



## **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

***17 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: CARS.CO.ZA**



**Gauteng Transcribers**  
Recording & Transcriptions

PROCEEDINGS ON 17 NOVEMBER 2021

CHAIRPERSON: Good afternoon and welcome to the afternoon session in the Wednesday of the third week of the public hearings in the online platforms market inquiry and today we are dealing with Auto Platforms and we have got Cars.co.za. I am sure another household name in South Africa.

I have got Ross Mclroy and Alistair MacMurry, the two founders with us. So welcome Ross and Alistair. I am joined by Ms Doris Tshepe as a fellow panel member and then technical team as well that you probably interacted with.

MR MCLLROY: They were very helpful, thank you. But ja, I just wanted to say hello James again and Dorris and the Competition Commission panel. Thanks for having us and ja, excited to get started.

CHAIRPERSON: Well, as you have a presentation I have learnt now that in this online world everyone has flashy presentations, so we will leave you to put that up and take us through it and then we will come with some questions.

MR MCLLROY: To be honest James, we thought the presentation was for your benefit. We did not do it of our own accord, but needless to say we do have one. So, I will take you guys through it.

CHAIRPERSON: Ja, and I think it is largely the public that probably benefits the most in this process you know, hearing about the platforms they use every day.

MR MCLLROY: Ja, hopefully. So ja, we will try and shed a bit of light on some of the sort of intricacies of Cars.co.za but as you say a lot of it

should be really common knowledge. So just by way of introduction, so my name is Ross McIlroy. I am one of the cofounders of Cars.co.za and Alistair on my left, Alistair MacMurry is my co-founder and co-CEO of the business.

We also have Leegan Marinus on the call who is our... a consultant to the business which place an active sort of CEO type role. We do not have a CFO in-house; we are still fairly lean and we have got our legal team led by Burton Phillips on the call. So basically, just by way of introduction to Cars.co.za and the business.

10           At our core, Cars.co.za is an online automotive classifieds platform. So, we essentially connect our buyers or prospective car buyers with car sellers, and help to enable and enhance that transaction. We do not play an active role in the transaction itself, but also just the connecting of the transactors.

We launched in 2009 as a start-up. You know, your pretty technical start up story out of a garage and you know, myself and All and I were co-founder at the time. The three of us started this journey and ja, we saw there was a gap in the market for technology to play a role in the car buying journey.

20           Back then, 2009 your major players were print based and obviously were a lot of barriers to entry and a lot of... there were great opportunities in print but it was not our real house and our expertise and we came from a technical background, and you know we were... the market was slowly starting to shift in that direction and we felt we could enhance the offering that was available to the consumer.

It is worth noting that most of the players that were in that sort of print space also had digital offerings and there were some purely digital players at that time, but we thought based off our experience and our knowledge, and maybe just the ambitions of youth and naivety that come with that that we could do a little bit better and so we moved into that space and ja, we started off with one full time employee and slowly grew over a period of time you know to the business we are today and that was organic growth.

So, we are a bootstrap business. We have never taken on any  
10 capital. You know, the initial founders are still the shareholders and you know, some of the senior guys within the team went through the entire journey with us, are still very much involved and active in the business on a day- to day- basis.

So, you know, it is a very much an organic growth story for us, and we have kind of grown up in this business and learnt a lot about the car market and the automotive industry through it, and I think you know, just initially we came at it in a tech angle, and so we really did not struggle to get consumers onto the platform.

I think that was probably one of the strengths we had as  
20 consumers were migrating towards technology and the fact that we were you know active in that space just by virtue of being kind of young and kind of looking for new ways of doing things, but the dealer market is a really tricky one for us and it was very difficult for us to get trust in that space because you know, they were a little bit tentative around digital as a concept but they obviously had great relationships with some of the

players that already existed, as well as a familiarity with Print.

So, you know, the challenge of getting dealerships on was very real to us and it kind of I suppose informed how we grew our business and the DNA of the business today. So, you know, we would have to go in and really find true value. It is a really interesting concept. I mean if we could not convince the dealers that this digital platform or whatever it was, was able to help them make sales, you know they just did not really want anything to do with us and there were five or six other players that they were more familiar with.

10 So, we led us to kind of run things like test periods with them and to really work on our reporting and in terms of trying to prove value. We also had to have very easy and fluid sort of contracts with the guys, because a long story short, they were not willing to take a risk on us. So, they would trial things with us, but they wanted to be able to exit if the product was not working for them.

That is, you know how we run our business to this day. I mean all our contracts are month to month and if we cannot you know, help a consumer or to find a vehicle and or help a dealer to you know, I suppose sell their vehicles, you know we have no other way of keeping  
20 that relationship alive.

So, you know, as we grew, we interacted with more and more customers and we realised that there was also space in the user journey for more information and more empowerment and I guess we were learning about the automotive journey ourselves going through it, and so we started to look at adding ancillary tools which would empower South

African in their car buying journey.

Things like our content which had become pivotal in terms of helping users to buy vehicles and various other tools around you know, finance insurance, etcetera to help them make informed decisions. Obviously, this has pulled over into our dealerships where we are able to inform them and add a lot of clarity and insight into their businesses.

So, you know, we keep expanding in that space in terms of empowering you know the decision makers in whether that be a consumer or a dealer space, and we have had a lot of tools over the  
10 years. Currently you know, we are 12 years old, give or take and we still are independently owned.

We have not taken on any capital and ja, that has enabled us to keep our culture and our DNA very start up and we are still a you know essentially a small business and identify as such. Although we do have a lot of reach and a lot of influence in the market place. We have got about 65000 vehicles listed on the platform.

This is from all across South Africa at over 1600 different sellers. Predominantly dealerships. I mean, our base would be almost exclusively dealerships, although we do have an offering for private  
20 sellers. It is pretty insignificant in terms of the scale of our business. We also have just over 50 full time employees and myself and Allistair are still operationally involved in the business as are a lot of the senior guys that have grown up with our business.

Ja. From the consumer or the buyer's perspective, we see the benefit of the platform is that it aggregates vehicles for many

dealerships. It enables them to get a much clearer picture of what the landscape is and to compare directly and ultimately to find vehicles that they might have struggled to find in the eco system if they did not have a platform like our own or and we see this is improving customer and consumer choice, as well as empowering the consumer to compare offerings and to kind of make more informed decisions.

The platform also allows vehicle sellers to reach a much broader set of consumers and to generate leads that they may not have been able to get again left to their own devices. So, we are essentially  
10 creating a much stronger connection between a wider of range of buyers and sellers, and obviously with used cars particularly being a unique item for the most part, enabling a much greater choice for most of our consumers and enabling dealerships to be seen by more consumers as well.

But it is worth noting and I have made this point, but I will reiterate it. that we do not actually play a part in the transaction and so once we have connected the buyer and the seller, that transaction is still concluded largely at the dealership or through the private sale channel of their choice and we do not have great line of sight into that.

20 So, we are essentially connecting and then sort of stepping out of the process although we do have some customer service and support mechanisms for the consumer and the dealer offline, but ja we do not have line of sight of those transactions. Ja, there is a number of other platforms that are similar to us in this space.

I know you have interviewed a few of them already. You have

got Auto Trader, Car Find, Surf for Cars that are really sort of key niche competitors to us in the vertical space and they have all been around for a lot longer than we have.

Many of them transitioning from sort of a Print background. If you look at the horizontal space, Gumtree is very active. OLX etcetera, which also have offerings for dealers and private sellers and kind of their offerings are slightly different being horizontal, but they do play in a similar space, and we have seen a lot of new players arriving on the scene now you know, with FNB and Car Track and various other  
10 platforms opening market places of their own.

So quite a competitive landscape but I think at its core you know, we are seeing the sort of major players in the space being I would say ourselves, Auto Trader, Gumtree, Car Find etcetera. Ja, there is also quite a lot of stock duplication across these platforms. So, we are seeing the dealers and sellers at large are kind of multi-roaming.

We do know from all of our interaction with our dealers, that we you know, are not a unique service offering, so far as they will often use multi-platforms and put the same stock on different platforms and from research available to us, we know that our users will obviously have  
20 many platforms open and will look for a specific car and they are not averse to using multiple platforms in conjunction.

So, it is kind of fairly common phase for people to jump around and we are often you know, competing to bring back the same user or back the same dealer onto our eco system, that may have been there before as they go around and test the other platforms. So, you know,



we talk around value creation and not having contracts.

Obviously with our consumers on the front end you know, we have no contract whatsoever and so in order for our eco systems to remain healthy we obviously have to ensure that you know, that delegate balance is being nurtured and that we are making sure that our dealers are finding value in the platform and our consumers likewise are finding value in the platform but also an experience that is superior to the other platforms available.

So that really forms how we go about building our business and  
10 what our sort of strategies are around retaining users that do visit our platform. So, if we look at our platform, specifically from the vehicle seller's perspective, and in this case the dealership. Our base package which we refer to is our standard package.

