



# **COMPETITION COMMISSION OF SOUTH AFRICA**

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In the matter of

## **ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPM)**

held at

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

on

**9 November 2021**

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

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### **TECHNICAL TEAM**

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Recording & Transcriptions

PROCEEDINGS ON 09 NOVEMBER 2021

CHAIRPERSON: Hello, Mr John. I think you are now live.

MR JOHN: [No audible reply]

CHAIRPERSON: Welcome, Sylvester John, I believe the Head of ECOM, Makro and also formally with Walmart. Thank you very much for making time to come and appear before the panel and to answer some of our questions. I believe you are joined by two colleagues; Paul van der Waal and Richard Inskip. Is that correct?

10 MR JOHN: Yes. Yes, both of them are here.

CHAIRPERSON: And maybe if you could just introduce your team, Mr John, in terms of what positions they hold and then we can proceed.

MR JOHN: Ja, pleasure to be here and nice to meet everyone. I am the Head of ECOM and I lead our Makro business. And Paul van der Waal is also got the responsibilities for the eCommerce website business in Makro and leads that side of our e-com business. And we are also joined by Richard Inskip who leads our group operations  
20 business which includes broader e-com but also supply chain technology and data and analytics.

CHAIRPERSON: Welcome all of you. I am joined by fellow panel member, Ms Doris Tshepe and also the technical team with whom you may have had interactions with in the past. Mr John, I do not know if you have any introductory remarks

you want to make before we engage you on further detail?

MR JOHN: No, I do not have any prepared remarks but happy to give a brief overview of anything that might be helpful if you want me to have it kicked it off that way but I do not have any prepared remarks per se.

CHAIRPERSON: Well, maybe if you can just give ourselves and the public a brief overview of the current Makro online setup as well as your Marketplace. And I believe it also within the group extends beyond Makro. It is also your other  
10 properties within the Massmart Group. And then we will take it from there.

MR JOHN: It sounds good. So, at the Massmart Group we have three online representations of our business. We have a website for Builders Warehouse. We have a website for Game. And we also have a website for Makro. And those websites have been placed for a couple of years around 2017 in the case of Builders and Game and 2014 in the case of Makro.

In the Makro case we have got Marketplace as well  
20 that extends as the offering and that Makro place has been around 2017 and represents a growing part of the business but a relatively small part of our business. Most of our emphasis has been on our 1P products, are owned company own products. And so Makro continues to provide that part of the business.

And so as you think about the three website businesses that we have, we have, obviously, recently, as you may have heard, expanded as well into partnership with Vodacom where we have a mobile application for Makro as well as a mobile application for Builders in the Voda base super app and that has just been the last couple of weeks that that has gone live and we have extended the range into that world as well.

CHAIRPERSON: Thanks, Mr John. I mean, one of the  
10 reasons we asked that you also come before us is your historical experience and – so if you do not mind if I can start with that? So, you are part of the Walmart eCommerce Team, I think, you headed up last mile delivery. I mean, you can – you can maybe start by just telling us your role within their and the sort of timelines as well so we can understand the context.

MR JOHN: Yes. So, let me start off by just also acknowledge the fact that, you know, two separate entities, one of the broader Walmart world, Massmart that is, but obviously  
20 Massmart is a listed company in South Africa and operates independently. And so I was with Walmart for the last 8-years, about, and played multiple roles but in the last 6-years, 6-years meaning up until January of this year, was part of the online business.

I played a role in the online grocery developments in

the Walmart US business. I have also played roles in the eCommerce fulfilments and operation side of the business. And most recently, I have led the last mile delivery in the last 3-years and building that up and supporting the fulfilments shipments coming out of the Walmart stores in the US.

In January, I transferred over to Massmart and so now, obviously, I am a Massmart person. I am focussed on the Massmart in the South African business for the last 9-months or so.

10 CHAIRPERSON: Great. And the reason we just wanted to explore the US experience is. I think you said on an interview, we may be 8 to 10-years behind or maybe 5-years to maturity. And so obviously things have played out there. Maybe it helps us get a view of how it may play out in South Africa. Obviously, it may not be an exact parallel but there may be some lessons we can understand.

20 So, I mean, just to get a sense. Brick-and-mortar stores as we sort of speak to them here tend to indicate that yes they start with brand recognition and obviously a catalogue but starting an online channel is fairly costly and tricky especially, I suppose, meeting maybe the expectations of consumers around the level of service, the user interface but also it seems to be a sort of transition strategy where you are picking out of your store, it is more costly than, let us say, a pure online play where your setup for precisely the kind of

delivery mechanisms.

So maybe, you know, Walmart's experience on this. You had – you were involved in fulfilment last mile. I mean, maybe if you can give us a sense of those initial hurdles and whether those start to change over time.

MR JOHN: And as we, you know, talk about the hurdles. Are you specifically about costs or just talking about it in general?

CHAIRPERSON: I think just general. You know, you are set up as a brick-and-mortar retailer. You are now pivoting to  
10 online. Contrast that to an Amazon back in the US which it starts as an online. It has got DC's. It is set up for the logistics. It sets up a system that is efficient for its business which is online. So maybe – I suppose, we are just trying to understand that pivot. It obviously has costs. It has got frictions but do you end up in the same position as Amazon in the end or do you end up with a hybrid still?

MR JOHN: Yes, so maybe there are two sides to this. There are some advantages that play out, no doubt, when you are brick-and-mortar particularly a brick-and-mortar with scale.  
20 You know, you have got four deployed inventory. You have got the ability to reach customers with that four deployed inventory as you think about the stores as distribution points.

And so, in theory, you should be able to get customers faster. You have got longstanding relationships with suppliers and you have got scale because you are

leveraging the physical store, the scale as well, as you think about how you buy and how you make so available.

And to the degree you are moving products from your shelves, you have also got the opportunity to sell the product if it is not purchased online. So you can more that product and turn that product. Particularly useful if you are in the food business where you have got risk of perishables and all of that. So there is a good number of that.

And you also have got the starting cost on a base that  
10 is guts and brand loyalty and to the degree that that brand extends online. Then there is value that also can attribute to getting you started when compared with one who is starting from scratch and does not have all of those things. But, you know, there are also on the flipside a lot of challenges that sometimes are not fully appreciated.

You know when you are transitioning into an online  
business as a brick-and-mortar, you are starting from a position of legacy systems. You do not have the luxury of having to build this for the reality ahead and a lot of times the  
20 brick-and-mortar systems are actually and probably not ideal because they are designed for a store environment and for reality of a customer coming in.

So more than anything else that tends to be the biggest challenge in a lot of that evolution which in many ways is not a simple one to be able to roll those systems to work

and to the degree you bring in new systems, how that plays into the existing systems because you are dealing with the same stock. That stock in that store is plugged into that store.

And so as you are selling it based on online orders and the instore customer is not predictable. I mean, you do have some forecasting but anything can be picked up from the shelf at any point. And so as you are trying to mirror that reality between what is showing online and what is in the store gets incredibly challenging versus if you had a fixed inventory  
10 in a warehouse and you can track that better. So that transition tends to be a really hard one.

