



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

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

on

16 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Itumeleng Lesofe

CCSA Internal Team

Tshegofatso Radinku

CCSA Internal Team

Siphosethu Tetani

CCSA Internal Team

COMPANY: MY PROPERTY



Gauteng Transcribers
Recording & Transcriptions

INQUIRY RESUMES

CHAIRPERSON: We are now moving to My Property and we have, I think it is Adriaan Grové who is joining us and My Property does form part of the Entegral Group. Mr Grové, welcome. Mr Grové, I believe you have a presentation, so I am going to let you proceed with that presentation and then we will have questions following that.

MR GROVÉ: Great. Thanks, thanks James. You guys can hear me fine, hey?

10 CHAIRPERSON: We can hear you absolutely fine.

MR GROVÉ: Excellent.

CHAIRPERSON: So please load it up and then we will listen to you and broadcast that to the public.

MR GROVÉ: Ja, I would just like to thank the Commission for the opportunity to present, you know my views, which is also the views of obviously many of our clients. I have been in the industry for more than 15 years, grew up in a real estate family and you know, speaking to estate agents on almost a daily basis, so I do understand the industry I think quite well.

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There is lots of unhappiness in the industry at the moment regarding you know, property portals, monopolies, prices and so forth, so I am actually quite surprised that you know, none of the real estate organisations have stepped up and presented you know, their views of the current situation,

but you know at least I am presenting our view and hopefully creating a bit of, or bringing a bit of transparency to the process. So I am going to share my screen here.

CHAIRPERSON: We can see it perfectly now.

MR GROVÉ: Excellent, let us kick off. I am just going to do two or three slides just introducing everyone to what we do. So we are one of the largest independent service providers to the South African and Namibian real estate industry and we do not have any external shareholders, and that is by
10 choice.

Since our launch in 2004 we have been bootstrapping and basically growing organically, embracing the remote work movement and we have a small agile team of 16 passionate people who are really creating cutting edge solutions or trying to create cutting edge solutions for the industry.

We love working with the small estate agencies and any you know, forward thinking real estate entrepreneurs that you know, in the industry.

20 So our main products evolve around three systems that you see on the screen. First of all we have a listing system where estate agents basically capture their listings. We have a syndication platform where those listings are syndicated to and we have our website component where we build real estate websites for estate agencies, so it is a

complete real estate solution, but you can also sort of use those components individually.

So we have clients like you know, Leadom, Keller Williams, a couple of others that are usually only part of the system to do their syndication or their websites or you know, whatever, so we give the clients freedom of choice.

We also run a portal, My Property in South Africa and also in Namibia, much better success in Namibia with our portal than in South Africa, one of the oldest portals and
10 we have also recently launched a guided virtual tour platform and a home loan origination service.

So of particular interest to the Commission I think is as a listing syndication, as you can see there on the screen, I think I have captured most of it, we actually provide the widest marketing exposure for clients, you know if they want to market on various portals. So the estate agent would capture a listing once with us and we would distribute it to all those portals, but we give them choice.

So if they want to only advertise on Property 24 and
20 GumTree or only on Private Property and some of the other portals, we give them that choice and we are very open to working with new portals. You spoke with guys from Property Central for instance yesterday, you know we were the only sort of syndication provider that was willing to work with them and that is, you know the same case for many

other portals. So if you want to start a property portal we are probably your best choice to get into the market.

So as I mentioned we provide freedom of choice, so we do not estate agents in to you know, advertising with certain portals, they can choose, you know where they want to advertise. So that is what we do.

I want to jump in and give you my views of the current portal situation. Times have moved on, so we are seeing a sort of a blurred line between what is offered by
10 traditional real estate agencies and the new portals. Portals are really getting closer to the transaction and that results in higher fees. We see it worldwide. If you look at the US at Zillo, UK at the portals Right Move and the other portals there as well, so they are taking ownership of parts of the real estate transaction and this trend will continue.

So there is quite an interesting pick, you will see Google trend search on, that is in US, Zillo is the most prominent portal and all the other real estate brands and you will see around 2010 there was a big shift where you know,
20 that portal started to push their advertising and obviously gain market share and people searching for the brands, so the portal has become the first or the shop front for estate agencies or people wanting to, you know sell homes.

Interestingly South Africa, I did an analysis there, very similar picture actually and also at the same time

around 2010 Private Property had a lead at a time and then sort of you know, lest interest and Property 24's interest or searched on Google increased over time. It looks like the gap is still opening up.

Now we gather a lot of the stats in terms of portal views, so we know what is going on in the market and I can tell you now that you know, Property 24 is sort of opening the gap to anyone else.