This is a package that you I guess... it is a major package which is used to the majority of dealers on our platform. It is kind of... previously was your entry point into the Cars.co.za eco system and this base package will allow a dealership a certain number of vehicles. They could... it is more than a certain number of vehicles.

It would allow them a certain number of vehicle advertising slots,  
20 so obviously in the event that they sell a vehicle, they could place another vehicle into that slot. That would be just within the eco system. So, they get their number of slots. They get access to a back end and number of tools that they can use as well as an admin panel to upload and update and interact with their vehicles as well as any leads that are generated.

Then obviously the leads that are generated come through the platform and are sent through to them. This is a paid for service and it would enable the dealership to interact with the Cars.co.za eco system and as a result of that, the consumer which engages on the front end of the platform.

The vehicles which are listed on our platform, are controlled by the dealership, but the engagement with our platform from a commercial point of view to buy the slots that they are able to use, is done on a monthly basis and they are charged with that upfront. A fee remains the  
10 same each and every month, and it is independent of their kind of ledge generated etcetera, but it has been worked through a process to find a sort of fair medium point that we think is valuable to all the dealers across the space.

So, it is possible for a dealer using the platform to get somewhat more or less value, based on the stock that they have and the way that they engage with the platform and consumers at large. It is worth noting as well we do not enter into any exclusive agreements, and all of our packages are able to be terminated you know, at short notice with 30 days.

20 The dealership fees that they pay are all standardised and are based on the size of the package which is based on the number of vehicles that they wish to list, as well as the location of the dealership, although the difference in location is largely negligible but I am sure that we will get into that in a Q&A.

Group dealerships, you know we interact with various dealership

groups and when they bring a number of vehicles and a number of groups to the table, sorry.

A number of dealerships to the table, you know we do have slightly different pricing in that regard and this is largely based off a number of factors. One, bulk volume. Obviously, we want to get more vehicles onto our platform, but secondly the costs incurred in dealing with a group are severely less than that dealing with a group of individual dealerships.

10 So essentially, we have the same manpower and the same development costs in dealing with the group as we would deal with the individual dealership and so as you scale up more and more dealerships into a group, you are able to pass on those cost savings to the group as well.

So, there are some scale benefits and we can get into that a little bit later as well. Ja, so essentially the dealership will manage their own accounts. They will be able to upload and manage their dealership listings in real time and obviously the leads that we generate will come through in real time as well through various different platforms, and ja.

20 The dealership concludes any of their deals offline, although some of them do pass automated feeds to us with their vehicle stocks and we would then pass those leads back through a different mechanism and they would then you know, conclude the deals and run the process of CRM through a different platform, but again we do not have line of sight too much onto the dealership's I guess engagement with the customer after we have connected them.

Our dealer partners and we refer to them as partners, are an extension of our business and what we see sometimes is that the actual consumer is not necessarily aware that the dealership is not actually Cars.co.za and so they will come onto our platform, they will find a vehicle that they are looking for and they expect that Cars.co.za is concluding that transaction with them or that the dealership is somehow related to us.

That is why we have a very, very close partnership with them where you know, there is a point at which we need to hand over the  
10 proverbial baton and they need to carry that transaction over smoothly and so we have got a lot of terms and conditions that the dealers need to work with us on in order to ensure that we have a really great recall and a good service from start through to finish with our consumers.

We cannot have a situation where we generate a lead and a dealer does not pick that up and continue to liaise with the consumer. So, we kind of monitor that stuff fairly closely and where we can and we have got a dealer rating system which we can actually leverage and see how dealers are working with our platform and this is in line with what I was saying to you earlier about the DNA of our business and not having  
20 contracts that are lengthy.

Essentially if a dealer is not taking care of our customers, we need to be able to have a discussion with them about the value that we are creating for them and or the value that they are creating for us and the consumer in that space. If they are not using the platform correctly, if they are paying etcetera, we need to look at those criteria to ensure

that we are taking care of our consumer at the end of the day and empowering them to make an informed decision and get the service that they require.

So, it is common place for consumers to come and contact us and experience... explain to us the experience that they have had and we would obviously then have to pick that up with the dealer. So, we work very very closely with the dealers because we have a very symbiotic relationship, their success is our success and vice versa.

So, we do have processes and procedures in place to analyse  
10 their performance on our platform and to work with them to address any issues and performance issues and opportunities for improvement. So, we have a team of people that work very, very closely with our dealers to consistently enhance the value proposition for them.

Ja, if we look at some of the other opportunities that exist on our platform for dealers, you know one of the things that has come up is the premium account and you know, once a dealership has a base pack with Cars.co.za they are able to augment their sort of sales and their presence on the platform with other products.

So premium is one of them. The premium package essentially  
20 just enables the dealership to showcase a little bit more about who they are and you know, why a person should interact with them. So let us say a particular dealer has all of their vehicles serviced before they get sold or they have a certain number of checks that they do, they have a USP.

They want to be able to take that brand equity that they have

built, in building their own brand and convey it on the website so that this listing can have a little bit more substance and a little bit more of a story behind it. But shy of that, with a slightly bigger presence and a little bit more of information around who the dealership is, our premium listings do not change the order of our search.

This is important to us, because again if I come back to the narrative which we have within our business that the consumer experience is not I suppose something we would ever compromise. We believe that if you change the results, it potentially alters the user  
10 experience in a way that they are not able to be in control of what they are seeing and we believe that with our search function if our goal is to empower the consumer as well, that by enabling them to sort the search results however they see fit, we are not going to intervene and kind of manipulate that.

So pretty sacrosanct from our side that search should be based off a choosing of the consumer and needs to be I suppose a true and accurate reflection of that. So, you would get a slightly bigger listing in your accurately earned space within the search and obviously your page around your dealership gets augmented a little bit and you can put a bit  
20 more information in that.

So, the premium listing is something that is available to dealers. It is a fairly small uptake. We also have a couple of other ancillary vehicle selling tools. We have car specials. This is largely for new car dealers because it goes to a global, national audience and we need them to be able to facilitate multiple transactions because of the nature

of our website.

We do not want people coming in for a special that they cannot buy and that has already been sold. So, there are a couple of T's and C's just around the size of the scale of being able to facilitate those specials and previously you had to have a national footprint which has now been brought down and we have altered the product to enable it to be geographical and enables the smaller dealerships to service consumers nationally, to still have an active role there.

10      Banner ads are again a branding exercise and the ability for a dealership to get a little bit more real estate in our site and tell their story. We have a number of selling tools. We have a private seller tool whereby any member of the public and often small dealerships will come and leverage his platform and they buy a vehicle slot to put their car up for a period of time.

20      This does not come with all the back-end tools that the platform has, because I mean for a private seller, they do not need to be able to compare stock etcetera. So, it is a fairly simplistic version and recently we have launched a match tool which enables the South African public free of charge to sell their car into our dealer base or essentially trade it in digitally.

I mean there are a lot of competitors in this space. You know your We Buy Cars, your Wheelie, your Get your Worths etcetera and so you know, there is as well as I suppose all the big dealer groups and average dealers themselves. So, we want to try and digitise this a little bit and help our dealers to get access to stock that they might not have

got.

I guess people that are looking to trade in their car before they look to buy a new one. So, these are just kind of some of the other smaller tools that we have as offerings for our dealer base. If we look at our small package and providing access, from a seller's perspective in 2020 we launched our flexi package, which is it was not essentially a base package.

It was a unique tool which enabled the dealership to buy slots on an adhoc one by one base, but the feedback we got from the small  
10 dealers was that it was a bit too complicated and they wanted something that resembled our base package that was just a bit smaller and it is quite an interesting story because when we started the business as a small player in the space ourselves, we initially had a ten-car package and there was not much uptake in the market as a result of that.

That could have been due to our position in the market. It could have been due to a number of factors, but the dealerships that took that small package, inevitably cancelled it and did not find the value in it. so you know, as we are growing through the period of time we never had a  
20 small offering, purely because we tried and tested it and I guess recently, when we looked at the market again and we looked at the pockets of the market that we were not playing in as well as we should have been, there were a lot of smaller dealerships that were saying like look, your blue package is just too expensive for us and we need a smaller package to help us to get off the ground and ja, we came back



to it and a lot of champions within our team really look into try and service the dealerships in the area and we have got this one up over the line and it is now in its second iteration where we have reverted back to a based on style package, based on the feedback we got from dealers, but it is a work in progress and a fairly small offering at the minute.

Not profitable for us at all but it is gaining some traction in the market and we are working closely with the dealers in that space to make sure that it facilitates the needs that they have. If we move on to the front-end contracting consumers to the platform, this was probably  
10 the strength that Cars.co.za had in the early days that has adopted into the digital space.

We are fairly affay with some of the marketing tools that were available at that point and that they were quire new and novel but they have subsequently become ubiquitous with all the different major players in the space. So, you know, we bring a significant portion of our users into the platform through Google and Facebook.

