



## **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

***12 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: MR D**



**Gauteng Transcribers**  
Recording & Transcriptions

PROCEEDINGS ON 12 NOVEMBER 2021

CHAIRPERSON: Ja, good afternoon. Welcome to the afternoon session of the online platforms market inquiry. Late on a Friday, graveyard shift. We have Mr D with us and I believe we have Kim Reid, the Chairman. Mamongae Mahlare, the CEO and Alex Worst the chief operating officer if I have that correctly, and then I think you have got your legal representatives internally.

Welcome to the Mr D team.

MR REID: Thanks Mr Hodge. Can you hear us okay?

10 CHAIRPERSON: We can hear you great, thank you and at the outset I just want to thank Mr D for sending such a high power team from the business. I think we do appreciate this a lot because obviously this is the team that has been driving the business. We will have more insights than we would get from others and we appreciate the time that the team has set aside.

I know this is a busy time for the online platforms, and the Takealot Group. So we are very happy with that. Mr Reid, I believe you have a presentation so I am going to hand over to your team to share that and for your team to talk through that.

20 MS REID: Great, we will get going.

CHAIRPERSON: Alright, we can see that now, yes.

MS REID: Great.

CHAIRPERSON: Please go ahead.

MS REID: Perhaps just to start off, good afternoon Mr Hodge, Ms Tshepe and the technical team and the general public at large. Perhaps

to start off just a few corrections to titles and things. I am Kim Reid. I am the founder and Chairman of the Takealot Group. We consist out of three business which is Takealot.com, Superbalist.com and Mr D Food and Mr D Food today is the applicable business that we are discussing.

I am assisted by Mamongae Mahlare who is the Takealot Group CEO, Mamongae joined us on the 1<sup>st</sup> of October so a new entrant into our business. I am very happy to have her on board. We have also got Alex Worst, who is actually the Mr D Food CEO. We have got Johannes Burger who is our group head of legal and regulatory.

10           Then we also have Tomosho Sekgobela who is our senior legal regulatory and compliance manager. We are also joined around the table here today by our legal representatives as well as our economist to assist us and assist the Commission in this process. They have been part of this process since the inception of the inquiry, since we have got involved.

I think I would like to just because the at the request of the Commissioner, the Takealot hearing was postponed from Wednesday. I think it is important for me to raise just two issues. The first being the insinuation that the group has been uncooperative in this process. I  
20 would like to say that we as a group and you will see this with the senior representation at this table.

We welcome our opportunity to speak to the Commission and to contribute to this process. We have spent a lot of time and resource and money and man hours over a very busy time to be able to reply to the Commission's requests which we have done largely on time within

their deadlines and where we have requested extensions to those deadlines, we have then complied with those requests.

It appears that the insinuation of us being uncooperative has come from the difference in legal opinion which we would state that we are entitled to a difference in legal opinions. It is our constitutional right to actually differ in that regard. The second part to this is we have been accused of publically in fact in this process of intimidation of certain parties that participate in our businesses.

I would like to categorically deny any knowledge of any such  
10 intimidation within this process. Moving on to the next slide and introducing Mr D Food. Mr D Food is a proudly South African company. We have seen tremendous support throughout our five years of this business in its current form and we have grown and contributed to the South African economy in various ways, partly by enabling businesses which is the essence of our platform and also creating meaningful opportunities for employment for many parts or many people who participate within our business.

Perhaps a little history behind the business. Mr Hodge, I think you may be of a similar age to me. So you will remember Mr Delivery.  
20 Mr Delivery used to be a what is today termed an old economy type business which was really the ordering of food via a menu which you would stick on your fridge.

It would be delivered to your door by the franchisees and was printed probably three or four times a year and restaurants would pay to be advertised within the Mr Delivery brochure and a customer would

then phone a telephone number to order from a variety of restaurants and have that food delivered to their door.

We got involved in Mr Delivery as it was called then, in 2011 actually where we made our first acquisition of a minority stake in Mr Delivery and really what the reason for our investment in Mr Delivery at that stage was to... we saw a platform which was delivery food at night and had capacity during the day.

We needed a solution to delivery parcels to customers largely in Takealot.com. We then looked at this and thought well, here was an  
10 opportunity to transform this business into a courier business as such, with this capacity that it had. We continued however with the traditional Mr Delivery or Mr D Food as it is now known business at that time, which was always our intention to look at how we could transform this business digitally.

Then we, sorry. In 2000... we did various transactions with Mr Delivery which culminated in 2014 where Takealot, the Takealot Group basically owned 100% of Mr Delivery. In 2016 in fact it was probably slightly before 2016 that we started looking at how we could actually  
20 transform this business into what has now become quite a traditional model for online food delivery around the world.

You know, it was a risky business at the time. We were basically taking on some large international players in the market with the likes of our competitors which we can discuss later, Ubereats and Order Inn. They were pretty much the only platforms that were around at that time who were operating on similar models and they had launched slightly

before us I believe in this digital format and some had launched even earlier than this 2016 date.

Worldwide the model was still very much in its infancy and was not profitable and in fact today many of these models remain unprofitable. Then in 2017 we launched what you see largely in Mr D Food today which is the logo and the look and feel of our app and the really the genesis of the business as it is today.

Looking at the eco system that is our business and the participants in that, we have various participants. We have employees  
10 who work directly for Mr D Food. We have franchisees who are contracted in and have businesses and build business on top of our business and what they do is they facilitate through driver partners, the delivery of food to... food and other goods in fact to customers.

Then of course we have important outlets on the platform as well and they contribute greatly to the value of the platform and these are all important stakeholders within our business. If we look at the, something that we are actually very proud of, it is the employment opportunities that we created over the last five or six years in this business.

We have managed to create 12200 driver partners, 565  
20 franchisee employees who work for the franchise, the 40 odd franchisors, sorry franchisees, and it is important to note that of these franchisees they are all [indistinct – 00:10:26] and 13 of the 40 are actually historically disowned by historically disadvantaged individuals or groups.

We have 526 Mr D Food employees and then we service today

8894 outlets who are all on the platform. This has, these are the base numbers really that we can see on the slide and obviously economically we can apply a multiplier effect to these numbers to get to the real benefit that the company that Mr D Food is, has contributed to the South African economy to date.

We are also an inclusive business and we serve the majority of the country and you know, we also serve inclusively several important areas for us as well. The likes of Alexandra and Athlone and Imbali and Johannesburg Central and Lenasia, Mitchells Plain, Mamelodi, Phoenix  
10 as well as Soweto.

Going into the business itself and the model on how this actually works, let us start with the customer. The customer is one of the most important elements in our business. We are a customer centric organisation. We focus on the customer at all times, and really what this does is our business allows a customer to search through a variety of outlets on a mobile phone or on a computer and you know, the predominant means have access to the business today is either by an Android or IOS application.

It allows the customer to either order for collect, which is a  
20 function where they will actually go and collect, order and then go and collect from the particular outlet. Or they will get something delivered to their door. We also developed tools and services to assist our outlets to come onto the platform.

All of the software that we produce here is produced by developers who sit in our offices today and develop the various tools

and services that are required to actually operate on the platform. You will see on the left hand side there, that is an Android based device that gets given to the outlet to enable them to manage their business through our platform.

On the right there is a picture of some of the information that we allow or we give to the outlet, they have access to as much information as we can possibly give them which allows them to actually manage their outlet on the platform. We try and improve these things all the time.

10           It is important for us to provide tools and services to outlets because the greater value provide to the outlet, the greater value we actually give to the platform. The greater value there is to the platform, the greater value there is to the customer. This all feeds into each other to provide a valuable platform at the end of the day to the benefit of all on the platform.

To those using the platform. If we look at the offering, I think the value in the offering is in its variety and the more variety we have on the platform, the greater value there is to those who are on the platform. As mentioned before, we have 8894 outlets who we service, and they all  
20           provide contents into this platform that is then consumed by consumers as such, and have it either delivered or collect.

Looking at the business model from really how we work with the outlets and the benefits to the outlets, I think it is important to remember that we are only a very small percentage of any outlet's actual revenue today. An outlet has many means of getting to the customer and ours is



only one of many means that an outlet has to actually access the customer, and in fact as I said today we are a very small percentage of that total ability for that outlet to actually get to a customer.

But what do we do for them? Well, we drive additional revenue streams. We, one of the important things we do is we actually provide them with the ability to deliver to a customer and that is no mean fee especially at scale to be able to provide the flexible driving supply to an outlet, to enable them at peak times to be able to deliver to customers to fulfil the orders that are placed on a platform.

10 We also provide them with used customer service fees and related interactions because we were able to get efficiency... some efficiencies out of the model which we can then pass on to them by being on the platform. You know, the important thing that they derive from the platform is access to customers.

You know, we marketed to customers and we bring people to the platform and they then benefit from being on that platform because the customers that come to the platform essentially are then shopping on their outlets as such. We also provide marketing and advertising opportunities for them to be able to expose themselves more on the  
20 platform and to increase discovery for customers on the platform.

Going into the business model and just a little bit on this flow of funds. A customer essentially pays in two ways. A customer pays the restaurant for their food, and they also pay a delivery fee as well. The amount that is paid for the food is then, there is a commission that is earned by Mr D Food.

There is also a monthly subscription and activation fee that is earned by Mr D Food and there are advertising revenues if the outlet actually makes use of the advertising opportunities on the platform which is also paid to Mr D Food. Mr D Food then pays out amongst other things to the delivery partners to... for the deliveries that they actually made at that time.

If you look at the overall breakdown of our revenue and where the majority of our revenue comes, it is important to understand that the majority of the revenue comes in the form of commission. 75% of our  
10 revenues are earned through commissions and those commissions are only paid if there is a successful order placed on the outlet on the platform.

Another chunk of our revenue comes from delivery fees which is actually paid by customers and then a very small proportion of our revenue comes from things like advertising which is roughly 2% and subscription and activation fees which is roughly 2% as well. Looking further into the Mr D Food model, it is obviously critical to attract customers to or users to the platform to generate orders.