So we all know that data is the new oil. If you want
10 to start a portal and you do not have all the listings you have already lost the game, very difficult for new portals to enter the space or any established ones to compete.

We operate in a portal space as well and you know, we know, we see if there is more listings added to our website, you know the search engine optimisation, the ranking, everything improves, so that is why I am saying if you have all the listings then you know, you sort of are halfway there.

The big problem obviously is most of these property
20 monopolies or duopolies are fuelled by investor money and they are prepared to make a loss for many years in order to drive out competition. SEO, search engine optimisation used to work well until Google released Ad Words and that allowed you know, people or companies with money to be put in the, you know at the top spot and obviously attract a lot of

traffic.

So you need a big budget for search engine marketing and you know, brand marketing online and offline these days to succeed. SEO still drives a big percentage of the traffic, but you need listings for that, it is a chicken and egg scenario there.

The big problem is that portal and particularly listing providers are very selective about who they share data with and as I think Mr Manning explained in the previous session,
10 it is all about control to remain market share, the real estate industry, the traditional agents and the portals you know, everyone wants to obviously control or retain their market share.

A big pain point, and you will see it in all the online forums, you know where estate agents engage and usually around March, April when price increases are announced, is high portal fees, it is an incredibly big pain point for the industry, but in the rest of the world as well, you know high fees are a problem. The problem for us is that agents are
20 left with a smaller marketing budget to support other marketing initiatives, so for instance on their own website or you know, supporting other paid portals as well.

So we have instances where clients, where we see clients dropping certain paid portals because they are not too expensive, just to keep you know, head above waters

and obviously stay on Property 24. My view is that the cost is passed down to consumers via the agent commission, so it leaves little room for negotiation, as the portal fees, and I had invoices forwarded to me yesterday from a couple of clients, you know talking R5 000 to R20 000 a month easily for your average estate agency and that is just for Property 24.

Then Private Property fees come in and you know, any other sort of portals they want to support, so in addition
10 to all the other operating expenses that agents have the cost of operating a real estate agency these days is actually quite big. If you do not do sales you are pretty much screwed.

So customers are left with default options, finding homes on certain portals and there is you know, the Property Central explains very little innovation in this space, it is basically copy and paste between portals at this stage.

The big problem as well is that high portal costs create a barrier for new start-up agencies and we are seeing this firsthand with agents contacting us, wanting to start up,
20 so that is a big barrier to entry here to help stimulate and transform the industry.

Okay, so let us look at another big pain point, and that is the for sale by owner, if you want to sell your home yourself or if you want to launch a new real estate model that wants to offer very low fees. So both Private Property

and Property 24 provide for sale by owner listings, which in effect is competing with estate agents, but very little is done to promote the value and the role of estate agents and in most cases that for sale by owner option is advertised prominently across pages as the primary option, so that you know, leads sellers to believe that selling a property is fairly easy.

Analysis that I did a couple of years ago indicates that we actually counted a number of private sales on the
10 portals, it is a multimillion Rand industry if you look at the fees that is charged, so it is a highly profitable part of a portal operation, obviously if you have the eyeballs.

So any real estate models that try to offer for sale by owner models and try to advertise those listings you know, on these portals or offer a low fee structure are unfortunately penalised. So a recent client that actually switched over to us is now shutting down his business, was told that he could not market private seller listings for too low, as that would compete with the portal's own for sale by
20 owner model, so that is quite a rough one and that, you know at the end of the day that is income we lose as a company as well, you know that is a client we lose.

Now new virtual real estate models with, you know the lockdown, Covid, everything has changed, a lot of new virtual models launching where agents operate without

offices nationally, so they are also penalised as based advertising rates have to be paid per region. So you would pay more if you advertise one listing in each province compared to having nine listings in one province, so that does not help stimulate that new virtual real estate model. Okay, so that is the portal side.

Listing syndication, so that is where you know, listings are distributed between service providers or portals. Unfortunately at this stage is the one way very
10 anticompetitive relationship, so Entegral, our company supports all the portals. We are the, you know listing and syndication software including Private Property and Property 24 who each have their own listing software, so Property 24 has Prop Control, Private Property has Fusion,

Entegral was actually key in helping Private Property transform from for sale by owner portal to agency portal by supplying a bulk listing fee to them many moons ago.

So although Entegral provides these portals with
20 listings, they actually refuse to feed the other way to support us and our portals, that is why I am saying it is a one-way relationship. We tried to find ways around that, you know any technical cost issues and we said well, we can scrape your data similar to what Google does, but that, even that was not allowed.