A second thing that also tends to be challenging, obviously, is that you have – I mean, there is no channel that is probably more cost effective than a person walking into a store and picking it from the shelves themselves. So the moment you run a business where you have got people coming into a store to pick it up from the shelves themselves and you build onto that system, a do-it-for-you system or a do-it-for-you model, then you are adding costs.

20 And so, in many ways, you are starting from a pace of margin decreative because that cost then gets loaded because you still have the physical reality that you have already built out and you are now adding cost of new technology, cost of personal shoppers. And so there is a lot of cost that you are adding that is actually eroding your core



business and as you think about the blended average, you are starting from a place of some potential limitations.

However, the question and the opportunity is, how you evolve and then to the degree you get scale that can blend out. And so your question is, you know, a hard one because I am not quite sure there is an answer that is generic. It has more to do to what degree Retailer A is able to make that evolution and actually be able to build a business that can actually get enough scale, balance it out without transferring  
10 too much interest cost to the customers especially if you are keeping your cost the same in the store and online.

And that comes to do with efficiencies, it comes to do with how long you can grow over time and that is the journey we were on in Walmart and that is what we are trying to do here in South Africa as well to make that work but it does start from a position of decrease and you have got to work your way out of that and how long that takes is all, you know, a function of each retailer's reality.

CHAIRPERSON: Ja and I appreciate that. I think – and  
20 maybe retailers have different ambitions. I mean, the sense I have from many brick-and-mortar retailers is. Some consumers are going to shop online maybe more so now, obviously, in Covid. So I need to be able to service my customer for their choice of channel, you know. You have got – you are coming into the store but people also want to go

online as well.

So it is almost – I mean, I may be wrong and you can correct me there but it seems partly: Yes, I do not want to lose my customer base just because they want to do this online because you know may come into my store many times over the month but certain times they do not have the space. And if I am not there, they may go to my competitor and I have lost some sales.

But it is a net cost doing that. It is not at the moment  
10 a profitable enterprise. I mean, maybe if you can just give us, as I said, maybe Walmart's perspective. They went in, I think, online was 2000. You know, the grocery may have been more recent but I think the other... Was it a little more defensive or we are going to try and take share from Amazon here?

MR JOHN: So, I think there are two models. As we think about cost and you think about profitability and there are two realities. So there is the model, as I say, brick-and-mortar retailer decides to build warehouses and uses those warehouses as the primary channel of fulfilment to be able to  
20 reach customers that they are selling to online. That is where Walmart started. And, generally, that tends to be a general merchandise, electronics, and the home, and the play and it excludes food particularly perishables.

And so when you do that model, when you are building new infrastructure because you would already have

your distribution centres for your physical stores and so you are now creating dedicated distribution centres for this business model which is not an uncommon approach that a lot of brick-and-mortars has taken including Walmart. And so you go down that path. So you start with a lot of capital expenditure and a lot of expense and with a view that over time this business can then grow, you know. And there is a cost model that goes with that as a starting point.

When you then decide well if you want to use your  
10 physical stores as the fulfilment engine and you are going to pick and fulfil from the shelves which is what happened with the gross three approach that Walmart took but also others have taken, then you are getting into a different cost zone because now you are leveraging existing infrastructure, you are leveraging existing assets and you are putting that labourer, incremental labourer on the physical store.

And so, that comes with a very different dynamic because now that roles into the physical store PNL(?) [00:16:21] as opposed to a standalone business, if you will.  
20 And so, these are very, very different cost models and very different approaches. You know, now in the case of Walmart and many other brick-and-mortar retailers there is a view that, you know, leveraging your existing assets long-term has a lot of value.

And so you see a lot of success in leaning into that

because again, back to the point I have said earlier, the big advantages, you have forward deployed inventory, you have assets that already exist and you are leveraging that and to the degree that you do that well, then it should actually balance out better over time.

You know, so you will see in the case of us and Massmart, we are primarily fulfilling from our physical stores and we are really working to get better at that to be able to those economics and those fulfilments and the experiences to  
10 be as best as they can be but it is more challenging. It is the point of what you probably hearing from a lot of physical retailers, making that work is hard. It is a lot easier, actually, to build the fulfilment centre and load it with warehouse and just ship but then you have got the cost components that come with that.

So I think in the case of Walmart we still have both but the part that is growing the most, the part that is growing the fastest that is obviously public information is the fact of fulfilling from store and not just groceries but also general  
20 merchandise and that is the part of the business that continues to grow and we believe that that is the biggest opportunity we have here in Massmart as well to be able to lead with our stores and use those to serve the customers.

And to the degree that the brands are resonating, then that customer then has an affiliation with Makro or with

Builders or with Game and they have a sense of what merchandise those brands carry. So when they go online then they know what they are looking for and they have an expectation for what to get. And so you are extending the brand online in a way that can allow that customer to then be able to be met in both dimensions.

But I think the question of profitability is a really complexed dimension, Mr Chairman, because you know it depends on what you are adding in the cost, and how people  
10 define cost are not the same. You know, obviously, if you have got some cost in a physical store, you know, some people may not add it to their cost and only think about incremental cost but then there may be others who might look at it from a point of allocation.

And so, even if you have got some costs you would expect that that cost that you are leveraging, that asset that you are leveraging, the cost of that should be allocated to this new eCommerce business. So then when you get to the question of profitability, you know, it becomes really tricky as  
20 to how you see it.

But we believe there is a path and we believe that over time it will – we will be able to get the physical stores working well for us and to be able to meet the customers where they are.

CHAIRPERSON: Ja, so the lesson is. Do not let the

accountants run it, maybe. [laughs] But I am interested that you say Walmart went the fulfilment and sort of eCommerce DC route and then you have go the store which is grocery and that is the one that is flying because certainly the impression we have just from looking at the US.

I mean, Walmart on that sort of, let us say, the pure eCommerce has played, taking aside the store and taking aside the grocery, has really battled against Amazon. I mean, the figures I have got, you know, recently like on a marketplace, Amazon had 2.4 million, Walmart was still on 70 000. I think Amazon recently overtook Walmart as the biggest retailer in the US.

So that part seems maybe tougher to take on than Amazon. The store part, I mean, as I understand it, at least when you have got a grocery side, I mean, that is an area of play where the big online retailer is not strong because they have not focussed on perishable and you probably need – you cannot, you know, have cabbages sitting in a warehouse in one location and shipping them around the country. That is where the store makes sense with a cold chain, et cetera.

So then maybe you can just comment on the two plays. You know, has Walmart found it more difficult on this sort of pure eCommerce stream within their strategy versus now the store and is that why Makro in your approach is to focus on the store where you have some value?

MR JOHN: First of all, I am not quite sure I am the best place to probably speak to Walmart's strategy. And so, being that - obviously I am primarily I am on the Massmart business now. So, officially, I think I cannot really comment on that but I think what you are getting at is the question of, you know, when you are in an environment where you have got big pure play players.

Is it possible for a brick-and-mortar player that has an online marketplace of sorts and also has physical stores,  
10 can that online marketplace be competitive and be able to make dens and make significant contributions?