You know, we do this really through variety. So the more variety  
20 there is on the platform, the more it satisfies its users because they can then find different things that they want to purchase on the platform and essentially to create a credible platform. I think an important thing to understand is that you need brands, outlet brands on the platform because the outlets in this part of the industry, actually dominate the markets.

Without these brands, it becomes very difficult to attract customers onto the platform. Now having said that, variety is also very important. So you need both to give the variety to the user or the customer that comes to the platform. The brand you know attracts, so it gives credibility to the platform but that also assists the rest of the outlets that are on the platform because they are assisted, because they have a... you know, once the user is there he is then going to search around and find something else.

10 He may discover something that he may not have discovered before or something that he actually thought of. If we lose outlets or we push this model to the wrong way, basically the platform becomes less valuable. So again, signing reputable brands and small independent outlets is vital to the existence of the platform.

The other thing that is also important is promotion and discounting. That brings people to the platform. This again is a new way of doing things effectively so you need to convince people to come. Therefore, you use promotional discounting to get them there. That is not the majority means of the marketing to this platform.

20 In fact you know, as of this year our latest numbers, if I look through the numbers, roughly 21% of our total marketing spent, it spent on promotions. The rest is actually spent above the line in things like radio advertising, TV advertising, bill boards you know, the various means of digital advertising as well to attract users to the platform.

I think it is also important to note that in attracting the larger brands to the platform, they have many alternatives. They are larger

organisations and they can you know, do their own delivery if they wanted to. So we need to get them onto the platform and convince them to actually be on the platform.

If we look at you know, I think a theme which is national versus local offerings, if you look at a national offering which is ours, a national offering really it has greater risk and complexity and requires more capital and I think it is important to understand that this capital is needed because there is the complexity requires greater capital.

In building a national offering, your fixed overheads are higher,  
10 your engineering complexity is significant and when I talk about engineering complexity it really comes down to scaling. You know, if you have a number of people... if you have ten people that come to your app or to your site at one time, you can easily handle it.

If you have a thousand or two thousand or three thousand or ten thousand that come concurrently to your site, the becomes a significant engineering challenge. The other significant challenge as well is actually getting you know the drivers and managing the driver pools at peak times as well.

We find that on a Friday evening in our business you know, it is  
20 pretty manic. It is a peak time and managing to actually service customer demand at that time, is a challenge for us and we have to put processes and procedures and spend money on both engineering and infrastructure to make sure that we can deliver a good customer service and delivering a good customer service we create value for the platform and creating value for the platform, we create value for the outlets that

are on the platform and again this all feeds into the loop that creates a sustainable business.

Local offerings have less complexity and they require less capital. You know, you can spin up a local offering by using some outsource software. You do not necessarily have the scaling issues to deal with. You do not have as many employees. You perhaps can find innovative ways to market your product.

But you know, having said that you can still compete quite effectively with whether you are a local player against a national player,  
10 and we actually have a saying in our business which we have... which has been really applicable to us as we grow in the businesses that big does not necessarily beat small, but fast definitely beats slow.

Look at how things... how people discover things on the platform as such, on the apps. Sorry, I just want to have [indistinct – 00:23:28]. We have various parts to our app screen which we are showing here. how, and the primary objective is to make sure that customers who come to the app, actually discover something that they want and then they convert and they pay the money and that goes to our partners and it goes to ourselves, and it makes for a valuable platform.

20 All of our listings and I will get into, I will just use listings as a term right now but I will get into a little bit more detail in the next slides. You know, this is all primarily based on location and the location is about where the food is going to be delivered to. That is how we preface our listings, our merchandising and even our search facilities.

It is based on location and how far it is from the particular user

who has just ordered the... ordered from the outlet. If we look at the next slide, you will see that I am talking about merchandise positions. We have got three merchandise positions on the app, and I just want to remind everyone that the way people use apps nowadays, is they get onto the app and they flick through the app up and down and it is something that is fairly recognised and normal in this environment.

In these particular merchandised areas that we have on the app are all available to every single outlet that is on the platform and it is also available at what we believe are affordable rates to those outlets. It is... they publicise rates. So you can buy access to these outlets, sorry to these merchandise spots.

Having said that, many of these merchandise spots are not necessarily sold. This is an evolving business and evolving platform and we are looking at ways as to how we can improve this with the sole aim of improving discovery on the platforms. So we want people to be able to find what they want, as quickly as they possibly can and so we use a lot of the unsold inventory that sits in our merchandise and environments, for the benefit of the outlets to aid discovery.

The other part that we have on the app are what we call search filters and these are basic search and filters to again, aid the user to be able to get to the outlet that they want as quickly as possible or to find variety. So you will find that you know, you either search in the top block for pizza or burger or whatever they are looking for there, and then get a listing which I will discuss just now.

Or they go through and they filter through these scrollable icons

which are on special or favourites. We have a halaal button as well which just aids again in discovery on the platform. Just below that you will see what we term as food types, you know. If I am looking for a burger it will show all burger joints which are close to me.

Pizza joints close to me or Asian food close to me. Really again, looking to aid the consumer in finding what he is looking for on the platform. Then last and probably most importantly is the listings part which is the general part which you get to if you search through your filter or you just scroll up on the app.

10 All outlets are available to customers. Based on their location here and they are listed from closest to the customer to furthest from the customer and the only caveat here is that we prioritise to our detriment actually to a business detriment but I will get into that now. Delivery, those outlets that have made themselves available for delivery and collect versus those outlets that have just made themselves available for collect.

We actually earn a greater margin out of the collect part of the business than we do out of the delivery part of the business, but this is good for customers because they are looking for people to deliver to  
20 their home or work or whatever, that location that they have chosen. Our relationships with our outlets are extremely important.

They are governed by agreements which are really individually negotiated with each outlet or outlet group. We have no real power to seek exclusivities. Having said that we have got two exclusive deals on the platform but those are the only two exclusive deals. One is with a

liquor outlet and the other one is with an independent restaurant.

I think it is important to understand that that outlets price independently on the platform and that we try and provide as much information to these outlets for free and I think I have already said this, but we try and develop out these tools and services because the more tools and services we can actually provide to the outlets to actually enable them to manage themselves on the platform, the better it is for the outlet and the better it is for us.

That is serving obviously these 8894 outlets. Again I think it is  
10 important to note that our percentage of revenue earned by outlets as such is a small percentage of their total revenue that they earn, given that they have so many other channels to go through. Again, proving or just how important our outlets are you know, we went into Covid lockdown and obviously Covid lockdown was a difficult time for all.

I think we all went into this space where certainly in the first month nobody knew what was going on and nobody knew which way this was going to go for any business and we suffered just as greatly and then we were allowed to start trading in May 2020 and at the same time, what we did when we probably found a greater alliance on... of  
20 these outlets although they have, they had many other means to actually get to the market even during the Covid side.

Had a greater reliance on us at that time and we actually implemented a commission fee cap at that time which we did to the majority of our outlets in lockdown level 4 and why lockdown level 4? Well, it was on delivery at that stage. It was the delivery fee cap that we



implemented.

If you recall in level 4 only deliveries were allowed. There were no take outs allowed and then when they later toned down the lockdown levels to level 3, we then also in addition put in a collection commission cap at that time to assist the outlets and you know why would we do that?

Well, because we want them to survive. The outlets are vitally important to the platform and you know, the better they do on the platform or the better they do in their businesses, the better we do as a  
10 platform at the end of the day. We also during the riots and the looting that happened recently in July 2021, we also waved our subscription fees as well for all outlets in Kwazulu Natal to try and assist them to keep their heads above water and to continue trading over you know what was really an unusual period.

The other part to our business and partner to our business is obviously our relationship with our drivers. We have 12200 drivers who we, and we try and employ as many drivers as we possibly can and this is an ongoing challenge for us to find the drivers to actually drive for us, and we try and look after the driver partners as much as we possibly  
20 can, and by way of example, during the height of lockdown when driver partners could not drive because I think you know, of our driver partners there were roughly only 400 who could actually work at that time, because of the demand that was happening in the early parts of this and you know, certain of them got Covid and were affected by Covid as such, not allowing them to work.

We implemented this driver... this Covid driver fund in which we actually paid out 13.8 million rand to drivers to assist them to keep their heads above water at this time, you know. You may ask why did we do that? Well, number one they are our partners and they are important to the platform because without drivers we do not have the platform.

We do not have the value in the platform and if we had not assisted them at that time and they did not come back to us post, you know in what is now a much more normalised world, everyone would suffer on the platform. Not only the platform itself, but the outlets on the  
10 platform as well would also suffer.

We also keep them safe. You know, we have they are issued with safety vests. We subsidised the, although I must say I suppose incorrectly so we should not have put this driver without a helmet on his bike, but we subsidised helmets for our driver partners and you know, when we look at... we monitor whether situations and items sorry, times of stress in the environment and when the weather situation is bad and you know, it is just not possible or not safe for drivers to be on the road, then we actually shut down those delivery areas and we do not allow them to deliver for their own safety at that time.

20 You know, all of these things we facilitate access to for our driver partners. The other things that we facilitate as well, is we try and facilitate entry and participation in the system and we do this through various things. You know, we assist with providing them or facilitating access to things like insurance offerings.

We are looking actually at assisting them with defensive driving

courses right now. we have already implemented schemes where drives are able to access affordable motorbike lease schemes, that enables them to drive as well as the associated maintenance plans as well, which also allows them to maintain their vehicles.

So they continue to work for the platform and for the benefits of the platform and obviously for the benefit on themselves and the multiplier of people that they support as well. You will see a fair work logo at the bottom of the slide. Fair work is an independent organisation that does a report every year.