The other pain point for us in particular is that Property 24 charges an additional R500 a month inbound fees to agencies, so that is on top of their advertising fees if they receive a fee from external providers, so smaller estate agencies that come to us and say well you know, I want to advertise on all these portals and we tell them you know, there is that inbound fee to say well you know, they have to obviously save on costs, so they are going to list with Prop Control, Property 24's own system because that is free,
10 so they are already saving that R500 a month. So that is, you know that has obviously cost us a lot of clients.

The other pain point is virtual tours, top portals only allow integration selected virtual tour systems, Property 24 only allows two international service providers and basically reject anything else, including our own virtual tour system that we have developed over the years. We have actually developed quite an innovative system where agents can do live guided tours with buyers, one of only I think two systems in the world that does that. We have developed that over
20 lockdown and then you know, we unfortunately found that none of the portals want to support that, although it is obviously in the best interest of the consumer and the agent.

Okay, so now we are coming to a tough one and I am going to step on a lot of toes here, but fortunately previous sessions, I think you have got a good overview of

sort of what is happening in the industry.

So the industry initiative was launched to counter Property 24 who tried to buy Private Property which saw REBOSA, the industry organisation via a company they formed, EAPPC, estate agent property portal company buying a minority stake in Private Property, which has now been punted as the industry portal. Although the majority share is still owned by another listed company, Cognition which is owned by Caxton.

10 So Private Property is marketed as exclusive partner for REBOSA. The problem, as Jeff mentioned in the previous session, is there is multiple hats, conflict of interest, so the Board consists of franchise brands, we also serve on a Private Property Board and so it is not reflective of the real estate industry. It is where you know, about two thirds of the real estate agents are still independent brands.

The truth is that the minority of the industry consisting of those 28 companies or brands owns a minority shareholder in a portal of 13% while backing it as the only
20 viable solution to counter Property 24 and there is various statements you will see on that. So the whole portal landscape has stagnated and as I have mentioned, based on our stats the gap is opening.

So there is a screenshot, you know if you go onto the site, I think they have actually removed it two or three

months ago when the Competition Commission started, obviously saw a problem with that.

So the alignment of industry organisations to certain portals is detrimental stimulating innovation you know, in the industry. Property 24 is NASPIS owned listed company and Private Property is the shareholding you see there. Interesting to note that there is also a 15% share each to Bond Originators and Betterbond.

As Jeff mentioned as well, there is preferential fees
10 paid to Private Property, you know if you are part of that conglomerate, which I think it is now obviously unfair to any independent or start-up agency that is not part of that.

The other problem is that those originates, Ooba and Betterbond are shareholders in Private Property, also have shareholding agreements with large national brands, so the branding is prominently associated to each relevant listing and thus driving you know, those bond origination leads for that conglomerate.

Interesting to note is that there is only three main
20 originators in South Africa, so it is Ooba, Betterbond and Altinet, Ooba and Betterbond 80 to 90% market share and then there are many aggregators under them under their own names and they take you know, less commission and a lot of the independent brands support these aggregators without knowing who they really support. So the smaller

independent agents are unknowingly funding their competitors by means of the portal and bond originator support.

Any attempts from you know, anyone to engage with REBOSA, I have asked them that, this was many years ago, I have asked them about their anticompetitive stance, so I asked them you know, do you not think it is anticompetitive if we feed to Private Property but you know, they do not want to feed back to us and do you not think we need more
10 transparency, and a couple of other questions there, you know. Who are the shareholders in the company? What rewards, profits are paid out? How is everything handled? And you know, I am just told that I am not a REBOSA member, I am not an estate agent and basically my questions are opportunistic and we are not accommodating you.

So that is my side. There is obviously a lot of remedies one can look at, but I am looking forward to all your questions.

20 CHAIRPERSON: Thank you very much, Mr Grové and we do certainly have some questions. I just want to start with your observations from the international situation. You had a slide on the US and then you also showed parallels to South Africa.

MR GROVÉ: Yes.

CHAIRPERSON: And you had mentioned I think that there was an advertising push of, I think in that case it is Zillo and it is Right Move in terms of ... (intervenes)

MR GROVÉ: Yes.

CHAIRPERSON: Sorry Mr Grové, I have just noted you do not have your camera on, if you could put that back on.

MR GROVÉ: Okay sorry, there we go.

CHAIRPERSON: Thank you.

MR GROVÉ: Yes, so there is a big marketing push and that
10 is primarily from you know, Wall Street, you know they are throwing lots of money at real estate, real estate as seen as a low hanging fruit and as you have seen with Zillo, many of the other portals they make a loss for many years before you know, turning a profit, ja.