Google being the predominant one, both in paid and organic and I think you know we have done a lot of work to ensure that we are both competitive in the spaces but that we also created competitive  
20 advantage and that we have learnt how to use the platforms and kind of invest as well as we can in them.

Being a small start-up coming up in a space where everybody had bigger budgets than us and had bigger brands you know, we had to be very clever I would say and very considered in how we spend our advertising rands, because we just did not have enough of them and ja,

we were able through organic to get a lot of traction and through our pay media we have become very sufficient in that space.

But that is taking the line share of our marketing budget and the marketing budget is taking a line share of our business's revenue. So ja, it is kind of a big space for us and one that we watch quite closely. We have also got a couple of I mean sorry, just to finish up on Google Search.

You know, it is a very very competitive space and you know, in the automotive space we have so many different people that are  
10 competing in the space. I mean we have got our vertical classified competitors; we have got our horizontal classified competitors. We have the OEM's themselves who have websites, the big dealer groups all have websites and potentially bid.

The individual dealers will bid on a geographical level here as well. You know, you have got a lot of these new businesses that are moving in, that come with big partners behind them. You know, as they whether it be banks or car tracking companies or kind of some of the new trading type platforms.

So it is very congested and obviously has a bidding system  
20 which I am sure you are very familiar with, that does drive up the budget and ja, it is an expensive place to play now relative to when we started and so we are looking at finding other ways to kind of gain traction and also to go where the consumers are and so ja, we definitely look at some of the other opportunities that we have now, which are around you know some of the above the line brand building type offerings that we

have available to us from a marketing perspective as well as social media and other sort of new technologies which are coming into the space.

So, you know, we use a variety of things to attract consumers to the platform and once they come in, you know we do our best to service them so that we can increase our direct traffic and have a better, more sort of robust offering for them. So, if we just go onto our consumer search as we have mentioned, you know we are basically about connecting buyers and sellers.

10           The service is free from a consumer point of view that comes into the platform. Then we aim to make the search and ranking as transparent and as kind of intuitive as possible for our consumers and enable them to make the correct choice for them. So, we have got a standard filtering system which would enable a user to essentially isolate the types of vehicles that they are looking for and this would then enable them to get a sub-set of search results that is I guess valuable to them and particular personalised to them.

          Then we have a number of different ways of sorting vehicles. The default for us is dealer sort by high low or to search sorry, by price  
20   from low to high. So essentially the cheapest vehicle will be first and the most expensive vehicle would be last. There is a situation where we go into more as in like the most recent vehicle ad would be at the top.

          For the vast majority search we sort it by cheapest first and then obviously once the filter is applied, that remains the case with the vehicles that are left in this sort of search criteria. Again, the user can

sort by different preferences. They may want to go high low or try something else, and those options are available to them, and once those are applied, the standard ranking system carries through again.

So, there are no search results in our platform that are able to be manipulated and no dealers and or sellers can change their price, sorry change their place within the price rankings or the ranking mechanism of choice. So, it is fairly organic and we find that a large number of our consumers do not actually change the sort of default sorting structure.

So, you know, it comes in as sorted by price low to high. They  
10 will alter their filters to get a search sub set of results that is pertinent to them and then they would just scroll through to find the you know, the vehicle that they are looking for and ja, again just to reiterate our premium listings would appear in that search results in their rightful place, that we are a little bit more noticeable but they cannot manipulate the order.

Then obviously when we look at the leads, so a user would then be able to browse the vehicle they want, view it in more detail and enquire with the dealer and then that is passed off to the dealer to conclude the transaction. So ja, I mean there is a number of factors that  
20 would I guess affect how many leads a vehicle would get.

Popular makes for example, pricing, quality of the listing, etcetera. So ja, it is not a very linear space. It is not like if you are the first listing you get the most leads. It is pretty much determined by a variety of factors and user appetite for the vehicles that you have. Then just sort of in the last few slides, we also assist the consumer in the

buying process, prior to understanding what those filters are that they wish to apply, you know they may not be sure where they want to start and we have got a number of different tools which help them to do that.

You know, our news and reviews will give them up to date information in the different vehicles as well as give them a feel for what that vehicle is, what is good about it, etcetera and we have got guys that do that. We have a car comparison tool which will enable you to list your vehicles side by side and see how they spec up against each other.

New car buyer's guide to give us a bit of information about you  
10 and we will recommend some cars based upon that. we have got finance calculators as we say that help you with your affordability and this is one of the big things that we are working on within our business as well now because we find that a lot of people are not truly aware of what their affordability is and that can be a very big problem in this journey you know, to kind of start looking for cars that you cannot actually afford.

So just trying to empower South Africans in that space as well. Also, a couple of the cooler projects that we did as well from an offline perspective. We have the Cars.co.za consumer awards, which was  
20 basically building a very robust system to score vehicles based off actual ownership data, what people are experiencing with the different brands, servicing etcetera and bringing some of that sort of previously private information I guess very much to the fore in a manner that people can digest and figure out where they want to be, spending their hard earned rands and obviously we had a great awards ceremony

around that and that included the sort of consumer in that and we have our sentimental South African heritage collection and brand where we celebrate classic cars as well as some of South Africa's unique heritage and history in the car space.

So, we are just trying to kind of engage with the audience in a number of different spaces and to make sure that they are as informed and empowered as possible and then finally just within our business as a start-up and maybe not too relevant to this discussion but part of our DNA as a small business, you know we are really close to our team and  
10 we are close to two small business as well and we have engaged a number of social and eco initiatives which are very close to our heart.

You know, we do this to enable our team, our consumers and our dealers to be part of something a little bit bigger, and you know, to help give back to the communities that we service and to ensure that we are just trying to leave the world a little better than we found it. That in a nutshell is pretty much part of our co.za.

I guess in closing we believe that there is many options available at the moment for both vehicle sellers and vehicle buyers. There is a tendency to multi-own on both sides. Ja, we are a business that prides  
20 ourselves on consistently enhancing the proposition that we have for our customers, both in terms of consumers looking to buy cars and dealers, enhancing the proposition that we have for our customers, both in terms of consumers looking to buy cars and dealers looking to sell cars and hold ourselves to the fact that if we cannot deliver good value for them, which enhances their operations, that we are very happy for them to go

elsewhere and find I suppose something that works for them as opposed to tying them into a space that they do not want to be and ja, we do not have anything that does that, and ja.

From a consumer side we are really looking to empower the consumer to make the best vehicle decision and we provide them transparent information and other shopping tools to help them to do that and ja, that is our goal. Just to ensure that we are adding value in this transaction and ja, helping to kind of digitise as much of it as we can to ensure that we do that.

10 Ja, that is our business in a very big nutshell.

CHAIRPERSON: Thanks so much Ross for that introduction. You can stop sharing your presentation. Cool. I just want to start, just by understanding in this cars line how much has moved Mobile and how much has moved app based and partly why I am asking is you know we have gone through travel accommodation.

We have gone through a whole lot, E-Commerce and those are always more frequent purchases at least and I did not remember to ask the property people this, but I thought let me ask the cars people. It is not a frequent purchase. So does that change how we should be  
20 thinking about it least how you guys position in cars and what is more important or what is less important.

MR MCLLROY: Just between mobile and app specifically?

CHAIRPERSON: Ja, so I would imagine, let me just give you my thought. I mean if I am now hooked on E-Commerce, I might end up with the app of my choice or at least a few apps because I am going to

engage that which maybe means Google Search becomes less important over time.

If it is an infrequent purchase, maybe I am not loading apps onto my phone and clogging it up because I am not looking for cars every week and Google Search then becomes more important because it is an occasion interaction. Maybe you can help us, ja.

MR MCLLROY: Ja, so James on that I think All could probably give you a lot more insight into the split between mobile and app, but just from the frequency of the purchase, one of the things that we do notice is that  
10 it is not a very quick purchase, the process. So I mean we may have people that are engaging with us for six months plus, you know looking for vehicles.

There is also an aspirational element of this and so a lot of people will come and use our platform quite regularly, just to see what is around and to kind of look for a deal that may or may not be there, so even though the purchase itself is very infrequent, the use of a platform like ours is a lot more frequent I think than you know the purchase we would sort of suggest, and there is especially as you move closer and closer to purchase there is a lot of frequency.

20 You will come back and engage with the platform much more regularly you know, to see how it goes. We also have situations where you know as in any market place, it is not like E-Commerce where you buy the thing and it arrives, you know. There is limitations and stock. You go to dealerships.

They did not have the stock. They have already sold it. You



have got to come back into the buyer cycle and take a few steps back. So we do have that I suppose dynamic playing, but ja. Maybe just to the question on the app versus ...[intervenes]

MR MACMURRY: Ja, I mean I think the first thing is that mobile is by far the biggest user base that we have at the moment. Obviously would use both desktop and mobile platforms. The mobile probably accounts for just comparing mobile and desktop and browser formats, mobile counts for all around 70% of our users.