I think that everything I have seen, including in Walmart is, that it is possible. I mean, the Walmart online marketplace business is growing and has been growing and if you look at the numbers. Obviously, it is not starting from the basis as others but it is significant and it continues to grow and it continues to do incredibly well.

I think for three reasons and that I will highlight. The first is. You know, sellers like to have options and I think in  
20 every market it is healthy and good for there to be marketplaces that sellers can have alternative options to and to the degree that Walmart plays that role in the US, to the degree that Makro plays that role in South Africa and others, I think it is a good thing.

And over time, I think, you will find that sellers tend

to lean into marketplaces that they feel they can grow with and not necessarily does that always equate to the largest marketplace and sometimes it could be the second or the third to the degree that a seller believes that they can get growth at a minute. And they can do things by the way they think about price, the way they think about promotion. And we definitely – I definitely have seen that in the US with Walmart and others as well.

I think that for a channel business like Massmart or  
10 Walmart it is hard to separate the two things because remember in the case of Walmart there is a single channel. So there is walmart.com and all goes through that. So the marketplace lives in walmart.com. The online groceries lives in walmart.com.

And so, ultimately, the traffic all goes to one place and it just gets dissected accordingly. And so, if you think in the case of Marko, obviously, the marketplace is in Marko as well as the 1P business, it is all there. So, therefore, as we think about growth we have got to think about it from a  
20 customer's lens. It is hard for the customer to know the difference because they are coming in to shop.

And so, therefore, you have got to look at the totality of the Walmart growth now whereas maybe a pure play retailer does not have that. They only have one piece but the customer sees them the same. So when they are shopping that item



that may come from the store or may come from the warehouse. In most cases they do not know where it is coming from. They just know that maybe it takes three days versus one day. And that dynamic is no different on a pure marketplace as well.

And so, I think that in that context it is hard to just pull out the marketplace component and compare that with somebody else and leave out the rest because the totality and the growth, and I think you will see in the Walmart business,  
10 those numbers are doing very well, the total numbers and we see the same thing in Makro as well as we grow both.

But the important thing is that you are thinking about a customer and from a customer's lens that customer should, to the degree that the customer is not seeing a difference between the two channels and they just knowing they want a product and how fast can you get it to me. Whether it is coming from the marketplace side or the one piece side, ultimately, you are trying to serve that customer and trying to make sure the customer is well taken care of.

20 CHAIRPERSON: Thank you for that. And I suppose the – I mean, the one aspect just in terms of groceries. You say that is the sort of – what is doing well and I think that was part of your mandate at Walmart as well. And as I have indicated, you know, this is not a particular strength of a pure online play where as typically a non-perishable is sitting in a big

warehouse.

I think what we have maybe seen here too is that when Covid struck the big grocery chain, certainly, launched their own. They have bought up players who may bring those logistic expertise and the last amount of delivery which is always the tricky thing. Some had somewhat of an offering beforehand but not probably on the scale that was required.

But there, there has been a lot more, I suppose, options for customers because the retail chains already have  
10 – it is fairly concentrate in South Africa. They have their own brands. They have launched there own product offering. They are not trying to go through some common marketplace at all. I do not know what the US experience was.

I mean, we know that Amazon, obviously, bought Wholefoods at some point which may be their play to get into the grocery side but outside of even Walmart what has been the, I suppose, the competition for Walmart in terms of that grocery and the options for consumers.

MR JOHN: Well, on the last six to eight years in the US, the  
20 online grocery space has taken off quite incredible. If you think about that space you think about, you know, three types of players. You know, in the early days you had players like that were really having warehouses and they were shipping from warehouses to customers' homes and they were shipping fresh products, you know, in a packaged environment.

And then probably eight to nine years ago those players, you know, started like FreshDirect and a few others in the North East of the US. The challenge with that was that it is very niched and very expensive and so there was very – it was not mainstream and it was limited to a certain geographic areas. And those players are still there today and you seem more of them as they do more, you know, boxed assortments and people place orders and you get like a boxed type of assortment. So that model is still popular and will  
10 continue to grow.

You know, then you saw the second wave which is where the Walmart's came in but even then you had most of the grocers started to launch. You have Kroger in the US. You have, you know, a whole lot of others and regional grocers as well, most of whom in the last six to seven years also launched their own platforms and started growing and doing well. So, and then all of them saw pretty good growth and obviously at different pieces but substantial growth and they were also, for the most parts, shipping from their stores.

20 And then you have got the third group that then came later which is probably in the last four to five years that has taken off which is intermediaries, you know, that create the aggregation. And a good number of those regional players that have their own like primary platforms also listed on the intermediaries so that they could get a secondary channel.

And the reason being. Many of those intermediaries had more resources and marketing money to attract customer base. And so, the power of the congregation of a customer base creates a real attraction and so you have a number of those grocers particularly the regional grocers that listed with intermediaries and were able to grow on both channels.

And in many cases they grow faster on the intermediaries than they did on their own channel. And that is primarily because of – it is a function of marketing. How  
10 much money you have to spend, obviously, to drive traffic to yourself versus how much the intermediaries are spending.

And a lot of times the intermediaries are start-ups that have, you know pre-IP or money and so they are able to throw a lot more at these types of platforms and they are able to reduce friction by way of delivery fees and a lot of promotional, you know, 20% off, 40% off, things to drive growth. And so that gave way to a lot of grocers listing on. So that is the way the market is based.

So the fastest growing is the two areas, the primary  
20 owned channels and then these intermediaries. And so, then groceries has adopted the adoption rate for the US market in terms of online groceries that has picked up quite fast. You know, Walmart has generally been large enough to be able to focus on its own platform and be able to grow and increase customer tractions with some platform and has generally not

done a lot of intermediary listings with a few exceptions but generally been able to grow that platform.

And overtime it has become quite substantial particularly because the prices are extended. There is no increased prices online which in many cases for many of the grocers they increase their prices online So, actually, it is more expensive to shop then online than it is to shop then in the store and Walmart has been able to keep that parody. So was able to grow its online grocery business quite well, you  
10 know.

CHAIRPERSON: I am glad you raise it because I suppose – I mean, for us it is fascinating that, as you put it, you know, a lot of capital can be invested as an aggregator effectively in buying the consumer, dropping delivery fees and offering promotions with the idea that you can grow and keep the customer base and that seems to be a common strategy across all the types of platforms we are dealing with.

And I was interested in why, I suppose, why Walmart has joined, as I understand, Instacart and I suppose you have  
20 done the same here with OneCart which, as I understand, list a few other retailers as well and that is from, at least from what in the press is, is your desire to also grow that channel.

I mean, I suppose this fits in with what you are saying. You have got an aggregator who will draw customers, who will subsidise customers and use their capital necessarily for that,

that can grow your sales and you have got your own as well. I mean to what extent the sort of – I mean, OneCart I do not know well enough here but I do not know whether that is the kind of IPO Capital that you see in the US at least.

I mean, what do you think going forward for brick-and-mortar retailers are going to be you sort of primary channels for playing the online game? Is it going to be your own online? Is it going to be adding that, the aggregator route and then the marketplace? Or is the marketplace quite a niche offering?