CHAIRPERSON: So as I understand, I mean and I had this discussion last week with some of the players, but I mean as I understand almost the model is throw a lot of money at marketing on Google, I suppose and probably above the line brand marketing in order to draw the consumer and that is
20 what gives you almost the lead in the race. Is that what is, is that your understanding and is that what has happened in South Africa?

MR GROVÉ: Ja, for sure. I think there is two sides, one is obviously the budget for marketing. If you have deep pockets it just makes it so much easier. The other is

listings. So what we found on our portals and working with start-up portals, if you do not have you know, all the listings in a particular area that buyer is going to jump off and continue search until he finds the property he wants on a different portal.

So if you have all the listings then you are pretty much in a good position and you can solve the primary need of the buyer.

CHAIRPERSON: I just wanted to ask while we are on that
10 topic, I mean you have listed on your slide a few of the portals and I suppose a couple of agencies, but what about GumTree? Are they considered then part of this universe?

MR GROVÉ: So GumTree is one of our partner portals as well and they, based on the view stats we get back from them, so they send us stats back in terms of the number of views they get on a particular listing.

CHAIRPERSON: Sorry Mr Grové, I must just sorry, interrupt you and say we are in the public, it is being broadcast, so if there is confidential information ... [intervenes]

20 MR GROVÉ: Sure, sure.

CHAIRPERSON: Then please do not reveal that, even if it is of a third party.

MR GROVÉ: Yes, yes.

CHAIRPERSON: But I will let you proceed.

MR GROVÉ: Okay ja, let me rephrase. GumTree does very

well and you know, a lot of the other portals are actually you know, are prominent in certain areas. So it is worthwhile for estate agents you know, to actually test them out and see what works from there.

We have certainly found that some portals are stronger in certain areas than others, the same for GumTree, certain type of listings as well. If you look at residential and commercial or rentals and for sale, each portal has its strength, but Property 24 is sort of the king of the portals at
10 the moment.

CHAIRPERSON: Alright, so they attract traffic, must like I suppose My Property does as well.

MR GROVÉ: Yes.

CHAIRPERSON: But you are saying the king is Property 24.

MR GROVÉ: For sure.

CHAIRPERSON: Then just to pick up on your listings issue and the syndication, I mean I was interested that you syndicate to 21 different, as I count it, different portals.

MR GROVÉ: Ja.

20 CHAIRPERSON: And you are saying Property Central will be one as well.

MR GROVÉ: Ja, they are busy finalising their testing, so we have basically helped them sort of get onboard and ja, hopefully they will make a success.

CHAIRPERSON: Can I just ask, because none of us are

technically-minded, it is lawyers and economists here, so can I just ask what is involved in enabling a syndicated to send through to a platform? I mean, what are the technology requirements and any cost?

MR GROVÉ: Sure. Ja, so each platform has to build that syndication interface or API application program interface and each portal has its own standard, so it is like protocol. So what we, and that involves you know, the fields they require you know, photos, the photo sizes, you know there is
10 a lot of metrics around that.

So what we are doing is we take one listing and then we make sure it will go onto each of those portals. Now to run the syndication or to build that is quite complex, depending on the portal, because each has their own standards, so it is not an easy thing to do and when you combine all these portals then it gets quite support intensive. You know, this is probably our biggest area of support within our company, is making sure the listings go through to all the portals.

20 What also happens is that some portals may experience problems and then those interfaces may break down and you cannot communicate with them, so now we have to do fail overs and you know, agents contact us, what is going on. So it is a resource intensive area of the business, but there are ways to make it simpler and what we

have for instance found it is easier to integrate with certain portals than others, so for instance GumTree, yes and IOL Properties is very easy to integrate, the others are all complex.

CHAIRPERSON: But to put it in perspective, I mean you are not a large business, you have got 16 employees I think you said, so and you have managed to put up 21 or 20 plus integrations.

MR GROVÉ: Ja.

10 CHAIRPERSON: So I just wanted to come back to then the question of why your My Property site has been denied access to listings, as you say, from Property 24 and from, or their syndication software Prop Control and Fusion from Private Property. I mean, can it be a technical reason or what have you been told?

MR GROVÉ: No, no these are listed companies, so provision resources to feed out where there are already fees out, I do not see that, I do not see a technical issue. It is more about control, not wanting to support competitor
20 portals as they know that you know, that that date, that listing data is the oil.

From Fusion's side, interesting, that was once owned, if you look at the directorship, owned by a couple of real estate franchises, then Private Property bought it over and they actually feed to one of our competitors for building

you know, agency websites and we have been trying with them for the last seven years, maybe longer, to get a similar feed and they just have one excuse on the other, so that has driven a lot of business, you know away from us to those you know, because of that, but that is definitely, it is not technical issues, you know it is more a management decision there, who do you want to support.

