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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: PROPERTY 24



Gauteng Transcribers
Recording & Transcriptions

PROCEEDINGS ON 16 NOVEMBER 2021:

Property24 – Represented by: JP Farinha (CEO)

CHAIRPERSON: Good afternoon and welcome to this
5 afternoon's session of the online platform's marketing
inquiry public hearings and it is day 2 of week 3 and this
afternoon we are dealing with property classifieds as we
have this morning and we have Property24 and I have with
us from Property24 JP Farinha who is the CEO and then I
10 also have Sjoerd Nikkelen who is the OLX South African
General Manager and as we understand OLX is the holding
company or division that holds Property24. So welcome
gentlemen.

MR FARINHA: Thank you very much, Mr Hodge and
15 Ms Tshepe for having us at the Commission. Ja, thank you
for allowing us to present to the public.

CHAIRPERSON: Great. Well, I am not going to stand in
your way. Why do you not put up your presentation and
take us through it? And then the panel will have some
20 questions.

MR FARINHA: I will do. Give me a second.

CHAIRPERSON: [No audible reply]

MR FARINHA: Alright. Are you seeing the presentation up?

CHAIRPERSON: We are. You can go ahead.

MR FARINHA: Great stuff. Thank you. So good afternoon everyone and members of the technical panel as well. Thank you so much for having us at the Commission and giving us an opportunity to present to the public. As Mr Hodge already introduced, I am JP Farinha. I am the CEO of Property24. I have been running the business for last 11 years joined by Sjoerd who is the GM of the Meir at OLX.

The agenda for today, in this presentation at least, is a few items. I am going to go through which I actually think is quite relevant for the public and the Commission. Just to alive them on user case on Property24. Some history and context. The competitive landscapes. The products that we offer our agent customers. And some strategic considerations.

Property24 is a vertical classifieds platform for the advertisement of property for sale and rent. So what we mean by vertical is that it focusses on one consumer segment. So that being, obviously, property as opposed to horizontal which would have multiple segments. So, for example, goods, cars or combined. We do not sell or rent property directly. We create a platform for estate agents and private owners to market their properties for sale and rent.

The platform currently has about 4 600 small to medium sized estate agency customers and on customers that could be considered large. Alright. So I am just going
5 to pop out of this and hopefully, you know, this works. I am actually going to just pop into a browser session, if you do not mind? And just try and give a bit of a live demo. I know it is quite dangerous in these kinds of things but give me a chance to try and let us see.

10 CHAIRPERSON: Most dangerous is us seeing all your other personal emails and documents.

MR FARINHA: I think you have access to all of that already.

CHAIRPERSON: [No audible reply]

MR FARINHA: Okay, just give me a minute.

15 CHAIRPERSON: [No audible reply]

MR FARINHA: Alright. Do you see my browser there?

CHAIRPERSON: No, we still seeing – well...

MR NIKKELEN: Ja, JP, I think this is correct. We see your browser.

20 CHAIRPERSON: Alright.

MR FARINHA: You have got it, great. So – okay, the first thing that you will notice is that my browser is in private mode and the reason it is in private mode is because Google, obviously, knows a lot about you and when you
25 normally browsing, you know, in your own browser, you are

actually going to see very personalised results. So you cannot really make any assumptions out of your own personal browsing because Google has looked to your history and is giving you really what you want. When you make it in private mode it gives it a little bit more anonymity and you get a kind of a better idea of what is actually happening on Google, not a hundred percent but better.

So the way that we see our customers engaging with the real estate market place and when I say – I am talking now about property buyers and renters, is that usually when someone enters the property buying or renting process, it is quite a long term process for them especially buying and normally they are not necessarily aware of where to go.

So, usually, the first port of call is usually Google and they usually come up with the first generic term in their minds and this usually is properties for sale or houses for sale. So if you look at Google, you will find that property for sale and houses for sale are the biggest generic keywords on their platform.

And if you type in property for sale, you get a result on Google, as we all know, and you will see that the first few results are all ads, clearly marked by Google. Easy.com, an estate agency. Rawson, a group estate agency. I am not sure what this one is, ...[indistinct]

[00:05:19] Cape Town. Then Property24 has come up in this slot over here. And then we get to the organic results and this time Property24 has come up first, Private Property
5 has come up second, Pam Golding third, Remax fourth.

Now as a consumer - some consumers will click on the ads; some consumers will click on the organic and we roughly see about a 50/50 split between these type of consumers clicking on ads versus organic. Normally what
10 happens is, is someone will click on one of the first links, usually, and see what comes up. Now you will see that for this particular search, I had searched for property for sale generic but now I have landed in property for sale in Cape
Town.

15 So why is that? It is because you know we looked at where you were coming from or in fact, we did not, Google did. Google looked where I was coming from. And it said: I think that this particular page on Property24 is most relevant for you typing in property for sale and coming
20 from Cape Town. And so it served our property for sale in Cape Town page to the consumer.

However, the consumer might not be wanting to see property in Cape Town. They might scroll down a bit and they might see: Oh, wow, this is not really relevant. There
25 is 9 800 listings and I am actually looking for a particular

area. So they might go back and they might refine their search. And usually we do see - we see people actually clicking on multiple sites at this stage.

5 So for example you might go to a Remax. Remax, obviously, being a very large national brand with a lot of listings. And you get a similar type of experience. they have also - their page in Cape Town has also come up. you will see 2023 listings. And someone might look through this
10 and say: Okay, this is also not necessarily what I want. I want something more focused. And then go back and say: Look, you know, actually looking for property in an area. and this is how people refine these search downwards. They usually choose an area or multiple areas to search in.

15 So in this case I am going to search in Soshanguve. Okay, let us see. Property for sale in Soshanguve. So now we get a different result. Now we have got Private Property which has an ad at the top. Property24 has got another ad below here. And here we see Property24, Soshanguve and
20 a whole bunch else. And you will see that there other sites that come up. So my roof in this particular area is doing relatively well. RealNet is doing relatively well as well.

 Consumers will click on various sites. So let us click on Property24. And they will take a look and over time they
25 will decide what is more relevant to them. So you will see

here, Soshanguve 3 250 listings. Wow, that is a lot. Okay, now I know I want to look in Soshanguve but this is way too much for me to go through. I will spend weeks trying to go
5 through this stuff.

So then you start looking at the features of the site. Has it got filtering? Yes, it has. Alright. So let us see. Let us look for a house and let us say my price range is, I do not know, R 800 00,00 to R 900 000,00 and let us say I
10 am looking for a three bedroom plus and there are more filters that you can fill in but let us go with these right now. And what happens is my filter cuts down to 221 properties which is now much more relevant for this particular buyer as what was shown before.

15 I can also decide, you know, do I want to order this by, you know, different ways; low to high, high to low, most recent or I can just go through the default order as it is. Now, interestingly, you will see in the default order that there is – you know there is a listing here that has a much
20 larger format than the standard listings. So why is that? That is a promoted product that this estate agency has bought.

So you will see here, standard listings come up at the top, promoted listing there and then it is a mix of
25 standard going down, et cetera. And you will also notice

that this is a – so this estate agency, Cyn Mac, it is not a national brand. It is clearly quite local to the area. If I want to go and look at that estate agency I can click on the listing and I can go and look at who they are. Do they look legit? Yes, they do. They have got a lot of good estate agents, it looks like. And so I can get familiar with non-national brands in this way.

So you will see that the non-national brands are listing and advertising on the same kind of space as what a national brand would list. And if we scroll down – let us try and find a national brand that is playing in the same space. Right, there we go, Remax. So Remax listing down there. You know, playing on the same kind of platform as a Cyn Mac which is a big advantage to that smaller platform.

Okay, I am going to cancel out of this now and just go back to my presentation and we will take off from there. Okay, can everyone see that?

CHAIRPERSON: We can.

MR FARINHA: Great stuff. That is quite a relief that the demo worked and all is fine. Alright. So there is a couple of things in that demo that I just wanted to point out and I have already mentioned them but one is that is that consumers are using Google to discover websites. They then going into those websites looking at them and try and

find relevance and where they find good content, good user experience, good search and relevance, they tend to start using those sites more.

5 And they then start to searching for those sites once they start – as I think Mr Gruvé or Mr Manning said this morning, once a user has become familiar with the site that they like, then they might start searching for, for example, Property24, Soshanguve. So they can go directly to the
10 Shoshanguve page.

 Right, I just want to talk about some history and context to Property 24. Our mission in South Africa is to create the best marketplace that consumers turn to first and engage with most. So we are very consumer focused. We
15 have got the consumer front and centre. The second is to empower agents and to provide them with leads because that is what agents are looking for. They are looking to advertise their properties and sell them. And then so simplify and improve the South African property
20 marketplace through innovation.

 We are part of the OLX Group and here we have just shown an organogram structure of where OLX fits in with Naspers and you can see that we are actually under process and very separate to Media24 and MIH which is where
25 Takealot sits. And Property24 and Auto Trade both fall

under OLX here. OLX is a large company, a large multi-national. It operates in 30 plus countries in the emerging markets around the globe.

5 South Africa only makes up around 2% of the OLX Group revenue. So South Africa is relatively small inside the group. Property24, just incidentally, was an originally part of the Media24 Group but has not been since 2009 and I will go a little bit of the history now. So in 1999 – you
10 would have heard this morning with Mr Mwela, Private Property was started in 1998 and Property24 was started in 1999. So we both have a long journey and we have both multiple pivots along the way and we have been fierce competitors along the way.

15 It was started within the Naspers Media24 Group and it changed ownership and focus along the way. The initial offering of Property24 was really – well, it is a combination of editorial content which was squarely in the Media24 kind of stable of expertise and then it had some
20 estate agents listings but they were not the focus of the site. They were quite of an add on.

 And the business evolved into a JAV eventually with ABSA. It was a mortgage switching JAV, actually, where the business would earn commissions on people switching
25 into an ABSA mortgage and the business went on like that

for a number of years until 2008 when the global financial crisis hit and unfortunately, you know, financials were really not good and it ended up with the JAV being split and
5 Media24 taking back 100% of Property24 and ABSA taking, you know, the book that we had built.

Oppose that, the business was in a bit of a crisis because it did not really know, you know, where its future was from there and it was actually sold to a relatively small
10 software company called Corbitech in which Naspers then bought a 51% stake. So as part of the transaction, Naspers bought a 51% stake and Property24 was sold to Corbitech. And I will go into more detail later but the reason for that whole transaction was that Corbitech came up with quite an
15 interesting business model which it wanted to try and implement in the South African market.

Various monetisation models were attempted with limited success before we implemented the current lead based model that we have today. From the time it was taken
20 over by Corbitech to – roundabout 2015, the business was actually given complete operational control. So the Corbitech shareholders and senior management effectively managed the strategy and the business plans of the business for, you know, for those five years. So they were
25 quite independent.

And it is useful to note that the business was funded by Corbitech cashflows and Corbitech had minority shareholders. Obviously, 49% of it was minority
5 shareholders. So it was quite difficult in those years to actually build the business without having to dilute shareholders, go back and ask for money, et cetera. We had to be very careful about the amount of money we spend on product development, on marketing, et cetera. So the
10 DNA of this business has been, you know, do things on a very lean basis.

In 2010, we – sorry, later from 2010, the focus was shifted towards improving the content and the product and for creating more value for the estate agents. And the last
15 past of the journey we have had, is to improve the product and create promoted products for estate agents and we have done lots of improvements to the product over, you know, over the years and continue to do so.

The competitive landscape. So a little brief
20 overview of classifieds in South Africa. I believe that Mr Manning touched on this, this morning but prior to 2010, the newspapers were the primary advertising platform and they were organised into two, as far as I understand and I might be wrong, they were organised into two different joint
25 ventures, one in the North and one in the South and the

joint ventures were between the top estate agent groupings or a group of estate agents and the Saturday newspapers.

And my understanding was that the newspapers
5 were forced into those JV's at some stage by the industry. Now what – as – and again, this is all hearsay and I cannot – you know I cannot if it is absolutely true but from what – from my own experience of the newspapers in those days; you would only really see the big national brands in -
10 advertised front and centre in – you know in – and remember they used to have different sections.

The smaller brands could not afford to advertise or to compete on creating brand and advertising in those pages and they were largely pushed to the back pages
15 where you have those small little property ads and if they could afford it, they might take one or two, you know, colour ad, et cetera. So it was not a really good – it was not a really an open and procompetitive marketing platform that was available for small estate agents.

20 Internet penetration then started skyrocketing. So, we started seeing from around 2011/2012 internet penetration just went through the roof and it just started growing really fast and that was because of the advent of Smart phones and clearly this started having a negative
25 effect on newspaper advertising as consumers moved

online, you know, in their droves. And we were particularly lucky in this business in that we switched the focus to classifieds in 2010/2011 and when that tailwind of internet consumers came, it kind of hit us from behind and we were just almost in the right place at the right time.