Then app usage, I do not have a user number for you. We  
10 probably generate roughly double the number of lead enquiries on a mobile browser versus our app. We also found that the app audience is often engaged. They would be continually as Ross said looking for a car or they may just real petrol heads and they would really be into the buying process and just want to know what stock is available.

Sometimes that takes longer.

MR MCLLROY: And then just on that as well, further to that process. I mean with the news, the reviews, the other tools that we have, we often get people that would use our platform not necessarily in the late stage of the buy but more so just exploratory, trying to keep up to date. So  
20 your kind of app users and the users that have subscribed to our social media channels, are much more engaged and interactive with the brand as opposed to someone who comes in just to the desktop or the mobile site through a search.

MR MACMURRY: But you are on the cycle of buying, holiday on Air BNB is very different to ours. A lot of users would come into our

platform, conclude the transaction and they are not really coming back until they have interest in buying a car again. Whereas a travel website would consistently engage with the same user.

I mean it is a distribution of users and some would be highly engaged, but I guess the distribution would just be slightly different on our site.

CHAIRPERSON: But I think it helps us to understand that it is not a, obviously it is a big purchase. It is not a quick decision either. So there is a period of engagement. So maybe people are still downloading the  
10 app because they know they are in a search mode.

MR MCLLROY: Ja, and also the fact that you know, it is not linear either, so you would have one person enquiring on multiple vehicles and then potentially as I said coming back if those fall flat. So it is somewhat cyclical in its nature as well.

CHAIRPERSON: And also just sorry, on buying habits. We heard from Car Find that South Africans can buy at a large distance, maybe the UK market. I just want to understand the level of trust we have achieved online, because I would assume there is still anxiety about just seeing it, the condition rather than buying.

20 I mean is your experience that there is a lot of that happening, that sort of people want to survey nationally or regionally rather than just in their town?

MR MCLLROY: Our experience is that people will search very widely but not that they will transact very often over a long distance. So that still happens, and if you have trust in the dealer and the car is a low

mileage car, and you know what you are getting, you may buy it without seeing it and then, but that is ja.

I think it is way more common for the user to look nationally for a car, but to actually want to visit the dealership and see the vehicle before making the purchase.

MR MACMURRY: Just on that, it does also change depending on whether it is a new car or a used car. I think a lot of the new cars, we have also started to consider concluding the transaction online without seeing the vehicle and that is still a big step, even with a new car. So I  
10 think the vast majority of people in my opinion would be concluding transactions at a dealership and you know, going in and actually seeing the car, meeting the people and we know this largely from the fact that a lot of our leads have also seemed to go in that direction where you see a lot of vehicle views, which does not translate into leads per se, and then you know the sale is concluded at a dealership with a walk inn, but the person potentially knows exactly what they came in there for.

So you know, we struggle sometimes and I made reference to that in my presentation to actually understand where the sale originated but with the amount of people looking at the platforms online, it is very  
20 likely and I would say highly common that a lot of people are you know, concluding the transaction at the dealership without actually putting a lead through and if that is the case as well as the lead structures that we have, I would say that it is probably in my opinion not the majority that are buying nationally.

The majority is still buying locally and I think in a Wes Bank

presentation that we went to recently, and I mean they probably would be better positioned to actually discuss this information, but they were saying the average person would drive up to 60 kilometres and potentially pass five or six dealerships that had the same vehicle listed there in order to get it.

So you are seeing a kind of ability to travel but it is not sort of a national travel. It is sort of more within a province or the like, so they would have more information on that. But I am just anecdotally recalling what they said.

10 CHAIRPERSON: No, thank you for that. I just thought we need to understand if there is different products, whether there is a whole different type of engagement that we need to understand. The... I just want to ask about your sort of start-up. So your technical background then I assume, what sort of IT or engineering?

MR MCLLROY: Both actually. One of each.

CHAIRPERSON: Alright, and you say it is sort of boot straps. So presumably you obviously put in more effort maybe than you got out in the beginning, but you still... you have not had a major investor so you have had to run on an overdraft at most or a loan from a family member,  
20 but run at a profit. Is that the sort of organic story?

MR MCLLROY: I suppose ja, it had to be. So overdrafts and stuff were commonly placed in the early days, although ja, we managed to get a little bit of traction and I think our overheads at the start were purely people costs and we were those costs, so we... if you factor the business in as a you know pay for in sweat so to speak, we were

running technically profitable in so far as we made more money than we spent.

Then obviously to pull that money and re-invested it into marketing etcetera. So the profit line would not have been profitable necessarily but it would have just been re-invested. But of course, there were no massive salary bills because we work for free. So ja, that is essentially where we sit now.

I mean the business did not make any money, and did not pay us very much at all for a long period of time. So ja, essentially that is  
10 basically the start-up story and a lot of the team that we referred to, the senior guys coming in you know, our first employee worked for free. He just said he wanted to be part of the journey and without those kind of stories you do not get the traction that you need.

I guess you cannot just expect people to work for free. So ja, it was technically profitable but ja, did not declare a profitable dividend or the like.

CHAIRPERSON: Yip, and I suppose maybe the garage was also free from some family member. So ...[intervenes]

MR MCLLROY: Ja, and it was a nice garage. Fairly clean and it had a  
20 desk and an exercise ball or two in it. So yes, we definitely do not take for granted the kind of I suppose the fact that we had a roof over our heads anyway. We were young, living at home still. That does make a difference you know.

CHAIRPERSON: I just wanted to explore the, because I mean it strikes me that I mean as you said this was quite new. So I think as we have

heard before mobile, smart phones I suppose 2009 is sort of close to when the iPhone was launched and you know, smart phones just took off, and so things were sort of moving online and it was not necessarily a crowded space at that stage as it is more crowded today.

But also I mean, as I would understand from my interactions with Google, I mean search engine optimisation was much bigger than search engine marketing in those days. Google, I cannot recall exactly what they had in 2010 but they certainly did not have four ads at the top and a whole lot of other content.

10           So it strikes me almost the cost of start up at that stage were a lot lower than they might be today for someone who is wanting to come in. Is that fair?

MR MACMURRY: Ja, I think unless we had a much more niche offering at this time, we would never have been able to do it in this environment without funding.

MR MCLLROY: I will also state though, I mean Google is the juggernaut at the moment and they have done a lot and we did play in a search engine optimisation space and it certainly was not as crowded. I think everything that you have said there is pretty much as I recall it, but  
20           there are other platforms that are really offering a similar sort of start-up opportunity and you see a lot of businesses where our guys are really good at YouTube for example.

Or they are very good in Snapchat or one of these other social media platforms, and I mean back then I think Google was probably already on the trajectory that it came in with, but I think there were start-

up opportunities in early adoption for Facebook, or there were start-up opportunities... so I do not think you could replicate our story.

But I think the concept of being able to find a unique platform where people are moving and migrating towards and be an early adopter in that space and we naturally I suppose would or talented in that space and I think when you start looking at, I mean I just... I feel when I look at some of the way that the youth interact with social media, I just cannot make head and tail of what they are doing but there is really effective growth in those sorts of spaces and ja, maybe the next  
10 sort of wave comes out of other places like that.

So it is difficult to say categorically but I think I would or maybe we would struggle to replicate this now. This is maybe a fair answer.

CHAIRPERSON: Ja, and I think I suppose it depends whether some of those channels are good for this type of business. You know, certainly I think YouTube and Tiktok have earned many millionaires in different things and maybe they are really good for other products, and it may change.

But ja, I suppose the point is that Google now is highly monetised and that just means it is a congested space. I just want to  
20 ask, I mean when you talked about the banks and all of that, I mean is it because when someone is buying a car or showing an interest to buy a car, it is all the ancillary services that is also interested in that bidding on the sort of key words.

Is that what is happening now in the sort of auto?

MR MCLLROY: It depends on I suppose the key words is such a broad

term. I mean you know, there is all this little niche call it pillars if you will, and you have different participants in different spaces. So I mean we played in a large cross section. I think you know, when you look at the banks that predominantly played in the finance space and they generally have good relationships with either the consumer or the dealer and they do not really play in the sort of transactional space.

We have very good relationships with a number of the banks, and likewise with the insurers. So it is... I would not consider them competitors but a number of them are starting to look at opening their  
10 own sort of market place solutions and then it becomes I suppose a little bit more competitive potentially.

But there is nothing that I would consider a direct competitor for us right now, and so ja. When you talk about the key words, I think it is very unlikely you will see a bank bidding on like Hyundai for sale. For example. That was an example that came up earlier, but you would not... but you would see them potentially bidding on like finance for car finance or something like that.

So I mean as you dissect that keyword base, your competitive landscape changes quite dramatically.

20 CHAIRPERSON: Ja, and I think you have answered both. I was thinking just competitive are the key words, but I suppose I mean you had also mentioned the other. So they are more likely to be on your platform using banner ads to try and you know, inform a consumer that if you are looking for finance come into FNB or the like.

MR MACMURRY: We definitely have that with banks, financial services



in general and also OEM's. A lot of the brands advertise on our site through a banner mechanism as well. But brands are definitely competitors in the strictly Google space as well.

