



## **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

***4 November 2021***

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

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#### **TECHNICAL TEAM**

*Itumeleng Lesofe*

*CCSA Internal Team*

*Donnovan Linley*

*CCSA Internal Team*

*Sivuyise Mtiki*

*CCSA Internal Team*

*Aphiwe Nanto*

*CCSA Internal Team*

#### **COMPANY: FLIGHTSITE**



**Gauteng Transcribers**  
Recording & Transcriptions

**PROCEEDINGS ON 4 NOVEMBER 2021**

CHAIRPERSON: Welcome back to the afternoon session of the public hearings into Online Intermediation Platforms Market and this afternoon we have got Flightsite and that is represented by Rian Bornman. Riaan, you are welcome to join on camera now.

MR BORNMAN: Thank you for having me and the opportunity.

CHAIRPERSON: Well, thank you also for making time to  
10 speak to us. I am going to pass over to one of our heads of the technical team, Ithumeleng Lesofe, to just take you through some of the questions and the panel may have additional questions for you as well.

MR BORNMAN: Sure.

MR LESOFE: Thank you Chair. Good afternoon Mr Bornman.

MR BORNMAN: Afternoon.

MR LESOFE: So our discussions with you today will be limited to the services that are provided by Flightsite to the  
20 bus industry. If you could start by describing those services. What are the services that you provide to the bus industry?

MR BORNMAN: Sure. So just... I think what might be useful as a bit of background context. We are an online travel agency. We have been in operation since 2008 and in

2010 we carted with Pick 'n Pay, so we have a relationship with them to sell travel inventory through their retail network and included in that is flight tickets and bus tickets.

So you know, what we have done as an online travel agency is we have aggregated as many bus feeds as possible. So if a bus company comes to us and says look, we would like to enhance our distribution you know, we first get talking to them about what kind of tech platform that they have got for us to integrate in terms of getting the  
10 inventory that they have got onto our platform so that we can distribute it.

So by virtue of the relationship with Pick 'n Pay, what we can offer the bus companies that we manage to connect to, you know. I think that is a broader conversation is the challenges that the smaller bus companies face in terms of their technical capability to on sell their inventory and digital distribution.

So certainly you know, we do not limit who we provide the service to. We try and get as many as possible because  
20 that is our value proposition, is to integrate as many bus companies as possible onto our platform but in terms of those that we have managed to integrate we can then offer them distribution through Pick 'n Pay's store footprint, which recently now in the past couple of months has now also included the Boxer stores.

So Pick 'n Pay's, Boxers, Boxer network as well. So that is the service we provide.

MR LESOFE: And for how long have you been in this market of selling bus tickets?

MR BORNMAN: So the bus tickets we have been selling now, I think this will be our fourth year. So fourth year and it has been typically organic growth. I mean, obviously we rely on our partners to advertise. I mean just to again clarify, we also sell bus tickets online, but what we have  
10 found is that 90% of our sales are through the store footprint.

So we do offer, if you go onto our website, you will see the ability or you will see the ability to book a bus ticket, but typically where we have seen the volumes come from in our instance, is nine out of ten times it is coming through a store that we have connected to.

So this will be our fourth year.

MR LESOFE: You are fairly new in this market. If I may ask, what attracted you to this specific market?

20 MR BORNMAN: So the industry distribution is a problem worth solving. You know, Computicket Shoprite have done a very good job. They have been doing it for a lot longer. So they you know, we do not have market surveys to go by or official data that is being collected in an academic way.

You know, we go on the feel of the market. What we

get fed back to us from various suppliers and our own assumptions but we probably have I would say 10% of the retail market share.

So what attracted us to this market, was the way that bus inventory was being distributed. So there is this what we felt was an opportunity in terms of partnering with Pick 'n Pay to provide the service that Shoprite was doing very, very well.

MR LESOFE: Alright, thanks and typically what kind of bus  
10 operators use your services?

MR BORNMAN: So you know, as I mentioned previously, it is anybody who we can connect to really. So we do have a lot of enquiries that come through with bus companies. You know, smaller guys, one or two busses that say you know hey, we would like to come onto your systems that we can get exposure inside Pick 'n Pay's network.