At the time, you know, property advertising moved to online classifieds initially served by Private Property, IOL, Gumtree and ourselves and there was quite a lot of competition between us you know in those day, there still is. This increased transparency and also has created a level what we think of as a level playing field align smaller businesses to better compete with larger ones.

So you have just seen, you know, in that example of Soshanguve how a small agency can actually brand, can almost take over an area if they, you know, if they are strong in a certain segment compared to a large national brand at a very, very low cost compared to what the costs were in print when newspapers were still the primary platform.

Property24 has got into a stage now where we are lucky enough that we also attract casual browsing audience that actually do not have the intend to buy. So if you look at our audience size, it is very big compared to our, you know, our next competitor and competitors, the next one

after that. A large portion of that audience is not there to actually to transact, to buy or sell. They are just there to just view property. It is a form of content and people do a
5 lot of browsing and just looking.

Interestingly, Mr Gruvé put up the charge of Zillow and Zillow's massive growth and similarly with Zillow, the reason why it grew like that is because they introduced something called the Zestimate and they market it and you
10 know huge amounts of numbers of people who owned homes in the US wanted to see what their home was worth. They did not want to buy or sell, they just wanted to see what there Zestimate was and that drove all of that traffic onto Zillow in the US in the beginning. It was quite a good
15 content strategy.

Our vertical classified model is categorised by a two-sided market with network effects, its indirect network effects. On the one side of the market we have got property buyers or tenants who are looking for homes and the
20 services are obviously free for them. On the other side we have a much smaller number of players and these are the estate agents businesses that pay to list their properties.

The network effects reinforced competitive constraints and they exclude the possibility of
25 monopolisation or exclusion and exercise a market power

because they require both sides of the network to work. So if we mess up one side then the other side will go away. So, for example, if we do a bad job with innovation with user experience, with search customers very quickly will move to where they can find a better experience with potentially other listings.

If we lose an estate agent customers, their listings go away but their listings can still be found on other platforms and so the consumers will quickly realise I am not seeing the full market and they will leave. And you can very easily decline into a negative network effect with this kind of model. It is certainly not an extremely strong network effect that we see here and there are examples that support this.

I mean, we have seen Gumtree in our local market have you know an extremely – what we thought was an extremely strong network effect many years ago and it was a massive, massive platform and it slowly declined over time because they have not really invested in that business at all. We have seen Craigslist in the US also declined similarly because they have not changed with the times, et cetera. So these things are not insurmountable.

We, therefore, have to continuously be providing the best possible platform to create value for both sets of our

customers and that keeps us on our toes. The landscapes evolved dramatically over ten years. So, you know, this is a graph and it is taken from the Google trends tool which is
5 amazing. If you put in a term, it will show you the number of searches for that term relative to other terms. So in this particular one, I have put in Gumtree, which is the green bar, and I have put in Private Property, which is the red one, I have put in Property24 and OLX.

10 And you can see that around 2010 how massive Gumtree was, how much brand equity they had, how many people were searching for Gumtree. It was just huge. And since then, you know, how that has declined over time. And I would venture – I do not know what their numbers are like
15 but I would venture to say that their traffic has mirrored this almost exactly. Their traffic has declined, you know, substantially. And this is a good example, as I was saying earlier, of someone being destructed because they have not invested in, you know, in one side of their network.

20 If you look at Property24 and Private Property, you go back to around 2010 there, you will see and we can pull out the real numbers but you can see that Property24 was about half the size of Private Property at that stage and there you can just see a comparison on the righthand side,
25 those bars, just compare the situation from 2010 to date

where the position has effectively flipped. Back then, they were 67% and today, you know, they are the other side. And it just shows you, you know, how things can change
5 over a number of years given a particular strategy or change in product, et cetera.

You can see that through 2011/12/13/14/15, over a number of years, we passed Private Property in terms of those searches and you can see that we have grown well
10 since then and Private Property has been relatively flat over that same period IOL property, unfortunately, I have not got on this charge but IOL property is very small at the moment and they were, at that stage, also one of the contenders but they just did not invest at all along with, you
15 know, with everyone else. They just fell by the wayside because there was simply no investment in product, marketing. I do not know what happened there.

The primary reason or Property24's growth over our competitors is that we focus on treating the best possible
20 experience for our users. We need to work hard for us to stay relevant and this involves four of our core areas. One is, we strive to have all the properties on our platform. Now, we know that we do not have all the properties on our platform but we want to have as many as possible. It is

actually, I think, impossible to have them all unless you are a scraper like an aggregator which do have them all.

The broadness of selection of properties is crucial
5 to engage users. They want to see everything in the market. Quality is the next one. So for us, you know, we need to ensure a high quality experience. That means, pictures, descriptions, information. It is – the user wants to know what the size of the apartment is or the house is,
10 the size of the erf and what the rates are, et cetera. So we try and give that to them.

The third one is experience and that is largely and that is largely the search experience but it goes to the total user experience of the platform in every step of their
15 journey. So that talks to search filtering, site speed, ease of use, you know, and that all contributes to getting that user back to use your site every time.

And the last one is trust. You have to create trust in your platform, a trust brand because consumers want to
20 go to a trusted marketplace when they are going to interact with estate agents. They do not want to be defrauded and there are case of fraud that do happen.

This is also quite an interesting chart. These come from a platform called Similarweb which is sample based data and
25 it is the only way that we can really compare ourselves to

our competitors in the market. It is widely used on the internet as a tool.

And if we look at Private Property and Property24
5 on Similarweb it is quite interesting because if you split these charts by new users and returning users, you can see that on a monthly basis Private Property and P24 almost get around the same numbers of new users. So people are coming and trying us both.

10 However, the returning users are much higher on Property24 and that just shows that Property24 is giving users the experience that they want to have. And you know Private Property, for some reason, is not.

I just want to talk a bit about the product that we
15 offer to our estate agent customers. The first core product that we offer is our standard for sale listing subscription and this product is based on a matrix, it is quite logical. What the matrix says is, that if you start on the top left, anything less than— you can list as many properties as you
20 like on Property24. We do not restrict the number of properties you list.

If we provide you with ten leads, which is defined as leads in our contract, clearly defined, and your property is less than 1.3 million, then we will charge R 463,00 a month
25 and as you – you can move to higher value properties, the

price goes up. So if you move to the right, it goes to R 480,00 to R 500,00 to R 528,00 right – if you are listing properties greater than R 7 million and you are getting less than 10 leads, then we are charging you R 557,00. And then as you go up in the lead brackets, the prices then continue to go up. So it is done by lead volume.

And I just want to make sure that everyone understands that because I cannot recall, I think it might have been Mr Manning who was under the impression that Property24 charged by clicks, by views and that is not the case at all. In fact, Mr Manning's listings were rental listings and rental listings we charge on a number of listings basis. We do not charge per clicks or views at all for rental listings. So I think there is just a misunderstanding there and we will try and clear that up with him.

So the nice thing with this model is that this model is very open to new entrants in the market because if you want to start out as a new estate agent there is no risk in this model for you. You can list ten properties and see what kind of leads you get. If you get zero leads there is zero costs. You know, you could also come and say but I do not know how many leads I am going to get, you might just charge me fortune because I get a thousand leads but that is really nonsense because leads really equate to the

number of listings you have.

If you look at the average on the platform there is a number of leads that we generate per listing that you have
5 and you are never going to get, you know, radically outside of that range but if you were worried about that you could just list one property and see how it went and it will cost you very, very little.

We, because of this, of this matrix structure that we
10 have, we believe that on a cost per lead basis, on average, we are the lowest price in the market. And we look at our competitors and we try and figure out what it would be on a cost per lead basis and every time we do look at them we find that we offer more value than what our competitors do.

15 On a rental listing bases we have these different segments. So if you, for one to ten rental listings, we charge R 233,00, 11 to 20 R 433, et cetera. And so, you are simply charged per listing that you put onto the portal and you might ask: Why is this so different from the for
20 sale pricing? And the reason is actually quite simple, is that, on the for sale side it is a different kind of market and we are trying to incentivise the estate agents to list all of their products on the portal whereas on the rental side you have actually got to try and disincentivise the estate agents
25 to list because often people – because rental is much more

liquid and it comes on and goes off much more often and there is slightly less value in rental, often people are lacks when it comes to removing rentals from the platform and
5 then you end up with stale stock that people do not remove.

The next product is our branding listing product where you can add your branding to a tile. So if you do not have branded listings then the little – that little square branding is not on there. However, when you click on the
10 listing you can clearly see the estate agent. It is not like Mr Manning was saying where, you know, there is a blank page. It is not. Your picture as an estate agent is there and your name as an estate agent is certainly there. So you absolutely do know who you are dealing with.

15 And we have this on a – also on a sliding scale. So the less listings you have the cheaper it is and the more listings you have, obviously, the more expensive it is going to be, to be fair. Also, if you are in a high interest area it is more expensive and if you are in a standard interest area
20 it is cheaper.

Then we have our promoted listings products and the first one is what we call the premium listing and this goes – this is one position that goes to the top of each page. So each page is one position allowed for premium
25 listings. The estate agent buys this – can buy this for 7

days at a time and they range from between R 117,00 to R 473,00, you know, depending on the area that you are in. So in a cheaper area the price will be a lot lower.

5 If there are – say you have in an area ten pages of listings and you have three people that have taken premium listings they will rotate randomly amongst the three pages. So sometimes one will display at the first page, sometimes another one will display on the first page, et cetera, and
10 that is to be fair to distribute the position amongst them fairly.

 The next product is featured listings. With this product, this allow you to change the format of your listing. You will see the format is different there. It has a large
15 picture in the middle, then three pictures on the side and your branding goes to the top of the listing. So the format changes from standard and it goes to the top of the listing ranking.

 Obviously, you would have to have your quality
20 score. It cannot just be, you know, a bad listing. It has got to be a descent listing. Your quality score has to be above a certain amount to buy this. If I am the first one buying this, then I will move – I will clearly, you know, at the top of the page. If a competitor buys one after me, then they
25 will pop in to the top and I will be moved on position down

and so on and so on. And we find that this product has actually been very popular and it has been sold broadly across our base but not as broadly as we would like.

5 The last one is boosted listings. And what this does is that it allows you to – you can see, you get an additional two images on the bottom of your tile, the tile is bigger. The branding goes across the top of the page and as an estate agent you will get your photo put onto it as well.
10 This is bought for a 30 day period. So it is between R 237,00 and R 592,00 for a single listing for a month.

 And it lifts your – it basically adds a small amount to your quality score so that you are lifted in the rankings slightly but it is impossible for us to tell you exactly how
15 much because it is relative to other peoples' and other agents' quality scores and where you are. If you are on page 5, you know, it – who knows, it might move to page 4 but it will never move it to page 1 but there are different instances of it and it is not a product that moves you to the
20 top of the page.

 Then we have agency websites. And you heard earlier as well, all estate agents want a website. Many estate agents spend a lot of money on their websites with other service provides. We provide quite a basic and cheap
25 product. It is R 674,00 a month and you get a mobi site

and a website that has reasonable functionality. It does not have the best functionality out there but it has - for the price it is very good value.

5 On the righthand side of the search results we also have an estate agent banner ad which an estate agent can buy and up to three estate agents can buy in that area. So if there are three estate agents in that area it is rotated amongst the three of them and these are priced per area as
10 well and they are relatively cheap. So it is a nice product for an agent who wants to brand themselves in a particular area.

 Some of the main points in terms of our commercial strategy. So Property24 determines pricing based on value
15 delivery. We look at how much value we are providing to our customers and we determine our pricing as such. The volume base pricing maximises the consumer experience by incentivising agents to list all their listings. That is why we do not want to restrict agents by a number of listings.
20 We want them to put everything on there because consumers want to see as much as possible.

 The promoted listings are non-rivalrous and are not prohibitively expensive. So when you look at the cost of these promoted listings and in fact the cost of listing on
25 Property24 and when you compare that to the commissions

earned in estate agency it really is very, very, very small and you can do that calculation on a number of levels. You can do it on macro level, you can do it on office level, et cetera, but it is small.

Estate agents earn an estimate 4 to 5% commission. Some earn more on the lower levels and if you are selling a very cheap property you are going to charge more than 5% on it and a very expensive property you might charge less than that but generally that is the accepted range and so they are achieving about R 40 – R 50 000,00 commission on a home of about a million rand.

The average – I have just looked at the stats earlier, the average property price at the moment is sitting at about one point three – I think it is about one point three sixty at the moment. So that would be lower than the average property sale at the moment.

Property24 listings costs represents – sorry, not just the listing cost but the listing plus promoted listings, all the expenses that estate agents spend with us on the portal, they are only represented about 1.5% of earned commissions. We are arguably a low cost marketing channel for estate agents.

If prices – if we did increase our prices and it was unrelated to value, we would very quickly lose our

customers, we would lose our listings and in turn it would create a negative network effect and I think that the people that you have had on this morning have confirmed that, you know, and I think yesterday, have confirmed that agents are not all on our platform. Some of them do leave. The gentleman this morning was only on Private Property and yet he has, you know, he has a sustainable business.

