorry having worked in software development you know, the moment you make a development on one side it impacts on other sides and sometimes the development leaves gaps for exploitation of a particular market and I do not know what  
20 standards are applied from a [indistinct – 01:11:28] strategy or development strategy perspective to say well, what gaps are left.

I know it is getting a little bit technical now. When making these changes, I suppose you cannot ever avoid this, but what strategies are in place to avoid these gaps? Does

that make sense? I am babbling a bit.

CHAIRPERSON: No, no, no, you are, I mean maybe if you could give an example if that helps, would help us.

MR VELDHUIS: Okay. So in developing a software there is certain logic that needs to be applied in different ways or different functionalities. If I make a change on one side of the system to apply a certain logic for a functionality it is not always viewed holistically in as far as how it may open up a gap on an entirely different function on the system that  
10 enables a gap for exploitation. Does that simplify it?

So it is making changes on one end to satisfy a need, but opening up a gap on another, because one cannot always foresee what is to come and obviously that is where you have upgrades and changes all the time, but by then what and who and how, so you know just how those gaps are closed.

CHAIRPERSON: Ja, and I think many of the platforms will say they do not want to reveal too much about the algorithm, because that could lead to manipulation, I mean I suppose  
20 what you are saying is the savvy players do find those gaps to manipulate and then they may be closed later.

MR VELDHUIS: Yes.

CHAIRPERSON: Or there may be gaps that are made available to some groups and not others, and they are aware.

MR VELDHUIS: Correct. Thank you, you simplified that very nicely.

CHAIRPERSON: Maybe it is because I have no IT background.

MR VELDHUIS: Layman language.

CHAIRPERSON: Can I just ask, I mean just more maybe going back to restaurant delivery and you said you started with a franchise many years ago and then you made a switch to Buzz, can you just tell me, I mean is that franchise, you  
10 are a franchise of someone else, is that delivery service still going?

MR VELDHUIS: I will be honest, I do not know. I have not kept sight of it, I have been focused on my own mission, also they have moved, just after the separation they had moved out of my operational space, which is typically Pretoria and I have branched out into Johannesburg and I have not seen them around, but it is quite possible they might still be operating.

I am aware of other, for instance so at the times an  
20 Order In, you know I think there were five players that started initially, it was your Appetite, your Order In, your Delivery Extreme, your Mr Delivery and I think there was one other, there is one other I am forgetting, and we were all kind of playing in the same space, probably in just different regions or different spaces and very few of them are

currently operational and it is very unfortunate.

CHAIRPERSON: So in the past there was space for, or the landscape allowed space for a number of players, I mean as you say Appetite has closed, I do not think Order In is offering a platform for consumers anymore, Delivery Extreme your other one, so you said things changed with Mr D receiving money to digitalise and Uber Eats coming in and that consumed every piece of the pie, I think you put it. So can you just quickly outline what changed and how it  
10 consumed the pie?

MR VELDHUIS: Yes, so I recall at the time all these players that I have mentioned to you had come together when they realised that Uber was coming to town and to say well, how do we work together as, it was not even an industry, you cannot call it an industry with only five players, and that dissolved very quickly.

It would seem that competition outweighed the appetite to work together, to form a nice collaborative, but there was in the beginning a lot of money spent obviously by  
20 Uber and Mr D in their marketing drives to download the apps and at the time people were intrigued by the concept, but they were also excited by the status that came with it.

The thing is with a mobile app it secures space on your mobile device and shortly thereafter every Tom, Dick and Harry wants to have an app on the mobile device, but

there is not always space, so that in itself is a limitation or a blockage to other competitors, but there was still a slipstream and you could still operate within that slipstream as long as we kept a knish market and the locality and local business became your pitch.

We also kept the call centre which was, you can still somebody, for those who are hesitant to adopt the technologies, but over a period of time as they started to convert the consumer mindset they became more powerful  
10 and they had a bigger bargaining power with the restaurants industry who then closed the gaps for the smaller players and to have to keep these restaurants on their books.

I think it was only through relationships with my restaurants that they allowed me to continue business in their space, even though I could not generate as much turnover.