CHAIRPERSON: You mean like the Hyundai itself.

MR MACMURRY: Ja, and ...[intervenes]

CHAIRPERSON: Will bid on its name.

MR MACMURRY: It depends on exactly what the tone is. So may bid on a new car term and ja, I guess this is where Google has become very complexed and involved and you need, it has become more of a data  
10 exercise. The bidding on key words, than it has become a kind of historical marketing type exercise.

CHAIRPERSON: The, I mean the other thing that seemed to have helped with search engine optimisation is content. So as I understand you know, the more content you have got, original content, does also sort of push your website further up the chain on organic search at least. I mean, was that part of the strategy of going into content or was it just sort of a consumer information and bringing people back to the site?

MR MACMURRAY: So, I think both. We wanted people  
20 come back to our side organically and organically, not through Google. We wanted them to come directly to our site and view our content. There are a lot of people, as I said, that are very engaged with like contents and will do that automatically. We also want to rank for the terms that our content it is specifically applicable to within the Google

organic set of results and so that is a big driver of users for us into the content section of our side.

MR MCILROY: The other thing, just to supplement that, which is what was here and is the beauty of Google, is that, you know it is essentially the same thing to me. I mean, if you are able to write a piece of content that services the user's need and the user is going into Google and searching for that, essentially highlighting the need to have and you are able to rank based on Google's algorithm, which often  
10 would I suppose, give the stamp of approval that you are the preferred source of information on this particular topic, you know, you are using Google and search engine optimisation to isolate the need the consumer has and then to service it.

And so, a lot of people in the early days would do content writing purely from the SEO strategic perspective but a lot of the metrics, and I am speaking anecdotally on Google's methodologies, but a lot of the metrics they will look at is, you know, how engaged the users once they land on your platform of this particular keyword.

20 And so, you have to have the view of delivering value and making the content piece that you have actually help the consumer and empower them in order for you to rank appropriately for those terms. So they are, essentially, two sides of the same coin if done, I suppose, at least philosophically correctly.

CHAIRPERSON: Ja and that was, I mean, my understanding from our discussion with Google is, the longer you stay on the page that you got sent to, the higher your quality score is. So that would make sense, I suppose. And your content, I mean, that is your internal team that does your content. It is not a sort of bring in reviews from whichever other site and highlight them. Is it all your own content?

MR MACMURRAY: Ja, it is our all our own content which  
10 we create and obviously we have a network of – or we have an internal team and then we have a network of I suppose consultants and journalists, et cetera, that we work with. But, ja, we - every piece of content on our platform is bespoke for and designed for us and for our sort of platform and our users.

CHAIRPERSON: And that was just the other thing I wanted to come back to. I mean, it may be an infrequent purchase and you have obviously got the petrolheads group that will follow this all the time but I mean is part of the strategy  
20 building a brand and not just relying on Google over time so that when I come to the point where I got to purchase a car, I am thinking Cars.co.za rather than something else? Does that play a role or not in your experience?

MR MCILROY: Ja, that definitely plays a role and it is one of the things that we are very conscience of as well in terms

of where our marketing spend goes and we have actually tried to allocate more of it locally just because there are some opportunities. As Google gets more and more competitive the pendulum swings back in favour of some of the traditional marketing as well. So, look, at the end of the day, you know, even in Google the user is probably more likely to click on the ad of a brand that they are familiar with than one that they are not. And we have to, you know, ultimately remember that we are dealing with people in all of these spaces. And so, it is all interconnected. We do build a brand and try and work off that but I mean the reality of where we play and where we have come from is just that Google the primary driver of traffic and that is by virtue of the fact that, ja, a lot of South Africans start their search there.

MR MACMURRAY: But they also own Chrome browser and that is a major gatekeeper to people coming through those channels and so the first thing you do is just to type in a keyword straight into the address bar even though you could type in the direct name of the sites you want to visit. So, ja, I think that we have caught it very – just to come back to your original question. I think we have been focused on building our brand as well as try and bring in new users from these other mediums.

Google, I think, just attracts even if the user was

originally going to come to your site, they still come through a Google channel regardless for a high proportion of those users. So we – a large percentage of our organic traffic and even our pay traffic because we are forced to play in this space, are from users who would type Cars.co.za directly into a Google search. And so, I mean, that – it does skew the numbers slightly.

CHAIRPERSON: Ja-no, I mean maybe just to ask you what do you feel about, I mean, an ad always pops up even  
10 though you have typed in Cars.co.za and you pay? Is it ...[intervenes]

MR MACMURRAY: Ja, I think no one likes to pay for traffic that wants to or for a user that initially wants to come to your site anyway particularly because you have already paid for the branding elements around that. Ja, I guess that is the way that it is set up and they do provide a lot of technology in the transaction as well and in the platform. So, I mean, we use Google for multiple searches in our business, everything from email to marketing to some of the Cloud  
20 infrastructure that we use. So they are important to our business but ja some of the things do get frustrating at times.

MR MCILROY: And I think just further to that. I mean, we built a large portion of – or we have built our business largely off of our relationship with Google and you know it is

difficult to – they offer a very good service. I mean, that is the reality of kind of these market players as well. The user goes in and types into Google because it is quick ,it is easy and it gets the results that they want and that organic growth that they have managed to create is kind of their value proposition.

And just as we try, I guess, always trying to tailor our needs to what our consumers want and what our dealers want, I mean, they have obviously facilitated and created a  
10 platform that users wish to engage with and we play along and have symbiotic relationship with them just like we have with our dealers.

So, you know, they come through Google into Cars.co.za and they find a page they are looking through – looking directly for and so ja there are frustrating elements about it, for sure, and watching the prices go up over the period of time has been frustrating in itself but at the same time we have built a fairly good business with our consumers base of our ability to use Google and I guess that they have  
20 always been a great service of us as well.

So it is always bitter sweet, I guess, but I mean that is the nature of the business.

MR MACMURRAY: I guess it is just very hard to know where they are going with their strategy and it is obviously a huge percentage of Google's revenue comes from PPC and

so, ja, and it is very important to all of the people which you have interviewed. So we would like to have a little bit more confidence in knowing where the next five years goes but I mean there are a lot of those dynamics, for sure, in anyway.

CHAIRPERSON: And is that from the perspective of vertical search or specialist search?

MR MACMURRAY: So, sorry, what do you – what are you referring to? What is the difference...?

CHAIRPERSON: Sorry, I may be presuming too much here  
10 but I mean some in travel accommodation and shopping, you know, they are concerned about where Google is going, is around, are you coming into my specialist search area because you could see them as specialist search and obviously there is a history there as well. So I just – when you said now that where then they are going in the next five years. Is that just the monetisation around paper click or is it coming into your space?

MR MACMURRAY: Both. So we definitely see them on the  
– our bids to buy keywords or buy their ads, slot in the  
20 searches changed fairly dramatically as we have already said over the last ten years. But, I mean, Google consistently tests these new products in the search space and so would a platform like Facebook. I mean, they would happily and they already are sort of somewhat into the marketplace where the service is slightly different but they

are trying to expand their business and rightfully so. It just would affect us very significantly if they took certain actions.

CHAIRPERSON: I mean, an interesting response we got in the property side and it was in relation to a question around Gumtree but – and you alluded earlier, Ross, that Gumtree is a horizontal. And I think the person said basically, you know, the specialist engine, the vertical delivers how the consumer wants to engage, I suppose, that type of search where it is for a house in their instance.

10           So it is almost designed around it, much like you might have your design around you know my criteria I want to plugin, how it wants to be viewed. You, I assume, put a lot of effort into that user experience and understanding that. So that is what sort of separates, you know, a specialist or a vertical search engine versus the horizontal or others?

MR MCILROY: Ja, I think so. I mean, the reality is that when you are trying to service multiple different criteria even just within our platform, the difference between new and used, et cetera, you know it is very nuanced and  
20           understanding – you know, giving the users the exact levers, where to pull that and put them in a space that is intuitive for them is quite – it is an art.

          And when you look at a horizontal, they have got a lot of different things that they need to facilitate and so it much trickier than to actually you know customise or



personalise that journey for the user. And I think, you know, we are talking about generating value, we talk about enhancing the experience, et cetera, and so, you know that is one of the, I guess, the USP that are vertical like ours would have, is that we are very specialised in around cars and so everything is designed...

I mean, the size of an image, for example, is designed to showcase a vehicle. It might not be the best dimensions to showcase a surfboard for example. And so,  
10 you know, you kind of have to make sort of – take shortcuts to get, you know, everything to fit into the same platform but at the same time, you also get the scale and you are able to bring in a user into a much bigger ecosystem that potentially works for them.

And so you get pros and cons and that is probably why they both still exist. And I think likewise, when you start looking at the potential of this intermediation from places like Facebook and Google. I mean, they have got a lot of familiarity with their platforms but maybe less familiarity with  
20 the – you know in our case, sort of the automotive industry and what the dealers and what kind of the sort of big groups and the banks and the OEM's actually want as well.