Strategic consideration. So Property24 has no exclusivity or control over content. We have a little bit of a different view of listings than Private Property. Obviously, we have different views of the world. When we look at our listings, our source of listings, 41% of them are internal i.e. they come from our Prop CTRL platform. 24% of them come from Prop Data which is the third party platform that we are talking about, you know, earlier. And then you can see how it declines into other integral who – Mr Gruvé was on this morning. Fusion, which is Private Property's Web-box, which is another one. And then other estate agent platforms that they own themselves.

Looking at the source of listing, you can see clearly here the majority of listings actually come from external systems, not from Prop CTRL. We do not prevent third

parties from using listing software of their choice. We, obviously, prefer them to use Prop CTRL but it does not stop them from using anything else. Some are independent
5 and some are proprietary to agency groups. So, for example, a group like the Pam Golding Group has internal systems that are proprietary to Pam Golding and require integration with their system.

We find that this software, listing software switching
10 happens often and continuously. So we have had – we continuously – we have a whole department called Operations that deals with customers that are switching service providers whether it be from us to someone else or from someone else to an independent or back again and we
15 have had many, many instances where estate agents have switched between platforms and back again over the years and kind of tried different ones out. It creates a loss of costs in our business.

Estate agents use multiple platforms to show the
20 listings on P24. So you find that estate agents can actually use – so because the cost of listing on Property24 are actually so low it – we actually find estate agents spending money on other platforms and other listings software. So, for example, an estate agent might happily used Prop CTRL
25 but used another platform that they pay for to feed

elsewhere and they will just cover that cost.

A lot of the times we have found that estate agents spend more on their listing software and on their websites than they spend on Property24, in fact, and competitors for that matter. Estate agents multi-home between – across multiple platforms mainly because it is so cheap for them to do so. The cost, the incremental cost of listing on another platform versus the commission on one sale is just so asynchronous that it is just worthwhile for agents to list in as many places as they can which – to make it convenient.

We believe and we are very proud of our platform. We believe that it improves the marketplace. It has – it creates low barriers to entry for estate agents. We also think entry into our market is actually low – has a low entry barrier. And I think that the gentleman from Property Central, you know, although he is complaining that he cannot get traction, it just shows that in a year and a half a very small individual player can come into the market, launch a property platform, start acquiring listings, and actually if he wanted to, start spending marketing money.

So the barriers to entry are relatively low. Agents are multi-homing and their software that – a third party software that interoperates with the various platform.

Property Central, as we saw, was just added to Integral and I think that Private Property was going to look at adding them. And there is another point here and that is that the
5 incumbents actually paid away in a way for new entrants into the market because of the amount of work that we have done on quality scores and moderation.

So the reason for quality scores on our site was to improve the quality because when we started we would find
10 agents putting watermarks on the listings, putting their photos on, putting their number across the listing, bad photographs, lack of information, et cetera. And so we have incentivised estate agents to improve their listings and if they improve their listings they get a better score and their
15 listing falls down slower in the process. In other words, they get more exposure.

Now because we have done that, what happens is, those listings, those improved quality listings become available to the whole market. So the gentleman from
20 Property Central, if he, for example, had a feed integrated from Prop Data, he would find that the estate agent feeding to him would not be capturing a separate listing to go to his site. The would simply be sending the same listing that they sent to Property24 and Private Property and whoever
25 else and they will be sending it to Property Central and

Property Central immediately without any moderation team, with no tech investor and quality, et cetera, gets the benefit of a high quality listing that we have at pains over the years
5 created.

We believe that the platforms levels, the playing field for the estate agent industry, it allows new entrance into the market, it allows smaller brands to compete alongside the older more established brands. There is an
10 aggregated threat in our market. So we have seen in other categories like for example the jobs category in the US where aggregators – by aggregators, I mean international sites that come to your market and scrape all the content from all – from wherever they can get it, the estate agents’
15 sites, the portal sites, wherever, and they then start competing with local players to charge estate agents for cost believes.

Now if you look at the case of Indeed in jobs in the US, that aggregator was so successful that they have
20 actually became the de facto job’s leader in that market over a period of time. And then what Mr Mwela has already spoken to from Private Property is the Facebook disruption. We do face a real threat from Facebook. In developing markets Facebook leverages its userbase to offer solutions
25 to estate agents.

We can see at the moment the user experience on Facebook Marketplace for property is not great. However, if you look at the develop markets, it is different. They have
5 starting to put a lot of effort into those markets. So, the UK, Australia, the US, et cetera. Those improvements in the Facebook Marketplace product will come to our market. There is no doubt that they will come to our market. The estate agents are already using Facebook to generate
10 leads. We already know that Facebook is attracting competitive spend. It is simply a matter of time before estate agent listings end up on the Facebook platform because the listings will go where there is value.

Just to sum up and end our presentation. We
15 support SME's and HDP's. Property24's customers are SME's. We do not contract with a Remax who is the owner of the franchise. We contract with the franchisee who is the little office on the corner who owns a Remax brand and who is the businessowner of that franchise. Those are our
20 customers, you know, barring one.

Property24 in the last year has identified 50 HDP's to participate in our enterprise loyalty(?) programme and we have given the Commission the information on this. Our intention is, obviously, to expand that over time and to do

more. We are currently on Level 7 BBEE score and we aiming to approve that and achieve a Level 6 in 2022.

And with that, I would like to thank the Commission
5 and anyone who is in the public listening to us for your time and I will end my presentation and hand back to the Commission.

CHAIRPERSON: Thank you very much, Mr Farinha. Maybe you can stop sharing your screen and then we will see you
10 more prominently.

MR FARINHA: My apologies.

CHAIRPERSON: So, Mr Farinha, can I just – I think I have missed it but when did you join Property24? It was post Corbitech's acquisition, is that right?

15 MR FARINHA: It was 2011. However, I actually started working with Corbitech late 2010.

CHAIRPERSON: Alright and you came in as the CEO or not?

MR FARINHA: No, I came in as General Manager,
20 Property24. Corbitech at that stage was a software company. It had a variety of – it actually had software that catered for conveyancing attorneys to transfer property and that was the property angle and it had an interesting business model that it pitched and we try to implement.

25 CHAIRPERSON: I just wanted to locate your history in this.

And then the – I got up to 2015, there was complete operational control and after 2015? You mentioned that, so I was just wondering.

5 MR FARINHA: Yes. Then Naspers acquired 85%, took its stake up to 85% and then – and – look, we actually – in our shareholder agreement we actually had operational control as one of the conditions of shareholder agreement. So after five years that ended and then we just became, you
10 know, another entity, an independent entity within the Naspers stable.

CHAIRPERSON: Alright. So when you say we, that is Corbitech at that point? Sorry?

MR FARINHA: Correct.

15 CHAIRPERSON: Alright. So after this period up to 2015, we sort of jumped to after scaling the basic business model in the late 2010's focus shift, improving content. I mean, can you just talk us through the scaling process?

MR FARINHA: Yes. So... Do you want me to start from
20 2010 or later? I am not sure where.

CHAIRPERSON: I am happy with 2010, if you want to. I just want to understand the phases the business went through and – sorry, I should – I mean, history is really confidential but also just remind you, obviously, do not
25 traverse confidential information.

MR FARINHA: Yes, I have got – I do understand. I will try. Alright. So when we started we had a very ambitious business plan that – and when I look at it now it was
5 extremely naïve but we wanted to digitise the property transaction. So we had this idea that – you know there were so many touchpoints in the property transaction and consumers were going offline and online and there were pieces of paper being passed between different parties and
10 this whole transaction that if we could create a platform that digitise most of this, we could create value.

And so – and hence the Corbitech angle. And we created a model. And also – sorry, in addition to this. The context of this was that we had this competitive private
15 property that was really very, very good at the time. I mean, they were – the team that they had they were funded by Tiger Global Management, which I am sure you will know is the big US hedge fund, who is a big tech investor. And through that funding and relationship, they had access to
20 companies like Ede-Lister(?) [00:53:32] in Spain, et cetera, and they were smart and they were years ahead of us, I think.

So at the time in the market, they would double this our size. They had a better platform, they had a better user
25 experience, they really had implemented a quality score.

They were really – ja, they were really far ahead of us. And they were charging estate agents, if I remember correctly, something in the region of, at the time, R 55,00 per listing
5 and they were slowly signing up the estate agents onto the – the total estate agents onto the platform. They had a lot of estate agents but the estate agents were not listing all their properties because it was so expensive.

You know, you cannot list all your properties at that
10 stage when there was no value or very little value at that kind of pricing at that time. I mean, today that would be – I do not know, I would have to do the calculation but it would be crazy prices today. Anyway. So we looked at the situation and we thought okay we are the small player here.
15 We have got to think differently. How do we disrupt Private Property? How do we start competing?

IOL Property at the time was competing on just the complete standard monthly, flat monthly fee. Gumtree was not focussing, really, on the business consumer. They were
20 not giving the estate agent much. So they were big but the experience was not good. And so we saw a gap and we thought we can disrupt Private Property here if we are fast enough. And what we did is, we created a model which was based on this digitisation of the platform and the model
25 went like this.

We said – we went to the estate agents, we went to each group of estate agents and we pitched to them and we said: Look, we would like to implement a model where you
5 join our platform and you pay us only a success based fee when you sell a property and the success based fee will be very low. It will be – I do not recall the actual amount but it was a fee that you paid when you sold a property.

And then we said: But if you partner with us to try
10 and digitise this platform, then what we will do is, we will build systems and platforms for all the players in the industry to be able to instruct each other electronically. And we can charge for value created there because, for example, the conveyancing attorney gets an email from the
15 estate agent, they then have to do a deed office search which cost them money. They have to implement or capture and implement all the necessary information. So there is cost and time in that.

We could automate that, plug the property into the
20 conveyancing attorney's software, have it already verified and popped up there as an instruction. And we would then be able to charge the conveyancing attorney for the convenience of having access to that. Likewise with beetle certificate, water, electrical. And I think, if I remember
25 correctly, we had seven different digitisation items that we

intended to try and make work. And that was this JV called Reasa(?) [00:57:29] that we went into with a group of – with the national estate agents.

5 Now we started implementing that strategy and we started building software, we started trying to improve our site and we went a long way down the road of building these platforms. What we found, however – in the meantime, the estate agents started listing their properties with us. And
10 just incidentally, I do not recall who it was earlier that said – it might have been Private Property that said that listing were exclusive on Property24 and I just want to put on record that that is absolute nonsense. We have never ever, ever asked for exclusivity from anyone in this market.

15 In fact, when we launched that model, part of – I even got it on our presentation. Part of the presentation was ...[intervenes]

CHAIRPERSON: Mr Farinha, I do not think they made that claim. I just think they said they lost listings. That is all.

20 MR FARINHA: I think someone – anyway. Someone – it got my hair because it such a sensitive subject, you know. Someone did say that it was exclusive. Anyway. Private Property, I know Mr Mwela was not there at the time and so he does not have the benefit of first-hand knowledge but
25 Private Property did not lose listings at the time. We were

measuring closely the listings on ourselves and Private Property and we can pull that out of our history and show that.

5 And so, I am not sure where the narrative has come in where, you know, suddenly Private Property lost listings. It was not like that at all. But what happened was that we did gain listings because estate agents saw value because they thought: Okay, this is great. We can list all of our
10 listings and it is risk-free. I am only going to pay if I sell something. And to a large extent, a large gain in the listings came from the small estate agents and the longtail of estate agents because you know it was cheap for them and risk free.

15 So it was quite a – the whole thing was a clever strategy but it did not work. It was just far too – we were far too clever for our own good and it fell apart because we could never get the estate agents to do what we needed them to do. So, in other words, what we needed was that
20 we needed the estate agent in an office to instruct the attorney electronically when they did, when they had an OTP to create an electronic OTP, et cetera.

 And we just never carried enough influence to get that to happen. And our estate agent partners – what we
25 realised at the time was that our estate agent partners also

did not actually have the influence because the way that the industry is structured is that you have these national estate agent brands that do not own the businesses, they are a franchise, they do not own the businesses. They might own some businesses but what they do is, they provide expertise, they might provide a platform and brand, et cetera, but they do not own the business on the ground. And that is a big lesson that we learnt at the time.

10 And unfortunately we realised that the business model just would simply would not work if we had to carry on with it and it was a very tough decision at the time to break because we knew that we would ruffle feathers with our estate agent partners but we believed strongly that to create a sustainable business, we would have to go it on our own. And without the digitisation model we had to go into a pure classifieds business model.

And so we pivoted the business into a classifieds model and we started charging – I think it was a – we charged a single fee but we would discount that fee if you did not receive a number of leads. So we had a lead guarantee model that we put in place where if it was just a relatively – it was – I mean, it was not cheap. It was – I think it was R 1 500,00 or one thousand – I think it was R 1 295,00 if I am not correct. But we would only charge

you, I think, half of that if we did not achieve the leads that we promised.