MR JOHN: Ja, well, just to clarify on the important point on the Instacart side. The Walmart has been a pilot with Instacart. So Walmart has actually not scaled with Instacart any means. So it has been a test and very limited geography and very few stores, relatively speaking. So Walmart's primary US place still with its own channel.

In the case of our business in South Africa. I think if you think about it in two separate parts. If you think about the Makro business. We have had a relationship with OneCart for a bit of time but we have also got it contextualise it around - you know, we just came out of pandemic environment. And the customers were critically needing an incredible amount of service.

And so, I think the market shifted in 2020 because many retails, including ourselves, were looking at ways to

respond and to respond fast and to respond in a way that you could meet customers in multiple dimensions. The reality is that the kind of growth that one would have seen in 2020 would have required a very fast response by way of even instore labour because you still have to fulfil.

So if you have a 5X or 10X spike in growth, you do not have enough manpower in your store to quickly be able to fulfil all of those orders and so the ability to leverage aggregators is also helpful because those aggregators have  
10 manpower and they can also help with fulfilments in a time when you are trying to serve customers that are absolutely needing just to be served in ways that they cannot get into stores.

So I think a lot happened in 2020 with us and others that they created a movement and created an opportunity for aggregators to fill a gap that brick-and-mortars could not respond to fast enough just by way of how it all played out.

I think as we now stabilise and get into this world post-2020 and we have not all adjusted to this new reality. You  
20 know that experience has taught all of us a lot. We have come to learn things that maybe we did not always know was true or maybe things we had assumptions around. And one of the important things is, is the fact that, you know, customers do find value in multi retail platforms, sometimes.

You know, so there are times when a person wants to

shop Makro directly and there are times when a customer wants to be on a platform and feel like they have a choice. In the case of OneCart, they can shop Makro and Dischem in the same order and OneCart can go around the mall and shop for them and those things. You know that is not something Makro can do on its own.

And so, to the degree that one person wants to shop the mall and not want to physically go to the mall, they can get three or four stores. And so those types of experiences  
10 are things that a platform like OneCart provides that makes them really interesting to customers. You know. And so that was one perspective.

A second perspective, as well, is the, you know, the ability to respond with speed. You know, customers have been exposed to a lot of things and obviously one of them that occurred in 2020 was, we were in market in South Africa where, you know, customers had been used to three, five days' wait. And now we are in a world where it is becoming clear that you can get it same day.

20 And so, aggregators in that model provides a remarkable amount of efficiency in terms of the opportunity for people to walk into a store and immediately shop off the shelves on behalf of the customer. So in many ways that customer has their own personal shopper. They have their own personal driver. And as much as we are making great



inroads into fulfilment speed, which we will continue to improve on, you know the path from going five days to two hours will take time because that requires a lot of – significant amount of re-engineering in our stores, you know, staff build up, et cetera, et cetera.

And the opportunity for someone outside to just walk inside the store and take it off the shelf and deliver it is an incredible proposition. And so, I am saying all that to make the point that we believe there is a role for both because we  
10 come to learn that customers have certain needs at certain times. And then to the degree that we continue to list OneCart allows for that occasion to be met. And then the other occasions where the customer comes and shop with us directly and we are able to meet them as well.

The good news with us is that obviously our prices are the same on both. We do not increase prices on OneCart versus our stores and so our customers can shop off both channels and we think that is important and we will continue. Now there is obviously the things that I talked about earlier  
20 about well the platforms can drive traffic and we do see that even though maybe Massmart – OneCart does not invest at the level of an Instacart in terms of having the resources to drive traffic.

But what it does do, it attracts traffic for people who are looking for multiple retailers, people who are looking for

the flexibility to look at grocer number 1 then compare prices with grocer number 2 and then compare prices with grocer number 3 and then decide that grocer number 2 is where they want to shop. And that behaviour on a OneCart platforms allows that. It makes it easy for them to just navigate.

And so there is a good amount of traffic that comes because of those types of experiences in terms of what the platform provides that the makro.co.za may not be able to provide as a singular platform. And so it attracts that  
10 customer and we feel we want to be there as well to make sure we can meet them.

CHAIRPERSON: Ja and I think – I mean, I think what is interesting, what you have also raised is, is this idea of the customer journeys that I suppose we have been trying to think about the customer journeys online but it is not necessarily that it is, you know, one, I suppose, I am faced with this choice of online or brick-and-mortar and they compete.

I will have many brick-and-mortar journeys. I will have many online journeys. And it depends, I suppose, the –  
20 when I want to shop online it is for a reason and it may be that brick-and-mortar is not an option at that stage and that is why you want to be present as a brick-and-mortar store for that online moment.

I mean, is that how you understand it?

MR JOHN: Absolutely. Absolutely. The question we are

talking about is the question of why, what is the motivation. And I think we have got to think about the fact that if you start with the customer – you know, people say: Well, is delivery better than pickup? Is physical store better than online? In the world of online, is a marketplace better than a single platform?

My answer is that all of them are better. It depends on the moment. You know in many cases, click-and-collect is the most convenient option for most people because many  
10 people actually cannot afford to have delivery because they are not home. They are worried you are going to leave it at the porch, someone is going to steal it and then maybe the driver is late. So now they have to sit at home for two and a half hours or four hours waiting for the late driver.

And so, if somebody can guarantee you an in-and-out experience, let us just say five minutes, maybe click-and-collect is better because then you can actually go and get yourself. There are times when going inside the store and picking it off the shelf is faster. It is almost like the  
20 ultimately immediacy because there are times when you need it right now and there is no better experience.

So when you think about fulfilment you have got that situation. I think the same logic applies also to the reality of online where there are times when as a customer I want – I am driving home, I want to go to the store, I want to touch the

product, I want to see it, I want to compare it. Sometimes I look it at online. I want to go and validate it.

And then there are times when I know what I want particularly in groceries. It is not rocket science. I know the cereal I get I know the – you know particularly non-perishable grocery. And so it is a transactional experience and so maybe I want to shop it online and I want to get it send to me. And then there are times when maybe I am particular about my meats and I want to go into the store because I want to be  
10 able...

So I think all these things are really important. And when you think about a marketplace, in the case of Makro, and you will see people shop the marketplace, it is about, for us, it is about extended range. And if you start with the customer, the customer knows Makro, knows that Makro is big in electronics, knows that Makro is big in major appliances, Makro has the best prices in most cases and we are trusted.

But that customer know says you have got three versions of this fridge. I would like to see more of that fridge.  
20 And so, as we think about the marketplace, what it is doing is, it is giving that customer the extended range and so we are taking categories that Makro is known for and we are moving from three fridges to ten, hypothetically.

But it is not just random ten because we are still applying the same experience we have been creating for the

customer because the customer may not, in our view in terms of how we approach it, we do not want to show them 30 fridges because they want us to curate for them because the same way we curate for them in a physical store, we can do the work for them to curate online but they may want more than three.

