



## **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

***9 November 2021***

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

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PROCEEDINGS ON 09 NOVEMBER 2021

CHAIRPERSON: Good afternoon and welcome to the afternoon session of the online platforms market inquiry. This is week 2 and we are look at E-Commerce platforms and our first participant this afternoon is Mr Maharaj from Elite Shopper. Welcome Mr Maharaj.

MAHARAJ: Good afternoon.

CHAIRPERSON: Sorry. Thank you for coming to the hearings and making your submissions. It is a public hearing and we are broadcasting on YouTube as well. So please, if there is any confidential  
10 information to your business, please just watch yourself and we will do the same.

Mr Maharaj, I believe you want to start by making some comments and can I ask that just watch the time. We have got about 45 minutes in total. If you can try and you know, make sure you cover everything you need to, but you know, just see if we can keep it under 20 minutes.

MAHARAJ: Okay. Thanks. I think we should be good with time. Okay. Good afternoon all. I am Kevin from Elite Shopper. I am here to discuss a few pointers regarding the Takealot Marketplace platform. Let  
20 us start first with Gated Rams. Our group has a diverse range of products.

When listing certain products on the Takealot Marketplace platform, the system displays a message this product is not eligible. When we approach Takealot for clarification the response is that the product or brand in question is gated to Takealot retail only. Example 1

is Garmen smart watches.

Our Garmen listing were disabled by Takealot's compliance team recently with a message. We have taken a business decision to no longer allow Marketplace sellers to list Garmen products. The same applies to Sharmi being one of the world's top international mobile brands, is gated on the Takealot platform for cell phones and tablets.

Another fast selling product of note, is the Sony Play Station 5. While Takealot has no stock of the Sony Play Station 5, we have plenty of stock from the local authorised distributed. The Sony PS5 is another  
10 gated product. Gated products drives prices up with no competition. Let us welcome healthy competition by not gating products.

The second pointer we have got is returns. We receive thousands of returns on Takealot. Some customers abuse the flexible returns policy. We receive a lot of returns which have no faults. Our suppliers will not entertain such returns, which results in a huge loss to us.

Once returns are disputed, we are only given up to 5% of the customer purchase prices, excluding the seller fees. Most of our return disputes require us to supply technical reports within seven days, which  
20 is impossible as our turn-around time with suppliers is up to 21 business days.

The same applies in the industry. Mobile reports can take up to 14 days. We appeal to Takealot to allow all sellers up to 21 business days to log return disputes with the relevant documentation. While the CPA is there to protect the customer, we should not allow customer to

abuse the returns policy to use our products.

For example an expensive Samsung S21 Ultra. Use it and return it for a full refund. No questions asked. The customer's return reason is I changed my mind. We will not be in a position to re-sell that device as brand new. A mobile phone can lose up to 30 to 40% of its value once the seals are broken, used and returned.

We are always willing to work with Takealot to assess devices and supply feedback within an acceptable timeline. Takealot should review its return policies to allow sellers to assess returns, just like  
10 repairs with an acceptable turn-around time to ensure there is accuracy with the accepted returns.

If the return policy is not reviewed, this would affect our customer pass through. We would have to increase prices to cover the return losses. Lastly by increasing pricing we would lose the Takealot buy box and lose a lot of revenue. In general we are slightly concerned about data mining.

Does Takealot retail have access to our supplier audit information to approach our suppliers directly to supply Takealot's retail. We note suppliers are asking us from time to time with pressure from  
20 Takealot retail, to increase prices to be a little bit more expensive than Takealot retail.

We feel that is anticompetitive. Proof is available to the panel on request. Lastly, compared to other Marketplace platforms, we are of the view Takealot should review its fee structure. Perhaps a volume sliding scale fee structure. We are of the view lead time, in stock and out of

stock, should have the same commission structure as this will prevent sellers from overstocking all the DC's and eliminating removal orders.

Ja, those are our pointers James. Sorry if I went a bit too fast.

CHAIRPERSON: No, I am sure we can use time to ask you for more detail on those, so thank you for being to the point and I am just Mr Maharaj, going to hand over to my fellow panel member, Ms Doris Tshepe to start the questions and then there may be more from myself and the technical team as well.

MR MAHARAJ: Okay.

10 MS TSHEPE: Good afternoon Mr Maharaj and welcome.

MR MAHARAJ: Good afternoon.

MS TSHEPE: Thank you so much for coming to join us today to share your insights with us. Just if I could ask you briefly to talk about your business and the sort of products that your business run and list on Marketplace, and just if there are other channels that you use, other than Takealot I am assuming. Thanks.