10 So it is done every year and it really is a look at... they survey all of the gig economy as they call it, and this is a score that we got out of ten. Seven out of ten which relates to the how we treat our driver partners within the network. This is a global score and if you look at our score against any of the global competitors in the... not only in South Africa but around the world today, this score is probably one of the best scores that you can find in this report.

Looking specifically to competitor dynamics and competitors, we believe certainly and we experience this on an ongoing basis that we participate in a very dynamic market and a highly competitive market,  
20 and you know when we look at competitor constraints and what affects us, it starts with the consumer, and the statement that the consumer starts with is well, you know I am hungry.

There may be a context to that hunger. It may be a party, it may just be dinner tonight, it may be friends coming over, it may be wanting to go out with friends, but it really results in various options that they can

then choose, and you know if it is something like my household, these all compete with each other on an ongoing basis and are we going to cook at home today and go and buy groceries.

Are we going to go and sit down at a restaurant and have a meal. Are we going to get take out tonight for lunch, or whatever that is or am I going to actually get it delivered. We obviously participate in two parts of this which is on the delivery and on the collect side. Looking more specifically at competitors as such, we believe that the competitors are wide and it starts off with and this is in no particular order, but it  
10 starts off with natural food chains and local outlets.

They also have their own delivery services. Be that online, through apps, through call centres, through WhatsApp, through many different means. They provide delivery of their products to the consumer and you know, we actually deliver and have agreements with some of these as well.

So we compete directly with them through their own services as well. If you look at sit down, you know we compete with the sit down restaurants as well. Many of them also have their own delivery services, but when that question comes you know, I am hungry... you  
20 know I have the choice to go and sit down and eat a meal at a restaurant or have it delivered to my home or cook it at home for that matter.

Then we got you know the third party operators, people like Bolt, UberEats, Quench... you have heard from certain of these people already in this inquiry and then there is potential competitors as well

who are already in the market. [indistinct – 00:38:53] side they have already entered the market on the riot share side, and no doubt that they will expand into food delivery as they have done elsewhere in their markets around the world.

Then we have grocery retailers, as per my example before, I can go and buy groceries and cook them at home. Then we have the adjacent markets. You know, things like the 60/60 development. Pick 'n Pay ASAP, which is now delivery groceries as well. We have got Woolies is doing stuff and then we have got Dischem as well who is  
10 delivering meds and that.

We also deliver as an outlet. So we have a large number of competitors and constraints. In conclusion, you know we believe that the use of E-Commerce as a channel is only just starting in this country. Having been involved with it, since before 2010 actually, we are just starting to see some glimmers of hope in E-Commerce with E-Commerce now sitting at roughly 2.3 % of total retail.

You know, we believe this channel is dynamic and competitive. It certainly enhances consumer welfare you know, a great thing about this is that it enables small to medium enterprise participation and  
20 growth and you know, if you look at our platform today, the vast majority of the participants on our platform, from driver partners to franchisees, to many of the outlets are all small to medium enterprises.

You know, it allows an office business the ability to disrupt inefficiencies. When we look at regulating this industry and really you know, when we talk about regulation in our mind we are talking about an

overly interventionist approach. We believe that an overly interventionist approach would actually be harmful to the growth of the sector.

Especially if it were to curb any growth of what we believe are efficient disrupt in the system in effective terms. You know, this type of intervention would result in the loss of existing efficiencies, and these efficiencies effectively benefit both consumers and business users, and you know creates opportunity and employment.

10 Again, the undue intervention would actually disincentives people from and firms from taking risks which is so important in our economy today for people to take the risks and take bold risks to build businesses. Make the investments necessary to enter markets and disrupt markets and disrupts existing incumbents and that will allow improved platforms and improve consumer, sorry.

Consumer choice and better pricing and more efficiencies that come into the market. I want to thank you for the opportunity to be able to present here today and we look forward to the Q&A session which I assume will begin now.

20 CHAIRPERSON: Thank you Mr Reid and you can stop sharing the screen.

MR REID: There we go.

CHAIRPERSON: Great, thank you for the presentation and I am sure the public has benefitted from that information as well. I just wanted to start with your business model and in one of your slides you mentioned that there were four, well you put out four elements. So the one was

signing up well known reputable brands and as I understood, popular brands and that is why it is important to have them on your platform.

The other was small independent outlets and as I understood, that was the variety element, that you said is important in the platform. Consumers want choice and variety. Is that right?

MR REID: Well, I think they both create variety. So it is not just the one because brands give variety as well.

CHAIRPERSON: Ja, look I think they do. There is probably a lot more variety from adding the small independence, just in terms of quinine  
10 types, but there are varieties of burgers and chicken and pizzas I suppose from national brands.

MR REID: Absolutely you know, there are also national brands which are Asian businesses. There are many varieties sitting in the national brands, and I think one of the things we must be cognisant of is that the consumer finds the brands very important in the platform.

CHAIRPERSON: Then you have got promotional discounting. So that as I understand it, the promo's that a consumer like myself get emailed on a weekly basis or it might be for new users, an initial discount. So it is a promo code you put into the app and then get a discount. Is that  
20 right?

MR REID: That is promotion yes. So it is free delivery. It is trying to attract people into the platform.

CHAIRPERSON: Then of course marketing investment and you said that is all your above the line radio, digital, television etcetera.

MR REID: Ja, so it is and then obviously ja, so digital not really termed

above the line, but yes, the additional side of things as well as PR etcetera.

CHAIRPERSON: When we look at this I suppose platform, the whole point of promotion and marketing is to get the consumer there. I mean that is as you indicated the role, attracting the consumer. Getting them to try it out, your delivery service. I mean the one aspect that I did not see here that I thought was also important is delivery fees.

That delivery fees are discounted to consumers and also to make delivery attractive. Is that not right?

10 MR REID: I think the delivery fees are important components of the platform, that is right. Remember that the promotional components actually discounts the delivery fee as such, but the standard delivery fee is an important part of the model as well, yes.

CHAIRPERSON: But I mean from our interactions at least with this industry, I get the sense that the actual cost of delivery is in the sort of R30-00, R35-00 but when I use the Mr D app at least I am going to be charged R9-00. So you would absorb the rest.

MR REID: Well, you actually will not be charged necessarily R9-00. It will depend on where you are. You will be charged a range, but let us  
20 call it R9-00 and the differential between you know, what the cost is which I am sure we claimed as confidential and we will not discuss here, that differential is absorbed by the business, yes.

CHAIRPERSON: Yes, I do not need your cost. Obviously yours may differ, but I am just saying this is what seems to be coming through from industry and I suppose delivery must be one of your big costs. I mean



just thinking the actual transaction because it is involving drivers, bikes. Whereas the other transactional cost might be credit card fees or the like.

So just looking outside of the bigger platform development and fixed cost.

MR REID: Part of, look I actually have not got the exact percentage in mind, but you know a part of the fix over is the delivery fee is the amount that we absorb is a cost within our business and it is a large cost within our business, yes.

10 CHAIRPERSON: So as I understand I suppose the Mr D journey, just from looking at some of the interviews you have done over the years. I mean funding is an important role and we heard last week your parent company also indicate one of the valued ads they provide to the businesses, is funding.

But funding can drive the promotions marketing spend delivery, low delivery fees and allow you to make a loss in the short term in order to drive growth for the long term. So that appears to be the sort of strategy at the moment.

20 MR REID: No. So perhaps if we look at our journey, let us have a look at our journey. So we started out this business and whichever business we have built to date, we have built it because we want to create a sustainable business and in fact I think in any interview that you have ever seen in the press where I have talked about our business, we always talk about sustainability.

When we started this business we actually did not have funding

from the likes of our shareholder, current shareholder. We had an American investor who invested some money. I personally put in some other money as well into this business to start this business. And we developed it together and it was only after we had actually ticked off certain proof points, in fact those proof points really come around the ability to execute in the markets, did our American investor decide to invest additional money for us to be able to expand our business.

Post them getting out of our business in 2014 roughly, late 2014 and our new shareholder coming in, becoming the majority shareholder,  
10 the business plans have factually not necessarily changed since the early days and the one thing that you may also see in certainly in the Naspers financials and some of the reports as well, is what we are known for in our business is a drum beat of ticking boxes to get to the sustainability measures.

So when you build national platforms, it requires capital. You cannot get away from that. But it is not an unending pit of capital that we can just dip into because that makes no sense. It certainly makes no sense for me and many of the management and employees within this business who are invested in the business, who derive their value  
20 from sustainability within the business.

CHAIRPERSON: I will come to that. I mean in the long run you have got to be sustainable and we heard that last week from your majority shareholder, that it is not a bottomless pit, but I mean looking at at least 2019 interviews, I mean you were talking about the whole Takealot Group were not at breakeven point and the different businesses were at

different stages.

Takealot will break even first, then will come Superbalist and then you have got Mr D, and in that you know there was a question to you of how fast and how big you want to grow Mr D, and you said Mr D Food from the market share point of view is the largest today in online delivery.

Focus is on food delivery and we will grow it and grow it aggressively. So we are in an aggressive growth face to build scale. You obviously have got to have an eye at one stage of the end goal  
10 being sustainable, but I mean from what I can see from low delivery fees etcetera, I mean this is an aggressive phase and maybe Covid has assisted in that.

MR REID: Covid has certainly assisted in the growth of the business and you know, I have heard and listened to some of the other participants on the panel who had talked to even some issues over Covid from scaling which was difficult for this business to handle, but when we look at you know the growth in this business, I will reiterate again.

You know, when we look at the businesses and the three  
20 different businesses, they are on different, they are at different starting points essentially. If you look at you know Takealot and Superbalist being what is today traditional E-Commerce, you know the models are fairly normal and they are out there.

There is certain things that you do and should do to grow your businesses. You know, a food delivery business like Mr D Food today,

the model is fairly new and people are trying different things at different times, and again we are a national business. We have invested quite a bit of capital into the business and this is not in promotion or anything else.