And so we have got, I suppose, USP's that we try and leverage in all of these spaces because we are trying to create an experience that works for a particular region and

there are nuances in that spaces. So definitely verticals have got certain USP's and horizontals others but they definitely are different in nature.

CHAIRPERSON: And so USP's is unique selling point, I am assuming. [laughs]

MR MCILROY: Sure. [laughs]

MR MACMURRAY: [laughs]

CHAIRPERSON: And again, I am just going to compare to another category but you have mentioned, I think, a few  
10 times about a niche and it was interesting when we did travel accommodation some of the South African platforms and talking about competing with global giants like Booking.com, they – you know they said: Well, I could start with a niche on a long tail of search, I could bid on weekend trips to De Aar or something and slowly build. I mean, are there niches  
in cars that you have seen or niche players that have emerged and what sort of niche? I am just trying to think in cars what that could be.

MR MACMURRAY: I think there are smaller niche offerings  
20 in things like a rent to own models or – ja ...[indistinct]  
[01:06:47]

MR MCILROY: You said, I think, I mean it is not really even smaller. I mean your niche around sort of the Webuycars, your Weelee, getWorth, etcetera, who now have essentially a trade-in tech platform where they come through and they can

buy your car from you and since you can trade it in without the...

I mean the old school methodology back in the day was you trade in your car on a new car that you are buying, the transactions are linked and they decoupled that and created almost like a selling platform which is very niche versus – and then they have all that stock which they now largely service back into the dealer network as well as sell privately.

10 And I am sure, you know, you can chat to them about the nuances of their business model but those kind of niches are definitely coming in where previously your dealership would be your point of sale for selling your car and buying the next one and now you are kind of seeing a whole bunch of other new players coming in and kind of just breaking things up slightly differently. So there are some of those in place.

I mean when you look at the likes of a Booking.com, I mean the sort of tech infrastructure that they bring similarly  
20 to Uber is just – it is incredible and it is very difficult to compete with that. So you start to see – ja, other opportunities locally but ja the big tech giants do definitely have some advantages as well which are somewhat daunting.

But I guess one of the things we have is, coming

from a small start-up in a very, very I do not know established industry, we kind of never had opportunity to rest on our laurels. So we do not do that now.

CHAIRPERSON: And are there this sort of Booking.com's of the world in the auto space, global, multi, regional players?

MR MCILROY: Ja, so, I mean, your biggest one would be – probably historically Autotrader but they have been decoupled. So it is kind of being – and I am sure they can speak to that. Australia has got like Carsales.com.au which  
10 has move into other territories but has not really come here. Not – I mean, they probably are big players in the US as well and I know that there are some big marketplaces like eBay, I think it is eBay Vehicles or Gumtree Vehicles, et cetera, that have come up but there is no one consolidated place that seems to have like a national – oh, sorry, not national, a global footprint. And so it seems to be very much territory based at this point. And, ja, so, I am sure there are and they just not as sort of as global at this point and – ja. Off the top of my head those are the only ones I can think of  
20 ...[intervenes]

CHAIRPERSON: No, I think ...[intervenes]

MR MCILROY: [Indistinct] [01:09:32]

CHAIRPERSON: Ja.

MR MACMURRAY: ...would operate internationally but that was what they would be shared as far as I am aware.

CHAIRPERSON: I am sorry, I have missed that, Alistair.  
Who?

MR MACMURRAY: ...a Gumtree, I mean, they are horizontal but a lot of their effort would be global.

CHAIRPERSON: No, I think we understood from Expedia even, you know, maybe the reason they could expand is on the back of actual travellers that meant to – were forced to go and locate in the destination markets and they had got to set up there which meant you could sort of look for local  
10 travel as well and so there - maybe is a unique story there.

I just want to go to the ranking and as you indicated in your presentation, I think your default most of the time is cheapest to most expensive. And in your experience, I mean, how often is that changed or do people change it a lot?

MR MACMURRAY: Our experience is that it is not changed very frequently. You know, it is a little bit hard to aggregate those numbers because if someone lands on a page and the sort is automatically set, even then landing on that page is  
20 counted as them having sorted the page, and then you have got to try and decouple all those stats. So it is hard to give an actual answer but our experience is that most people leave the sort filter the same as it was originally.

MR MCILROY: But your more sophisticated user, and this is just an anecdote or feel from kind of experience and sort of I

guess some research that we have done maybe more verbally, the more experienced user will be using those tools a lot more than kind of a sort of an inexperienced web user. So, I mean, they are still highly used but the vast majority of searches do not have a change in search filters.

CHAIRPERSON: And is that partly why you make it the default just because that is what consumers tend to do like?

MR MACMURRAY: ...because that was – that is - their arguments for using other filters and so we also, as we said,  
10 used the most recent filter for some of the landing pages we have on our site and that is just because someone is likely to have been there before. We think they want to see the more recent cars that were loaded but ja we – at least in our experience think that people want the logical order of viewing a car from cheapest to most expensive. Or in some cases, from most expensive to cheapest as well. That is a highly used sort.

MR MCILROY: Ja, we just think it needs to be something that is understood and it is intuitive. And price high or low  
20 or price low or high, I mean, it is pretty simple. You can see the numbers are descending or ascending if you land it with, I do not know, a McClaren or Ferreira at the top, you know you are the high price point. And you know it is intuitive and you can see that whereas I think if it is a bit more convoluted it is just difficult for the user to understand but after the

applying factor or the filter our side, that it needs to be intuitive thereafter it is coin flip, really.

CHAIRPERSON: Ja, because again just comparing across platforms. I mean we see in some of the others there is relevance and that is largely, I think, often using your history as an individual, either you have signed in or they recognise you. So it may be that when I previously looked for weekends away I looked at certain categories and so more of that comes up front. I mean just understanding for the  
10 infrequent, I mean, do you have much of that history at all that you could sort of incorporate that? You did mention that if they come back you put most recent but...

MR MACMURRAY: So, no, it depends on how they – on what type of page they land and what type of search page they land on but if someone has previously searched on our site and ja that might be slightly inconsistent due to technical rollouts recently on our platforms but we try to keep them on the same sort that they were on previously and that is just saved in the browser and then reused.

20 MR MCILROY: But I think in other verticals, one of the things, and I cannot speak on their behalf, but one of the things that I can see is that because the transaction is completed on the vertical you often would have an account and you would have some kind of a history and you be able to store that whereas – because we do not have that sort of

implementation at the moment.

You are always technically anonymous user to us and it is really difficult to – we have got certain things, as we say, like when we do remarketing, et cetera, it is possible to sort of you know identify that it is the same browser coming back for example but it is a lot trickier to give you a personalised experience based of relevance.

And, ja, I think in some circumstances that probably does make sense and it would be something we definitely  
10 consider and have considered but you know for the vast majority of our site at the minute and also given the fact that, as you say, the infrequency of the purchase.

You know, believe with the filters you can determine exactly what you want and that we just sort it according to, as I said, a logical and intuitive nature and you can get through page 3, 4, 5, 6, 7 and go through the things as you want.

So I guess to say, in each situation there is probably an argument for almost any, I guess, application that is just  
20 ours in terms of keeping it familiar and intuitive and consistent.

CHAIRPERSON: And I suppose all my thought was that, that in this context maybe pay for position is more of a blunt instrument, there is no nuance around relevance anymore. I have searched for my you know Toyota Hilux and then when



do you have a sort of pay for position it may be just I suppose a blunt instrument, not a boosted relevance instrument.

MR MCILROY: Look and there definitely are tools and I think what we are seeing globally is just personalisation of advertising as well as to try and get you to the place that you want to be as quickly as possible. And with a – I mean at least philosophically, the relevance, if done properly, is probably a very valuable tool as opposed to just paying for, I  
10 guess, to push something that the seller wants to push to you.

CHAIRPERSON: And you have not done that but I mean my question to you is. I mean, surely, you could if you wanted to. I mean, we saw earlier that another platform has done exactly that. So you could monetise your platform a little more but you have chosen not to.

MR MCILROY: I think – look, our view on this is especially if look at it from a long term view, you will pay somewhere along the lines for those sorts of things. And if we, as I said,  
20 we hold our user experience as a very, very key component of our business and how we built that, both from a dealer perspective and a user perspective.

And if you consistently give the users a great experience - again, we talked about the branding, et cetera, the likelihood that they come and engage, even if they are

multihoming, if they are going to start their engagements on your platform because it is a more – it is synced and more kind of intuitive and more enjoyable experience, you get first bite of the cherry in terms of working with that consumer and building a brand and a lasting relationship.

Sometimes you can, at least we believe, you can go for short term monetisation and potentially tarnish the user experience or the dealer experience in such a way that the potentially do not want to engage with you again and not to  
10 say that is what is being done.

I mean, I do not understand the nuances of the other businesses and we focus very much on our own business and the likes and that is our logic for doing it in terms of saying, you know, the long term user experience is the most important thing on our platform and when we do not philosophically agree with something which may or may not impact on that, we just do not go down that road.