We are unable to do that because they do not have the technical capability to distribute the inventory to us. I mean they might be running off a spreadsheet or even you  
20 know, something even more basic. So the bus companies that we have managed to connect to, tend to be the bigger ones that you know, have the means to invest in technology.

So you know, your likes of... I will give you an example. Intercape is our top supplier and you know, they make available to us through what we call an API. They say

this is how you can connect to us to call availability and fares and pricing, and you know we connect to them and then we manage to distribute the inventory that way.

So to answer your question in a roundabout way. I think it is probably the companies that can afford it. You know, the smaller guys are at a bit of a disadvantage because they do not have a means to offer their inventory in an online manner.

MR LESOFE: And I assume you deal largely with long  
10 distance bus operators?

MR BORNMAN: Exactly. So we typically only do you know, national and regional long haul and we are not talking in our instance about the minibus industry.

MR LESOFE: Alright, thanks and who would... who do you consider as your closest or major competitors? I think you mentioned Computicket. Who are your other competitors?

MR BORNMAN: So, again it might be useful just to provide  
20 additional context. So if we look at the bus market, we think it is probably two million and like I say you know, my disclaimer is that we do not have official stats on the size of the market.

This is assumptions that we have made. So internally we believe it is probably worth around two billion, and we also make an assumption that of that market share, 60% is distributed through the retail environment and 40% is what

internally we have called direct.

So that, let us start with the direct. So 40% to our mind of that market share are bookings that we are not getting, which or not able to get because it is bus companies who have call centres to take bookings, who take bookings at the depo's, at the ticket offices.

Maybe they have a website. Maybe they have a WhatsApp channel. So those are what we call direct bookings, and then where we mainly are focussed is the  
10 retail market, which we consider to be 60% of that pie, and in the retail market, our obviously the incumbent who has been doing it for the longest time, is Shoprite Computicket, and you know again these are just our assumptions, but we probably think they have you know, 80%... 85% market share.

But again you know, that is completely our own internal assumptions. That is not something that I can verify with real you know service or industry data that has been carried out because it has not been available. So they  
20 have a bulk and then it is probably us.

We estimate between 8 and 10% market share and then you have got the likes of Massmart. Massmart have just launched the capability to book travel inventory in their stores. I mean, you know take for example Builders Warehouse.

They have now got counters where it is possible to book a bus ticket. I do not know if that will be part of their strategy going forward, but that certainly is something that they did launch recently and then also the likes of Spar. You know, Spar has a very large network of independent stores and they also sell bus ticket inventory.

So those are probably the main and I think Pep is also now doing it. So those are probably the main kind of retail players would be Shoprite, Computicket, ourselves  
10 working with Pick 'n Pay, Massmart, Pep and Spar. Again, it is not data that we have been able to verify by any official means.

MR LESOFE: Thank you, and how does Flightsite generate revenue in this market?

MR BORNMAN: So What is interesting from a travel industry point of view, I mean you may recall with airline tickets many, many years ago agents were always able to earn a commission on the selling price and then that changed and then the airlines changed that to a market  
20 model where travel agencies had to charge a fee.

Then they do get rebates dependant on volume. So that... it used to work like that. In the bus for airline, for air tickets, the bus industry still works like that. So but the bus industry typically pays between depending on who is picking up the merchant fee for the cost of the transaction, between



6 and 10% is what we have seen you know, from our point of view.

Again you know, I do not know what the competition or our competitors margins look like, but our gross margin is typically between 6 and 10% and that price or that commission is included in the selling price and from what we have seen you know, if the bus company is selling at R100-00 at the depot or the ticket office as a direct booking, we are getting it at R100-00 and selling it in our retail  
10 environment and we are earning between 6 and 10% commission.

MR LESOFE: Okay, and the commission fee that you earn and that you negotiate with bus operators, is it standard across operators or it is negotiated with each operator? I appreciate that this may be confidential. If you think this is confidential, you do not have to answer the question.

MR BORNMAN: I think, what I can say is that the concept is fairly standard. You know, most bus operators are quite comfortable with the commission. We have not had  
20 experience where the bus companies are not open to that relationship.