It is in platform and all the rest of that and allowing us to scale and we need to be able to grow to survive.

CHAIRPERSON: Ja, and I suppose... I mean all I am putting to you is that you are obviously using funding to grow. I mean, it is not a controversial statement but you are looking to scale and funding helps  
10 because it allows you to drive more customer acquisition, which gives you scale and obviously that also has implications for your infrastructure that needs to support that.

Because if you stop delivery fast as you put it, you might lose.

MR REID: Correct and you know, I do not think that is natural. Funding is important to scaling any national platform and if you look at the platforms around the world you will see that as well, although I do think that our business does so in a you know, in an efficient and sustainable way.

CHAIRPERSON: To a point of trying differently, I was interested... last  
20 week we had the pleasure of Mr Sylvester John who was former Walmart and now at Massmart and he was talking obviously grocery delivery in the Walmart context in the US, but it was interesting listening to him that how firms back by or aggregators back by venture capital.

The kind of business model is fund discounts to the consumer, fund delivery and you bring the consumers with you and at that point

even business like Walmart felt they needed to be on these platforms in part because it is where customers are and that is the sort of role that funding can play.

MR REID: Difficult for me to speak to other businesses. I can speak to our own business and our own experience, having gone through Takealot and building Takealot and building Superbalist and now building Mr D Food, as I said at the different stages that are in the business.

10 You learn some lessons, and one of the lessons and one of our values in our company is to spend money wisely. We try and do that at all times. So again I can only reiterate this. Funding help, absolutely. I would rather have money than not have money to build a business. Not having money to build a business becomes very difficult.

But when you spend you spend in the right areas and you spend to build value and you spend to build sustainability.

CHAIRPERSON: Ja, I mean I agree with you. I think the, I mean the only point I wanted to make was you know this... it seems not that much different in the delivery and I will not get into obviously the E-Commerce because we will deal with that on the 24<sup>th</sup>, but in essence you know, you  
20 can put a lot of money into customer acquisition and that may be promotions, it may be delivery fees.

But I am seeing a similar model you know of that is how you acquire the customer. Once you have got the customer, I mean then as you put it, the restaurants really have to be on your platform because if the customer is buying on your platform if you are not there, you are not

part of the decision, so that is why the restaurants will come if you have the customer.

The restaurants will come.

MR REID: No, I actually do not agree with that statement. So first of all the restaurants need to be there to actually get the customers. That is number one. Number two, the outlets do not have to be on our platform. There seems to be this and I think it is driven by Covid and what has happened you know, for a period of three months or four months where restaurants found it difficult to find channels to market and they had to  
10 re-invent themselves and do all the things and we were fortunately there to help many of them.

But the fact is today that as a percentage and I do not know the percentage, the actual percentage that sits that we contribute to each individual restaurant, but I would be surprised if Mr D Food contributes you know, more than 10% to any restaurant's actual total revenue because they are doing sit down meals.

They are doing takeout meals. Many of them are doing their own deliveries. So you know, the categorisation that is... that outlets have to be on a platform because we have spent to get customers, does  
20 not work that way in my experience.

CHAIRPERSON: Well, I mean we at least have the pleasure of listening to some of the restaurants as well and even national chains are telling us that there is a degree of dependency on your platform.

MR REID: Ja, I am afraid I did not hear those and I cannot speak for the national chains, they have to speak for themselves and if you have

verified those numbers, then you know I cannot argue with that.

CHAIRPERSON: But I am just putting it as a matter of logic you know. Not everyone necessarily has to come but if you own a few million customers and there, I mean what are your monthly orders? You do not have to give me the exact number. That is probably a trade secret. I mean, are we talking millions?

MR REID: No, approximating that, yes. But I think, sorry just if I may. I know I am interrupting what I think is your question or perhaps you have already posed it, but you know we do not own any customers. I think  
10 one of the things that is so interesting about this businesses. Customers are faecal. They go where they want to.

They go where they find variety. They go where they find good pricing. They go where they feel they need to. That is the digital economy. You do not own a digital customer. That customer goes where they want to. It is a flick of an app. It is a change of a web address.

You know, what we have to do is we have to make sure that we are good at what we do. We have to make sure that operationally we execute on what we do well and that keeps customers. You know, but  
20 again you know, your customer stays for as long as you do your job properly.

The moment you slip up or the moment you do not have the variety or the moment somebody else has a restaurant or an outlet that you do not have, off they go.

CHAIRPERSON: Thanks for that insight Mr Reid. I mean, you spend a

lot of money getting customers on your platform and they transact on your platform in the millions. I mean, just on delivery charges you know, if you are charging R9-00 and it is costing thirty plus and it may not be your exact cost, you are doing a few million orders, you are probably putting in I do not know, 40... 50 million into customers every month in terms of absorbing that delivery fee.

I mean that is not small change.

MR REID: Ja, again I am not going to speak to the exact numbers of the approximation of numbers because that goes to the essence of our  
10 business model and we are absolutely happy to discuss this in great detail in the in-camera hearings that are coming up I believe in February.

CHAIRPERSON: I am just saying, I mean this is not you know, your delivery fee is there but you are investing a lot of money to acquire customers, so they will transact on your platform and for that reason restaurants are saying to us they need to be there.

MR REID: Ja, again I mean I hear the question. I think I have already answered it, but I will try again. Restaurants and I do not know which  
20 restaurants you spoke to you know, if you are talking about within the Covid environment, which I mean it is the timing of the hearing is somewhat unfortunate because it seems to be clouded a little by what has happened during Covid.

But you know, now that outlets are open, outlets have the ability to attract their normal customers, be it on sit down, be it on take away you know, be it through their own delivery mechanisms. They do not



have to be on our platform. We are trying to create a valuable platform and we market to create that valuable platform because we want to attract customers because customers are good for the platform and good for the outlets.

You know, do we spend an unnecessarily high amount of money on marketing or else to attract customers, I think if you would actually look through and it is difficult to get this, because international norms are difficult but you know there are listed delivery companies. The number that we actually spend on marketing is not exorbitant in any... as  
10 a percentage of revenue because I think that is probably a relative way to look at it.

It is not a particular high number in context of other businesses and you know, again we are trying to attract people and you know, one of the dynamics of this business is highly competitive. So we are trying to attract people away from their different choices that they have. But again, I do not believe that the marketing money that we spend on the platform is out of line with norms.

CHAIRPERSON: Well, it depends what one calls the norm. I mean this is what I want to have the discussion with you and I am glad you are  
20 here for this discussion. Is exactly the different business models. You know, and let me just sort of take you through this sort of thought process.

I mean there were other localised platforms that existed in urban areas but with an aggressive push with the marketing budget and it may be the norm again, some big online players globally but I am going to

question whether that should be the norm, and in without fail, everyone has said we simply cannot match this.

You cannot match the spend that is coming out of Ubereats and Mr D and they are closing shop because whilst you are in this aggressive growth phase, the consequences are that there is casualties out there. I mean you see it. So let me put it to you. I mean it seems a natural consequence of your business model that it will push out those local platforms where they compete head to head.

We have seen it in the market.

10 MR REID: Look, I think there so again I think it is a difficult thing to try and understand why a business fails, because the easy part to say why a business fails, is to blame it on your competitor and say they are spending too much marketing. I mean I do not know whether the efficient dynamics that existed within that business, were they providing the right type of customer service that people wanted to get on.

20 Did they manage to get the right brands within their platform to actually make the business work? There is a variety of factors that play into business failure as opposed to you know, blaming it on your competitor. I think it is very easy to blame it on a competitor. Simply way to go.

Again, I want to reiterate that I do not believe and when I say norm, okay I am talking about norms within you know, effectively this country norms that we have seen in how we built businesses within this country and norms within the percentage of marketing spend that happens in a business like ours, as a percentage of revenue.

So you know, it is not out of those norms, and I think that is pretty much all I can say.

CHAIRPERSON: Well, look I think I mean we have had the benefit and you would not have necessarily watched yourself but you would have heard of listening to some of the smaller platforms, and unfortunately we have had a few challenges with Eskom to get some of them on the platform, but I mean even just this morning you know, Mr Zonde basically said I mean when it is 50% off for the whole week, how on earth do you compete if you do not have the same backing?

10 He does not blame the consumer for going, but if I could get it half price on Mr D or Ubereats compared to Mr Zonde's platform I mean it is a no-brainer.

So I do not think it is complicated, personally. And as I said, this is a consistent message. I mean, it is natural for the customer. I mean, why would you not? I get an offer from you every week. And that is just me.

MR REID: Well, let us talk about the local competitor. So the local competitor, you know, he has got a smaller capital expenditure, requires less funds, and can also,  
20 frankly, go and raise funds if they are required to compete in the markets. There is – you know, we started off as a very small business initially and we raised funds. That is what you do to build businesses. I do not think that is rocket science in a business perspective.

You know, you have got to raise the funds to be

able to create your business. And if you have got a compelling business and business model and you have credible management and you show success, you will find investors.

CHAIRPERSON: Look, I mean, certainly from our interactions with some of the Venture Capital Association members last week but also some of the individual businesses. I mean, it may be that if you are historically disadvantaged or women that is down hard to get funds  
10 and many of the small platforms that we have had come to us in this time, are the ones that have innovated in township areas out of the, I suppose, shadow of the big delivery groups.

But I mean, even our Venture Capital Association accepted that, you know, one of the questions that is going to be asked if you are raising funds is. Who are you up against? And are you going to make money in the end? So it is going to be a lot more difficult, I think, to raise funds if you are saying I am going head-to-head with  
20 Mr D.

MR REID: Ja, so it is not only going head-to-head with Mr D. There are various competitors that they have to go up against. You know, when we had to ...[intervenes]

MR WORST: Exactly, ja.

MR REID: ...to raise funds, you have to raise funds or

we have to justify our budgets going forward, we have to go through exactly the same things. We had to show where we are going, how we are doing it and you know who we are competing about and – sorry, who we are competing with and is someone going to put a dollar with us or a dollar with somebody else.