CHAIRPERSON: No, but it is not a requirement to be profitable in this sort of business because you, presumably,  
20 are profitable.

MR MACMURRAY: Ja. No, we are happy with that [laughs] affordability. And as Ross said, I mean, I think that not selling some of those features sometimes has benefits on the products on its own.

MR MCILROY: Ja, so you may say about marketing costs because people are coming to your platform organically because the experience is there. We also have really, really good relationships with our dealers because all of our costs are transparent and there is no way for somebody – you know, I think there is always that opportunity where you, you know, you have got to sell to one dealer and then another dealer and you want to be able to, I do not know, engage with them both on equal terms and for us if we have a  
10 standard sort of suite of products that enables them all to compete as well, then that works for us and we potentially have, you know, greater traction within the dealer's space as a result of that.

So, you know, it is sometimes more about just looking at the eco-systems instead of the individuals. And so I think, yes, we maybe shoot ourselves in the foot in terms of short term leavers to create monetisation but I think in the long term it potentially is one of the opportunities that we have used to scale our business.

20 MR MACMURRAY: And I mean it is not to say that we will never consider it. We have in the past. And we have chosen not to go down that route. And it is also not to say that it cannot be done elegantly and to the advantage of the user. I think it can if it is implemented well.

CHAIRPERSON: I mean, just on the multihoming you have

mentioned. I mean, the impression I have got and you can correct me if I am wrong is. People may still have their favourite site and part of what you are going is going to see whether they have got all the stock or you are missing out on something but you may have your preferred site for engagement and that may drive some of the, the sort of multihoming in that respect. I mean, what is your experience?

MR MCILROY: Ja, that is our impression. I mean,  
10 essentially, if you look at our story. We came up as a start-up, we always had less stock. So anyone who started their journey on our platform even if they enjoyed the experience, we would still end up on one of the other sites if they did not find their car that they were looking for because you know stock is a very, very important metric.

And even though there is an overlap in stock, we do know that most of the competitors in the space will have a certain element of stock that is unique to them. And when you are looking for a car in particular you want, especially  
20 the users that are coming to leverage our platform to ensure that they have choice, it is worthwhile for them to go and look at some of the others to ensure that they have not missed something at the very least or if there is an opportunity for them.

So what we do find is that you would have a

preferred platform, generally, or you would come into a platform which you have been searched an ad through Google or the likes to lad on and then thereafter will go and look at other platforms to sense check or to find new kind of opportunities and you get exposed to them, which again, also keeps us all honest because in some way, shape or form you are being directly compared to your competitors by, if not all the users, at least a percentage of them.

CHAIRPERSON: And I just want to go to the sort of pricing  
10 stuff. I am sure you have heard us with Autotrader a bit. Because you mentioned that you also compare Gauteng to the rest of South Africa and it was a curiosity for us. But as I understand, your difference is a few percentage difference, it is not a large difference.

MR MCILROY: 4.3%, I think.

CHAIRPERSON: And what is the reason for you doing that?

MR MCILROY: So, initially, all our pricing across the entire  
20 eco-system was uniform. There was never a difference in region but as we start to engage more and more with the dealers, what we were looking at was the leads generator, we were looking at sort of the cost incurred, and we were trying to unpack how much value we were creating in the different pockets.

I mean, Gauteng is a much more expensive place at the moment and much more competitive for us to generate

leads. You are seeing a lot more competition. And what is interesting in the space is that you often get a lot of localised competition in your big hubs which does not exist in other spaces as well.

So we did – we started doing the maths a couple of years ago and realising that Gauteng was a little bit more pricey and a little bit more competitive for us than some of the other spaces but you know we have not been given particularly big price increases over the last few years as we  
10 have established sort of a baseline that we are happy with.

And so, ja we slowly deviated them base on the fact that the guys, I guess frankly, were telling us in sort of some of the smaller outlined regions that they just could not afford to pay much more. And the guys in Gauteng largely were you know a little but more robust and making a little bit more off the platform but also the nature of generating leads into the big hubs is a little bit more competitive for us as well.

So we deviated slightly but it came off of sort of decade of history of everything doing exactly the same. So  
20 there is a slight tweak and that tweak was a little bit more magnified if you look at the size of the price increase which was given at the time but over the actual price point it is very, very small.

CHAIRPERSON: So if I understand it, I mean in part, that if I type in Hyundai, Gauteng, whatever, i10 in bidding for that

ad word you might pay a little more because there are more competitors buying for Gauteng?

MR MACMURRAY: On aggregate, yes. I mean, on a specific term it can be very random.

CHAIRPERSON: Alright. And – but it is 3% not the sort of 20% to 40% we saw earlier.

MR MACMURRAY: That only 3% may not be representative of the actual skewing costs on our side but maybe a little bit more than that but that is – ja, you know, that was at least  
10 moving the price structure. But no I do not think you would ever see that sort of differential between the two, between the Gauteng prices and then outside of Gauteng.

CHAIRPERSON: And then in your base package you have got sort of 40 car, 100 car, 150, as I understand it, and then you got top ups.

MR MACMURRAY: Correct.

CHAIRPERSON: And I mean, there is obviously a price difference per vehicle if we went to the top of each category but as I understand it is maybe about, I do not know, about  
20 40% higher or cheaper for the best package compared to the worst package or the smallest package versus the largest. Is that about right?

MR MACMURRAY: Ja, if you – look, you exclude the new sort of very small package that we brought into the market.

CHAIRPERSON: Ja, so I will come to that because I am

interested in that. And – well, let me not pre-empt that. Just the – and the groups get a discount as well, as I understand. So you would then, as I understood your presentation, if it is a group then they would get an additional discount on that.

MR MACMURRAY: That is right.

CHAIRPERSON: And the kind of range for that?

MR MACMURRAY: Ja, I am not sure whether we come into the confidentiality side of things at this point.

CHAIRPERSON: Alright.

10 MR MACMURRAY: We are happy to share those numbers with you, obviously. And I think that they are not orders of magnitude smaller the pricing that would be – that would be sold onto a group but cheaper than our largest package.

CHAIRPERSON: Ja and I would assume that would be the case because you are discounting off the largest package of the big group. I mean, look, you have heard our discussion, no doubt, about the differentiation. I think it does concern us that - you know part of our mandate is looking at participation and how do we you know not just bring in small  
20 businesses but also transform the industry.

And certainly, you know, broader work the Commission has been doing shows that small businesses are really fraction of this economy and highly concentrated. So I think this going to obviously come under the microscope a bit. I mean, just to get a sense from your history. Has it



always been this sort of case or has it changed over time?

MR MACMURRAY: So... No, no, so – I think we have actually brought the pricing a lot closer. When we started as a business it was incredibly important and it was a huge lever for us to get a group on that could offer us 3 000 vehicles in addition to what currently have listed on the side. And so we had to make it very attractive for them to come onboard. And as time has progressed, I think we have given out our pricing increases in a way which has brought that  
10 differential that you are talking about, significantly down.

MR MCILROY: Just by way of example and talking more into the transparent side of our business. I mean, in our last price increases the percentage given to the sort of larger packages was greater than the percentage given to the smaller packages. And the percentage given to the Gauteng sort of larger dealers was different to the coastal, as we have discussed already, hence the 3% differential.

So your biggest price increases went into the bigger dealerships because we could see that there was and  
20 potentially still is a slight skew in terms of that but we work and we have worked progressively to try and bring that more and more into line.

And you know when we talk about the order of magnitudes of the groups, I mean if you look at the price per vehicle and I ma sure you guys have done the maths, we

would – the group dealers are getting sort of less than – I do not know the number off hand but potentially – correct me if I am wrong here – less than 20% discount.

So it is – the orders of magnitude are closing and we really are trying to work to ensure that the value given across the board is at the very least the same. So we do afford, as I said in my initial presentation, we afforded some costs optimisation in the groups but ja we do not foresee that a group should be paying less than a smaller dealership  
10 just on kind of a level playing field.

So where the cost optimisations are there, we do want and we can pass those back but we do work to try and bring it closer in line. And potentially you may make some recommendations and we will listen to those if we have not done enough. But it is definitely our mandate kind of make it transparent and I suppose equal for everyone to compete on our platform.

CHAIRPERSON: Ja, because I think what Alistair has said there maybe makes sense when you are starting out they  
20 obviously have got a lot of pull and it may be legacy because of that but you know now these are kind of established marketing channels. I get a sense that it is not really required. I mean, that was my discussion with Autotrader that if there is value in the channel and it is selling they are going to come anyway. So they do not need to be given as

much preference.

MR MCILROY: The groups also do you bring a lot of interesting, I guess, nuance's insofar as they generally have more robust systems, they have a lot of differentiating factors than sort of a smaller dealership would have. And so the ability to pull reporting, et cetera, you know on a one off basis that you have one person servicing a number of groups, et cetera.