MR MAHARAJ: Okay. Ja, we have got a diverse product range and a product mix. We sell primary mobile cell phones, cellular audio, accessory, appliances. We have got our own website as well, that is  
20 eliteshopper.co.za. We have recently listed on the Macro and Loot Marketplace platforms as well.

So we have got a diverse product mix. On Takealot which is publicly known, we have got about 10500 unique reasons listed on the Takealot platform. Macro and loot, we are getting there.

MS TSHEPE: Thank you. Can I just ask you, before I even get to some

of the complaints that you specifically raise. I just wanted to find out from you. You seem to have a lot of complaints against specifically Takealot. Is there any reason why you should not stop using them? Have you considered that?

MR MAHARAJ: Madam, it is a matter of source of our revenue stream. We are one of Takealot's largest seller, I have not seen any other seller with 10500 products which is publically available on the front end. Takealot is our primary revenue source. So we cannot de-list from Takealot.

10           It is about us working with Takealot on a day to day basis to resolve any issues.

MS TSHEPE: So, just so I understand. So from your point of view, from your business point of view, Takealot is an important platform.

MR MAHARAJ: Yes.

MS TSHEPE: Thank you Mr Maharaj. Just so, with regards to the other platforms, how big is your revenue from those?

MR MAHARAJ: Versus Takealot I cannot discuss revenue numbers.

20           MS TSHEPE: No, I mean in order of magnitude, not the actual numbers. Obviously as James said we would not want you to speak of your confidential information.

MR MAHARAJ: Ja, that would be Takealot, Macro, Loot. We have got our website so I will put our website high up there as well.

MS TSHEPE: Just so I could just discuss with you a little bit of the investment that your business has. I mean you have spoken of your website as well. Presumably you do not just list on a Marketplace and

some magic happens. You get some business through that. There would be some investment that you put into that. Is there, and what kind of investment have you put in, particularly on Loot, Macro and Takealot.

MR MAHARAJ: Do you want me to give you a rand value?

MS TSHEPE: No, I just want to know the sort of steps you would have taken in order to get your products to be sold on those platforms.

MR MAHARAJ: Ja, we have... I will comment on the value. We have spent about 100 million rand on Takealot's Marketplace, Loot and  
10 Macro. That is why we are one of the top sellers there on Takealot with 10500 unique products. Ja, there is not much else but you know, the value that we have actually spent in investing in this platform, keeping products in stock in both DC's, the Johannesburg and Cape Town DC's, so that we get they buy box whenever customers want to purchase.

Think of a customer wanting to purchase. Think of us as a customer. When we go to purchase on a website, we would purchase a product that is in stock. So that is our advantage. We have got a large volume of our products in stock on all these platforms, so that when a customer has to make a purchasing decision, they will find our products  
20 in stock, ready to shop within the first 24 hours.

That is your Samsung, your mobile, so we have got the best prices in the market. So when you sell on lead time and that is a problem point because you have got your associated risks with lead time where you have got to ship you know, several hundred orders from time to time. Customers do not get those orders immediately.

Customers get those orders within five to seven business days.

Customers want to and this is why we invested heavily on the Marketplace platforms, leaving aside our website. Customers want to purchase something and they want to get it in their hands within 24, 48 hours max.

MS TSHEPE: Thank you Mr Maharaj. Just on the buy box. I mean you were raising some concerns regarding that. Do you want to elaborate on what some of your issues are there?

MR MAHARAJ: Ja. So when I touched on returns, if you have got a  
10 factor in a percentage you know in terms of increasing the prices slightly. So let us say Takealot is sitting at 199 and we are 1995 for example, how do I factor in an addition 5 to 10% for returns? That is not possible because if we have got to increase our prices, and let us say that specific product, I take it up to 2050, to have like a slight buffer we would not get the buy box.

Customers would not see us in the buy box. We would appear towards the bottom of the page and customers would not have the opportunity to purchase from us.

MS TSHEPE: How important is the buy box from in terms of your  
20 sales?

MR MAHARAJ: The buy box is very important because if you do not have the buy box you are not going to get a sale on a product. I mean you are competing with multiple sellers. 90% of the sellers. You have got in some cases, in some listings, you have got about ten sellers. So you have got to have the best prices and in order to have the best



prices, you have... you have got to have small margins.

In order to have that small margin, you have got to factor in everything and I cannot unfortunately factor in returns, factor in you know the high Takealot fees, so being lead time fees or in stock fees, your panelling fees etcetera. That is roughly about 7.5%, about 15% leaving aside the handling fees.