CHAIRPERSON: Ja, but I think as your parent company accepts that they are a patient investor willing to go for the long haul and willing to invest in loss making  
10 businesses because it is the price at the end. That is what you are going for.

MR REID: Ja, patience is an interesting one. So I have already gone through Venture Capitalists investing in our business and you know they appear to be patient and then they look at things and it really depends on execution at the end of the day. So patience is a factor of execution against milestones. It is also a factor of sustainability.

There are stupid investors out there who will plough money into unsustainable businesses. I cannot  
20 defend that. As a business, again, we are trying to build something sustainable. We spend our money wisely and we spend it so that we can add value to the platform. You know, when we come back to the value add within the platform, I think we cannot ignore the value add that this platform has in the South African economy.

We are a truly South African business. We have contributed – you know I have already gone through the base slides in my presentations. A number of – in fact, thousands of employment opportunities for various people. And we have also provided the outlets the ability to trade and enable the outlets and we have enabled small enterprises.

Each driver partner is a small enterprise and you know they are able to make a living out of it. And  
10 franchisees are building their businesses on top of our business as well. We are an enablement platform and I think that that cannot be missed.

CHAIRPERSON: And I would expect that your investor is a rational investor looking for return. So, I mean, that is what I would expect. Maybe they are not but let us go on that assumption. Which means, despite the losses you are making and the massive subsidies into delivery fees and promotions. At some point you have got to be sustainable.

20 At some point they want to see that dial from red to black and you break even and then making profits and recouping the losses they have made over years. So, I mean, in essence, that means that that some of the pricing has got to change.

And you may see some scale efficiencies and I am

sure your unit cost may come down but somethings like driver fees, I mean, it is difficult to see how that is going to substantially change given that is more of an inflationary item. So it strikes me, at least, that revenue has got to go up. I mean, maybe if you want to answer that?

MR REID: So it was a multi-faceted question. Perhaps if you could just – I think I can answer. There are a few things. So, first of all. Yes, I can guarantee you our  
10 investors are rational investors. That is one of the points that you put to me. The second part of this is. Sustainability is going to require a couple of things.

It is going to acquire additional scale and we do not know how big the market is. That is the fact. We actually do not know how big the market is. These businesses, also, they are morph over time. So you may start a business, looking at doing one particular thing and it changes into something completely different.

That happens in our industry and when I talk  
20 about our industry, I talk about internet in general. That there are many cases in the world where people have started in one place and have gone another place. Will the investor a return, ultimately? Of course, because they are a rational investor.

CHAIRPERSON: And what we have seen over the last

few years is that their commission fee that it charges its outlets tends to go up every year. I mean, this is certainly what we are told.

MR REID: I cannot speak for Uber Eats but the way ...[intervenes]

CHAIRPERSON: Sorry, I meant Mr D. Ja, I apologise.

MR REID: No problem. So let us have a look at the model at the end of the day. So we have to become sustainable and – but there is a limiting factor in all of  
10 these things because if you do not have the outlets on the platform, you do not have the customers, you do not have a business.

If you outprice yourself to the outlets, the outlets will not be on the platform because it will not be worthwhile for them to be on the platform and therefore the business will not exist. So there is a limiting factor in that all the time. I mean, this again, the so-called perception of reliance on our business, I find fascinating because it is just not true.

20 You know, the restaurants or the outlets may have been somewhat reliance over Covid. One swallow does not make a summer, okay? The current state is that they – their revenues are earned from various sources of which we are a minority source.

CHAIRPERSON: The – I mean, I can tell you and the



nation change do tell us and that is national change, you might have even their own delivery are dependent on you. And this is a more recent communication that is Level 5 or Level 4 Lockdown. I mean, the most interesting response we have was:

You know, it is a bit like dealing with a drug dealer who brings you in at a lower price and then slowly squeezes and ratchets up and that the increases are not negotiable. So it may be that you have negotiated upfront  
10 but as this sort of creep happens, that is a non-negotiable element.

And so, I am going to put it to you. I mean, the model of getting this back to sustainability seems to rely quite a lot on bringing revenue or more revenue in from businesses.

MR REID: Ja, so first of all. I think that is an unnecessary an unfair categorisation that you put to me on our business. And unnecessary in this type of hearing which I thought was, you know, somewhat an inquiry into  
20 the markets and a fair process. So that is the first point. The second point to this is, is that this business model is almost self-limiting.

Again, I put it to you that the restaurants or the outlets are not dependent on our business. And if you can show me evidence to the contrary, we can definitely

discuss this in the *in-camera* hearings in February where we can go through more detailed numbers as such. But they have many options and they are not reliant on us. So they are able to go wherever.

Our value in our platform is to continue executing at a high-level, making sure that people are happy with what they are getting as a service on the platform, keeping variety on the platform, okay, and keeping consumers coming to the platform.

10 CHAIRPERSON: And I agree, the value is, you bring consumers and that is why restaurants feel dependent. But the other way that you are looking for revenue streams is: Well, is the advertising, the sponsored ranking, the merchandising, I think you called it, parts that has become another part of the platform in order to buy visibility?

MR REID: I – apologies. Is there a question there?

CHAIRPERSON: No, I am just stating that commission fees is one but the other is advertising. You had that in  
20 your model. And I suppose as you ...[intervenes]

MR REID: Perhaps...[intervenes]

CHAIRPERSON: Sorry. As you put in your slide show. I mean, if you look at your revenue, 79% is coming from the outlets and 21% from consumers in terms of delivery fees.

MR REID: Sorry, is that – I did not – was there a

question there?

CHAIRPERSON: No, I was just stating it as a matter of, I suppose, fact but if you want to respond, you are welcome. But it seems that ...[intervenes]

MR REID: No, no ...[intervenes]

CHAIRPERSON: Ja, most of the revenues have been derived on the restaurant side of the market.

MR REID: And the outlets are getting, you know, the greatest benefit out of the platform because they are  
10 getting access to consumers and that allows them to get additional revenue. And the fact is that they are only paying, in large part, because 75% is that – of that is commission based on a concluded transaction.

CHAIRPERSON: I mean, I just want to contrast the business model. I mean, the impression I am getting from this sort of business model and it is – in fact, many, to be fair, online platform models, is – I think as Mr John put it: Whoever has got funding can buy the consumer. Once you have got the consumer, the businesses have to be  
20 there too.

Yes, the businesses have to be there in the beginning but they are not paying anything to be there in the beginning. It is just whether they – they only pay if there is a concluded transaction. So they are happy to get on your platform. But once you have got the

consumer and you are now looking to, I suppose, reached that sustainability point, the option of dropping the consumer is not really an easy option because that is what draws your outlets on the other side.

And so the revenues tend to creep up on the outlet side and those outlets get squeezed little more to keep this almost cross-subsidisation model in place. So maybe you can comment on that. That is what I want to explore with you.

10 MR REID: Again, you know, you are coming from the premise that there is some sort of dominance or reliance and there is just no dominance or reliance here. It is a highly competitive business. We are not a subscription type business where I have signed somebody up and I have got them for a period of time and you know I can give you revenue out of a customer.

The fact is, is that the customer can go anywhere. He is making a decision at every point in time. It allows other platforms to come and compete at the same time. It  
20 allows business models to morph. There are a whole lot of factors that are involved here. And, you know, I wish there were.

As a businessperson and I am sure my advisors will look at me in some way to say: You cannot say something like this. But I wish we could own a customer.

But we cannot. You know, a digital customer goes where they want to.

CHAIRPERSON: Ja and I think we had this discussion before but that is why you need money to make sure they come to you and that is why you need to put in the marketing spend and other aspects but once you have got them because they are coming to your platform and they are making an order. If I am not there, I am not part of the decision. And that is why the businesses have to be  
10 there.

So I am just putting to you. I mean, if you are looking at your sustainability model, when you reach breakeven, where is the balance of revenue going to lie? Are delivery fees going to be at the cost of actual delivery or are they still going to be below that? And if they are and you breakeven, someone is paying somewhere else. They must be.

MR REID: No, you are assuming that the model does not morph. Over time things change. You know, these types  
20 of models, that is what happens then. Many of the models, again, that started off in a certain – in certain places did not end in the same place. They found ways to actually succeed.

Again, if you have a look at the platform as such. The platform is only valuable while you got outlets on it

because that attracts users. If you start leveraging the outlet too much the outlet goes because it is not a feasible option for them anymore. And, you know, the one thing that we must understand is that digital platforms are not going to take over the world.

You know there is going to be bricks-and-mortar, there is going to be digital, there is going to be stuff that I do not even know about that is coming through and that will compete with. You know, I think your assumptions  
10 right now are somewhat theoretical and simplistic in that you are assuming that there is a certain status quo and that it will remain forever and that status quos, the digital will dominate the world. I do not believe that actually happens.

CHAIRPERSON: Digital may not dominate the world but there are going to be a lot of transactions that are going through a digital channel. And if you are going to access those transactions, then you need to be on a digital world. And whether that is, you know, on a platform or your own  
20 and that is the debates we are having in this enquiry, you know. The extent to which there is reliance sometimes on the platforms or not. And it may be that it is not in certain cases.

But the fact is that, and this was a discussion I had with Mr John as well. I mean, there are customer

journeys that end up on a digital platform. Much like there are certain customer journeys that end up on a delivery, not on Eat In or an Eat Out option.

So what I want to explore are the different models as we sit with them. And I do not think it is that theoretical. I mean, what we are seeing is that, as I indicated to you, that commissions go up. You do need to be sustainable. This seems to be the pattern at the moment. Maybe it will change but that, certainly, is the  
10 evidence that we have at the moment.

I just want to, you know, pick up your other thing. You highlight in your presentation, there is a different model. There is a national model of which you are following and then there is the local offering. And we have heard about some of the local offers and I have also said to you it seems that when they do come head-to-head, it is touch to survive. You may disagree.