So maybe they do not want 20 in the case of Makro but maybe they want eight. So we can go out and say: Well, how do we get the other five and be able to show them that five through a marketplace? And then they come and trust us  
10 that they can see that eight. And to the degree that they make the choice that they want to buy one of the five that we do not carry. Then we can have our marketplace partners fulfil that for them.

And that is way we thought about it and that is a really important piece because the physical store cannot carry eight. If we could maybe we would but in the reality of Makro is there is so much you can carry in that physical store so to the degree that customers are looking for more than those products you can offer.

20 So, yes, to your question. You know, it is all based on a customer journey and that journey also changes throughout the day. It changes throughout the week. And a person moves between all and it is not an either or.

CHAIRPERSON: No, thank you for that insight. And I think it is important for the inquiry to understand these journeys and

how it is working. I mean, just – I am interested when you raised the issue of the marketplace and the curation and the extra five. I mean, that is my sense. You do not just say: Hey, people, we have a marketplace. A marketplace open, sellers come, sales happen. There is a lot of work that goes behind that, I would imagine.

And you mentioned earlier that at the moment your focus, I think you called it the 1P. I suppose your offering is your primary focus right now because there may be priorities,  
10 resource constraints but I mean...

Tell us what it takes to attract sellers to your side and make it attractive for them to also put effort into your marketplace because I think it is one thing just to list and leave and pray a few sales happen. I think it is a different thing maybe for sellers to invest in a marketplace in a sense. So maybe if you can give us your insights on that?

MR JOHN: Yes, I mean... I think, first of all, all marketplaces must start with a strategy and what is the strategy of the marketplace and they are not all the same and I do not think  
20 that is the context of whether one is good or bad. You know, in the case of our business in Makro we have a 1P business and our marketplace evolved out of our 1P business. Our brand is known from physical stores. That brand extension goes into the website of our 1P and extends beyond that to the 3P.

So when a customer interacts with us, we are acutely

aware that they are interacting with Makro. They are not interacting with the marketplace or 1P online or a physical store. That customer moves between the three and the same person might shuffle three at different times in their lives or in the week.

So, therefore, the brand is incredibly important as they think Makro. Therefore, when we then start to think of it from that lens and say: Okay, well, if they are thinking Makro, then what does it take for a marketplace, which is your  
10 question, to be – what does it take for a marketplace to be successful and attracting such sellers?

You know, I think, first of all, depending on your strategy and in our case our strategy is that we see the marketplace as an extension of the categories in which we play that we know for because it is about the brand and therefore if we can have partners in the sellers who can actually extend those ranges it allows us to be able to win and they win.

No point in us playing too deeply in categories in our  
20 opinion where we are not known for because, again, the Makro brand is what brings the people and people have a perception of that Makro brand and therefore they do not expect to find certain things and if we can give them more then we can curate for them.

So that is the strategy part in terms of how we

approached it. Other marketplaces, obviously, have a different strategy and that actually may not be a bad thing either because there may be customers looking for a limited range. But we are not in the limited range business, we are in the extended range business for categories that we play in primarily so.

Once you got through that strategy piece, then you get into the second bucket which is: How do you source onboard and activate sellers? And there are different  
10 approaches to that as well. Because we are not in the limited range business, we are in the extended range business. You know, ours is a little bit more analytical. So not everybody can just be listed because we have to make sure it does meet the strategy which is extending the range.

And so we do – but we are open. We welcome all sellers and we do get a lot of sellers engaging with us and we are able to have an interaction that allows us to validate that it makes sense because we do not want a situation – at least, we have not had a situation where we were duplicating. So  
20 today, as you may know, our assortment is an extended. So if we carry it in 1P we would not list it in the marketplace.

So every marketplace product is a true extension. Therefore, those sellers are getting the full attention for customers looking for those products. And we have created an environment that we feel many sellers like. And they feel



like at least they are not – they are able to win in the places where they are playing. And so, that does take a bit of work and that does take a bit of intention as we think about that.

So we do have resources in place to help with that process. I think when you get into the second piece which then is around: How then does the seller succeed on this marketplace? And there are two parts to that and that first part really has to do with to the degree that sellers understand the power they have and the ability that they have to promote  
10 themselves and think of themselves as true independent business owners.

Unfortunately, not many sellers understand that and know that. And I think over time it will be a good thing for marketplaces to provide training and developments and afford sellers with education. It is not something that we do today. As I said, our marketplace is relatively small. We do take it really seriously and we support our sellers but it has been a small part of our business but we are looking at ways we can evolve because I think that this is an incredible importance  
20 space.

And we, actually, wanting to be able to start to be more attentive to how we can build capacity in sellers to help them understand the things they can actually do to grow their business and show them how to do that. And a lot of those things do not necessarily cost money. There is an assumption

that only folks with big pockets can actually do this. You know, folks with big pockets can obviously do it easier because they can deploy resources to third parties, they can – the leverage to do it.

But in truth, to be honest, around the world if you look at the US and in Asia, you know, small players with not much money are winning on marketplaces. It is a matter of knowledge and training and capacity and folks knowing what they need to do and all the free resources at their disposal, 10 but knowing how to use those resources, I think is important. And it does take time.

And so many times, marketplace sellers do not have time. They do all the things and so, you know, there are no shortcuts. Like in any business, you are either have to make the time or you do not. So that is the – that is one part of the second bucket.

The other part is seller tools. You know to the degree the marketplace has sophisticated technology that sellers can then use to actually do this. Again, unfortunately, ours does 20 not have it at this stage but because your marketplace is much different. It is an extended range. It is a small marketplace. And historically it has been a small part of our business.

But to the degree that those seller tools exist, you know, it does create incredible opportunities for sellers to be able to do more. And again this is an area we are looking at

as well to see how we can actually improve to be able to offer some of these tools. But the combination of those tools and the education can create an incredible amount of growth for sellers, and so that is the second bucket.

And then you have got the third bucket which is really around to what degree sellers themselves want to invest in things that cost really money. You know whether that is marketing or whether that is paying fees to marketplace platforms that offer them optional positionings, et cetera, et cetera, which a lot of those things do cost money and to a degree that a seller has a budget or chooses, then they can actually take that to the next level.

We do not charge any fees in those types of circumstances and we – our platform – our marketplace is pretty open but also it is – we are focused on the customer and it is about: Do you carry the product? And know you are the best price. And how the customers get to see it and make sure they make the decision. But there are no additional fees that we put in front of sellers beyond the pure commission.

CHAIRPERSON: Ja, I am interested in your point about the training and support because, I mean, as you may know but Massmart knows it well that we also have a mandate around public interest. And this inquiry was launched also with the intention to understand as we move rapidly online whether there is going to be an inequality of access or an equality of

access to opportunity.

So, in particular, how will small business be affected. There are opportunities in places but there may be other challenges that they face in competing on those but also in the South African context, historically disadvantaged individuals. And certainly, I think, our experience at the first week of this inquiry is the online market is not particularly transformed in the South Africa context and that is a concern.

So do you – I mean, just from your comments, do you  
10 believe that there can be active steps to buy businesses or marketplaces or online platforms that can actively start to transform their seller base and provide opportunities to sellers. They may not have that same level of education or capital or training.