So, it was a flaw, you know, on those leads and we then proceeded to go out to the market and sign up all of the individual franchise owners, franchisees and independent estate agents and small agents and sign them up to this kind of fixed fee model. Now just a note on that, is that – another interesting note on that is, that prior to Reasa business model that we tried, we were charging a flat fee of R 600,00 a month to estate agents to list.

And at that time, I mean, our leads were probably a twentieth or less of what they are today. So estate agents were willing to pay R 600,00 a month for very, very little value at the time and we also realised once we had implemented this kind of hybrid flat fee that a flat fee in the market does not work very well because the market follows a power curve. In other words, you have a small number of estate agents offices that are relatively big.

They are all kind of SME's, they all fall into the SME range but you know if you look at the bigger offices there is a small number that are relatively big and then it drops off really, really quickly into this kind of middle level and then it goes into this longtail of small agencies. And when you have a flat fee in a market like this you disadvantage

the small players hugely and you give a big advantage to the bigger players.

Why do I say that? Because you have set your price
5 at R 600,00 a month but the small guys is not getting much value for the R 600,00 and the large guy is getting huge amounts of value for the R 600,00. And so we realised that and we thought okay we have to implement a model that actually reflects value that we are providing to our
10 customers and allows the smaller agencies to work so that it does not become expensive when you are entering, when you are at the bottom end for the longtail and you are at the bottom end.

And that is when we implemented – we started
15 implementing our lead segmentation and splitting up lead segments and actually a large part of what we done is actually not increased prices at the bottom, it is actually increased price at the top, it is what actually happened in our model, largely.

20 By the time we, you know, we got through that – the signing of the – of our customers with the new contracts, I think that we then felt that we were in – maybe it was a little bit prior to that but when we had enough listings we felt that we were in a good enough position – it was a
25 combination of getting enough listings and rebuilding the

platform to a state that was at least comparable with Private Property but it still was not good enough in my view.

We were still about two years behind but still we had
5 a platform that you know that we thought is okay and we had enough listings. And then we started spending a little bit of money on marketing and we started testing out our engagement and seeing is it worth it, are we getting value for our marketing and we slowly ramped up that marketing
10 spend until we thought we had a descent user experience and then we spent a little bit of money on a television campaign which was novel at the time and started our brand building.

You know, television does not bring users to your
15 site at all. You do not see a jump in users on your site when you launch a television add but what it does is it gives a lot of brand equity and trust. It builds your brand over a long period of time. And so we started building our marketing efforts over years and getting to a sustainable
20 marketing spend which we have today. And I suppose that is how we scale the business is – you know as we did that we increased our fees as we saw that you know we were leaving huge amounts of value because we started off at such a...

If you remember, if you look at the same period, you know, if you look at the lead growth that was created it was massive and so your price in growth had to follow that as well. And that is effectively I think how we scaled it.

CHAIRPERSON: Thanks, Mr Farinha. No, thanks for that detail. I, obviously, asked for it but I think if we are going to make progress today, we can keep the answers a little shorter. (laughs)

10 MR FARINHA: Apologies.

CHAIRPERSON: So, as I understand, Naspers came in with an 85% and you had enough listings, you pivoted to lead base and then you scaled. And as I understand the point of scaling is almost to lower your unit cost in a sense. You know, you get volume, your cost is not necessarily going to increase at the same rate and in that is how you get efficiencies out of a business like this.

MR FARINHA: Ja, I mean, I - look, there is - scaling is - I do not want to take too much time answering this but scaling is multifaceted. I mean, you have got scale of platform, you have got scale of business, you know, scale of - I do not know, which scale do you mean?

CHAIRPERSON: Well, that - I am just asking. I mean, your scaling, I assume your number of listings, your estate agents

that are on, your traffic and you are hoping to be – by being bigger you have got more efficiencies, I assume.

MR FARINHA: Ja ...[intervenues]

5 CHAIRPERSON: And you have got a bigger customer base and you can whereas you may have made a loss before, you can now turn a profit.

MR FARINHA: Well, you know, at the time, you – when you are doing it, you hope for that. At the time it is always
10 unclear. You know when you are in the midst of building a business, you hope that you will get to a stage where you can turn a profit and recover the investment that has been made, you know, into that business to date.

CHAIRPERSON: Ja, sorry, and I am just, you know, I know
15 we cannot go to confidential documents but I am just trying to get a sense that, you know, in scaling these sort of businesses, I suppose you are putting a lot of investment upfront in marketing and maybe technology but you reaches sort, I suppose, a plateau maybe and that is when things can
20 turn around to a profit in terms of your cost base.

MR FARINHA: No, not necessarily. I think that when you look at when we started. I mean, we had to – we started with
10 employees, you know. So we did not start with a big investment upfront, not at all. We spent, I think, a year just
25 trying to hold onto the estate agents that we had and the little

revenue that we had, we struggled for the first few years. Then, you know, we built this digitisation platform which did cost us a lot of money but we did not have a lot of money.

5 Corbitech was barely paying the investment. You know, we were barely using what Corbitech was making. And so it was quite a struggle in the beginning. And so, no, there was no kind of massive investment upfront and then you know suddenly pulling back once you scaled, no. ...[intervenes]

10 CHAIRPERSON: And from 2015 was there more investment coming because now, I suppose, because of the change of ownership.

MR FARINHA: We had no – we have never drawn down – we never had any funding Naspers. When I say that, I mean from 15 the Corbitech point because Naspers owned Property24 100% before that and invested money in Property24 before that. But in the classified space, no.

CHAIRPERSON: Alright. So you have never drawn down loans after 2015?

20 MR FARINHA: No, not before that either.

CHAIRPERSON: Alright.

MR NIKKELEN: Maybe if I can add one point on this topic of investments and capital?

CHAIRPERSON: Certainly Mr Nikkelen.

MR_NIKKELEN: Thank you. Having been responsible for various of our classifieds and entities and experience in South Africa, I think the point that you are posing here of the
5 relevance of capital investment is, of course, well taken into this global marketplace dynamics. If you look at the entities that we are talking about here, Property24 Antinore Arbitrator. A large part of their scaling, of course, happens way before Naspers got involved and Naspers got involved
10 late in the process.

And indeed, we never invested heavily into these businesses. There are other businesses that we have attempted to launch in South Africa. There we have invested on a relative basis deeper. OLX ...[indistinct] [01:10:58]
15 platform comes to mind and at certain points we had to let go. Unfortunately failed attempts. These experiments and these companies had higher investment levels and yet we are unable to turn to a point of let's say relevance or healthy platforms. So despite your fundamental point on capital
20 being very relevant, in the South African context that capital argument has not played a big role for us, Property24, and what it did, it did not lead to success.

CHAIRPERSON: No, thank you very much, Mr Nikkelen. I just wanted to find out. So, I mean, from what I understand,
25 you are saying there that this was slightly different.

MR NIKKELEN: Correct.

CHAIRPERSON: I just wanted to go back to – Mr Farinha,
you wanted to correct Mr Manning on clicks. So tell us how
5 you do measure leads.

MR FARINHA: Yes, so – I am just going to refer to our
contract here. So in the contract that you sign with us, we
give you the – we are transparent with the pricing. So all the
prices are there. And then what we do is. We say here:

10 “Portal leads means any of the following actions
by general users of the portal in relation to the
enquiry into property details listed on the portal...”

And then we have bullet points.

15 “- User provide contact details to be send
(email/SMS to agent);
- User request click to see the agent’s telephone
number...”

Now, I think that that is Mr Manning is referring to, is
that when a user goes onto a listing and wants to contact the
20 estate agent, there is either – they have got two ways of doing
it. In fact – well, three ways of doing it. But at the moment
let us just talk the two. Effectively, they open up – they can
either type in a message in a form on the side and press send
and then that message will be emailed and SMS’d to the agent

and that is a hard lead where we absolutely know this person is putting in their details, et cetera. So that is an easy one.

And then there is one where the person prefers to call
5 the estate agent and what we have there is that we have a
telephone reveal which also reveals a Whatsapp
conversation. So when the user clicks on that we record it.
And then we de-duplicate those leads at the end of the day
and we do a lot of work on those clicks so that we can weed
10 out any spam or any other estate agent clicking on, on
someone else – you know all the nonsense that can happen
in these things. We de-duplicate, clean it up and that is what
our fees are based on.

What Mr Manning was alluding to was view, like a click
15 on a viewing the property which is not correct.

CHAIRPERSON: And are those the only two ways that you
measure a lead?

MR FARINHA: Yes. I mean, we had a third one which used
to be the email address but we removed that. I think in the
20 course of this year we removed it because exposing the
agent's email address was causing too much spam to these
estate agents.

CHAIRPERSON: Alright. So until earlier this year there was
a third which is a reveal of an email address and you say that
25 resulted in spam. So, what, presumably people going clicking

through and then collecting email addresses in order to
...[intervenes]

MR FARINHA: Ja, I think we have got – we do have protection
5 against that on our site to – you know we have various
mechanisms that stop that happening but where you find it is
manually happening where someone is doing it manually it is
very hard to stop. So we eventually decided that it is just not
worth the hassle, let us just take it out.

10 CHAIRPERSON: And if there is – I am assuming direct
marketers doing that, would there not be the possibility that
they will also do the same with the telephone number?

MR FARINHA: Look, there is always the possibility but as I
say we have technology that looks at this very specifically
15 because it is an issue in our business and we monitor it very
carefully. So we look at where these clicks come from, if they
are natural, if they are not. We have got all sorts of
mechanisms and we go into that in more detail I think in the
in-camera sessions if you want to see the technology and
20 what we do to inhibit spam and to stop it and remove it if it
is every found.

And when agents do contact us and some agents have
and said: Listen, I have got whatever, a number of clicks that
happened here. Look at my stats. They went from here up
25 to here. Something has gone wrong. We investigate that, we

remove those from ...[indistinct] [01:16:02] So, yes.

CHAIRPERSON: Well we will pick that up *in-camera*. And so, just so that I understand your power curve. I mean if I
5 had to look your sort of I suppose categories, we would the majority of people lie, let's say the middle of the curve?

MR FARINHA: Well, I probably - let me just try and see if I have got that in front of me. If you look at our customer segmentation which I think we have sent to you, sent to the
10 Commission, it is spread out at the lower end to middle end and very, very little at the top end which is the power curve, effectively. so when you look at our top statements greater than 7 million, we have hardly any customers in those top segments.

15 You know when you look at the more than 1000 to 1500 leads, also there is hardly any customers in those segments. So, you know, that is very, very small. And as you get closer to the middle And the lower end it increases substantially. but I think this is something that we can go
20 through. You know this is touching on confidentiality but I'm happy to go through it in detail.

CHAIRPERSON: Ja-no, I just wanted a broad view. I do not want you to give me specifics at all. You know, I ...[intervenes]

25 MR FARINHA: I mean ...[intervenes]

CHAIRPERSON: ...assume because – sorry. Because house prices is 1.36 million where it is also not towards the 7 million as you said towards that bottom end.

5 MR FARINHA: Yes.

CHAIRPERSON: I mean, I just want to go to some of your pricing because you know, certainly, I think there is at least a perception out there that your increases have been fairly steep to say the least. So, I mean, we were sort of looking
10 on some of the sort clearly places where estate agents go. And as I – I mean, I understand you know inflation plus a fair chunk is your norm in terms of your increases and has been for a fairly long time. Is that fair?

MR FARINHA: Yes, I think that is fair.

15 CHAIRPERSON: Because we just – I just went back sort of picking up on some of these property professional's website. I mean, the 2018, you know, it starts by saying the country's largest property portal is certainly aware of the unhappiness with increases but you as the CEO say the customers
20 generally understand.

And we get comments like outrageous, exuberant were amongst the comments on the real estate industry upon hearing of Property24's latest subscription fee increases. Meaning an average increase of as much as 20% and even

more in the highest lead bracket of 251 to 750 for sales and 300 for rental increases.

I mean, as an individual, he has gone up by 34% but
5 I think you come and say well 90% experience or 15% or less increase and there is a category of about 9% to 20% or more, as I understand from ...[intervenes]

MR FARINHA: No...

CHAIRPERSON: ...from 2018.

10 MR FARINHA: Yes, I mean, you know, look, it is some – it is complexed to talk about the price increases in such a short space of time that we have in this hearing. It is complexed and the reason it is complexed is because of our matrix structure. For example, if you look at the end, the price
15 increase have been very low to the extent that I think multiple years in a row we have given zero increase at the bottom end.

Where price increase and this is the complexity with Property24 when you talk about price increases because you
20 are not talking about a single number, you are talking about brackets and the matrix. And so, which bracket are you in and where have you been affected? And so, yes, certainly there have been large increases in many of these brackets and the main reason is because there has been such a
25 disparity between the cost – if someone is paying you know

at the bottom R 400,00 and someone is paying one and a half – let us just say, you know, R 1 500,00 at an upper level but the person paying R 1 500,00 is getting a thousand leads.