CHAIRPERSON: And so what are the types of excuses that you say you have got over seven years?

10 MR GROVÉ: We are too busy, Property 24 just a short answer, we are not interested at this stage. Although the, you know the request is not from us, it is from the estate agency, so the estate agencies ask us you know, we are on Prop Control, we want to advertise on My Property or we are on Fusion, we would like you to build a website for us and then we have to tell them you know, there is no feed available, you know so what can we do?

You know, we have unfortunately lost a few clients due to that, so it is tough, but we have you know, managed
20 to work around that and you know, innovate other parts of our business, so we are okay but it is definitely, you know we are looking at what agencies require and it is definitely you know, a problem for agents. They have to look you know, who supports who in this industry before choosing a service provider.

CHAIRPERSON: So when you say you have lost clients that is clients of Sync.

MR GROVÉ: So basically ja, I actually cannot, maybe I think I need to mention it offline, it is maybe a very sensitive topic but ja, we have lost some franchise, real estate franchise clients, I am not going to mention the names, so because of Fusion or Private Property not wanting to feed to us.

CHAIRPERSON: And just to understand from the estate
10 agents' side, are there estate agents that want to list on My Property?

MR GROVÉ: Unfortunately our traffic is not too hot in South Africa, but we understand the problem because you know, we do not have the listings, so we do not have nearly the exposure of Property 24, Private Property. We are working on some initiatives and we are getting interest, so there is interest limited at this stage. We are hoping to grow it.

Our Namibian portal is flying, but the South African
20 one less interest. We did spend on online marketing and you know, then we just got too much you know, to promote the portal, it eats into your profits, so we said there are better things to focus on and to focus on the areas where we can provide more unique services and provide better service for agents, so our approach is a bit different, but you know I

think we will get there, we will keep on fighting.

CHAIRPERSON: Well I mean, I suppose as you put it in the beginning if you do not have listings that is marketing in listings, it seems those are the two pieces of the puzzle you need.

MR GROVÉ: Ja, for sure. I think if we have all the listings or 80, 90% of the listings I think we can easily push the portal to one of the top positions, so it is not going to catch Property 24 right now, but then we have you know, then we
10 have what the consumer wants and then we can start working on you know, the interface and everything around that to make the experience better and see if we can make that experience better for the end consumer, but it is difficult.

You know, look at the bounce rates and stuff you know, if people do not find property in a specific area they are on to the next website.

CHAIRPERSON: Alright, but if the syndication issue could be resolved then would estate agents be able to list for free
20 on your property site and would that change the dynamic?

MR GROVÉ: Ja, we currently have a fee of R99 per month per office just to cover, you know just to cover something, but we are likely to drop it altogether, because we think you know, we will make that up through other channels you know, advertising on the site, but if you look at our site it is ad

free. We do not allow for sale by owner listings for instance, because we think real estate these days has become too complex, you need the estate agent, so we have a manifest on what we think is the right thing to do.

We do not promote listings to certain positions, so we want to provide buyers and sellers with transparency, that is our goal, but yes, certainly if the syndication issue is resolved it would open up not only doors for us, but many other start-up portals in the space.

10 CHAIRPERSON: And in your slides you said that Property 24 charges an additional R500 per month inbound fee to agencies who use Entegral or other external providers and this steers in to use the free Prop Control system to save on costs.

MR GROVÉ: Yes.

CHAIRPERSON: So you obviously have set up a link to Property 24 to feed listings to people who use your syndication software and you are saying there is an inbound fee.

20 MR GROVÉ: Yes.

CHAIRPERSON: And what do you understand the reason is for this fee?

MR GROVÉ: I think I have I look at, from Property 24's side they would say you know, it is for doing the technical support to support that interface from us, the problem is that it is one

interface that supports all those clients that you know, we feed to them, so why charge every client a fee and on top of those high fees?

You know, if someone is paying you know, R5 000 or R15 000 a month surely you can absorb that R500 inbound fee. The reason obviously is that they want to retain that client on Prop Control on their system. There is a lot of other data that is very valuable for portals and listing providers, for instance if a client lists a property and then
10 marks it as sold they immediately have access to sole statistics that they can then resell back to the agents, that is what currently is happening.

You can buy property reports on Property 24 and get some detailed sales statistics. So the more statistics you have, the more detailed data you have, you know the more revenue for you. If we supply it, you know they will have a limited set of data that they are getting, so it is much better for the portal if the agent can provide more details of each listing.

20 CHAIRPERSON: And would that also mean that you have all the listings if you are the syndication software? Because as I understand clients may not list all their properties on a particular portal.