So we are not in a position to actually increase prices and not get the buy box.

MS TSHEPE: Just on the fees as you mentioned and how hard it is for  
10 you to factor those in. Presumably you then get to pass those on to consumers.

MR MAHARAJ: Ja, and we are not in a position to actually do that. We have got the best prices in the market you know; customers purchase from us directly on eliteshopper.co.za as well. We do not want to actually increase prices. We prefer a high volume. That is our stance.

MS TSHEPE: Thank you Mr Maharaj. Can I just discuss with you just  
the issue of data mining. What does that mean? I mean are there in  
your view what are your experiences in this regard? You have raised  
that in relation to Takealot. Do you want to expand more, and what  
20 should we do about that?

MR MAHARAJ: Ja. We have raised this point to Takealot several times as well when suppliers request us all of a sudden to start increasing prices to ensure Takealot wins the buy box. So that was our question. Does Takealot retail have access to our data that we supply to the compliance team from time to time?

Like your supplier invoices.

MS TSHEPE: You say you have raised it with Takealot. What has been the response?

MR MAHARAJ: We were told that Takealot retail did not have access to the confidential invoices that we supply to seller compliance. However you know, it is concerning when we get queries from several of our suppliers, the details are available on request. It is very confidential information.

When we get requests from suppliers, with buy box screenshots  
10 etcetera indicating that Elite Shopper is winning the buy box and  
Takealot retail is not winning the buy box. So we need to ensure we  
increase our prices by one or two rand, to ensure Takealot retails wins a  
buy box.

So these are the factors that we have, we thought we would  
bring up because it happens on a day to day basis where suppliers to  
reach out to us to increase pricing.

MS TSHEPE: Thank you Mr Maharaj. Can I just, you just raised  
something about the buy box which I actually forgot to raise with you  
earlier and that is in your view, do you think the process of the buy box  
20 is fair and it is transparent in your ...[intervenens]

MR MAHARAJ: It is 50/50.

MS TSHEPE: Ja.

MR MAHARAJ: Because let us say Takealot is selling something at  
1999, okay, they are in stock and we are selling it at 1998 and we are on  
lead time. We will not get the buy box. You know, they have got an

algorithm that they use to determine who wins the buy box, whether you are in stock or out of stock.

We are threatened if we do not sell more expensive or you know, in line with Takealot. Suppliers do indicate to us that they will stop supply. So my buyers do get this from time to time. Sorry, I thought I would just mention that. That we are also threatened by suppliers if we do not increase prices on Takealot, they would stop supply.

There is written proof and screenshots that we will submit to the panel on request.

10 MS TSHEPE: Thank you, and what is the impact of that on your prices and competition on Takealot then?

MR MAHARAJ: We will not make any money. You know, we will sit with the stock. Like Garmen as I have mentioned earlier, we are sitting with... we are sitting with you know a lot of units, like 50 to 100 units of those smart watches. Now what do we do with that stock you know? We have had fragrances in the past as well, where we are sitting with a lot of inventory and we were requested by the supplier in question, I will not mention their name, to de-list from Takealot otherwise they will not supply stock to us. That is fragrances.

20 It has happened with other brands as well. Big brands in South Africa.

MS TSHEPE: This is the issue you were raising about gating earlier on.

MR MAHARAJ: Ja. Because if you look at it, you could have like a 30% margin if you have got a product gated. We want competition in the market. We want to drive prices down. We want to give customers best

value for money you know. So we would love competition in the market. We would not wanted gated products.

Like as I have mentioned earlier, Sharmi is one of the largest mobile brands in the world. We are unable to sell Sharmi. We are sitting with millions of rand worth of inventory you know, across all our platforms and we are unable to sell that on the Takealot platform, because it is gated.

MS TSHEPE: Do you clearly understand the terms of Takealot with regard to gating, and in your view of your company are those terms fair  
10 and implemented in a fair manner?

MR MAHARAJ: Madam, no because if we had to have a Marketplace ten years from now, we would not want to have gated products. We would want you know fairness, we would want an open market where all sellers, when you have a Marketplace platform, all sellers should be able to list against any product.

MS TSHEPE: Sorry about that. So in your mind, Takealot or in your view, excuse me. Your view is Takealot is implementing gating in order to increase prices or is it in order not to have competition with market sellers?

20 MR MAHARAJ: Madam, I am unable to confirm or deny that because they have indicated to us previously that suppliers do dictate that to them like Sharmi, we have escalated that and we were told that it is gated and it is as at... it is as per the supplier. If the product is available at a brick and mortar store in other online platforms, we should be able to sell that on Takealot. Do you not think that?