5 Well, then the discrepancy is just too big.

So you have to match your pricing with value that you are providing to the market and that is what we have done and because it has been done over many years, each year you are trying to get closer to value, effectively, and we are
10 still not really there but what you do – what we are trying to imagine is, is we are trying to imagine ourselves getting closer to the power curve. So the small guys pays a little bit and the big guys pays more. Now it is difficult to achieve that.

15 CHAIRPERSON: Yes, so moving to 2019. You know, we again have a headline: Industry reacts to Property24 price increase. And apparently the dear valued customer goes out, letter goes out about the increase and it starts with highlighting how much traffic there has been and the growth
20 in that traffic. And in this particular year it seems what irks some of the subscribers, they say was that new changes in the pricing structure such as the introduction of a new price lead bracket splitting the 50 to 250 back into 50 and 150 and 150 to 250. And according to a Cathy Richings Badenhorst,
25 a Principal Estate Agent of Hillside Properties, this means for

some agencies an almost 50% increase in their fees. So as you say, some may be hit differently to others.

MR FARINHA: It is very complexed when you talk about
5 individuals because you have to look at that individual at
what their total spend is and evaluate the increase like that.
You cannot just look at it on its own. However, there is good
reason why that segment was split because it was very unfair
– if you are person who is at the bottom of that segment and
10 you on the 50 lead area and then you have got someone who
is getting five times that, you are paying the same price. And
that is the reason why we split that price bracket.

CHAIRPERSON: Ms Badenhorst also complaint about the
fact that views of their contact numbers were counted as
15 leads generated even though this number is far fewer from
the actual calls, emails or SMS leads they received about the
listed property.

MR FARINHA: Yes.

CHAIRPERSON: So, I mean, it is not a Mr Manning complaint
20 but it is generally saying: If you view the number, it does not
mean I should get a call.

MR FARINHA: So what we are trying to do there is. Where
customers really do not believe providing value, what we do
is, we implement call tracking or we can – we actually sell
25 call tracking at cost because we would prefer that estate

agents all have call tracking on the portal but they do not necessarily want it. What call tracking does is, instead of relying on the click you can actually record, you can measure
5 and record the actual call as it happens. And we would much prefer that model as what is used in the UK.

Now what we have done in the past with agents who are very unhappy about the perceived value is intermittent call tracking on their account for them to see what calls they
10 get and then to measure them against the leads. And generally speaking, we end up in a range of 60% to 70/75% of clicks end up in calls. So where do the others drop off? They might have called. They might want to call later. They might have written down the number, et cetera.

15 Anyway. The main point here is that we know that not every click results in a call and that is not what we are selling and that is why we have made it so clear in our contract and with our salespeople, we insist that the customer understands the basis of how we charge and what we charge. It is very
20 important for us. Obviously, we still do get lots of issues where people not understanding or complaining about it.

CHAIRPERSON: But I mean if you know that only 60% result in an actual call, why do you not discount that by 40% when you actually count the number of leads because you know
25 this.

MR FARINHA: Because we are not selling the actual – if we were selling the actual lead we would price it differently but we are not. The product we are selling is in the contract
5 here. The product is as you sign the contract, a click to see the agent's telephone number and the price is associated to the product. If you sold an actual call, the product you would be selling would be different and the pricing might be different.

10 CHAIRPERSON: I think your contract, obviously, explains that you are going count as a lead and expose of the contact number, that I think what an agent seems to understand is actual leads and calls and that does not mean an actual sale, obviously. I think we have heard earlier that there are many
15 contacts that need to go through in order to have an actual sale. So I am just putting it to you, you know that that clicking on that does not result necessarily in a call and you know the proportion, you have tracked this. Would that not be a much fairer basis?

20 MR FARINHA: No, but the customer knows it as well. And we have made it extremely. We are at pains to make it clear to the customer. So all customers are aware of it. It is in our – it is right here where you sign. We have actually made it standard practise that the customer has to sign this clause.
25 Underneath that clause there, which is very, very clear, and

explain to them verbally – it says here:

“I confirm that I specifically read and understand
the portal lead definition that forms the basis of
5 the for sale subscription pricing model. Initial
here...”

They initial it. So they do understand what they are
buying. They understand the prob they are getting.

CHAIRPERSON: It does not mean they are happy but they
10 may understand it and you may want to make them sign it so
that there is no disputes later when you get a Ms Badenhorst
who is not happy that the fact that they charge for more than
the calls they got. But let me proceed to ...[intervenes]

MR FARINHA: [Indistinct] ...of dealing with many, many
15 happy and unhappy estate agents and customers. So I can
relate.

CHAIRPERSON: I know and I would not want to be you
because it seems March is quite a stressful time as the
increase is announced and your unhappy ones come forward
20 and you go out to defend it. So, I mean, March 2020, the
headline is: How long can Property24 increase rates in this
way? But I suppose, you know, it is a bit like groundhog day
here. Every March, the same dear valued customer letter
comes through. But in this case we are told that South
25 Africa’s biggest property portal has had subscription price

increases and in some instances of between 50% and more than 300% over the last four years. Is Property24 adding value or milking the cow? That is how the article starts. And
5 obviously you may disagree with that but...

MR FARINHA: Ja, I think the 2020 price increase was 8% across the board, if I am not mistaken. And I think that all of these things – and I think that when we sit *in-camera* and when I am not bound by confidentiality, et cetera, we can look
10 through all of those price increases and understand them and understand what impact it had on which customers where and then you get a much better idea of what is actually happening on our end.

However, the price increased have happened because
15 the market – you know the market – when you go back to, I do not know, 2012 or that period, I do not recall exactly when, the pricing in relation to the lead, the value created was extremely low. It was way, way out of line. And so we have increased pricing in line with value creation. And why are we
20 quite confident? We are quite confident about our pricing.

I am not embarrassed about the pricing that we have and the price increases that we have put through. I am very confident about them. Why is it? It is because when I look at our competitors and what our competitors charge, I see
25 them charging much more.

I get so mad when I see someone paying Private Property more than what they pay us. [laughs] They are nominally more. I am not talking about a cost... I am saying
5 the actual total amount they pay. Or, paying someone, you know, like IOL Property, I do not know, R 500,00 a month where they deliver nothing. So, you know, these things are all relative but I am confident that we provide good value.

CHAIRPERSON: Ja, and it may be that ...[intervenes]

10 MR NIKKELEN: [Indistinct] [01:30:34]

CHAIRPERSON: Oh, sorry, Mr Nikkelen.

MR NIKKELEN: No, no, please go ahead. I did not want to interrupt you. I just wanted to add context to ...[intervenes]

CHAIRPERSON: No, please add.

15 MR NIKKELEN: So, on the point on the call tracking and on the conversion from clicking to an actual lead. I think it is very important to highlight that this functionality is driven by the consumer. We do not know how a prospective homebuyer will approach an agent. If it was up to us, ideally, all of them
20 would fill out the form and we would have full transparency into what they do but it is our job being to facilitate the consumer.

We have to offer a function that was just discussed here. We do not know if that call actually gets made. So, in
25 our quest to facilitate the final consumer, prospective

homebuyer, we need to offer the phone number and we ought to be fully transparent to our business clients by showing the clicks or by giving truly from tracking the ability to have full
5 insight into which calls actually happen.

So I think that the point is that this in the end driven by how a consumer, prospective homebuyer decides to engage with our platform. This is not a consequence of let us say commercial automation on our side. This is because
10 our job everyday is to allow South Africans to engage the way they want to engage.

And therefore it is our problem and we are dealing with that problem by providing transparency and by giving alternatives to make sure that we can do call tracking. So
15 this is not driven by us, it is driven by our consumer who would like to engage with us and with an estate agent.

MR FARINHA: Can I ...[intervenes]

CHAIRPERSON: Thank you, Mr Nikkelen.

MR FARINHA: Could I add, Mr Hodge, on our pricing because
20 you have raised the increases over years. That if we today look at the amount of money that estate agents are spending with us and you divide it into the amount of commission that has been generated in the South African market today, it works out at about 1.5%. So estate agents are spending 1.5%
25 of Commission. So think about that. If I am selling a

R 50,000 property it costs me 1.5% to list, more than less because we are talking all of the revenue that they are spending with us. Now that doesn't seem like a very high
5 marketing fee to me and that leaves a lot of spend on the table to go and buy websites and list with competitors and support the market.

CHAIRPERSON: Ja and I think that you have put it in your presentation as well. I mean, obviously, we will interrogate
10 that. But the question often, you know, for a competition authority is, is around what would be the pricing in a competitive market and would it look like this, and we can obviously have that debate but the whole point of ensuring a degree of competition and contestability is precisely that
15 proper value is maybe, you know, determined.

It might mean that moving digital means actually the cost should go down substantially compared to print and be even lower. So that is the kind of thing that we have got to look at. But this is a marketing inquiry as I reminded
20 Mr Mwela as well, you know. We are looking at the features of the market, how process are charged, transparency of advertising as you would have heard I no doubt, you know, we will get to but...

So I think these are range of things that we are just
25 looking at which is, you know, not necessarily about

dominance. It is just to understand. And maybe in addition just to say, you know, the point off sort of an inquisitorial process is to precisely Dick and scratch a little bit deeper
5 and see if there's anything that we should be worried about or not but we will not get there unless we sort of scratch around.

So I just want to continue. I mean, in this year, I suppose - I mean, this is all responding by you. You say the
10 largest number of customers are in the less than 1.3 million add 51 to 150 lead back which is now priced at 2822 per month and is increased by 14% per annum since 2014. So I am assuming that is 14% every - you do say you think it is cheaper than the nearest competitor. I assume that is Private
15 Property.

But I just wanted to go to the different thing and you alluded to it earlier but I notice your slide did not put up the different prices and different categories. So I do not know if you are embarrassed about that or you felt it was confidential
20 but ...[intervenes]

MR FARINHA: It is not confidential. And we - it is part of our Annexure A subscription fee.

CHAIRPERSON: I have not seen Annexure A. So in response to property professional queries like the price
25 increases, it says the price increases need to be evaluated

in the full context and that is what you have been telling me as well. For example the category 1.3 million to 2.5 million greater than 1500 leads subscription cost has gone up by 5 26.6% per annum since 2014. So that is what you indicate. But you say this may seem excessive on the face of it but you say the cost per lead in this category is still quite low at around R 8,20 per lead, this bracket is more than five times cheaper than the bottom brackets. And that is what you have 10 been indicating to us as well that ...[intervenes]

MR FARINHA: Correct. Also ...[intervenes]

CHAIRPERSON: ... substantially cheaper.

MR FARINHA: Ja and also, you know, that Google cost per click has also put quite a constraint on us because if an 15 estate agent - you see, estate agents - we do see that estate agents bit cost per click on Google in the area. They do not have to compete nationally; they can compete only in the area that they are in. And if an estate agent can get a lead to this site from Google, you know, at a cost that is less than what 20 we are providing, then you know that is not good for us. So the Google cost per click and cost per lead model creates a restraint on us as well.

CHAIRPERSON: yes and we will come to Google. Google has obviously loomed large in all of this inquiry and we had 25 them before us in the first week. But, I mean, I just want to

go back. You are basically - your bottom bracket compared to your top bracket, five times difference. So your smallest agent, the cost per lead is five times. That is what this is.

5 MR FARINHA: I do not have that particular article in front of me and I do not have those stats in front of me because I think you said that was from - when was that from?

CHAIRPERSON: [No audible reply]

MR FARINHA: I would have to find that article and read it
10 and understand the context and the data.

CHAIRPERSON: You can obviously but I mean this is saying, Farinha, in response property professional queries. This is what they say you said. I mean you know your pricing. So can you tell us in the 1.3 to 2.5 category the bottom versus
15 the top? Are we talking five times roughly? Obviously that is 21. Now it may have changed slightly.

MR FARINHA: You cannot do it that way because the top is open ended. You know, that is why I need to understand. I need to look at that response and see what it was talking
20 about. I mean the top brackets are greater than 1500 leads and you know ...[intervenes]

CHAIRPERSON: I assume you would just take the bottom of that which is 1500. if you had more than that it would be even cheaper.

MR FARINHA: Ja, so again, there's a big differential - if what you are asking; easy a big differential between the cost per lead of your bottom bracket versus your top bracket? The
5 answer is yes..

CHAIRPERSON: Ja, I mean The reason I am raising this is. you have been at pains in your presentation to lead us through how much you do for SME's but of the smallest categories there is a massive difference. It is not a small
10 difference. And even if we look at your rental which you were willing to put up, you know, the difference in cost per whatever slot is not – you know maybe it is, I do not know, maybe 30% higher for your bottom category ...[intervenes]

MR FARINHA: [Indistinct] [01:39:29]

15 CHAIRPERSON: 25% versus your for sale where there is extremely different pricing.

MR FARINHA: But we have just had Private Property on here and their lowest price is like 50% more than our lowest price.

CHAIRPERSON: Look, just because they are bad doesn't
20 make you good. What we are looking here, I mean, Mr Farinha, and to be fair, you know, Property Central, I think, came to a rather bleak picture of the estate agent industry in this country where it is predominantly white owned and I do not think that is disputed.