Then yes, we slowly but surely got squeezed out, but now we are dealing with a whole different aspect and that is where your franchise brands have their own  
20 eCommerce platforms and that came about just after Covid showed its face in 2019 and they started to realise oh heck, we have to consider some kind of an eCommerce. I am sure they had for quite some time, it just was escalated.

So now we have other larger brands competing in its space to try and take their market back from these

entities and that created I suppose more competition, but I do not think that they have had as much traction as they were hoping and that simply invited the competition rights into their home by co-branding and keeping the turnovers that are generated through Mr D and then Uber, so again just filling in those gaps with their own eCommerce platforms and having the marketing budgets themselves to push and drive there loyal customers, if that helps.

CHAIRPERSON: No, certainly that helps and I mean the  
10 marketing aspect seems to be a prominent feature here and there is two elements, it seems. I mean, you have talked to it is expensive to reach consumers on your online marketing channels, I assume that is search and potentially social media as well, I mean is that not a reason why SMEs end up with the platforms?

MR VELDHUIS: Yes.

CHAIRPERSON: Because it is expensive to try and are they, I mean in your experience are you able to get visibility or discoverability on both the search, but also I suppose a  
20 play store or an app store from the apps side?

MR VELDHUIS: The view of your smaller businesses is that they are actually jumping onto the platforms for exposure, so sometimes not even necessarily just for the functionality that is right comes with being on the platform, but rather being exposed to, and with the brand because of the strength of

their brand.

CHAIRPERSON: And I just wanted to also understand, I mean you know some may say well look, the consumer is winning here, massive spend on promos in delivery, why do we not concern ourselves, Uber Eats and Mr D are battling it out and maybe Bolt gets involved, is that not a win for consumers? So what is your view in terms of I suppose ideally what this world should look like, and why?

MR VELDHUIS: It is funny, because I am reading a book by  
10 Mike Welsh, I do not know if you know of him, he is a futurist and I unfortunately have not yet finished it, but I am very excited to get to all the points, but the world is most definitely, business should I say is based on platforms.

Platforms are not going away, platforms will continue to develop in new ways and new forms. It is how we as businesses adapt to these new ways of operating. Like I said there are merits, definite merits to having platforms. There are definite merits to algorithms.

You as a small medium business doing something  
20 manually cannot keep up with efficiency and effectiveness without technology, it is just access to this technology, to own the technology is to own your business or to manage your business within somebody else's technology is really to just make use of markets. So I think the way we do business just needs to change and how we manage the risk of our



business.

I think the concern here is from, there is two different perspectives, one is the consumer. Is the consumer happy? Well, I do not know so much. If you look at the feedback on Facebook and Hello Peter you know, in as far as service delivery and price, I think the consumer is very unhappy, but they still use it and that in itself is evidence that they want to and they are willing to spend for what it is, the service and the product that they are deriving and I think  
10 that is going to continuously grow, as it has. I do not think that is going to change.

So clearly there is a consumer who wants, demand and need for it, which is great and it has opened up the market. It is just a matter of well, now how do we allow others into that market to provide the consumer with more options? Because at the moment the customer really has one of two options.

CHAIRPERSON: Ja, and I think that is I suppose what also the platform inquiry is looking at as well. I think many of the  
20 themes you have touched on in terms of SME participation, smaller platforms, choice of consumers are all certain things that resonate with our statement of issues.

I think Heather, we have run out of time. I am sure we could go on for much longer, but we do have the opportunity to engage you outside of this public hearing as

well.

MR VELDHUIS: Absolutely.

CHAIRPERSON: So I want to thank you, thank you for the time and also the effort you put in to clearly prepare for this participation and structure your thoughts and that has been of a lot of benefit to the panel, so and the technical team, so thank you very much.

MR VELDHUIS: Thank you.

CHAIRPERSON: And I think next we have one of your  
10 franchisees, Sisters on the Move.

MR VELDHUIS: Oh wonderful, yes, that is great. Thank you very much, I appreciate the opportunity.

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41 Alexandra Road,  
Irene, Centurion  
TEL: 012 941 0587 FAX: 086 742 7088  
MOBILE: 066 513 1757  
[info@gautengtranscribers.co.za](mailto:info@gautengtranscribers.co.za)