I mean it is pretty standard from what we have seen, and then as I say that the... I suppose the room for negotiation is really dependent on the merchant fee. So the merchant fee you know, you know depending on if it is cash

or debit card or credit card you know, that can be also the type of credit card can be anything from half a percent to two and a half percent you know.

So you look at what is the cost of doing business and who is picking that cost up and then take it from there and probably end up in a range of between 6 and 10% bus commission.

MR LESOFE: Alright, thanks and in terms of your contracts or contracting with bus operators, have you had any  
10 challenges with contracting with any bus operators?

MR BORNMAN: No. So, you know as I have mentioned our value proposition to our customer is to have comprehensive content. So we like to sign up as many bus companies as possible. You know, the limitation is the bus company's ability to provide us that the content that they have you know, through what we call an API you know, to say to us this is how you can call us to see what our inventory availability looks like and the pricing, which as I mentioned is sometimes an inhibiting factor for some you know, a small  
20 player who owns one or two busses and does not have the tech capability to actually get that inventory onto a system and it is not for lack of appetite on our side.

We would love to have them on our system, it is just that you know we need to be able to call live availability to sell something in real time.

MR LESOFE: Alright, thanks. I think you have partly touched on this. So our observation or understanding is that the distribution of busses is still predominantly done through physical stores and I take it that is your understanding or observation as well, right?

MR BORNMAN: Yes. So, and again these are just our assumptions. So we think 60% of the market is going through the retail network and then that 40% balance is a combination of direct business to the bus company that is  
10 being done at the depot you know, at the bus station you know, as the customers are coming up, you know getting into the bus perhaps or if the bus company has the capability maybe online or call centre.

But you know, I would definitely agree, in aggregate looking at the retail market and what we call the direct market, certainly the customer that we have experienced would like some type of physical interaction with bricks and mortar and walking away with the real ticket.

You know, this you know we are not quite there in  
20 terms of I suppose what E-commerce might look like in this vertical overseas you know, in Europe where somebody might be very comfortable doing it online and just you know, walking away with the confirmation on the phone.

MR LESOFE: And I mean are there any barriers that are faced by consumers, especially a lower consumers in lower

LSM groups, that make it difficult for them to you know, use online platforms?

MR BORNMAN: Look, I mean the obvious one is data. So if somebody does not have the means to get online to do research to find where they can make a booking or do a booking directly with the bus company, you know that is obviously a limitation.

You know, we have seen promising growth in a number of Boxer stores that we have been able to sell  
10 inventory through and we believe that is because we are reaching areas that were not previously available to us. So you know, obviously the location of bus ticketing distribution counters if I can call them that is also a factor, and you know so it is the customer's location to the nearest ticketing office as well.

So I would say you know, depending on where the customer... how far they are from a ticketing office or you know, how costly the data is to make a booking on a phone, would probably be the two limiting factors.

20 MR LESOFE: Okay. We have heard that access to credit cards may also be playing a role or could be another barrier. Are you able to comment on that as well?

MR BORNMAN: Sure. So I mean look, in our instance we have a partnership with Pick 'n Pay. So I mean you could make a booking online and then you have 24 hours to get to

your nearest Pick 'n Pay to make the payment you know or Boxer store to complete the payment, so it is certainly a challenge but there are alternatives in the market to get around payment blockers, but there... I cannot not agree with that.

I mean credit card penetration is a limiting factor you know, but nowadays I mean there is so many you know E-wallets, mobile money. You know, the banks have got different forms of digital currency. So I think it is a problem  
10 that is being solved.

But yes, traditionally credit card penetration can certainly be considered a limiting factor.

MR LESOFE: Alright, thanks. Our assessment shows that or suggest that Flightsite does not implement price priority. Is this correct?

MR BORNMAN: No, I mean I would not... I will give examples of that. So price currently in an online environment is typically quite difficult to measure because you know, everyone is calling live availability. So what I  
20 see might change in half an hour's time, depending on somebody else looking at it from a different location or even if you are sitting in the same place and doing concurrent searches at the same time, you know.

There might be one seat at one price and another seat at a different price because the supplier is doing yield

management. You know, so it is very difficult to comment without knowing the examples and the context around each example because of the way yield management works on the supplier's side.

What we are doing, is we are taking what we can... an inventory that we can call via online means. So it is real time and we take an inventory and we distribute it and we make a commission and we do not manipulate the price you know.