MS TSHEPE: I wanted to ask you in relation to that question, it is funny you are asking me. Is that sometimes suppliers just in relation to what you said, may say that they are wanting to protect their brands and that is why they want it gated and just only supplied in either in a brick and mortar store.

What is your view on that?

MR MAHARAJ: Madam, I am unable to answer that question fully. We can take that offline.

MS TSHEPE: Thank you. I just wanted to check, just on pricing of  
10 products. Do you think that where you as a market seller and Takealot as a retailer provide those products on Takealot. Is the competition on pricing fair in your mind?

MR MAHARAJ: It is debatable. You know ...[intervenes]

MS TSHEPE: Ja, in what way?

MR MAHARAJ: So everyone could have different agreements with suppliers. We have got our own agreement with suppliers, like some suppliers have told us because you have listed on Takealot we will not give you Black Friday deals. You know, so along those lines. So I feel that suppliers are also dictating to Takealot.

20 They should desist from that. It should be an open platform. That is the purpose of a Marketplace platform you know. We should have... we should have everything free and fair.

MS TSHEPE: Thank you and then just on the last term I wanted to talk to you about, before I go into the SLA and what you think should be the remedies, related to return policies. You know, Takealot and you have

touched on this a bit and we need to be fair to them in the sense that their value proposition is we are a customer centric business and we would like customers to have the best experience on our platform.

That informs to a large extent the return policy with regards to consumers, and so do you in your... in your mind, do you think that that is not a bona fide business proposition on the part of Takealot in relation to returns policy?

MR MAHARAJ: Ja. Madam, the returns policy is quite debatable. We can never agree with Takealot regarding the returns policy because that  
10 drives traffic and sales to the site you know, but we are of the view if you give us a little longer, we are able to dispute that return because as I have presented earlier, in seven days... seven business days we are unable to get damage reports and supplies.

We are unable to get supplies out to our DC's to come and assess these products. So yes, they can accept returns but within reason. You know, customers should not be allowed to abuse the policy and abuse the consumer protection act. The consumer protection act is here to protect from defective goods, etcetera.

You know. So if a customer just buys as I have mentioned  
20 earlier, a Samsung Galaxy S21 ultra, which is R26 999-00 give or take, the customer uses that for let us say two weeks and they return it. The seals are broken, the customer has used the phone. We are unable to re-sell that device as brand new to another customer.

The phone loses about 30 to 40% of its value you know. So if we are given some time to assess these devices and give Takealot

feedback, we are able to work together with Takealot to ensure the dispute process in terms of returns, you know is fair. Especially when there is like water damage to a device.

The customer will indicate to us the phone does not turn on. Takealot will gladly just refund the customer. When we get an assessment report, you know after you know 14 or 21 days from the relevant OEM's we find out that it is liquid damage. We have got to incur the full loss of that device.

MS TSHEPE: Thank you Mr Maharaj. I just wanted to check with you, I  
10 mean in relation to some of the conditions that you have raised, as I said earlier I want us to talk of solutions. What in your mind, for example in relation to dispute resolution process for returns policy, what do you think should be the remedies that the panel should consider?

I mean, I guess in relation to both contractual remedies and some which may even have a financial implication for platforms. What would be your proposal to the panel?

MR MAHARAJ: 30 days max customers... a customer should have a maximum of 30 days to return a product. Allow us you know, an acceptable timeline as I have mentioned earlier, to assess the return  
20 and get back to Takealot. We do understand there will be defective products.

We will have defective products and we have got to protect our consumers rights here in the country, but when there is no fault found, which is like you know around 70% of the time, what happens to us, the seller? So just like Takealot repairs. If a customer returns a product

after the six months CPA period, we are afforded the opportunity to assess the device, get it repaired and send it back to Takealot.

There is a 21 day SOP regarding that. So if we could have that for the normal, for normal customer returns, within reason we will be able to work with Takealot to ensure that we assess devices timorously and get them back to Takealot and get them back to the customer, without incurring losses to Takealot and ourselves.

I am sure you would also understand Takealot has to pay us 5% and in some cases you know maybe 10%. They have also got to sustain losses as well you know. So that will prevent losses both ways if they allow us to assess the device that is returned by the customer, just like a normal repair but with a normal return allow us to assess that device, give them feedback like okay, the device is really defective, you can credit the customer or just like a repair, or the device is not defective, here is a report and we will return that device back to the DC.

MS TSHEPE: Thank you Mr Maharaj. The next aspect related to the SLA's and you have already touched on those and I just wanted to find out in relation to SLA's, what is your view about what should be done in relation to the ones that you are finding unfair?