As I read out to Property Central that the numbers from the – announced under the – from the Estate Agents Advisory Board are horrific. And there has been transformation if it's, allegedly, for sort of 15 years that seemingly has come to absolutely nothing. But small historically disadvantaged estate agents starting out, so there are new entrants, so they are going to be at the bottom bracket are paying five times – yes, there may be few agents in the top bracket but that is the difference in leads.

And I just want to put it to you here because in fact in this article we have Xoliswa Tini, founder and principal of Xoliswa Tini Properties, who is concerned about the portal's high price increases that makes it difficult for new agencies particularly if they are without strong financial support to list with them. And they say:

“These kinds of increases are create a discriminatory environment to the have's and have's not.

This is an area whereby we talk transformation in the real estate industry sector but news like these are denying that opportunity for new property practitioners who do not have the privilege of old money to play in the industry space.

We all know that for anyone to succeed in this industry you need advertising money and an accommodating platform to expose your properties...”

5 So, Tini asks:

“How new and young estate agents especially from previously disadvantaged groups are going to be able to advertise on this platform.

10 You know, I think the advice is; I urged them not to close door to the young and new practitioners who want to have a role in the industry...”

So that is in the article. So I am just putting to you that this is a substantially untransformed industry. Small efforts of, you know, taking 50 agencies under your wing is
15 great. I am not going to deny that but it seems a structural barrier is far greater when we look at the fees. And I think part of our mandate is looking at whether equal participation in online platforms are there as a business or platform provider is something that is happening that is part of the
20 public interest mandate that we have. So it is a concern for us I think when this is a voice we are hearing but let me allow you to respond.

MR FARINHA: Ja, so I think, you know, I cannot argue with that. Is that the industry needs to transform, absolutely. We
25 do not have - unfortunately, we do not have a very good sight

of the transformation industry because we just do not have the numbers and we have never collected racial information about our customers. So it has been hard for us to identify
5 HDP's on our platform. However, our platform doesn't discriminate. You know we do not see HDP's as different to SME's.

We see SME's. Those are our customers. Our customers are all SME's and our platform doesn't
10 discriminate against that. What our platform recognises is that if you are a customer that brings more listings to the platform, you are more valuable to the platform and that is what our pricing is based on because I have got to build the best possible platform for a consumer to come to stay in
15 business.

And if you are an agency with 1000 listings that has value to me and it has more value to the platform then it has for an agency with five listings. That is why the pricing is like it is. You know when you talk about the five times it
20 makes it sound dramatic but someone starting on our platform well spent R 463,00 a month.

Now you just take the Commission of – let us taken an area like I have looked at, Shoshanguve. I was looking at 800 to 900 000 properties in Shoshanguve. Work out the
25 commission. The Commission rates at that level are actually

higher. So work out what the commission is on one of those properties and figure out if a smaller HDP estate agent start a business, how many properties do they sell in a year, and
5 then look at the fees.

The fees that we charge at the bottom, if I think just, you know, from the top of my head, are equivalent to I think – I think that you would be able to afford about 7 years of Property24 fees if you make one sale. Something in that
10 region. How can that be – how can that inhibit anyone?

CHAIRPERSON: Well, I think the industry is telling you. Every year when the price increase comes through there are major complaints but it seems, you know, as you indicated, you are the largest platform where customers come and so it
15 seems it is very difficult not to be on your platform. But we even heard earlier that you know this sort of 1% to 2% is possibly quite different for the smallest of estate agents.

So we need to look at the – I mean, we will obviously explore that with you *in-camera*, if needs be, on what basis
20 you have made these calculations but I suppose agents have a range of costs and many do not earn salaries what that sort of commission is actually the salary that they are trying to earn.

MR NIKKELEN: Can I just add a few points again? I think
25 to your point on the relevance of marketing costs, a very fair

point, but you are speaking to the end of the platform that, at least as far as we understand, gives any estate agent in any sector the biggest bank for their buck to spend some
5 ...[indistinct] [01:46:22] But I think it is important to realise that at the end of the day any dollar or any rand that is spent on Property24 probably creates more value for an estate agent than the same rand spent anywhere else.

I think the second point on sort of the difficulty of
10 price increases is fair and it will probably wait for the day where price increases are welcomed. That is going to be very hard, I guess, but at least the structure of our pricing is based on alignment with value and I think that is a really key aspect of our pricing structure. It is relatively risk free for anyone
15 and cost free for anyone to try our platform. So we actually might see quite the opposite.

We believe that the way we price actually makes it very easy also for estate agents in the smaller segments to participate on our platform and that is a very pricing structure
20 than some competition deploys where you do not have that same correlation between the value that we bring and what we price. If we do not bring a value in any way or form in respect of our sites, we will not charge you and I think that is a really important thing that I want to highlight here. We
25 price in line with value.

CHAIRPERSON: You know value is one of those business terms that are so morphs around what it means but I think the – I mean, Google will say the same and yet everyone says
5 how much they sucked out but you go there because there is value because they do generate a lead and this is almost a point of the sort of, I am going to use the word dominant platform where you have got the customers and so you can charge.

10 And yes you have got the customers so the leads will come and you can call that value but I suppose as I indicated earlier there is the question that competition authorities which is how the – how would this look in a more competitive scenario. And I mean you also heard this morning and I
15 cannot confirm it but you know Private Property is more inflation based increases. You may say their pricing structure also hurts small business. I put it to them too. And it seems they have introduced a few products in recent times and may introduce more.

20 But I think, you know, Mr Farinha, just generally we can rationalise our behaviour and our pricing. What we are looking at, as I said, is about the impact of that and whether there are features that inhibits competition and that could be competition amongst estate agents, it could be participation
25 amongst – so whether we have rationalised it or not in a

particular way, the questions we have are; what is the impact, you know, and that is what we need to certainly explore.

MR FARINHA: [Indistinct] ...[intervenes]

5 CHAIRPERSON: I heard you understand that.

MR FARINHA: No, I understand that hundred percent. I think the Commission will be pleasantly surprised by the impact.

CHAIRPERSON: I just wanted to go back to the dear valued
10 customer letters. I mean, as I understood from these, you start off with how many unique users you have got or how many users you have got and how much has been the growth in traffic before you drop the bomb on what the increase is going to be and that is your – I suppose that is by showing
15 the value that you are bringing. Is that right?

MR FARINHA: What is the question, Mr Hodge?

CHAIRPERSON: I am just – as I understand from these articles, your increase letters talk to how much traffic has grown on the platform and how many, I think, users on the
20 platform there are as the reason for ...[intervenes]

MR FARINHA: ...many different letters and they might talk to different things.

CHAIRPERSON: Sorry, from this 2019 that seemed to be what was discussed. I mean, I am just interested why a
25 reference to traffic, not leads, if leads is what you are selling.

MR FARINHA: Well, I think leads is not the only important metric of a portal. You have got to remember that estate agents, they are not only there for leads and they do not buy promoted products for leads only. There is a very important component which branding. So estate agents used to – they used to brand locally on bus stops and they still do, in fact, schools, et cetera. And in much the same way they would like to create some branding in the area on Property24 of on Private Property, wherever they are to create brand awareness for themselves and to build brand awareness.

So, you know, if we look at traffic for example and just traffic, excluding leads, there is a value in traffic on its own because this is top of the funnel traffic. A large amount of the audience might not be in the market for a home at that stage. They might just be browsing; they might just be looking at a very beautiful homes or aspirational or dreaming or whatever.

And so it might- there is a component of our audience that is simply browsing content and in that respect, an estate agent's brand is there, generating brand awareness. So that can be an important aspect of it as well.

CHAIRPERSON: And that is what I understood from your presentation that there is – you sort of attracted this large volume of casual visitors to your site, you know, looking at, I

do not know, dreaming of houses and the likes. So it is not just about serious buyers coming to your site.

MR FARINHA: Ja, I think that is a fair assumption.

5 CHAIRPERSON: And obviously they are not bringing leads because they are not serious buyers, they are just looking at nice houses and that is deeply satisfying for them but it is not going to result in a lead necessarily.

MR FARINHA: Yes, correct. It could in future, depending
10 on – you know they might see – they might be aware of a brand, they might see a house that they like from a certain brand and when they do decide to get into the market, they might remember that. If they are selling, they might remember that agent's branding.

15 CHAIRPERSON: Ja, so as I understand your response, it says that is payment for branding because if I had to look at I suppose you know, leads per se, I mean what we did look at is, it seems a number of houses sold every year has been sort of flat and maybe a marginal decline over the last sort
20 of four, five years. It may have changed in the last year with the sort of Covid bounce.

But certainly over that period where we were talking about the increases, I mean, as I understood your earlier statement, leads are kind of correlated with listings and
25 therefore, you know, if there is only so many houses being

sold, it would not seem that leads have grown over this period.

MR FARINHA: They have. The leads per listing has grown.

5 So we produce – even if the listings might not have grown, we produce more leads per listing.

CHAIRPERSON: But that may be the click on the phone number type lead which you debated earlier from the casual viewer. I would be interested to hear from the estate agents
10 and obviously *in-camera* we can look at your actual leads over this period. But I suppose the flipside, maybe to put it to you is, for estate agents, they are not selling more houses but their advertising costs are going up that – well, at least 14% per annum for the last six years in the most popular
15 category.

MR FARINHA: So I think, you know, it is multidimensional. When you start talking about an estate agent business, you have got to look at many facets. So the first thing is. When you are looking at number of houses sold, what numbers are
20 you looking at? Are you just looking at the deeds office's top line? Because that does not necessarily reflect the core estate agent industry. So not all of those properties are sold by estate agents firstly. Secondly, government plays a large part in the transfer – in the numbers of those transferred

properties, right, by transferring large amounts of properties to - for example RDP housing, et cetera.

So those numbers are obscured and you have got a
5 cement those numbers into where they actually formally
taking place because the other problem there is that there
might not be transactions happening but should be reflected
in the deeds office as well but – so the deeds office data –
what I am trying to say here, get across here is that the deeds
10 office data is complex and when you are trying to analyse the
market using it from the top, you know, it does get quite
complexed.

What we have seen post-Covid is we have seen a
booming market because interest rates declined and we have
15 seen – estate agents have said to us they had their best year.
A lot of estate agents have told us that they are having their
best year ever. However, when we look at the deeds office
data it shows a decline in total value.

CHAIRPERSON: I am talking about the pre-Covid period
20 where – I mean everything I have read certainly says the
housing market was fairly depressed because you did not
have the Covid bounce from low interest rates and a bit of
pent-up demand from obviously a period of huge
uncertainties, I think you alluded to earlier or Mr Mwela did,
25 I do not know. But in the previous, I mean we were slipping

into recession, it was bleak and all we have read about the housing market is, it was fairly depressed. So that is the period I am talking about with the price increases, not the
5 post-Covid.

MR FARINHA: Ja, so I think that in those prior periods you have had – if you look – and that is why I am saying, it is hard for us to understand what is happening in the estate agents businesses as a general industry but what I would
10 surmise is that their print costs have declined substantially and has declined much more than what online costs have increased by.

So I think for that the online – that the estate agent industry has got a lot more efficient because what online has
15 allowed them to do is for example, it has allowed them to get rid of offices, it has allowed them to operate virtually, it has allowed new models like Lead Home, discount brokers to come into the market, et cetera.

So it is stimulated competition quite a bit. I think –
20 you know the other thing I think you have just got to be aware of is. Ja, I think that coming at a lower base of costs in online has also contributed to a lot of that increase over that period of time. They come of a very, very low cost base.

MR NIKKELEN: I think what JP is alluding to here is. You
25 started the question by saying agents marketing costs have

risen. And I think the second they were focusing on a year on our marketplace like ourselves and Private Property, definitely there has been more spend on those platforms.

5 But we would hypothesise if you zoom out and take a larger timeframe including the historic spends on offline such as newspapers. We believe that actually agents costs – agents spent on marketing might have not risen partially because of the increased efficiency that platforms like ours bring.

10 CHAIRPERSON: But I mean that is the precise benefit of moving digital is that costs should come down and finally the consumer should benefit. So using print cost for your own pricing is I think missing the point, you know, and it is about the share of value across from the consumer. So if estate
15 agents are allowed to drop their costs then consumers should also benefit from lower commission fees and if digital is more efficient form of advertising than print, then advertising cost should come down, you know.

That is the sort of benefit of the online economy or was meant
20 to be. So I just think comparing continually to print and saying well that is the benchmark we should use, I do not think is a good benchmark.

MR FARINHA: No sorry, I might not have been very clear. I was not comparing ourselves against Print, I was just trying to paint a picture where there is multiple advertising channels

and over the past period there has been a huge shift from less-efficient channels to more-efficient channels and by zooming in on that part, where we have been the recipient of that shift, it is almost like logically impossible not to have that as a more relevant part of the total spent.

CHAIRPERSON: Mr Farinha, I just want to go to another part. I mean a statement you made in this response to Property Professionals I think it is, on the 2018 increase, so he added most of these... sorry let me just dial back to give you context.