MR JOHN: No, absolutely. And I think that the best way to look at this is to see what has happened in Asia in particular. And if you look at some of the big marketplaces in some of the Asian countries particularly in China. There is a lot that has been done there. And you know, again, as I have said earlier.  
20 There is a lot of resources and ways that sellers can grow their business that does not cost money.

And if you look in the US and if you look elsewhere, you will see a lot of sellers growing incredibly successfully. In fact, someone was joking the other day that you only got to look at the US show called Shark Tank and every business

that comes in front of Shark Tank and they are asked the questions by the Sharks: You know, what is your sales and how are you getting it? 80% of them, in my opinion, always point to what they are doing on marketplaces. And most of them are not spending a lot of money. You know, but they are all growing their businesses.

So it is a thing and it happens but I think to your point it is education, it is knowledge. And we all got to do better collectively. And I think that – and sometimes when we think  
10 of training and capacity building we think about the old way of doing it where you have to have a trainer who needs to schedule a Zoom conference call and then bring people physically on.

I do not think you are going to be successful – we are going to be successful that way with the seller community and today's environment, you know, because they are not particularly the segment of sellers that are HDP's or independence or smaller businesses because they are just not going to have the time or you know not a lot of them – you are  
20 not going to do it at scale.

So I think the future of this thing is biteable chunks of digital training solutions over time. They can be deployed and broken down into categories, you know, for people to understand in simple ways. What am I trying to solve? I need to get more customers. Okay, so there is a world of contents

that people can get to. And I think that you will see that this exists in other parts of the world. I do not think it is necessarily a mandate issue. I think it is just a way for sellers to then identify which platforms that they want to lean into because if the platform is actually giving you insights into how to do it then that platform may be more attractive to a seller.

And these are areas that we are looking at and areas that we are thinking about and if we can create – it is almost like a library of information inside and know-how that can  
10 actually help sellers to be able to go and... You know, in two or three minutes you can watch something, self-developed, understand and then take action, you know.

And the more of those that we have, I think over time, as you think forward two to three years, you will see that the base of smaller sellers will be more empowered and will start to raise because they will know what to do and I think that can all be done over time.

CHAIRPERSON: And I suppose from your earlier point, part of that is also the seller tools. So not just knowing but having  
20 the analytical tools to assist in problem solving and identifying where they need to improve.

MR JOHN: That is correct. So it is a two-part. There is – to the degree that there are tools on the marketplace. You know, knowledge of how to use the tools, broken down by – in components, not comprehensively because it becomes

overwhelming.

And then on the flipside is. There are ways you can grow your business in marketplace without necessarily using the marketplace tools because there are a lot of free external tools that grow marketplaces as well. And so helping pouring people into these things and things that they can do on their own, not necessarily – even if a marketplace did not have seller tools. Those are resources too that I think can be helpful.

10 CHAIRPERSON: I just want to go back and – I mean you mentioned that obviously your strategy is range extension. So marketplace sellers do not sell what Makro or Builders or Game offers and similarly you are not getting into the seller's products as well. I mean, more – and it may be a more technical question but you know over time you may also reassess your catalogue.

Obviously as Makro, you want to remain relevant and so there could be that you want to get into areas that sellers have gone into already. I mean, have you thought through  
20 how that will be managed in the context of your range extension model?

MR JOHN: Yes, I mean, we have multiple scenarios where many of our sellers carry multiple products. And we have had cases where marketplace sellers carry products that we do not carry being a 1P but the marketplace has become a bridge in

some of these cases for us to carry 1P products. So there are examples where a marketplace product is now listed in our business and actually becomes 1P and that marketplace either revolves now into a supplier of Makro as well.

So we have engaged in that front and that always is a great story and it is – and often a good starting point for those opportunities. And so that is kind of one way we tackled this type of situation, you know. But again, as I have said earlier. Our stores have limitations by way of physical space,  
10 you know. So the reality is that there is so much more physical Makro can carry.

So, usually, if you are – you know if taking one out – if you are bringing one in you are taking one out because of those limitations. So we will never be a situation where we have a significant 1P range that just becomes too large because we do not have it in the physical stores. So I think while – what you are describing is a possibility and we will deal with those, obviously, in the right way working with our partners.

20 You know, the reality is that our 1P will always be relatively limited as you compare it to any type of a pure marketplace scenario. So we will always have this opportunity for – to the degree we want to extend the range, you know. 3P players will always be dominant and important and play that rule just by virtue of our space constraints.



CHAIRPERSON: Okay, but as I understand. If you want to bring something into your 1P range that seller may well become your supplier and so they have not been ousted, so to speak and you may take another product out of your range and that seller may be able to then sell that instead because it is still available. But as you say, brick-and-mortar, there is a limit to the stock range you can have and that is just as simple as that. It is prioritisation around the shelve space.

MR JOHN: That is correct. We have had those scenarios.

10 We have had those scenarios occurred.

CHAIRPERSON: Okay, so just – sorry, so we fully understand, you know, because it is more curated, you want to look at your most – look at sellers who come forward and say: Is this in our core Makro? Let us call it Makro because I am sure there is a Builders and there is a Game situation but this is what Makro is know for, this is our range. Does it extend our range rather than get into something new we do not do?

20 And look at what the seller is going to bring, obviously. And does it actually extend a range rather than just duplicate a range and then reach agreement with them on that. I mean that is as I understand your model if that is correct?

MR JOHN: That is correct. That is correct. Now that is not to say we would not have a one-off product that is not in our range. We do have a few, you know. We have tens of

thousands of products that we carry. And you might have a few hundred that, for one reason or another, we have decided to carry on the marketplace that is not a range extension but it is not the core strategy. It is an exception, you know. And we will have one or two of those but generally speaking yes that is the approach for the core strategy and for 99% of what you will find on our websites.

CHAIRPERSON: I mean, just going – sorry, back to the US. I did forget to just ask this. About – sort of two years ago,  
10 Amazon dropped their price parity clauses as I understand and I do not know the reason for that but these were clauses which limited, I suppose, marketplace sellers from selling on other platforms cheaper than on Amazon.

And certainly some of the academic studies that have come out since suggest that the removal has actually resulted – well, I suppose, removal has resulted in some price decreases for consumers and that putting them back in might raise consumer prices in some categories by little amount.

I mean, I just want to understand if you can talk from  
20 the Walmart perspective whether this was ever an issue because as we understand it, other platforms might say: Well, I cannot compete on price in effect. Which means, if I do not control that budget, as you put it, marketing budget and getting in front of consumers, it is very difficult for me to compete on other leavers that I might have. Charge lower

fees and get lower prices.

So I do not know if you have any experience on the Walmart perspective or that may not have been your area?

MR JOHN: Yes, no, no. I was involved in eCommerce but actually I was not directly involved in the marketplace even though I had, obviously, exposure to what was developing, giving broader context of all of the eCommerce work together as Walmart.com. But no not really in a place to comment on that since that was not directly tied to my direct approach.