20 MR MAHARAJ: Ja, I feel you know, the pay-out should be slightly higher. I understand mistakes do happen at DC level. You know, we do make mistakes from time to time, but I feel if we are losing 30 to 40% on a mobile phone, I feel it is only fair on Takealot's side to re-assess the percentage they actually pay us, you know.

MS TSHEPE: So essentially you... it is that financial obligation on the



part of Takealot.

MR MAHARAJ: Yes. They are willing from time to time to pay us a percentage of the device as I have presented earlier. It is just the percentage that they pay us out on. We cannot go and increase prices to factor in returns as I have mentioned earlier.

MS TSHEPE: Mr ...[intervenes]

MR MAHARAJ: Especially when we are competing with Takealot retail and several other sellers on specific listings.

MS TSHEPE: Thank you, I am sorry I interrupted you there.

10 MR MAHARAJ: No problem.

MS TSHEPE: Can I ask you just one other issue which is when did you start experiencing some of the issues that you are raising? Has it been since you have been on Takealot or is there a particular time that you experienced some of the problems you are raising?

MR MAHARAJ: As I have noticed, as our account has grown over the last eight to nine months. Remember more sales, more problems. Problems being returns. Returns are always a problem point across the seller base and it is just how Takealot you know, decide to deal with it going forward by reviewing their policy to ensure there is fairness on  
20 both ends.

MS TSHEPE: Thank you Mr Maharaj. I think I am going to hand over to Mr Hodge. If he has any further questions.

MR MAHARAJ: Thank you for having me.

CHAIRPERSON: Thanks Mr Maharaj. I just want to pick up a few things from what you have said. I mean when you say you have

invested a 100 million on these platforms, I mean is this just working capital for the items you are selling and keeping them as stock or are there other investments you make?

MAHARAJ: So just like Takealot has distribution centres in Johannesburg and Cape Town, we have had to open distribution centres close to their DC's which is a huge investment. So we were able to dispatch stock from our DC's to their DC's in a timely manner, to ensure we get those goods in the customers hands in a timely manner as well.

CHAIRPERSON: Sorry, I just want to understand from a products  
10 perspective. I mean you have got 10500 products you say.

MAHARAJ: 10500 pieces from Takealot of which ja, which we have about 6500 active you know, on lead time and in stock.

CHAIRPERSON: And just in terms of the I mean your effort in determining what products, what consumers might like, which they have in stock. I mean that is maybe something we do not see, but maybe you can give us an idea around how you approach a Marketplace as a distribution channel and the other things you maybe do and invest in that are not visible.

MAHARAJ: Ja, being in the E-Commerce space you know, we are able  
20 to take a risk. We are able to invest in new brands and products. We have brought a lot of exclusive international brands into South Africa like the Stracts brands, so your Urbenesta, your Air Pop and so forth just to keep in line with industry etcetera.

So we have invested heavily on exclusive brands etcetera. So ja, that is my answer for that question.

CHAIRPERSON: I mean you indicated I would assume you on risk if those brands do not work in the environment.

MAHARAJ: Ja. So if you would understand, you are listing on products where you have several sellers listing in it. We have to invest heavily on imported products, and a lot of small lines are now dead stock etcetera. We have got to look at what your brick and mortar stores are actually selling.

We investigate... we have got our own data analytics. We check what your brick and mortar stores are selling and then we obviously list  
10 those products on Takealot and drive sales and revenue.

CHAIRPERSON: And is there any investment in driving sales as you put it, creating awareness on the platforms, ensuring the sales happen, building a brand that you maybe have brought in exclusively?

MAHARAJ: Yes, so that is Takealot marketing. We spend a lot on Takealot marketing. They have recently introduced Takealot sponsored ads as well, so ja we use a lot of Takealot's marketing channels in order to drive more sales to our products.

CHAIRPERSON: Thank you Mr Maharaj. Just on the gated products, I just had a couple of questions. I mean you mentioned a few. Garmen,  
20 Giami and Sony Play Station. I suppose that is just the five which is more recent, but for the other two ...[intervenes]

MAHARAJ: Ja, sorry to interrupt you.

CHAIRPERSON: No, if you had a comment, but can I just ask how long at least the other two, Garmen and Siami, have been selling through Marketplace sellers on the Takealot platform prior to you say being

gated.

MAHARAJ: So we listed Garmen, sorry. We have just hit loadshedding. Apologies.

CHAIRPERSON: Well, at least you have a backup system. That is the risks of any South African right now.