But the striking feature that we are starting to see from the local offering is, far lowering commissions,  
20 typically non-discriminatory commissions as well. They may charge delivery as it is or they may choose to invest but they are not always got the kind of backing and funding to invest. And I think as you even put, maybe more finding other ways to market grow consumer awareness and even convert.

And, you know, what we have in the inquiry, I suppose, identified is, is in fact there are many entrepreneurs opening markets where yourself has not gone in the past in townships and finding ways to do that without the kind of funding but at a much lower fee. Now that does seem to be, you know, an alternative to the national business model as you put it.

And I suppose my question is. I mean, that model has a lot of attractions too and there are entrepreneurs  
10 doing that and opening spaces. They are also bringing shops onboard. They are also employing drivers. They are also doing a lot of the things that you are talking about. But it also starts to look quite attractive from the kind of outlet perspective.

So, you know, if we had to look at these two different business models. I mean, I am interested in your perspective because I am seeing the national model bulldozing over the local. That may be wrong. You may tell me that they will survive and they will live side-by-  
20 side.

But the question I did want to ask, I mean, is. Is there space for both? And does the local offering actually not look quite attractive at least to be an outlet or a consumer, potentially?

MR REID: It is difficult for me to answer any of these



questions because you are asking a perspective from a particular business model which we do not actually operates. You know, the one thing that I can probably answer is. Do I think that the local models can survive and provide a differentiated type of offering to a consumer? Absolutely. You know, people build models in a different ways and they find ways to make them work. That does not mean to say the one model is wrong and the other model is right.

10 CHAIRPERSON: But at least – I mean, where those models have gone head-to-head with you, they have not necessarily survived. As you now have told us in this presentation. As you are moving to townships, I mean, are they going to survive with the kind of marketing budgets and promotions and delivery subsidisation that you have?

MR REID: I do not have a crystal ball on this but I mean this is one point that for me is quite a difficult one to answer because this is almost damned if you do and  
20 damned if you do not. So do we move into the townships? Absolutely. If we do not move into the townships, we are accused of being exclusionary. Okay. If we do move into the townships, we are now being accused of bulldozing over smaller operators. So it really is between a rock and a hard place here.

CHAIRPERSON: No, no, I am with you and that is why I wanted to have the discussion with you because as the panel and the inquiry team, I mean, these are the kind of issues we need to grapple with and we do not want to just get the perspective of a township entrepreneur. We also want to get the perspective of a Mr D. And it is not an easy debate to have and that is why we wanted to have it with you.

MR REID: You know the points on us moving into the  
10 townships, which we already have in many regards, you know, there are also benefits for us moving into those townships. We, actually, enable outlets within those townships, we enable drivers and driver partners within those townships, we enable franchisee.

You know, we have got franchisees who have started in particular townships to actually enable deliveries. So there are many advantage to our model going into the townships as well. As I say, I do not think there is a right and a wrong answer here. I think the –  
20 you know the question of will one business survive or not, is something we all will have to wait and see.

You know, any business that does its job well should survive. And you know again. Building a business is a lot of hard work and there is a lot of luck involved. And you know I cannot speak to the second part. And,

you know, you also got to be lucky.

CHAIRPERSON: Ja, look, I would – I mean, I would disagree with you on the point that any good business should survive. And as I said, I mean, the reason that we are having this discussion around the budgets and the marketing and spend and funding is because there are businesses saying, you know, I am outgunned.

I mean, I suppose from a panel's perspective and even an inquiry's perspective. You know, we are not just  
10 looking at the benefits that may accrue to Mr D. You know, there is a different in there. It might also have delivery drivers, as we have indicated. It might also invest in those communities and the kind of social benefits may be the same.

I suppose what we need to also be cognisant of is there needs to be space in this online world for other entrepreneurs as well. We need to ensure that competition remains and it is a contestable market and that is why we are looking forward. And we may all not  
20 have a crystal ball but we need to do that as best we can.

And I am sure you are aware of that from the panel's mandate and the inquiry's mandate is precisely to look at how do we ensure that these remain contestable. How we do ensure the space for entrepreneurs and not just large commerce but also smaller and also historically

disadvantaged as well. So that is why we are interested in it and that is why we need to ask these questions.

I just want to – you know, under the hypothesis, let us call it that, that business model national wins out. And I know it is a hypothesis because you do not have a crystal ball. I mean, it seems that there will be different outcomes for at least outlets and potentially consumers. I mean, for outlets, your model is a high marketing spend, higher commissioner compared to the local business.

10 For the consumer, you get promos and good deals and maybe subsidised delivery. But we are also starting to see, it seems from reading the articles, is restaurants started to put up the menu prices as well. It may not to cover all the commissions but there may be a balance between getting a great price when you are on promotion and maybe out of promotion, potentially a slightly higher price.

And that is in contract to, I suppose, the hypothesis of local wins out or remains where there is a  
20 lower commission fee and maybe less incentive for the outlets to push up menu prices. I just want to get your response to that.

MR REID: Ja, I do to know if I am right enough to answer that, to be perfectly honest, because it has so much complexity in it, that it is difficult to answer. I mean, you

have made a number of assumptions which I cannot verify or not. And I think you have – although you have put it very succinctly, I think that the models are much more complexed than that.

You know, this understanding that the local model - I –you know, at what stage does the local model need more money and at what stage does it need higher commissioner rates, and at what stage does it need to invest capital in its infrastructure to handle local scale? I  
10 cannot answer those questions. So, it really – I am sorry, it is just too hypothetical for me to answer.

CHAIRPERSON: I am giving you the opportunity. And as I said, it is not that hypothetical. In our own presentation you talk about the two. So I am just saying. The one clearly has a national approach, more capital, more complexity, more infrastructure. The other one. There are benefits, no doubt, to you being a national offering and there may be benefits to the local offering. So I will give you another opportunity, you know, if you want to  
20 respond but depending on what happens here, there may be different consequences for consumers and outlets. And would you at least accept that?

MR REID: No, I cannot accept that because I do not know what the outcome is. So, ultimately, you are going to get a consumer trading on a platform and I cannot tell

what that outcome is. Again, I do not have a crystal ball to be able to tell you.

CHAIRPERSON: I mean, we were made aware, I suppose earlier by RASA that some places had put caps on commission fees. I think this was temporary in Covid but as I understand from my team that places like San Francisco have not made that permanent. So 15% cap. New York City has a similar bill.

I mean, I know you feel that any intervention is  
10 not appropriate at this time but I would like to ask your perspective on those bills and give you a chance to say how that might affect your business model, just so one can understand it.

MR REID: Sure. So I cannot speak to the cap in the different countries. I did actually listen to the RASA hearing and I would be surprised if the numbers in that RASA hearing are correct. You know, we can have a look and see what is happening elsewhere in the world and we can have this discussion in February.

20 What I can say is that intervention at an excessive level will probably make the business model unsustainable which will have affects throughout the model. You know, it will have direct effects on the participants in the model and you have seen the participants in this model.

CHAIRPERSON: Yes, so I do not think – as I said, my team has only found them at least subsequent to Ms Albers coming. So it is, obviously, not an extensive search but a 15% cap. But that is what I wanted to ask you as someone who has commission fees that are higher than that. How would you this disrupt your model and how would it make it unsustainable?

MR REID: Ja, so again, the commission fee structure, we can discuss in February, as we have already said. We  
10 have said that is confidential and the matters related around that are confidential. What I can say is, this not a one size fits all. Models develop and they morph over time. And I do not know where this model ends to be perfectly honest. I really do not.

You know, when you start a business you have something in mind and things change. I can tell you that, that when we started Takealot – what Takealot is today and what I thought it was going to be are two very different things. So it really is very difficult for me to  
20 answer that.

CHAIRPERSON: Alright, I thought you would have welcomed the opportunity to explain and that is partly why I would appreciate having the business people here. You can talk to us about whether this would upset the apple cart irreparably or not because at some point we have got

to explore these issues.

We have not made any findings but I thought it would be interesting just to explore this. I mean, obviously, they have gone ahead. That may be a disaster, it may be challenged but, I mean, just thinking it through. By capping commissions, does this not force competition on other fronts because there is so much revenue that you can get from the outlet side of the business and therefore, either you need to charge consumers or you need to  
10 become more efficient at delivery so that if you are recouping it, that the low delivery bill works and that is the point of competition.

But it seems at the moment there may be competition on who has got the best funding, might just change that dynamic.

MR REID: Well, capping commissions will certainly have an effect on the business. We cannot deny that. And – but, you know, again it remains a highly dynamic environment and a competitive environment to date. You  
20 know, where you are competing with not only the likes of, you know, the players who are the likes of – I mean, let us mention Amoeba.

You are competing with many people and many new entrance that are going to come into this particular market. And I think just going back to a point on looking



at other markets or other countries to inform these types of things. I think we have got to be very careful to have a look at that as well because it really is a different stage, a different – you know it is a different model, it is a different country, it is a different scale.

There is a whole host of differences in country dynamics. You know, if I look at for instance Indian eCommerce versus South African eCommerce versus Romanian eCommerce. I mean, they are very different  
10 places. They have different input costs, different ways of doing things, different dynamics.

CHAIRPERSON: I mean, the other thing in the New York City bill and it is only a bill at the moment that struck my eye is, is that restaurants should get access to customer data as well. So it is not just about a cap but it is also access to customer data.

MR REID: Are you asking me whether I agree with that or not?

CHAIRPERSON: Look, I would presume you may  
20 disagree but I suppose – ja, I mean, my question may be – and I do not know the rationale at the moment for that approach but we get a lot of restaurants saying that they would like the customer data. But it is strikes me, certainly in our limited discussion in eCommerce, this might be a way to also reduce dependency on a platform

and in fact provide those alternatives to a great extent. I do not know what your view is.