MR GROVÉ: Ja, so we provide freedom of choice, I think most of the other providers do so, agents can choose, so for

instance we have estate agencies who do not advertise on Property 24, the rental agents and then the lower value homes, it is very expensive obviously. So ja, not everything is going to Property 24, but the majority is, but I think it is best to give that choice for agents and then most of our clients give consumers the choice where they want to advertise.

So we for instance have a prominent Atlantic Seaboard client, that seller who owns R100 million mansion
10 does not want to advertise it on Property 24 and generate all that interest, but they are happy to only advertise it on the agent's website for now and generally with those type of clients they have a very big referral network, so they are not as reliant on the portals, so that is good if they have that choice obviously.

CHAIRPERSON: Can I just ask, do other portals charge an inbound fee?

MR GROVÉ: No, no, only the advertising fee, so GumTree is free, but they have a paid version, not anything. Private
20 Property is fine, ja none of the other portals charge inbound fees.

CHAIRPERSON: Sorry, so it is only Property 24, the others, even Private Property does not charge an inbound fee.

MR GROVÉ: No. Let me just check here. Ja, no.

CHAIRPERSON: And do you charge an inbound fee on

My Property?

MR GROVÉ: Well, not really. We have the R99 a month advertising fee, but the advertising fee, to cover some costs, but ja.

CHAIRPERSON: As I understand the inbound fee is not to cover the advertising costs on Property 24, it is a separate fee.

MR GROVÉ: Ja, it is a separate fee to cover the support for the inbound feed, I suppose.

10 CHAIRPERSON: And do you know if they apply that feed to other syndication software or estate agents?

MR GROVÉ: So ja, ja, so they actually implemented that a few years ago, but if you list it on Prop Control or external service provider before that time you were not charged the fee, but as soon as you switch service providers then you start, so if you move away from Prop Control or you want to move from one of our competitors to us or one of our clients to one of our competitors then that R500 a month inbound fee applies and that is a good point, because that actually
20 you know, made agents hesitant to move between service providers, because they know there is suddenly an extra R500 a month inbound fee if I want to switch to Entegral or you know, do my own thing.

CHAIRPERSON: I mean just on the fees that you indicated, R5 000 to R20 000, I mean if I look at this sort of just cost

per leads I do not think you get to those, that sort of R20 000 mark. I mean, is this because people are buying other services?

MR GROVÉ: Ja, so typically the agents would sign up with a portal like Property 24 for the basic fees and then there is additional services that both Private Property and Property 24 offer to you know, add your logo to the branding or move your listing to the top position, a couple of other things, so it is, that is why it varies and the price structure
10 and the model for each portal is different, as was highlighted in the previous session.

So Property 24 charges on sort of clicks and how many views you had, although they count that as a lead, as soon as someone clicks on your phone number on the website that is a lead and it is difficult for agents to obviously understand that, because they get a month-end report from Property 24 saying you had 300 leads.

I had a conversation the other day with an agent and it is like okay, I actually got 10 real enquiries from the
20 portal, but they said they gave me 300 leads, so it is, the model creates a lot of confusion, but it is a very good model from a business perspective for Property 24, because what they can do is they can just push in more marketing and Ad Words or whatever and more people will land on the website and click on those phone numbers and stuff like

that, you know.

So I guess if times are tough we can just push a few Rand more into online marketing and generate more sort of leads for you, but the problem for estate agents are that they, you know there is no transparency there except for the leads, the real leads they receive.

CHAIRPERSON: The other thing you raise in your slides is around the dual role and you had said that there is a low fee structure focus on supporting the sort of FSBO market and
10 are penalised by portals who often SBO market and you said a recent client who is shutting down was told that he could not market private seller listings for too low, as this would compete with the portal's own FSBO model. Can you just expand on that?

MR GROVÉ: Yes, sure.

CHAIRPERSON: I do not quite understand what, where this client is listing and et cetera.

MR GROVÉ: Yes, yes, so let me explain that. So the portals offer their for sale by owner once-off fees of say
20 R1 000 and then you can advertise your home say for six months. So some agents have for sale by owner services that they offer, so that is sort of a scaled down version to offer lower commissions.

Then they use us or other service providers to market those properties on these portals, obviously as you

know, for sale by owner properties but due to scale, you know you can, the agency can you know, potentially offer that private sale or reduced fee cheaper than what the portal can offer, so if they can do that then you know, the portal it sort of starts competing with the portal.

So if a for sale by owner agency has 10 listings you know, they are only charged the, you know the standard rates which is a lot less than what the total complement of those for sale by owner listings would be if they list it
10 directly with Property 24. I hope I explained that correctly.