10 CHAIRPERSON: Okay, because I am interested – I mean, as we understand, Makro as a marketplace is the same sort of terms. I mean, do you think it has different effects if you are not the biggest platform in the country?

MR JOHN: Are you talking about in terms in the context of pricing since ...[intervenes]

CHAIRPERSON: Ja.

MR JOHN: ...our prices are overspend it? So we sell on our website, you know, the same price as we sell instore and marketplace sellers establish their own prices and we have no  
20 restrictions on marketplace sellers' price dynamics. So they set prices and we have no restrictions or engagements in relation to what they do outside of our marketplace as well. So it is a very open setup.

CHAIRPERSON: Alright, because – I mean, I understood that the sellers price higher on your platform than on others.

MR JOHN: No, that is not the case, no.

CHAIRPERSON: Alright.

MR JOHN: We have no – yes, they do the price wherever they want the price, yes.

CHAIRPERSON: But there is a, I suppose what is interesting is, is there is a service requirement, which is not a price requirement as you rightly say, but their marketplace sellers must put the same effort into servicing Makro's marketplaces, they must any other platform. Is that correct or are you not  
10 aware?

MR JOHN: So you are saying that something – you are suggesting that – you are saying something about our requirements and contractual expectation of sellers related to service?

CHAIRPERSON: Correct. That almost the level of service must match what level of service they are putting into other places too. So I assume that might be things like ensuring that they are in stock for you, not deprioritising Makro because they have got a sale on Takealot. I mean, can I just  
20 understand? I mean, it may seem intuitive but the reason why Makro has put that in.

MR JOHN: Yes, I think there is a differentiation between the expectation that a seller would be doing more for Makro than they do anywhere else and we do not have that. But there would be the expectation that if a seller is going to be a

partner on our platform and we are investing in growing that seller's business that the seller would be giving us an equal and fair treatment to any other platform.

So that is the expectation in the sense that it is just a – it is just one's expectation for fresh air to say, you know, that investment and that partnership needs to be at least ensuring that if you have got ten stock you are not listing ten on Makro or listing ten elsewhere and then only allocating to the Makro and prioritising the eight for somebody else but then  
10 you have listed a ten on our business.

And then those types of service expectation is just a fairness to say if you are going to list the ten and you listing ten elsewhere then it is first-come-first-serve and we expect that we are getting the same treatment and we are not being deprioritised over somebody else because we are promoting – we investing to promote the seller's business. So that is really what it is all about.

CHAIRPERSON: And I think – I mean, you know, I had asked earlier the question about how do you ensure seller effort on  
20 your platform because I think we are getting a sense from some smaller platforms that some of the sellers are saying: Well, I may be hesitant to put too much in your warehouse because I am making more sells elsewhere.

And if some of the bigger platforms have stricter, I am going to prioritise them over yourself. So it seems this is put

in place to try and ensure exactly that that does not happen which may be the natural incentive if someone is more dependent on another channel than yours.

MR JOHN: Well... Yes, I mean, I think that ultimately the – you know a seller is looking for where there is growth. And so it may be less about whether or one channel is bigger or smaller and sometimes there is a correlation to growth and size but not always.

But ultimately if the seller is getting more sales from  
10 Platform A versus Platform B, then if Platform B wants to set up restrictions around that seller that would limit the seller's sales because now they would not be able to grow with Platform A. And I think sellers would naturally be incentivised to ensure that they have the opportunity to flex where there is growth.

And we do not – we try to make sure that we do not do anything to block a seller from doing that. And if we are not the platform that is allowing them to grow, they should have the freedom to be able to lean into platforms that helping  
20 them grow.

But on the flipside, if we are helping them grow, we just – we would want to make sure that they have the flexibility to be able to respond to that growth and not constrain that growth because they have locked themselves in another dynamic and thereby they are not able to develop.

So I think we are saying the same thing but that is kind of what is informing some of this thinking.

CHAIRPERSON: I mean, if you were listening earlier, it only seems that returns policy online is a hot topic of debate and the generosity of that return's policy to customers. I mean, as I understand, you know, Makro obviously is the front and the brand says it retains the right to accept or reject all refund's returns. I just want to understand what Makro's sort of policy on returns is? Is it to align with the – I mean, it must  
10 align with the Consumer Protection Act, but does it go further than that? So maybe if you can enlighten us?

MR JOHN: Yes and I will speak to that a little bit and I might have to call Paul in as well and just speak more broadly. I think that there is a difference also as we look at you know businesses that have channel because we have returns policy for our physical store, we have returns policy online and again, as I said earlier, the customers thinking Makro.

So as we look at these, we have also got to remember from a customer's lens that that customer is interacting with  
20 Makro. The challenge comes sometimes when you then extends to the marketplace and to the degree that the marketplace situation then causes that stock not to be sitting in Makro's hands and it sits in the customer's hands.

And we have a lot of challenges in this space, in this market because there is a lot of not so ethical activity with

organised movements. And so, many times, you know, brick-and-mortar retailer, it has got to be really attentive, you know. But we do everything possible to make sure we are customer first.

But all I am trying to say is also recognising that some of these policies that we put in place also is in an environment where there is a lot of insensitivity particularly online around folks that are in organised crime, that are leveraging policies to be able to drive certain types of outcomes.

10           And so, our effort just to make sure we can separate those out and take care of our customers and also be able to address some of these things. But maybe let Paul speak to the specifics around our policy.

MR VAN DER WAAL: Ja, so if I can maybe add to that a bit. I will start off by saying that the nature of returns in the marketplace are exponentially more complexed than they are in a brick-and-mortar environment. If you think about the brick-and-mortar environment if a customer is not happy, he can walk into a store, they can look at the product there and  
20 then. Perhaps they send it away to the supplier but there is a limited amount of time and then the customer will be able to get a result and be able to walk away either with a new product or whatever the outcome is.

With the marketplace environment, you are often dealing with a customer that has never been into the store.



So it starts of by, you know, arranging and getting the courier to go and collect the product from the customer and then taking that through to get it back to the seller. You know, the complexity of making sure the customer is actually there when you go and collect the products and getting it to the seller, having it evaluated and getting results from the seller and getting it back to the customer is, as you can hear, significantly more complicated and there are – you know, it is a much more difficult thing to manage.

10           So, you know, from a Makro perspective. Our brand is the most important and we want to make sure that the customers keep trusting us. So we will do whatever we can to make sure that we are meeting customers' expectations but also still being fair on the marketplace seller to give them a fair chance to evaluate the product and to understand what has actually happened with the – you know whether there is a default with the products or not.

CHAIRPERSON: And now we assumed, I suppose – no, sorry, let me not assume anything. But obviously Marko, I think, you  
20   rightly pointed out, Mr John, that you want consistency whether I am coming to your store, click-and-collect or online, there is a consistent policy. And I suppose that policy then extends to the marketplace because that is an extension, in some respects, of your brand. The complexity is, as Paul pointed out, is what happens behind the scenes in dealing with

the third party all of a sudden. I mean, is that a fair summary?

MR JOHN: [No audible reply]

CHAIRPERSON: Sorry, Mr John, I think you are on mute.