10 So this was you responding, according to Farinha those with the 20% and higher increases make up 9% of Property 24's customers and you highlight the tiered category and then you proceed to say and this in quotation:

“The customers with the largest price increases are also those who get the most leads and whose cost per lead is extremely low when compared to the average.”

20 We have been there. So although in percentage terms 9% of customer increases look high, in real terms for larger offices subscription fee is actually very low when you take into account the cost per lead and the actual subscription fee which I think is the story you are telling us as well.

 But what interest me is that you go on to say he added most of these large offices also buy additional products from Property 24 and according to him in most cases, the additional

spent is far higher than the subscription fee. So if you take into account their total spent, the increase is substantially lower.

It is a bit like the last one, which is... this may seem very high, but look at what someone else is paying. But you are saying that the spend by these large offices is substantially higher than subscription fees. So I assume that is the featured listings, the premium rankings, the branded listings... that is the value added services that you provide,
10 that they are buying into.

Is that right?

MR FARINHA: It could be any of the services that we sell, but yes it might include promoted listings.

CHAIRPERSON: Alright, because I mean that does suggest that this has become a big part of your business at least.

MR FARINHA: Yes, it has become a part of the business yes, correct.

CHAIRPERSON: A big part of your revenue stream now?

MR FARINHA: You know look, if we start talking percentages,
20 I would claim confidentiality. I know that this last, the financials that you have are difficult to look at because of Covid because we gave away two months of subscription revenues.

So it will look larger than what it actually is.

CHAIRPERSON: Alright, but I mean it is not insignificant?

MR FARINHA: No, it is not insignificant, correct.

CHAIRPERSON: And I am sure we can get the history if there is a Covid effect from you afterwards.

MR FARINHA: Yes.

CHAIRPERSON: I mean I am not going to dwell on the transparency issue. You have clearly listened to the previous you know, interviews and I just obviously just repeat that, I mean as we understand not many of the local platforms seem to tag advertising.

10 It has clearly become more of a norm globally and it is something we will obviously look into quite carefully. But I mean I suppose what interested me is that this has become a sizeable part of your business because obviously this is paying for visibility.

 It may rotate but it is still about getting visibility on your platform. I mean that is what I suppose it is. All branding as you may say.

MR FARINHA: Ja, I think it is you know, it is about positioning, exposure. In fact I think different customers buy those
20 promoted products potentially for different reasons. Some might buy them because they are trying to attract for sale mandates.

 Some might be trying to build their own new brand in an area. Some might feel that it does increase their leads. You might do it because you want to sell a property faster. It will

still sell on the platform because people you know, I think whether a property is promoted or not you know, just because a property is at the top of a list is not going to make a buyer buy it.

It is not an iPhone.

CHAIRPERSON: No, I am sure but it must have some effect as you say, selling faster or generating more leads. Because outside of looking for branding, I mean that is why people buy it, and I suppose you would not tell them it does not work
10 because you are selling it to them and you are selling value.

So it must do one of a few things.

MR FARINHA: Yes, correct. I think the main point is that it is probably with this product, with these products you know, beauty is in the eye of the beholder. The customer is looking for you know, what they want out of the product.

CHAIRPERSON: Sorry, is that the customer being the estate agency?

MR FARINHA: Yes, correct yes.

CHAIRPERSON: Alright, but I mean it works to generate more
20 leads or to sell faster.

MR FARINHA: Well, I mean you know we think it is effective to an extent, depending on what you are buying it for.

CHAIRPERSON: Alright, but you do not I mean you are selling this to them. So presumably you know, you are saying look, with I do not know, premium listings or featured listings you

know, you are going to get X many more leads. We have done the maths and this is worth it for you.

You kind of have got to show the value in the end.

MR FARINHA: Yes, correct.

CHAIRPERSON: Alright, ja and look I can theorise as an economist that maybe more leads means I am more likely to find a buyer who values this at the price I have put it, but I mean I just wanted to understand that it does actually do something at least.

10 Sorry, I just want to take a maybe it seems a bit left field as well, but I mean on the transparency I suppose it is very noticeable now for most people who browse websites, that you have a cookie policy that asks you what you want to subscribe to or not.

 Again its interest to contrast to what maybe stand as elsewhere in the world. I mean as I understand your cookie policies does not give that choice. It is just you will explain it but there is no choice.

MR FARINHA: Ja, the reason for that is that we decided we
20 made a decision quite a while ago to just simply remove all tracking cookies. So things like Facebook, anything that could do like a third party tracker we took out. So we do not require a consumer to you know, to check that or to switch it off.

CHAIRPERSON: Alright, no that is interesting. I just want to go to Prop Control. I think you had a brief slide on that, around

content. As I understood this is list... you presented numbers on listings on your site, as I understood it. So where do they come from and that may explain why Private Property had a different view to you.

MR FARINHA: Yes, correct. They might also have been doing their numbers by agency as opposed to listings, I am not sure.

CHAIRPERSON: I mean what proportion of listings do you have, compared to the total universe or do you not know?

MR FARINHA: We do not know. the only place where you
10 could... the best place to look for the total universe, pains me to say, is actually the aggregators, because the aggregators collect listings without any fee and so what the aggregators do is they scrape estate agent websites as well as portals and they also implement feeds where they can and because they try to aggregate as much as possible for free, there is no inhibition on what they have on their platforms.

So it is a little bit difficult to tell because we do not bother with trying to compare to them because it is very hard, because you have to have your areas synchronised. You have
20 to understand duplicate listings. It is quite a complex task.

CHAIRPERSON: I am sorry, maybe they are scraping old content too. Those rental properties that never got shifted off. So probably ...[intervenes]

MR FARINHA: Ja ...[intervenes]

CHAIRPERSON: But I mean you are the largest portal so I

assume you have a high number of these, as much as anyone else.

MR FARINHA: We hope so. You know, we try. We try to... I mean let me give an example. you know, when we look at our competitors, we find estate agents that are not on Property 24, as per Mr Manning this morning and we try to approach them and we try and convert them into customers constantly you know, so we know that we do not have them all and we know that we do not have all the listings.

10 CHAIRPERSON: I just want to understand the Prop Control fee structure. So what is it, a monthly fee that you pay to manage your listings and this is separate from the website?

MR FARINHA: No, Prop Control is part of your subscription. So as soon as you take a subscription with P24, you have access to Prop Control.

CHAIRPERSON: Alright. So it is basically a free part of ...[intervenes]

MR FARINHA: Ja, it depends how you look at it. You could view it as part of the cost of listing with us and take the benefit
20 of it, you could look at it as Prop Control free and you know, my listings paid for.

CHAIRPERSON: Alright, but that is what I just want to understand and it is separate from the website development where you charge a fee for that.

MR FARINHA: Yes.

CHAIRPERSON: But it can service that website obviously.

MR FARINHA: It can service a website... our website and it can also service an estate agent website. So it can also feed to the estate agent's own website.

CHAIRPERSON: I mean if you are building a website, can I just understand and so I am an agent who comes to get a website and I do not list on Property 24, do I get Prop Control for free as well or am I charged for that?

MR FARINHA: No, we do not sell websites if you are not
10 already... we do not sell websites to non-Property 24 customers because it would not make any sense for us. We are leveraging off the platform that we have to build your website.

CHAIRPERSON: Alright, and what if I subsequently delist, would you continue to service my website?

MR FARINHA: To be honest I do not recall if we have had a case like that and I do not recall if... I do not know if we have a business rule like that. So I would have to find that out.

CHAIRPERSON: Alright, I was just curious. I mean we were
20 told this morning by My Property, Mr Grove that he was charged or his clients charged R500-00 a month inbound fee by Prop Control. Is that right?

MR FARINHA: Yes. So the listing eco system or environment is a little bit complex and it has evolved over many, many years and Mr Grove is correct. Private Property also charge that

fee, incidentally although they said they did not but they do.

What they do is they ask us, they force us to collect the money on their behalf. So what happened in the past is, maybe if I go back a little bit in history. We started building Prop Control... we did not build Prop Control as a multi-feed system.

We never envisaged, that is not our core business. We never envisaged a system that would feed out to other platforms. We always built... we built Prop Control as a back
10 office system to assist our estate agent customers, to add value to our estate agent customers.

If you look at Prop Control, it is actually a mandate and customer lead management platform that has a marketing kind of tab where you can feed to Property 24. Obviously we integrated it with the feed to Property 24. Over the years we had customers who wanted to feed to other platforms.

The first one you know, was IOL I think. I think we fed to a few platforms but there is only two left on there now. As we got customer request to feed out, we did add them in. We
20 had a lot of demand for people for us to feed out to Private Property.

We approached Private Property I think about... I do not remember the date now, but we approached them and said look you know, we should just interoperate feed inns either way because it is going to make it easier for the industry and

they actually agreed to that.

So we built a feed out to Private Property and in fact they only built a feed back into us two years later. A kind of reciprocal feed from fusion. But these feeds are quite complex because they require quite a lot of investment and it is not just a once off investment.

It is constant. There is a constant operational cost for you to manage feed and an API into any other platform and from any other platform into your own platform. We have
10 never seen ourselves as building a multi-feed platform and charging for it.

Mr Grove's business is that. That is the core of his business. The reason why he has customers is that multi feed.
CHAIRPERSON: Sorry Mr Farinha, I just want to go back to the question which is just the inbound fee. So it is not about you feeding out, I just want to know why you charge to get ...[intervenes]

MR FARINHA: Yes, sorry my apologies. I drifted there. So what started happening over time was we started finding a lot
20 of different customers moving between platforms, software platforms to feed into us and what this started doing, is it started creating a lot of technical support on our side.

So just to paint a bit of a picture here. let us say we had a customer on Prop Control and there has never been any issue with them and let us say they got you know, a thousand

listings coming in there and they contact us and say look, we are moving to a third party platform.

We have now got to hold their hand to migrate all of their data to the third party platform. We have got to make sure that they synchronise properly. It is quite a lot of work and we have got to make sure that it all switches over correctly and then feeds correctly from the new platform and the new platform has to seemiously work with our platform.

So we do these migrations, but then that customer
10 decides the next six months later or a year later or whatever,
no no no I am moving to this new platform because these guys
are better and then you go through that whole process again.

So we have smaller customer and larger customers
actually chopping between a lot of these platforms and so we
said no no no, hold on a second. You know what? You can
change platforms, but if you change platforms there is a fee
that you are going to pay to us to manage that or to cover the
technical and operational support that we have and that is the
in-bound R500-00 fee.

20 CHAIRPERSON: I mean from looking at your slide, apart from
individual agencies, which as I understood were the Pam
Golding's and I do not know, Remax's of this world. There are
only four others. Prop Data, Independent, Fusion, Private
Property, Integral and Web Box.

MR FARINHA: Multi listing systems or ...[intervenes]

CHAIRPERSON: Well, this is on your slide which is about the source of content.

MR FARINHA: Services.

CHAIRPERSON: Ja, feed inn sources. So I mean just to be clear, there is not... there is not hundreds here. We are just dealing with four. Apart from the legacy ...[intervenes]

MR FARINHA: The problem is not that. The problem is not the platforms. The work comes in with customers chopping and changing between platforms and all the issues that come up with migrating data, synchronising data. There is a lot of technical issues that happen.

CHAIRPERSON: So that is a once off cost. I mean if there is only four other platforms and you are getting feeds from them, I mean maybe you can charge a customer a once off cost but as I understand you are charging them R500-00 per month.

MR FARINHA: Yes. Mr Hodge, it is not cost. It is... if we have a platform like Prop Control that works extremely well and is integrated well with Property 24, and a customer moves to a third party platform, there are constant technical... there is constant technical support required for that third party platform.

So it is not a once ...[intervenes]

CHAIRPERSON: Can I just ...[intervenes]

MR FARINHA: It carries on.

CHAIRPERSON: Ask ...[intervenes]

MR FARINHA: These things chop and change all the time.

CHAIRPERSON: Can I just ask would you charge Private Property's Fusion members the same five hundred in-bound fee?

MR FARINHA: The... actually the ruling that we have on it, is that you do not get charged... I think we introduced it at a certain point because we want to stop the chopping and changing.

CHAIRPERSON: And when, sorry. When did you introduce it?

10 MR FARINHA: I do not have the date at hand.

CHAIRPERSON: Is it ...[intervenes]

MR FARINHA: But it was a few years ago.

CHAIRPERSON: A couple of years ago, alright.

MR FARINHA: I do not know if it was a couple or a few, but I can get the date for you when we introduced it. But at the time we said look you know, if you are feeding from your platform, that is fine. We are not going to do anything, but if you move... if you migrate platforms, then a cost will come in.

20 So we do not actually have that many customers paying us that fee and Private Property did the same thing. They said that any feed coming from Property 24, would attract a R500-00 in-bound fee as well.

CHAIRPERSON: And what did you mean by you collect money for Private Property? I just want to understand that.