CHAIRPERSON: So as I understand an agent uses the normal agency model with the portal.

MR GROVÉ: Yes.

CHAIRPERSON: Which are priced lower and they collate for sale by owner listings.

MR GROVÉ: Yes.

CHAIRPERSON: Put it on under the agency and that undercuts.

MR GROVÉ: Basically undercuts, that is a better word, yes.

20 CHAIRPERSON: Alright and so they have been, have they been kicked off those portals?

MR GROVÉ: I am not sure what the situation is, but they were told that you know, they cannot do that because you know, it is getting too close to the price point of that portal, ja so if you can have a detailed discussion with that

particular client I am sure he would like to discuss it with the Competition Commission.

CHAIRPERSON: Ja, we certainly would be interested to hear that. Just to go to then your section on the shareholding, I mean when you say that it is a minority and a poor representation of the whole retail industry, REBOSA, I mean who are they representing then, is that larger agencies?

MR GROVÉ: You know, they have thousands of members,
10 but most are franchise brands that hopped onboard, so if you look at the different brands it is not you know, representative. There are about, I am standing under correction, but 4 000 to 5 000 agencies operating in South Africa with you know, 40 000 plus estate agents, so you know, you have 28 different brands you know, represented, then it is obviously not representative.

CHAIRPERSON: And you indicate that members of the EAPC paid preferential pricing to advertise on Private Property and I mean, what evidence do you have of this
20 occurring?

MR GROVÉ: Well, I can discuss that offline but ja, I know that that is you know, and it is obviously as you know, these guys made the initial investments, so they are getting back a bit. I have made the calculations that based on the fee that was paid for the Private Property shares they would have

you know, recovered the fees easily within the first year based on the preferential fees that you know, was paid. So there is a lot of benefit, obviously if you have shares in Private Property.

We have been pushing REBOSA to ask them about you know, opening up shareholding to other estate agents, never got an answer and you know, last year they said they are opening up and will provide shareholding to you know, any estate agent, but there are certain conditions, you have
10 to take a year membership or whatever. I am not sure how shares are issued. There is no transparency there, so I think it is best you ask them on their session how it works.

CHAIRPERSON: Alright, but you are not, just so I am clear, it is a preferential advertising rate, it is not offsetting any dividends that come from being a shareholder.

MR GROVÉ: Ja, I do not, not to my knowledge and I would also like to know you know, what dividend payouts there, I am sure estate agents who support Private Property and who do not have shares would like to know that as well. Are they
20 supporting, just generating profits for these guys or is it, you know, is it a fair situation?

CHAIRPERSON: Maybe then just lastly on the bond originators, as you say they have a shareholding, I mean do you have a bond origination company?

MR GROVÉ: We have actually started an aggregation unit

just to test the market, that is still in its early stages, ja so we are hoping to make a success of that and to see if we can do quicker and faster financing for buyers, so we are working on something where you can do a pre-qualification for a home loan sort of almost instantly, doing a lot of work on that, finding a different approach, but ja, we sort of are delving into that as well.

CHAIRPERSON: So do you have any concerns about the bond originators being shareholders in Private Property?

10 MR GROVÉ: I guess you know, it is fair business, they get leads, bond origination leads from Private Property and so I do not see any particular problem there, but I think it, you know there needs to be transparency obviously from the portals and who their shareholding is so that agents know who they support.

The bigger problem is you know, sort of the multiple hats worn between the organisations, the portals and everyone, so that is why we are promoting transparency within the industry. It is sort of a, you know two of the
20 biggest bond originators in the industry supporting a portal that REBOSA proposes as the industry portal, that is a problem. If it was, you know another portal, you know it is fine.

CHAIRPERSON: Alright, I just want to see if there is any questions from, and we have got a question from Mr Radinku

from the technical team.

MR RADINKU: Good morning.

MR GROVÉ: How is it?

MR RADINKU: I am good, thanks. My question is on your online marketing which you indicated that you did spend on online marketing, but you subsequently stopped, I mean can you perhaps tell us, so which business were you marketing on that online marketing and what was your experience there? I mean, why did you stop?

10 MR GROVÉ: So we have sort of two businesses, one is the portal side of My Property, the other is Entegral side where we provide the syndication software. Interesting enough on the, you know syndication side and stuff we do not do any marketing, we work on referrals, but on the portal side many years ago we did spend on Google Ad Words in excess of R1 million over a certain period and at that time things changed, Property 24 got onboard, starting pushing ads.