MAHARAJ: Apologies. So ja, Garmen was listed from what I have picked up, we had this product selling for two weeks and then thereafter we received communication from seller compliance that it would be gated and it is a business decision. Sharmi, ja we had listings here and  
10 there.

So the entire Sharmi range was gated. You know, we have been you know, collaborating with Takealot from time to time regarding Sharmi. Recently non-mobile like the vacuums, the buds etcetera was ungated. So that is about give or take about two months. So those products were ungated, but mobile and tablets are still gated on Sharmi.

On Takealot. That is Sharmi.

CHAIRPERSON: And just to understand, I mean was this a concern over grey goods or brand, if some of the products are not gated?

MAHARAJ: No, I do not think so. We were told it is agreements with  
20 suppliers and suppliers that have brought the brands in. They have indicated that they want it gated. So that is the feedback we have received.

CHAIRPERSON: You then said this drives prices up and I suppose many online E-Commerce would say well, we compete with brick and mortar, other platforms. I mean we also cannot dictate price. So in that

context, you know why would price go up in the end?

MAHARAJ: So when you gate a product you have exclusivity over the listing on Takealot. We see them alone, they make about 30% mark-up give or take, on a specific you know product that is gated. But when you ungate the product, you have multiple sellers. We are not saying we just only want to compete to Takealot.

You have multiple sellers on the seller base. So if you ungate a product you will then have multiple sellers listing against that, giving our customer the best price.

10 CHAIRPERSON: So you are saying that, I mean when a product gated, then the Takealot price does not change. All that happens is that the cheaper options are removed.

MAHARAJ: Correct.

CHAIRPERSON: I just wanted to again touch on returns, because you know, Takealot's subject to that same returns policy, it also surely must bear that burden on all their retail products that are returned, and so I just wanted to get your comment on that in so far as you know, they are not subject to the same cost, and is this you know, is this unfair to yourselves or is it equal treatment between Takealot retail and the

20 Marketplace sellers?

MAHARAJ: Ja, so I am unable to you know comment on Takealot retail. We do not know how Takealot retail deals with their returns internally. All I can comment is you know up to 70% of the products that we get back on return, have no faults and that is something that needs to be looked at.

CHAIRPERSON: Alright.

MAHARAJ: When they do pay us out, let us say it is proven you know, we are able to get a device assessment report within seven days. Let us say Samsung helped us at the repair centre. The turnaround time was pretty quick. We were able to get the report to Takealot on time, and we prove that the screen is really cracked. Takealot will pay us out but they will treat it as a sale where they will take their associated seller fees and the other charges associated with the sale.

CHAIRPERSON: I just want to explore the sort of the incentives. I  
10 mean you say there may be data mining and you are told to push your price up. I think Takealot may say well, I make money on a Marketplace sale because I have got fees and everything, as on my own sales. So what is my incentive to in a sense self-preference or discriminate against the Marketplace?

I make money either way, it does not matter. I mean what is your perspective on that?

MAHARAJ: Ja, I understand that, but it becomes a problem when you have multiple suppliers contacting you know, our buyers on a day to day basis and we have got proof of communication where they tell us please  
20 increase your prices. If you are unable to give Takealot the buy box, we will stop supplying you.

So they have reached out to our management team a number of times. We have got big brands that have communicated that in writing. If you are unable to give Takealot retail the buy box, we are unable to supply you.

So that is the feedback that we get from suppliers on a day to day basis.

CHAIRPERSON: I mean just on incentives though, there is I suppose the margin from a sale, but from your perspective, I mean if you are not in the buy box, what is the I suppose the cost if you have bought this stock?

MAHARAJ: A big one, storage fees. If you do not sell your products on Takealot you are going to pay storage fees. If you do not take your items out in 30 days thereafter you have got escalated storage fees and  
10 ja, we have been hit with some storage fees. Sometimes you take a business risk to keep the items in stock to ensure you can get that product to the customer timorously.

So that happens in business from time to time. it is the associated business risk.

CHAIRPERSON: I mean you ...[intervenens]

MAHARAJ: Or we just have to wait for Takealot to sell out and ja, we will then be able to sell the product.

CHAIRPERSON: And I suppose ja, that is a working capital issue. How fast you sell and how much you store.

20 MAHARAJ: Ja, and you know, we have got to pay fees to Takealot. Just like, I am not sure whether Takealot retail pays fees. It is their business model. But you know, we would like the fees to be implemented on a sliding scale as I have mentioned in my report, in my presentation earlier.

If they can really look at a fee structure based on a sliding scale

that will be very nice. We see that, you know with Amazon in the US. So a fee structure that would be transparent and on a sliding scale where it is actually fair. We pay higher fees for lead time, lead time sales where your product is not in stock at the DC.