MR REID: Well, I find it a very interesting view in that, you know, spend money to build a platform and then you effectively encourage freeriding on that platform and give other people the benefits of the platform that you have spent money to try and create value out of. I do not – it is a – you know the customer data is such besides POPI and all the rest which is another complexity which comes into  
10 it.

You know, is the platform's data that they have marketed and gained customers to the platform. The customers that come onto the platform and buy from the outlets are not necessarily the same customers. Some of them are but they are not necessarily the same customers that go and buy from these outlets on an ongoing basis. So what makes that data theirs?

CHAIRPERSON: Well and that is the debate. I mean, what is the real extent of freeriding possibility? So that is  
20 the one question. So outlets without a deliver option themselves and there may be many. You know, this is may be a channel to also attract an in dining experience but for many customers who want the delivery experience are maybe still going to sit on the platform.

I mean, the other question that has been raised in

this is. I mean, does it not require then that in fact the platform shows its value to the customers and in them not offering that value then the customers might go elsewhere. So it does in a sense add another pressure onto the platform to ensure it is giving value to all sides.

MR REID: Sorry, I do not understand that, that when. You say the platform has to show the value to the customer. What does that mean?

CHAIRPERSON: Well, I suppose if the restaurant is  
10 saying: Look, come pick it up and it is at a better price. Then the customer got to weigh up: Well, you know, Mr D gives a great delivery experience. Or I can get it slightly cheaper if I go and pick it up at the restaurant because they have told me about the difference now because I have been contacted.

Ja, I have got to assess the value that Mr D is providing in terms of that great delivery experience against the price difference. And being informed on that ensures that the value of the platform is there for the  
20 consumer. So maybe you can just discuss the – I mean, what is the realistic extent of freeriding? And respond to the question about platform pressure.

MR REID: Sorry, so the extent of freeriding on the platform, are you...? Sorry. I am sorry, Mr Hodge. Can you just break up the question because I actually do not

understand. There are two parts to this question.

CHAIRPERSON: So the first question is. How realistic that there is extensive freeriding on a delivery platform because many of the restaurants may not have their own delivery service and may not be able to execute as well as you. So that is the first question. The second is. Being presented with the options because the restaurants can actually market to those actual consumers. Makes – does it make – have beneficial competitive effect by ensuring  
10 the platform shows its value if it is going to be more expensive.

MR REID: So the first one is difficult to answer because I have never experienced this. So I do not know what extent a freeriding will happen or not. You know, it is an experiment which I have not seen. The second one on the benefits of the platform. I think there are two answers to that. The one is, is that the benefits of a platform, effectively, are in what the platform delivers to the customer.

20 The customer is not a stupid individual. They are smart customers. They are digitally savvy. And I can certainly tell you that in some of our other businesses, people are looking at pricing in, you know, instore, online, all the rests. It is a highly competitive environment. And it is exactly the same with food delivery. I would be

surprised if customers do not know because we have actually seen complaints come through on this – in this regard.

So I think you are assuming that the customer does not know and I would probably like to see some verifiable data that actually shows that.

CHAIRPERSON: Can I just ask on your delivery drivers and franchisees? I just want to understand this relationship because I do not think I am clear at the  
10 moment. You have got franchisees and as I understand, or at least I think I understood, that they have a relationship with the drivers. So as I understood it. You have got the 40 franchisees that run delivery zones and because they are running the delivery zones, they are running the drivers in those zones. Is that how it works?

MR REID: Yes, so we conclude franchisee agreements with these franchisees and they are entitled to specific delivery zones. And, effectively, their job is to make sure that, you know, be it – and it is a multi-dimensional thing.  
20 So be it a Takealot package, a Superbalist package or a food delivery, they manage that using our technology that we provide as part of the franchisee agreements and they develop all the time to make sure that they are able to do their jobs. And they then have independent drivers to the most parts.

Some of them have drivers that are directly employed by them who then deliver on their behalf. There is a payment that gets made to the driver for the delivery and there is obviously - well, the payment gets made from Mr D Food or the Takealot delivery team as such to the franchisee and the franchisee pays the driver.

CHAIRPERSON: Alright, because that is what I understood. I mean, you do not have a direct relationship with the driver.

10 MR REID: No ...[intervenes]

CHAIRPERSON: It is through the franchisee.

MR REID: Correct. I mean, we have direct relationship with some drivers who drive trucks and things like that but not the drivers that I am referring to here.

CHAIRPERSON: Ja, so – I mean, that was my understanding and I am glad you clarified that you paid to the franchisee and they then pay the driver, presumably. And is that on a sort of per delivery type basis? I mean, you have got the employed but then you have also got the  
20 contract.

MR REID: Correct. It is on a per delivery basis.

CHAIRPERSON: So when you talk about the sort of what you have done for the drivers. I just wanted to understand that because that is what confused me. I mean, as I understood, you did not have a direct

relationship and you had a slide where you talked about Covid, driver's funds, keeping them safe. I mean... So, who is that? You or the independent franchisee.

MR REID: The Covid Fund is us. We put a fund in place to assist the drivers at the time during Covid to actually pay them directly. So we paid that money onto the franchisee and the franchisee paid onto the driver or, in fact... Alex, did we pay directly or not?

MR WORST: No, we paid it to the franchisee.

10 MR REID: Ja, so we did not pay directly. We paid via the franchisee to the driver. In fact, if I recall correctly. There were lists that were put together on drivers who were affected and we continued, you know, administering those lists and paying the drivers. So that is a cost to us. Then there is an additional things. So what we do is, we facilitate. So we facilitate – we will go to a particular outlet and we will say: Right, here is a scheme that we would like to put in place which the franchisee is going to roll out to the drivers. Let us do and negotiate decent  
20 rates around - about – around leasing. Leasing of motor vehicles and as well as the maintenance of those motor vehicles.

So we will go and we will facilitate that arrangement to the benefit of the franchisee and the driver. The same with the helmets. In some cases we will

subsidise the franchisee to be able to provide that to the driver. In other cases, the franchisee will do that. If we look at – you know during the Covid period, there were hand sanitiser and all that type of stuff that needed to be supplied.

You know, we went out and bought hand sanitiser for everyone, deliver it to them to make sure that people were safe during this time. So, but the primary relationship is that of an independent driver in most cases  
10 with the franchisee. Except, you know, exceptional circumstances like Covid where we stepped in.

CHAIRPERSON: Alright. So, I mean, just so that I understand your slide here. You, on things like motorbike insurance, et cetera, you go and agree rates because you have got buyer power presumably. You probably will not like that term. So just say, you know, large buying potential. You can negotiate a better fee. But the franchisee would then use that insurance for the drivers. They pay the insurance. Is that right?

20 MR REID: Well, no, actually, the driver may end up, actually, paying the insurance but the benefit that has been negotiated, you know. And the buying power thing, I do not mind the term so much. I think maybe you would not like that term. [laughs]

CHAIRPERSON: No, I realise some of your lawyers in



the room may be sensitive. So I will take that back. But just so that I can understand because you also said: Look... I mean, you saw an opportunity. Drivers at night. Obviously, now food deliveries happening at breakfast and lunch too but maybe not on the same scale as dinner, and parcel delivery in day. So, I mean, what proportion of your drivers are employed as opposed to contract?

MR REID: No, the majority are contracted.

CHAIRPERSON: Alright. And your Covid Fund. I mean,  
10 did that apply to contract as well as employed?

MR REID: Absolutely everyone. Well, in fact, in this particular – so when you look at the majority being contracted, the majority that benefited of that Covid Fund would have gone to contracted employees.

CHAIRPERSON: Another thing that got raised earlier today with another delivery is this point of sale integration and so I just wanted to understand this a little better. I mean, as I understand, the original model, the people who have been given a tablet or I think you showed us an  
20 Android device which seems more like a little – a smaller handheld device rather than a bulky tablet. But it seems you can, at least for the bigger chains, you have, I suppose, a point of sales system that is common across all of the outlets. There is the possibility of integrating into that point of sale. So you can as orders come on

their normal system rather than on a handheld.

So I just wanted to understand a little better, you know, the extent to which this is happening. Is this quite difficult tech given their point of sales or is it not? Is it just...? I mean, we hear about all the time and – well, we heard on Play Stores and things, is API's that you just link into and extract data. So maybe if you could just give us some insights? Obviously, if there is confidential information, do not traverse it.

10 MR REID: No, look, I mean... Sorry, I had to chuckle when you said it is just an API because I think that is the impression of most people when it comes to digital and may be my impression when we started this business that everything was going to be an API. We will just cut and paste but it is not the case. So the point of sale integration is actually quite complexed. It is not that easy. And the larger nationals have requested certain point of sale integrations. I think we have done one point of sale integration so far. It is not mentioned, the brand  
20 but ...[intervenes]

MR WORST: We have got two at the moment.

MR REID: Two?

MR WORST: Two.

MR REID: Two points of sale integrations. It is not something that we have managed to roll out in mass. It

takes quite a lot of technical work on our side. And you know we are – although we are being categorised as a behemoth, we are actually quite a small business in this business and a growing one and we have got 101 priorities and we have to prioritise our engineering work at all times. And, you know, when we are able to get to something like this, we will get to this. It is certainly not a priority for us today.

CHAIRPERSON: And I do not know if Mr Worst can  
10 assist on this or yourself, Mr Reid, but I mean, is this on an almost – I mean, I am not technical at all but on an almost open standard. So trying to overcome all these difficulties and maybe these restaurant chains never had to have an integration of any sort. But would it be on a relatively open standard so others – the kind of solutions that had been found are – could be open to others?

MR WORST: Well, look here, Mr Hodge, I mean, I cannot  
20 speak for solutions out of the market. I can only speak to the solutions that we have got in place and it is rather custom in that regard. I mean, it requires in detail menu mapping because, of course, we may have a completely different menu structure within our systems than individual restaurants may have and with that, it is quite complexed and not something that we have prioritised widely at this stage.