We were paying something like I remember 20 cents or 10 cents per click you know, because they, that is an
20 auction model and you know, now it is like easily you know, R20 plus per the click, so it is much more expensive to be in that top position and it just did not make sense to spend the same amount of money, but less you know, leads to your website, it does not make you know, business sense.

MR RADINKU: And I mean at the time when you were

spending, I mean did you experience, I mean when you were attaining higher positions, I mean how did that translate in terms of your platform performance in terms of traffic perhaps?

MR GROVÉ: Ja, we actually did very well at a stage many moons ago, many years ago, but there is a direct correlation. You know, if you spend there you can see the leads coming in and you can obviously track, there is tracking and everything you can put in so you can see where a lead
10 comes from, so there is definitely, you know the more you spend, the more leads you can drive.

We do run some ads on our Namibian portal, so we know that you know, Ad Spend obviously works. Google is obviously not the only platform, there is Facebook marketing and the rest, but you know, Google is still quite effective if you look at the cost per acquisition.

MR RADINKU: Maybe one last issue, so in terms of your monetization of My Property you indicated that there is a R99 fee which you are still thinking of perhaps withdrawing,
20 so has this always been the case or was there, or was it introduced at some point in time?

MR GROVÉ: So we did various upgrades on the portal and trying different models and with the latest we thought you know, let us charge a small fee and see if agents are at least prepared to pay that fee and if it works you know, then fine,

then we can actually push those fees back into marketing.

So we are playing around with the model all the time but you know, I think if we can get the support from the real estate community then you know, I think we would most likely drop that fee and recover the, you know our operational costs and from you know, advertising, other advertising within the portal, so it varies all the time. We are a small company, so we are trying different things all the time and see basically what sticks.

10 MR RADINKU: And perhaps in terms of your, I mean you indicated that the listing of 80 to 90% maybe from the real estate agents will help you to grow, so perhaps one would presume that you have been trying and attempting to get the real estate agents onboard, so I mean for those that have refused, I mean what would be the main reasons?

I know you have mentioned the issue of Fusion, but are there any, I mean the issue of syndication and feeding, but are there other specific reasons why they are not listing?

20 MR GROVÉ: So one is there are technical reasons saying you know, they do not have the resources or you know, not going to spend the cost to promote a portal that is not in one of the top you know, two positions, so it is that chicken and egg scenario and we tell them well, we need your support to get there, but you know it is not happening.

So the main concern I think for most of the bigger

companies that run their own listing software is you know, do you provide leads and if you do not provide leads well, you know then we are not interested.

MR RADINKU: Thank you, Chair.

CHAIRPERSON: Mr Grové, just one last question from me. You say you are flying in Namibia, is that your My Property portal or both or the whole?

MR GROVÉ: Ja, so I am glad you brought it up, I wanted to mention that. So My Property Namibia does very well, we
10 are the top two portals in Namibia, it is My Property Namibia and Property 24. Interesting enough, there we are the majority service provider for listing syndication in Namibia and we provide a lot of the listings to Property 24 in Namibia as well as other portals that operate there.

So we have effectively created our own competition by supporting these portals. We could have said like they do in South Africa and say well, no we are not going to support you and just you know, keep our market share and push prices up, but that is not who we are. We are serving the
20 real estate community and I think for us, certainly not for me, it is not about the money, it is about you know, the passion for the industry and creating great products[indistinct – 01:51:34] and you know, just enjoy what we do, so that is why we follow the same approach in South Africa.

We are opening it up to other platforms, creating our own competition because we think that is best for the industry going ahead. If we support a portal that does better than us it drives us to, you know improve our own portal, but that is our sort of motto.

CHAIRPERSON: And I mean, what is different about Namibia if you are up against Property 24 in that market?

MR GROVÉ: So Namibia is a, I was actually born in Namibia, so that is why I am sort of running the portal there
10 as well, Namibia is a much smaller market than South Africa. It is a bit different, agents are not as dependent on portals I would say as in South Africa and Property 24 actually runs a free service there, so it is a free portal.

I think if they start charging fees there it would certainly change. So it is different dynamics, it is such a small market and you know, the profits you will generate from that is a lot smaller than South Africa.

CHAIRPERSON: Mr Grové, I want to thank you for coming to the public hearing and providing inputs to the panel and
20 the technical team, we certainly appreciate your time and also your insights as someone who has clearly been in this game for quite a while.

MR GROVÉ: Thanks, it was real fun to do it and I hope I gave you guys some insights and sorry if I stepped on any toes.

CHAIRPERSON: That is fine. We are then going to take a 10 minute break and then we are going to resume with Private Property, just because we started a bit earlier today, so we are just going to have a quick 10 minute break.

INQUIRY ADJOURNS

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