MR JOHN: There are a few exceptions to the marketplace but directionally what you are saying is true and that is the intend and that is what we want to get to because ultimately it is the Makro brand the customers are interacting with. So that marketplace return experience in an ideal scenario needs to be as close as possible but there are some exceptions  
10 because of the dynamics around the ownership of the product and where that transfer of ownership occurs because we do not hold the product. So, as you may know, for other pure – for some other marketplaces they hold the products because the seller ships to them and they carry it in a warehouse. We do not hold any seller products. It is 100% of seller products remain with them and it goes straight to the customer. We do provide the courier service to enable that but it is a direct connection between seller and customer. So in our situation, you have got that chain of custody that has not occurred in  
20 relation to us. But Paul, maybe you want to say something about that?

MR VAN DER WAAL: Ja, you know as far as it is reasonably possible, we try to keep the policies aligned. So, you know, we have certain policies. The customers – we have the policies in stores that talks around a period after having

purchased the product that, you know, there are certain conditions around that. And then there is – there is six months that obviously that you get from the Consumer Protection Act that, you know, that is in line with that. But wherever possible, we align those policies. We try not to have exceptions.

You know, there might be products that are exceptional and in those cases even in store or we have certain products that, you know, require a different way of handling things, which as you all know, in that sort of thing  
10 you would have different requirements. But by enlarge, you know, it is really 99% of the time we align those online – the marketplace policies with our instore policies as far as it is possible.

CHAIRPERSON: Thanks. We are running out of time. I suppose one question from the panel is around – you mentioned some programmes to support small businesses or historically disadvantaged persons to participate more in these online markets. I just wanted to ask you whether there were any other programmes other than what you have  
20 mentioned that you think could ensure that the shift that is already happening online is far more equal in terms of opportunities for business? That is, as I said, a core element to this inquiry.

MR JOHN: You know, it is a good question. There are two areas that I think of. You know, first is the onboarding

process. You know, and so there is a lot of questions about how easy should it be for a seller to onboard? And onboarding in this context meaning activated for sale and different marketplaces have different requirements.

I think one of the opportunities is that there are some of these requirements that are government requirements and there are some of them that may be considered grey. And the question is, you know, it is interpreted differently by different marketplaces. And I think there could be incredible value in  
10 clarity around some of that.

One, for example, is the BAT certification. You know, it is one example. There are a few others but that is the big one. You know, so there is a law, I believe that says, you know, if you are three million or less then you may not need a BAT certification and if you are above then you do. But then there might be other interpretations that say if you are above three million, do you or do you not? And so it depends on the clarity around that.

So you might see some marketplaces where sellers  
20 get onboard without the BAT certification and there are others where they are required. And so, I think in getting clarity around these and identifying areas where maybe some of those requirements that may not be essential could be clarified or adjusted, could then reduce the burden for a small seller but also provide big marketplaces the confidence to

make sure that they are not breaking the rules.

And also then allows to all have a fair approach to the process and right now there – I think there are some opportunities there. And there are a good number of small sellers who just find it overwhelming to go through the process. And many of us could simplify our processes I think if we had clarity on some of those areas or some of areas could be removed, you know.

10 The second area, I think that maybe also helpful is around, you know, to the degree that there are external resources, whether it is government resources or non-profit resources, that could be human, handholding to help small sellers get onboard. I have had experiences where I have identified areas where marketplaces that had the opportunity to provide almost like a seller-onboarding-team where a seller that wants to onboard for processes that feels overwhelming can actually have access to a team that could hold their hand through the process. Step 1, step 2, step 3 and get them through that onboarding process.

20 And I am not talking about videos here, nor am I talking – I am just talking about access to some folks, they can make the process less overwhelming. For a medium size, big seller, the process may not seem overwhelming but obviously for the smaller folks. And so, you know, and those resources do not always have to necessarily sit in the

marketplace owner. It could sit outside.

And into the degree that I think sellers could have those and without a fee and they could get through the process. And a lot of those entities could actually perfect their understanding of platforms and quite frankly get sellers on then faster, you know. So those are just two areas that I think that are there.

And you know that role could also be played by technological aggregators as well. I mean, I know there are  
10 a few of them in the markets that exist that kind of get sellers listed on multiple platforms from a technology standpoint but then there is the other piece which is the onboarding and procedural standpoint.

And then there is a third piece which is then the optimisation. So once you are listed, how do you actually win on a platform? So these are three things that I think agencies can help with. The technology. The systems, aspects of it. The paperwork and onboarding and getting activated. And then while you are on, how do you win? And not just disappear  
20 in the list of thousands.

And then I think there are ways that folks can help sellers do that. And I think these services could be useful.

CHAIRPERSON: No, thank you. And I think we may, obviously, engage more over the coming months in the inquiry on this. I think it is interesting for us that we are seeing these

sort of initiatives back in your home country in the US in response to concerns over inequality. Obviously, we have the same concerns about inequality and we also have the same concerns also about just international brands versus local brands and I suppose Massmart already has some experience about looking to develop businesses domestically to be your suppliers.

But I think your point – you know what we see with most platforms is, go watch the video, which, I think as you  
10 said earlier, has a role and can offer a lot of value but there may be value beyond that for particular categories to actually really overcome barriers.

Well, I am sure we, as I said, we will take that up more with yourself and other platforms just to understand and also to understand, I suppose, on these marketplaces what is the mix of business and how well represented are historically disadvantaged South Africans on those platforms and what may be the barriers. So I think we may also look to have engagements with some of your marketplace team just around  
20 that, understanding that better. I am sure we will other platforms as well, you know.

Well, Mr John and your team, I must... Well, let me just check if the panel has any other questions. No. I do want to thank you for your time. You have given enormous amount of time and I know it was on our request that you come

because of your rich experience. And I think we certainly benefited and probably some other online businesses have also benefited from your experience and candid insights. So I do want to thank you again and wish your team all the best for your journey that you are embarking on. And I am sure we will be in touch around some other elements emerging from these public hearings. But thank you again and – Paul and Richard as well.

R JOHN: Thank you. We appreciate the opportunity. We  
10 look forward to continue and engaging.

CHAIRPERSON: And so that does bring an end to the first of eCommerce hearings. As I have indicated at the beginning of the day, we have had to postpone tomorrow's hearing just because I am no longer available and I apologise to the participants that were due to come and also to the any of the present public for that but we have rescheduled and the updated schedule is on our website and so people can go and look there.

But tomorrow we would have had Takealot in the  
20 morning. They are rescheduled for the 24<sup>th</sup> in the afternoon. And Red Puppy and Price Check will be on the 19<sup>th</sup> where I also believe Samsung will also be taking up the slot there as well. I do not think that is on the schedule but it will be updated. So thanks everyone for another day of hearings. I think we have taken our knowledge forward and certainly,



hopefully; the public is better informed as to their online world where they are purchasing.

So with that I will just close today's proceedings and we will resume again on Thursday with deliver platforms, most focussed on restaurant delivery but it is still food delivery as well.

INQUIRY ADJOURNS TO 11 NOVEMBER 2021

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