Like mobile for example. Your margins are quite tight when it comes to mobile. So ja, we would like the fee structure reviewed, please.

CHAIRPERSON: Sorry, what do you mean by sliding scale? Maybe you can just elaborate on that.

10 MAHARAJ: Based on volume you can get a sliding scale structure. Right now it is the same fee for all. So if you are seller 1 or seller 5000 or seller 10000, you pay the same fees. I am saying based on sales, this is my suggestion. Based on sales, they could review the fee structure going forward.

CHAIRPERSON: You mentioned that when you raised this, the response is that Takealot retail does not have access to your I think you said authorised supplier price.

MAHARAJ: Ja, so we were told by our account management team, all the confidential invoices that we request that seller compliance request  
20 from time to time, and in the day to day business they do audit any seller and they do audit us as well. So when they audit us, we send supplier invoices through to the seller compliance team, and you know it becomes a problem when suppliers start reaching out to you after several weeks where they start asking you if you are selling on Takealot Marketplace number 1 and number 2, if you are able to increase your



prices because Takealot retail does not have the buy box.

So that is the feedback I have received from my pricing team and that is the feedback I am giving you.

CHAIRPERSON: Can I just understand what is the purpose of supplying invoices to a compliance team? Maybe this would help us understand that.

MAHARAJ: It happens on a day to day basis and we also support that to an extent where you need to check that the product comes from a genuine source. Like if you look at mobile, you want to check that a customer is getting a product that is not imported. You want a let us say for example Samsung for example, like if a customer is spending twenty one thousand on a Samsung Galaxy device, you want to ensure that the customer gets warranty from Samsung locally.

Samsung, the customer can walk into a local Samsung customer care centre and get the benefit of the local warranty, compared to a grey import the customers are on their own. There is no warranty. You have got to ensure the supplier can actually repair the product in a timely fashion and return back to Takealot and that is not something they want you know, so that is why they audit us from time to time to ensure the products are from a genuine source.

CHAIRPERSON: I just want to understand. I mean, it is one thing to know if it is from a genuine source, but do they need to know the price?

MAHARAJ: We are allowed to take out the price.

CHAIRPERSON: Alright. So I mean the compliance would not have your price anyway.

MAHARAJ: No, we are allowed to take out our pricing. Let me place that on record. We are allowed on every request to black out our price zone. They just want to see the invoices to ensure it comes from genuine source. That is the outcome of any compliance investigation and that is the feedback we get.

CHAIRPERSON: I mean I suppose my question is would Takealot retail need to have to know your price to know they are losing the buy box? From your supplier I mean.

MAHARAJ: Ja, so I am not sure what pricing they are getting from  
10 suppliers. We get transparent prices from our suppliers and this is how we can you know, sell in a Marketplace and we can compete on a Marketplace along with seven to eight other sellers. We pay suppliers cash up front you know; I am not sure what their credit terms and stuff are. Corporate credit terms. You know, they are a big giant. We are not sure what their credit terms are with suppliers. I cannot comment on their credit terms.

CHAIRPERSON: I suppose my question was more in terms of the answer you get back from Takealot that they do not have access to your wholesale price. Do you need access to the wholesale price to know  
20 you are losing the buy box on the customer end?

MAHARAJ: Ja, 50/50 there because they can see our pricing on the front end and this is how suppliers are reaching out to us to increase prices.

CHAIRPERSON: Mr Maharaj, we have spoken a lot about Takealot. I just want to go to the other Marketplaces. You said you have recently

explored Macro and Loot, and can I ask in terms of your experience, well first of all how long have you been on those platforms. Maybe just ...[intervenes]

MAHARAJ: About a month. Give or take about a month.

CHAIRPERSON: And have you looked over those terms and conditions, I mean you obviously must be familiar with the fees, but have you had a careful look at those?

MAHARAJ: Ja, we have reviewed the terms and conditions and we choose to actually do business with these platforms. Yes, in some cases you know, with mobile the fees are higher on some of the platforms. Takealot is higher in some cases. So with our diverse product mix we want to get our products you know, across the market on all platforms.

Including our own website. So it is all about more sales at the end of the day you know, but to diversify.

CHAIRPERSON: And is that to sort of reduce your dependency on Takealot?

MAHARAJ: Sort of, yes.

CHAIRPERSON: Can I just ask are there any terms and conditions on the other platforms that have caught your attention?

MAHARAJ: Not really. We are still in the infant stages, not really with Macro and Loot. Nothing to complain about right now.