So, you know, so the cost of providing the service is  
10 kind of the same for a small dealership as it would be for a group, essentially. So there are those things that we have to look at especially with our people. And obviously we work with the small dealerships to give them, I guess, value but also to give them sort of information and data to enhance the product and death costs are a real thing for us at this point.

So the bigger established channels that we have are, as you say, they started off small and we started taking a very big bath to bring the groups onboard because they just had so much negotiating power which we were probably  
20 did not have the negotiating power but we were probably a bit frankly just wet behind the ears and we didn't know how to negotiate back then.

And we worked really hard to correct those. I mean, the biggest corrections that we have had in our business over the last sort of decade has been in the group

and in the bigger spaces because we have a good communication within, good reporting tools and we can and they can see the value that we are providing.

So, ja, we are working towards that and we are working to correct it but I think it is worth noting that we have done a lot of that leg work already.

MR MACMURRAY: And even in terms of a billing relationships, we would bill a group once for a hundred dealers whereas with individual dealers we would have to go  
10 after all hundred of those dealers in terms of invoicing and following up and there are real costs to those things. I do understand that in respect of that we need to make an allowance for smaller dealerships to have an equal footing and equal access to these tools. There is just a real administrative cost to us dealing with dealers on an individual basis.

CHAIRPERSON: Ja- no, I mean, I think, you know, on the cost side. I mean, the impression I get, anyway, is, there is negotiation and that happens and we can you know  
20 rationalise on cost but it is probably not going to really mean the kind of difference because I mean a group also expects a degree of customer service, a dedicated accounts manager, a – so there is probably, you know, cost differences. I would not expect to me as massive but tell me if I am ...[intervenes]

MR MACMURRAY: Ja, you see, things like marketing expense on our side would be similar and so – and those are large percentages but from a manpower perspective, there is a real difference in the number of manhours that we need to give to servicing a group versus just servicing a hundred dealers, for example, which would be the same hundred dealers that come on through a big group.

MR MCILROY: And just on that, James. We actually have a dedicated account manager for every customer that we have  
10 as well as dealers in the space. So a small group is still afforded and given a dedicated account manager who comes in and visits them as regularly and who works with them on their platform and gives them the same reporting, et cetera, because we initially started with a more of a self-service tool and that did not really work.

It felt like the groups – sorry, not the groups, the smaller dealers also wanted the interactions with our business. And so, you know, the fact that we have one dedicated area or sort of group manager who services all of  
20 our groups and we have one dedicated, I suppose, dealership rep per sort of area but who services all of those guys as frequently.

They should get – nearer makes no difference – the same services. So that is what we refer to as the costs. And they do have access to us from a training perspective,

from an inside perspective, from a reporting perspective.

But, ja, we are always looking at this and as you say we put a bit into our small product and we have evolved that as well. And I do not profess to say that we have got it completely right here. So I guess we will keep looking at it and aspire to move it into the right direction.

CHAIRPERSON: And just mentioning then. you have mentioned the flexi package. I mean I just want to understand the story behind introducing this. you must have  
10 - I think you said when you or given the presentation, you initially had a thing called package, there was not really take up that recently you have kind of gone back and looked at we are their pockets that you are not servicing as a platform and the result was this package.

So can I just understand because I also ask Mr Mini from Autotrader, you know, what is this landscape. So when you went out to look at who is out there and these small dealerships and this is a five – I mean, I think it is five cars and you can boost it from there as a package.

20 I mean what was your assessment of whose is lying out there that is not - wasn't really being serviced by the online platforms?

MR MACMURRAY: Our feeling and some of this was supported by the fact that these are very small dealers who were using our private advertising service to advertise their

cars and generate leads but there is a very long tail of small dealers and they are - it is very difficult to count how many dealers there are in that space.

And they may not even fully classify themselves as a dealer or as a business. They may be running privately out of their back garden. And so - and I think George had the same comments on his side, that to accurately assess how many of those types of dealers there are is very difficult.

10 But we saw the demand in our private seller space and we do know of a lot of dealers who were buying our smallest packages at that point but were requesting something even smaller because it was hard for them to afford the rate that we were charging particularly when they were only advertising a fraction of the vehicles that would fall into that package.

So - but I think we only have around 50 of those flexi dealers live at the moment that fluctuates fairly rapidly and there is a bit of turn in that market as well. It is not  
20 nearly as stable as the more established dealer market but we do think there is a lot of room to grow into that space.

MR MCILROY: And – sorry, just to supplement that, James. With the - I have said that we have a dedicated account manager for every one of our customers.

So, you know, we will get feedback from our team

that look these guys are – they are paying for this 40 car package but they something smaller, they want it to be cheaper, they want less vehicles as well as these guys that will not sign on because they are going to visit them and say, like: You do not have a package that service is me.

And so the question is: Well, what would you like? And, you know, so working with our team that is on the ground, this is what they kind of came back to us with. And as I said, we are starting with the pay as you go type model  
10 and the feedback came back that they do not want it, it was a bit too complicated it in some ways, it did not service what they needed exactly, and so we ended up with a package which enabled them to have five vehicles and then hopefully to grow from there as they need. But, ja, there was a lot of on the ground sort of feedback that led to it coming at this time.

CHAIRPERSON: Ja and – and I am interested in that sort of feedback from your salespeople as to who is out there as well and what their needs are because I think, you know, this  
20 an area we have to make a finding and so it would be useful to know what is the best way of approaching this, I think, in terms of bringing on. And has this board on more historically disadvantaged dealerships, smaller dealerships.

MR MACMURRAY: We do not have direct line of sight on the status there. My gut feeling and sort of anecdotally it



would be yes but I do not have an exact number for you when we look at those 50 dealerships that we have brought on. What I can tell you is that they can afford this package where they previously could not afford the other package it is way more affordable to them than the previous package that they took up. There are also a number of historically disadvantaged companies who use our bigger packages as well and so they do not just, obviously, fit into this flexi category.

10 CHAIRPERSON: Ja, I mean, there probably are. I suppose our observation as I put to Mr Mini was, you know, we sorted of acted in this area around service, repair, maintenance and right to repair. And it seems obviously historic advantage about being set up in wealthier areas has sort of perpetuated and it is one of the areas where I suppose you know the practises of dealing with the established businesses just create another barrier and another barrier which makes it quite tough to transform the industry. I do not know if your experience of dealing with this industry over the last ten  
20 years gives a sense of it is different to that?

MR MACMURRAY: I mean, you talk about wealthy areas but there are number of dealerships in a wide variety of areas and geographies and we deal with them across the board. So I do not know if I have missed your question there, James?

CHAIRPERSON: No, no, no you are right. Sorry, I just wanted to check with Ms Tshepe whether there were questions from her. I just want to check with the technical team.

MR MACMURRAY: [No audible reply]

CHAIRPERSON: Alright. Well, look, Ross and Alistair, I think – thank you very much for your participation today. I appreciate you making the time. I think we certainly learnt a lot and it was interesting just to understand how the market  
10 is changing as well.

So thank you for your time. Thank you for the time that your team has put in in responding to all our request for information. I know they can see burdensome especially to a smaller organisation. And we will continue to have engagements.

I mean, we can have the sort of *in-camera* sessions if you want. Those are not going to necessarily be compulsory unless we have something specific we want to ask but – and I mean there may be some follow ups around  
20 it.

But I would appreciate if the industry gives thought to this sort of pricing. I mean, you know, I think as I have indicated over the last few days, this is – the Marketing Inquiry is about a market feature not necessarily an individual firm and we recognise sometimes that to force one

firm to move may put it at a disadvantage against others. So it is often about a market coming up with a solution as well. But thank you so much for your time and – ja.

MR MACMURRAY: Thank you so much. And I mean we do agree that this is an important part of transforming the industry and of creating new opportunities for particularly smaller dealerships within South Africa. And as you can see, we have already engaged in doing that and we would love to hear your feedback on how we could do that better.

10 But thank you for the chance to be part of this.

MR MCILROY: Ja, thank you, James. And thank you to, ja, the whole Competition Commission Team. It has been a lot of information. I will not say we have enjoyed it immensely but it is definitely been educatory and we appreciate that. Thanks so much for having us.

CHAIRPERSON: Alright, thanks guys. Just for the general public's benefit. Tomorrow we have got Sanddown Motor Holdings who is coming as a client of the auto portals and that I think largely closes off the auto side of things. And  
20 then the other participant tomorrow morning is Bold Foods who could not make it at the same time as the other food delivery platforms.

And then in the afternoon, we are going back to travel and accommodation. We have got Avis and Savrala in terms of car rentals. We have got eDreams which is a flight

portal, a global one and then Intercape to give us a perspective of bus transport.

So that is tomorrow's proceedings and we will start at 10:00 again tomorrow. Thank you. Thank you very much and thanks to the Cars.co.za team.

MR MACMURRAY: Thanks.

CHAIRPERSON: Cheers. Thank you. Bye.

INQUIRY ADJOURNS UNTIL 18 NOVEMBER 2021

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