CHAIRPERSON: Ja, because I think the reason I have just wanted to explore that in part is. You know, we have seen in at least platforms that sometimes there is an ease of transferability of data and we heard about in travel accommodation about multiplatform listings, software's. I think when we come to classify as next week there is also listing software's that happen but maybe delivery is a little bit more complexed than those situations.

MR REID: Ja, I think the point of sale integration is not a  
10 trivial thing and because of the variety of point of sales that are out there, I think it is traditionally always been a difficult thing to get right.

CHAIRPERSON: I just want to go to the merchandising opportunities that you offer. I mean, I just want to understand. Are these relatively new because you talked about unsolved inventory and I mean, maybe if you can just give us some context. And also, you had highlighted three positions in the pace. So maybe if you can just tell us a little more about the three.

20 MR REID: Sure. So let us start with the merchandising. They are not new. I mean, we change things often to try and increase conversion. I am not sure when we changed – last changed the merchandising stuff, Alex?

MR WORST: We introduced promotion stuff earlier on in the year but merchandising itself has not been adjusted in

a while.

MR REID: Ja. So this is – again, it is an evolving platform and these things evolve over time and when you get the opportunity to develop, you develop certain functionality within the platform. But at the essence of these merchandising options, there is three spaces. Our page 29...

Sorry, I apologise to the public that I do not have, obviously, access to the slide but page 29 you will see  
10 those three areas there and those are available to purchase for anyone based on a rate card.

Then we have highlighted the filters which comes in the next one which is basically to filter through. That is really – and again, this is all really to aid customer discovery. So the filter is the next two parts there which basically allow you to filter down to what is on special. You know, Halaal or you know fastest, closest to you or a particular type, a food type.

And then the last one which is just the general  
20 listing page as such which you basically scroll up to and you see all of the restaurants that are in the vicinity of you listed from further – sorry, closest to furthest from you with the differential of delivery and collect being listed before, just collect.

CHAIRPERSON: Look, we had a discussion yesterday

with Uber Eats about, I suppose, transparency on advertising. It seems they are on their sponsored links put sponsored. I mean, as I understand with Mr D there is no such label. I may be wrong.

MR REID: No, you are correct. And to be honest. We watched the Uber session yesterday. And you know as a customer centric organisation, I think there is a point there.

CHAIRPERSON: Alright. Well, then- ja, because I think  
10 – I mean, I did notice as a user of other, I suppose, products like the media products, there is – that is also labelled as well. So we will see how this develops in your platform.

MR REID: It is the evolution of the platform. I mean, it is something we definitely will look into.

CHAIRPERSON: Just give me a moment.

MR REID: [No audible reply]

CHAIRPERSON: There are just a few areas and I am sorry if we are taking more of your time than we anticipate  
20 but hopefully we will be finished soon.

MR REID: It is Friday in Cape Town, Mr Hodge. [laughs]

CHAIRPERSON: [laughs] I know and last week, we were told you that should have a glass of wine in front of you at this stage in Cape Town. So...

MR REID: That is right.

CHAIRPERSON: I mean, you – the other thing you point on the business model, you need the reputable brands and that is the national chains. And I assume you work hard, obviously, to get them on your platform because you think they are important. And I presume you obviously – well, I presume you negotiated at the head office level. You are not trying to negotiate with every store. Is that right?

MR REID: That tis correct. I mean, we try and negotiate at where it is most effective to negotiate.

10 CHAIRPERSON: And I assume, you know, when you are negotiating with them, it is not about getting one or two stores. It is about getting the group on. I realise there is corporate and there is franchisees and there may be a difference in treatment. But the discussion is really about getting, I suppose, at least all the corporate stores on. Is that right?

MR REID: Correct. We may try and get the franchisee stores on at the same time but, you know, sometimes, certainly from what they tell us is that they do not have  
20 the ability to buy the franchisees.

CHAIRPERSON: And I am sure franchisee agreements differ but is that fairly uniform in your experience that they cannot buy them?

MR REID: Ja, I am going to have to actually defer this one to Mr Worst.

MR WORST: No, I mean, we do not have any – as far as I am aware, we do not have any binding agreements for franchisees. I mean, at the end of the day, everything needs to – even though there may be one channel agreement on a group basis, it still needs to be agreed to and agreed by the franchisee. I mean, what the corporate brands negotiate with the franchisee, we may not, essentially, be privy to.

CHAIRPERSON: Alright. Thanks, that is useful because,  
10 as I said, franchisee agreements may differ and some may have the power and some may not but if your experience is that it is generally not. I mean, the other thing you do with them is, is co-branding as I understand. And what is the purpose of co-branding of your business and theirs?

MR REID: Well, again, I think the brand, at the end of the day, is important for the platform because it creates credibility in the platform. And the co-branding agreements or relationships that are done are to do exactly that, to enhance the credibility of the platform for  
20 all on the platform.

CHAIRPERSON: And would there be other sort of marketing opportunities that you discuss?

MR REID: I am sure there are marketing opportunities that we discuss with the brands and with individual restaurants all the time. I mean, it is part of our



business.

CHAIRPERSON: I mean, maybe just the last thing for me is. We, obviously, had a long discussion yesterday with Uber Eats about differential commission. But, you know, from the press reports it would seem it is also a Mr D thing.

MR REID: Ja, again, you know, we claim confidentiality on commissions. I think in fairness to, certainly ourselves and in fairness to our outlets, we are happy to which – I  
10 mean, these matters are confidential between us as well. And we are happy to discuss this in detail in the *in-camera* hearings in February.

CHAIRPERSON: And I certainly do not want to go to the details because that is confidential but I mean you say it is negotiable. I assume it is not uniform and I would just say that that is what the press article seems to suggest too.

MR REID: And so we have seen the press article. In fact, I had not seen it until before yesterday when it was  
20 made - when you highlighted it. Again, you know, we negotiate individual contracts with individual outlets.

CHAIRPERSON: And I can understand, much like Uber Eats, you are little hesitant to go too much further in this public forum.

MR REID: Ja, and again, I think in fairness to ourselves,

in fairness to – because fairness cuts in many ways. In fairness to ourselves, in fairness to our outlets as well. And when I say in fairness to ourselves, on a competitive basis, we do not want to discuss this today and we are happy to discuss this in detail with you in February in the *in-camera* hearings.

CHAIRPERSON: Ja and I think the point I made yesterday to Uber East is, you know, transparency does wonderful things. And whilst there are individual rates  
10 that may be confidential, all I want to put to you is. You know, do the bigger chains do better than the smaller independence?

MR REID: Ja and this goes to the heart of the discussion and we are happy to discuss this in February.

CHAIRPERSON: And I am sure we will. It is just a shame the public will not benefit from any insights from this.

MR REID: I do not actually understand what the public would benefit from this particular discussion.

20 CHAIRPERSON: Well, I think as we have discussed yesterday with Uber Eats. I think, certainly, transparency assists the consumer, make certain choices. And I think this is becoming an interesting theme that we are seeing popping up across a number of platforms. And where the consumer has more insight, maybe they will say that the

platform adds a value I want, maybe they do not. But the need for secrecy, I think is a, you know, can be an injustice to the consumer.

MR REID: Hodge, I mean, I need to actually understand this as a businessperson. My first question around this is that. Is there a piece of legislation that requires us to essentially - what is essentially disclosing a confidential matter between a company and an outlet. That is the first question. The second is, is that, does this go  
10 elsewhere? I mean, in the same manner, should restaurants disclose their margins? Should retailers disclose their margins in the spirit of transparency?

CHAIRPERSON: So there is no legislation. It is a question of whether transparency would aid the consumer and it may depend on what? So, as I indicated. I mean, you know, to Uber Eats. I think for the consumer to know what the commission is to their local restaurant when they make a choice about delivery, may in fact be empowering.

MR REID: But if I like Baker's biscuits, okay, and I buy  
20 them from a retailer and somebody else makes something else and the one makes a different margin to the other one. Should that then be made known to the customer so that I can make a choice between Baker's biscuits and something else because I might actually need to know that? I really do not understand this premise at all.

CHAIRPERSON: Ja and I think the fact that you do not understand it maybe is you know is something that we will take back but maybe as a consumer in this – all I am putting to you is, is maybe you should have an understanding of how the backend of the platform works because all you are responding to is, is the marketing at the moment.

MR REID: But again, I need to ask the question. How does that then to go to a retailer or to somebody else? If  
10 I a buy car, do I need to know the margin that is sitting in buying a car? Is that part of transparency? I really – I find this question somewhat bizarre.

CHAIRPERSON: Or somewhat uncomfortable.

MR REID: No ...[intervenes]

CHAIRPERSON: Mr Reid and your team, I want to thank you for coming on a Friday in Cape Town for – to answer the questions and also present to the public and also to the panel. We will have those in-camera sessions, as you indicated. And if there are any further confidential  
20 submissions you want to make before those, you know, as I think we have indicated to your legal team, you are welcome to do that. And then we can pick up these conversations then.

MR REID: Mr Hodge, thank you very much. And Ms Tshepe, thank you very much for your time. On behalf

of our – everyone around the table right now, I also thank you for your time. And I will see you on the 24<sup>th</sup> as well.

CHAIRPERSON: Yes, I forgot about that.

MR REID: Thank you. Have a good weekend.

CHAIRPERSON: Thank you.

PROCEEDINGS ADJOURN UNTIL 15 NOVEMBER 2021

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I, the undersigned, hereby certify that, *in as far as it is audible*, the foregoing is a **VERBATIM** transcription from the soundtrack of proceedings, as was ordered to be transcribed by Gauteng Transcribers and which had been recorded by the client

<u>Case No</u>	<u>Competition Commission</u>
OIPMI	MR D

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**PLEASE NOTE:**

- 1. Parties sometimes unclear, therefore the "indistinct"***
- 2. Parties intervening each other may result in indistinct words and or phrases.***



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