10 So ja, it is difficult to say but certainly the concept that is standard is price parity. If a bus ticket is given to us at R100-00 we sell it for R100-00 and we earn a commission from the bus company for facilitating the sale.

MR LESOFE: Just from your perspective as a company. You do not... do you require bus operators to apply price parity?

MR BORNMAN: Amongst each other?

MR LESOFE: So for example what normally happens is that a platform would have a clause in the agreement... in its  
20 agreement with bus operator which prevents the or restricts the bus operator or prevents it from selling the bus ticket at a lower price than the price it would... the operator would sell the ticket at on its website or through any other channels.

So the question is do you have similar... such

arrangements with bus operators?

MR BORNMAN: No, we do not have arrangements. Obviously it makes strategic sense to do that. The reason why we have not done that is because we look at our value proposition to the supplier's side as distribution through a retail network that we have you know, enabled.

So you know, somebody who is making a booking in our retail environment is probably different to a consumer who might go online and book directly with the bus company or walk to the bus depot to make a bus booking last minute. So I can see why that would be strategically sound, but it is not something we practice.

MR LESOFE: Alright, and I appreciate that you... to some extent you think it may be sound, but to the extent that your competitors in particular those who have online platforms, apply and enforce it. To what extent would this affect your business?

Would it affect your business in any way, especially you know, your competitiveness in terms of pricing?

20 MR BORNMAN: It would obviously... you know, there are international bus online platforms that have recently entered our market. You know, to the extent that they got preferential pricing, that would obviously impact us. Those are negotiations that would happen between that international entity and the bus company.

So I have not come across that yet, but you know if I had to map out potential threats in the future, certainly that could be one of them because you know, an international company that sells bus tickets coming into our market, can do so virtually without setting up in this market, and they may have marketing budgets to even undercut pricing that they are getting from the bus company.

You know, that is not unusual in E-commerce where a company is looking to enter a market that might view price cutting and taking the knock as a marketing expense. You know, to be cheaper than anywhere else. Ja, so it certainly has the potential to be an issue for our competitiveness in the future.

As more and which is you know, the obvious trajectory that we are on in terms of online and penetration in our market is that there will be more interest and more competition in future. So it depends, it is going to get you know, obviously tougher and tougher to compete as there are more players.

20 CHAIRPERSON: Rian, can I just follow up on that? I mean a few questions. The one is, I mean are you involved in selling cross border tickets and are you involved in neighbouring countries as well, through your partnership?

MR BORNMAN: So we do sell cross border tickets, but we are not... we do not have a presence in those markets.



Those are tickets that are purchased here for cross border travel. Obviously with the lockdowns it has been a part of our business that has not performed, and probably accounted for 10% of our sales.

CHAIRPERSON: So would that only be sort of outbound tickets or return tickets?

MR BORNMAN: Ja.

CHAIRPERSON: You would not be selling to consumers in neighbouring countries.

10 MR BORNMAN: No, I cannot say it has happened that somebody in a neighbouring country might have family friends or relatives in this market and gets them to buy them a bus ticket. You know, that could happen but ja.

CHAIRPERSON: And are you aware of any sort of regional companies that are getting into the same bus ticketing online systems that you have?

MR BORNMAN: So not regional companies. I mean there is some international competition that we have seen. So I have seen busbud.com. There is quickbus.com. So I mean  
20 there are international bus ticketing players that are entering our market.

CHAIRPERSON: And we heard earlier that often the international players come in on the back of foreign tourists. I mean is that your understanding or are these international travellers targeting domestic travellers primarily?

MR BORNMAN: Given the nature of the market, I would say it would not make sense for them to target international tourists. It would be them coming in, targeting local travel, and how they do this is they would spend money online to get [indistinct – 00:24:01].

So you know, they take out ads on Google or Facebook and you know, get people to click on the ads and they make a booking.

CHAIRPERSON: And I mean given that this is still  
10 predominantly retail, is that I mean it does not jog me that that may be that effective now, but please educate us.

MR BORNMAN: Ja, no as I mentioned earlier you know, as the market matures in terms of just a broad level of internet penetration, it certainly is going to be something that could become a problem. You know, if for example you have a customer in a rural area who did not have access to doing a booking on a phone before, now you know.