CHAIRPERSON: Mr Maharaj, thank you. I do not think I have got any more questions. I will check, but I am going to hand you over to Ms Leuner to who I think you may be familiar with to ask further questions.

MR MAHARAJ: Okay, thank you.

MS LEUNER: Hi Kevin. Mr Maharaj, sorry.

MAHARAJ: Hi.

MS LEUNER: I wanted to... I just have two questions. The one has got to do with what James just asked now and it is about you going... using other Marketplaces. I was just wondering why you did not do that before. Why it has just happened more recently, especially you know, given some of the concerns you have had with Takealot.

That is my first question. Maybe you can answer that and I will  
10 go to my second one after.

MR MAHARAJ: Ja, do not get me wrong. We love doing business on Takealot. It is a fantastic platform. We have got a fantastic customer base. It is just we want to diversify and we have grown and we wanted to diversify.

MS LEUNER: Okay, and then I also just wanted to ask about promotions and getting your products into the warehouse and how easy that is for sellers. Ja, in general but maybe even if you think about smaller sellers, if you can envision that those might be difficult for them. Are they transparent, and how easy is it to do as a seller on the  
20 platform.

MR MAHARAJ: It is quite transparent. They have got a lot of tutorials and videos you know, how to guides as to how to get stock into the warehouse. The pros and cons like you know, how you need to affix your bar codes to your product. What happens if there is no bar code on a product etcetera. I think we are very transparent.

We are just... during busy times we see on the [indistinct – 00:49:33] system that they use, we are unable to get slots. We have had some challenges with the couriers to get stock into the DC's, you know in a timely fashion. But Takealot deals with our escalations. There is a process with Takealot to deal with these queries on a day to day basis.

Just that system at times does not give us slots and I am sure that frustrates the entire seller base, but I guess you know, you have just got to ensure you book timorously I guess.

10 MS LEUNER: Okay, thanks.

CHAIRPERSON: Kevin, let me just... I think there is one question I had. I mean, if you want to promote like let us say we, I suppose everyone has focussed on Black Friday coming up and put some products on promotion. I mean I would assume if you put a product on promotion they would gladly accept that, so all promotions are put forward or how does it work?

MR MAHARAJ: Ja, ja, ja. Quite a transparent process. They have got an online form that you can fill. You log on to seller portal as well. You can do it in bulk. A very, very transparent process. You have just got to  
20 ensure that you have booked your Black Friday deals way in advance. You cannot book Black Friday deals now, we have all reached the cut off.

CHAIRPERSON: And what is the reason for that if I can understand?

MR MAHARAJ: It is all about planning. You know, you have got to submit... we have submitted about 2000 products to approve and if they

have approved you know huge percentage you know, if we request 2000 it is not necessarily considered approved. They have got to do their own research.

I guess they have also got to give Takealot retail a chance as well to also get some deals in the entire seller base. So we cannot be vultures and expect 2000 deals, 2000 unique offers on Black Friday. So there is a very fair process in order to get promotions booked, that is daily deals, all Black Friday.

CHAIRPERSON: Sorry, so not all your promotions would be approved  
10 then?

MR MAHARAJ: No.

CHAIRPERSON: The approval is their discretion.

MR MAHARAJ: It is at Takealot's discretion. We submit like 2000 deals for example for Black Friday we submit about 2000, and they determined which were the offers they would approve and if something was declined I guess you have got to do sponsored ads with Takealot to get your product out there and get some sales on those products that was not approved.

CHAIRPERSON: And what would be the rational for declining a  
20 promotion?

MR MAHARAJ: You have got to give everyone a fair chance I guess. There is a huge seller base. There is Takealot retail as well. Also they look at price as well, in some cases we probably were in the cheapest as well. It is all about commercial agreements to your suppliers James.

CHAIRPERSON: Sorry, can you just expand upon that?

MR MAHARAJ: So all of us have commercial agreements with our suppliers. So it does not necessarily mean I supply Takealot with 2000 deals. I do not know what Takealot retail submitted to marketing. I do not know what my other fellow sellers have submitted to Takealot. So we submit deals and they approve at their discretion.

CHAIRPERSON: Alright, thanks. I think that is all from ourselves Mr Maharaj. We want to thank yourself and Elite Shopper for coming forward and assisting the inquiry and assisting the panel, and also I think educating the public as to how these markets work. So we wish  
10 you all the best for Black Friday then, and ...[intervenes]

MR MAHARAJ: Thank you, and thanks for having us.

CHAIRPERSON: Thank you.

MR MAHARAJ: Bye bye.

SESSION ENDED

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