Data is better, data is cheaper, coverage is good. You know, they might be more inclined to do that than catch  
20 a taxi to go to a bus ticket or a Pick 'n Pay or a Shoprite to make a booking. You know, that convenience comes into play obviously.

So you know, fast forward a couple of years' time, it may well be that somebody where ever you are sitting in South Africa will go onto their phone and they will see a

whole host of options to book a bus ticket and not all of those options will be based in South Africa or be South African companies.

CHAIRPERSON: And just I mean have you looked at how these sort of bus booking systems have emerged in other developing countries? So looking forward, just for us to understand how this is likely to develop.

MR BORNMAN: Look, we draw parallels to the Indian market you know, because it is a very good comparison in  
10 terms of the propensity for the population to book bus tickets and how they are booking them. So you know, retail is a component there, but then also the online E-Commerce companies there you know have made headway and on boarding bus inventory.

So that might be a way that it could progress, is where you know we are looking at it ourselves as to say like you know how can we help smaller bus companies come on board to distribute their inventory because it is not because we do not want to dispute the inventories, it is just that we  
20 do not have the means.

CHAIRPERSON: Ja, and I think we have seen in other areas like delivery, there is sometimes a sort of tablet associated with the contract. Sometimes you pay, sometimes you do not. But that is a way of getting in that instance restaurants on board.

Is that sort of how it is emerging in other countries?

MR BORNMAN: No, in other markets we see online travel companies making available a means for a provider or a supplier to upload their inventory to distribute it. So it does not necessarily come with the device. Like a restaurant instance where you need to have a tablet in the restaurant to pick up an order.

So there is not that cost of doing business that they need to recoup or is a means for them to suppose I mean  
10 hook in supply. We have not seen that and I do not think that will happen here, because of the nature of the... the main thing is for the bus company to wrap their heads around I have got so many seats, this is my yield, I want to sell so many tickets at this price and you know, then the next lot at that price.

How do I get that inventory out there and ja, it is more a web based inventory management system that we have not seen yet, that could come.

MR LESOFE: So we understand that some of your  
20 competitors in the market used to have exclusive arrangements or exclusive contracts with some of the bus operators in terms of which they would require bus operators to deal with them exclusively.

Are you aware of that?

MR BORNMAN: I have not had direct exposure to it no, but

I do recall that you know, the event and ticketing space had a similar challenge, but ja I mean we have not come across a bus company that has said to us sorry we are not allowed to give you our inventory.

MR LESOFE: If such agreements or arrangement were to be enforced in this market, would that have any impact on your business and if so, how? How would it affect you?

MR BORNMAN: Available inventory, then you know our valuable proposition to our customers would erode and that  
10 you know, we would either lose the business or the customer would go elsewhere. So ja, I mean definitely that would be a huge challenge for us if we had to come across that.

MR LESOFE: Alright, thanks. Just to check if... okay. Are there any issues that you would like to share with the inquiry over and above what you have just discussed?

MR BORNMAN: No, no I do not think so. You know, I think it is... we are in an exciting space but it is still in its infancy. You know, so we need to see how the market develops and I  
20 am sure these hurdles and obstacles will come you know, will start falling by the way side.

But I think the biggest comment to make is that there is a lot of inventory there that is not being accessible because of technology challenges on the supplier side, which you know we are all working together to try and

address.

It does not make sense not to address it.

MR LESOFE: Thank you Chair.

CHAIRPERSON: Thank you Mr Bornman, for making your time available and enlightening us and the public as well around the bus ticketing. Thank you for your time.

MR BORNMAN: [indistinct – 00:30:07]

CHAIRPERSON: Ja, we will certainly I am sure over the course of the inquiry you know, still engage with yourself  
10 and others in the industry.

MR BORNMAN: Thank you very much.

CHAIRPERSON: Thank you very much. So that does conclude our afternoon session. On our schedule we initially had two other participants from the car rental industry but it seems we are unable to confirm this time. So we may re-schedule them for another time where we have some free days.

But the next session is this evening at half past five where we have Google Search, Travel and Google  
20 Shopping. Thank you very much.

SESSION ADJOURNED