MR FARINHA: Private Property, after two years of us feeding

to Private Property, I eventually... I got you know, I got hold of the then CEO and said listen you know, this is just really not on. We stuck to what we agreed to. We fed out to you and you guys have not agreed you know, to open your feed back to us.

He then said ja, okay you are right. It is actually time that we did integrate but this... these are our terms and then we negotiated terms on it and the terms were that we would have to collect the fee and pay it over to Private Property.

10 CHAIRPERSON: Who are you... sorry, who are you collecting from?

MR FARINHA: From the customer, so ...[intervenes]

CHAIRPERSON: Prop Control customers?

MR FARINHA: The customer using Prop Control.

CHAIRPERSON: Alright.

MR FARINHA: Yes. So we have a customer using Prop Control and that customer now elects yes, they want a feed to Private Property. We now have to charge that customer R500-00 and then we have to pay Private Property R500-00. They
20 bill us for those customers.

CHAIRPERSON: I must admit I find it a bit bizarre. You know, and I would love to dig into the history of that, but I mean why can Private Property not just bill them? It makes no sense.

MR FARINHA: I agree hundred percent, yes. We did it because our customers were really wanted to feed to Private

Property. We had a lot of demand for it, and so we buckled to Private Property's commercial terms.

CHAIRPERSON: And it is the same fee that you charge in-bound to your platform?

MR FARINHA: Ja, but it is our fee is based on the switching of platform. Can I just ask, I mean do you charge an in-bound fee in Namibia? We heard earlier that My Property is sending you listings there.

MR FARINHA: No, Namibia is not a commercial entity for us.
10 It is... we have several... look, we did open up some international businesses. We have not had any commercial entity in Namibia at all. All that we did, we envisaged that we might open Property 24 in different African countries and so we created sites.

We opened up... we opened it up to be free for estate agents to capture listings, but we have never ever commercialised them at all.

CHAIRPERSON: So just so I understand though. You would go through the same hassle of linking with another platform
20 but you are just not going to charge a fee in that case.

MR FARINHA: I do not know because I do not know what I would do if you know, if Sjoerd came to me tomorrow and said JP, you need to build a business in Namibia, I would get on a plane and go to Namibia and figure out what I need to do.

CHAIRPERSON: I am just saying your business goes through

the same, sorry technical process but you do not charge them.
It is, I just want to understand that.

MR FARINHA: Ja, I do not know. I actually... I do not know.
you know, I think Mr Grove was saying that he allows a feed
to Property 24 in Namibia and I... he might well, because we
allow him to feed into Property 24 and it is the same platform.

For us there is no difference between whether it is
Namibia or South Africa. It is just if he has... if his software
can feed into our platform, then it can automatically feed to
10 Namibia.

CHAIRPERSON: And I just want to establish and maybe you
can just say yes or no, whether you charge an in-bound fee
for Namibian listings. Yes or no.

MR FARINHA: I do not know if we have any in-bound listing
from Namibia. So ...[intervenes]

CHAIRPERSON: Mr Grove says he sends you listings.

MR FARINHA: Then the answer would be no because we are
definitely not getting any revenue from Namibia.

CHAIRPERSON: Alright. I suppose this is the strange thing
20 for me, is you know obviously listings are important as you
say. They are one of the four pillars, the starting pillars and I
assume you are grateful that another, what do we call it? We
have had sort of listing engines or syndication software, but
whatever term we use, you are very happy to in fact engage
with some of those because it in fact facilitates you getting

listings.

I mean there is a benefit to you. Is that not right?

MR FARINHA: Correct. I think so yes.

CHAIRPERSON: It seems there is no reciprocity here you know, and as you say I mean I do not think you dispute that you do not send to Property Central, My Property and many others. But why is there no reciprocity?

MR FARINHA: You mean from Prop Control?

CHAIRPERSON: Ja.

10 MR FARINHA: So it is interesting that because I think firstly is we have never really consider Prop Control to be a multi-listing software. We have never invested in it you know, and thought about making it a you know, a multi-listing software to compete with Mr Grove or Prop Doubt or any of those guys.

We thought there was always a place in the market for third party independent software to fulfil that gap in the market and also we have not really had requests from our customers to feed out, and because of yesterday and today's session I actually went and did a search.

20 I asked our GP and our OPS team and support, to please look for any emails that have come from Property Central, and any request that have come from Property Central and we can find nothing. We cannot find any you know, any request for a meeting or request to feed out from Prop Control, from Property Central and then you know, Mr

Grove also mentioned it and I went and looked up correspondence with Mr Grove.

Now you must just remember or just, I think important for the commission to understand. Mr Grove and I have known each other for a very long time. He has got my personal phone number. He has got my personal email address.

We are linked in, connected and yet in 2018 Mr Grove sent an email to our GM, that says this:

10 “We have just launched a new My Property website and invite you to offer a free interface to your Prop Control real estate clients to increase their market reach. Feed options available.”

Then he gives a list of them.

“There is no free rental site. My Property is a free to list portal. Please let us know if you would be interested. Questions, let me know.”

20 Now that is an invitation to feed out to him, and our GM just said well, thanks for this you know, it looks very nice. We will not take up your invitation. So you know, it begs the question, Mr Grove is adamant that we will not feed out from Prop Control, but he has never approached us for a business meeting.

CHAIRPERSON: But I am sure we will get all sides of the story eventually. You know, certainly we have heard from Mr

Tjigaro and Mr Grove around this, but I mean factually you feed out to what, the other platforms?

MR FARINHA: As far as I am aware we feed out to IOL Property which is historically you know, one of the biggest and that is why we had demand and Private Property and I actually, I am not aware of anyone else we feed out to.

CHAIRPERSON: The I mean whether you are set out to be a syndication or not, I mean I think you must accept if you offer Prop Control free to your clients, and you estimate 41% of
10 your listings on Prop Control, and I assume no one is using two listing software's, so ...[intervenes]

MR FARINHA: No no no, they are. They are.

CHAIRPERSON: Alright.

MR FARINHA: You cannot assume that Mr Hodge. They do use multi listing software as well.

CHAIRPERSON: Alright, but at least 41% is sitting with you, and it is free when they subscribe to Property 24. I mean, I would sort of understand that is well, if you are not offering the integration, there is a fairly large number of estate agents
20 who effectively do not have that option to list elsewhere on Private Property and IOL.

Unless they go through the additional cost of another listing software, which of course is I think maybe a disincentive.

MR FARINHA: Well, look at it this way. Prop Control is free

and Fusion is free, and so they are paying a single software licence to list everywhere, if they go to a third party.

CHAIRPERSON: I mean, it was interesting that you mentioned earlier that you sort of came to an arrangement with Private Property, we will disintegrate I assume because they had a lot of listings that you wanted and you had listings that they wanted.

So there was a mutual interest.

MR FARINHA: No, no. That was not what I said and I think I
10 did answer the question. We had customers that wanted to feed out to Private Property. They, we had lots of customers who constantly complained that Prop Control could not feed to Private Property and so we enable, there is no arrangement that we came to.

We got hold of Private Property and said we would like to feed from Prop Control to your platform and we negotiated it and they said yes, okay we will allow you to. We then asked for a feed from Fusion into Property 24 which they did not give us for two years.

20 CHAIRPERSON: And you felt that that was fair... I mean if you are going to feed to them they must feed to you.

MR FARINHA: Yes, I mean I thought that it was fair, because there is costs on both sides and so if I am going to incur the costs of integrating into their platform, without them incurring any cost, then I would expect them to do the same for me.

CHAIRPERSON: That is what I think is I suppose interesting for me, that you know in the internet service provider space this is sort of evolved into peering. Exactly. I have got some listings or in the case of ISP's information websites that you may want and you have some that I want and we sort of peer in common areas and share and that is what makes the internet work ultimately.

But one could look at this in a somewhat similar way you know. You want the sort of listings from other software
10 providers and they want from you.

MR NIKKELEN: If I can just jump in here and give an answer. Not on the sort of tit for tat of the exact history, but more on general principles. I think for our strategic few, for us to be successful, having easy access to listings for all market participants, will be great.

If you look at the United States, because they were referenced to Zillo in the past, where there is an NLS. A database with all listings, access to listings by the portals is actually easy. We would welcome a similar structure like that
20 in the South African market.

It is obviously not up to us to define it, but I think the principle of easy access for all market participants to listings is something that we would definitely subscribe to. So we do not see that capturing of listing as a strategic part of our business model.

CHAIRPERSON: Well, I am pleased to hear that Mr Nikkelen because I think this is one area then we would like to engage you further on. How we reach that point, and if you have experience from the US, how that happened, you know or how that emerged because I would agree with you.

I think if listings are this fundamental for entry, then one wants to do it. It may be that you need consent from estate agents and there is other elements, but I would be pleased to get more information from you as to how you see this might
10 happen.

MR NIKKELEN: We are open to engagement. I just want to point out I think in the US this is not so much a reflection of the portal industry. There is much more reflection of how the fundamental real estate market place works. But the concept I think we are, we were very open.

CHAIRPERSON: Alright, well we will better understand that with you and how that may be facilitated here. Sorry, Mr Farinha.

MR FARINHA: May I just make one more comment about, you
20 know you spoke about the ISP kind of metaphor and just why this is not the same, is because the listings that we are talking about here, already exist on Property 24 and already exist on Private Property.

It is just that the customers are capturing twice. So it is not that suddenly the two, Prop Control and Fusion now talk

to each other and all of a sudden there is a flow of listings that happens. Those listings were already on both platforms.

These are customers that are irritated because they are capturing in different platforms.

CHAIRPERSON: Ja, and I think that is precisely the point. That it is an irritation, and a hindrance and that is you know, I think that is why I am exploring it because as soon as it becomes a hassle, well then maybe I can list for R99-00 on my property but got the hassle of capturing twice means I am
10 not going to.

So it may be a market feature, that might hinder competition in the market and one where if it was solved, that might in fact facilitate competition and improve it because I think our very first inquiry into banking, you know one of the things that was looked at was switching costs between banks, and you know I think consumers are essentially obviously averse to effort, unless it is really needed and so part of that inquiry looked at how do we facilitate that.

So again, switching costs even between providers, I
20 think we need to look at more carefully and whether that R500-00 a month is essential. I was reminded by Mr Moela that I should look at the international side as well, and you had mentioned that you thought you might set up in other African countries, we have heard that Namibia is not a commercial model.

But what would be, I mean is expansion still on the cards and what would be some of the barriers that keep you from successfully exercising that option?

MR FARINHA: So you know, we were interested in expansion earlier on you know, I think in our lives at Property 24. We would look at other markets. They would have to you know, I think that the problem that we have here is that we are a very small part of a very big company, being OLX and Naspers.

10 A market like Namibia or another African market, like for example Kenya etcetera, they are still relatively underdeveloped and they are not going to... for the effort required for us, they are not necessarily going to... they are not going to present the opportunities that the group might be interested in.

CHAIRPERSON: And I mean just so that I understand you know, to much fanfare we launched the African continent or free trade agreement and physical good movements obviously is the target for that. I mean it is easier to go and set up a digital platform in Kenya.

20 So that sort of initiative are you saying, may not change it. It is more what is the level of market development and commercial opportunity to warrant the investment.

MR FARINHA: Ja, I think we would always look at the potential opportunity you know, in light of the investment required before doing that and I think that in our group you know, we

would probably find other opportunities that were better suited for investment.

MR NIKKELEN: Maybe just to add, I think there is a lot of symbiosis between healthy property portals like us and the underlying estate agency market structure. So there is no successful one without success for the other and the other way around, markets like some of the ones you mentioned, but also others that we have operated in, often at times lack that basic market structure or portal to do a good job and to add
10 value.

I think that plays a big role here, so it is not so much commercial. It is also our ability to actually make a difference in that market.

MR FARINHA: Exactly. So one example is Nigeria, where we did have a portal presence and we really struggled. We struggled to increase quality of listings and to moderate and to create a decent experience, and Kenya we also launched a presence and it has actually done fairly well.

20 But Kenya is just a very small market and we have never commercialised the cost. The cost would probably be too high for us. It would just become you know, loss making.

CHAIRPERSON: Alright. So you have launched in I mean relative to international competitors where they face the same investment dynamic you know, is this worth it or do you face any particular barriers coming from South Africa?

MR FARINHA: Look, I think the beauty of the digital world that we live in, is that you can compete you know, cross-border with costs in one country and opportunities in another, and you know it is a double edged sword. On the one hand, we did for example compete and we did launch a business in Philippines which still exists but we sold it, Property 24 Philippines where we competed and we took out a platform and our model and we partnered in Philippines and so that was an example of us going out and trying to build a business
10 externally.

Likewise though, the double edged sword, the other side of that it is very easy for international competitors to come into our market and compete and we have been lucky in South Africa in that the South African market looks like a small opportunity and generally the international players do not necessarily understand it and do not understand how to size it and also it is a small, it is just so small in relation to the markets that they are in.

So if you look at the European players or the South East
20 Asian players, for example the REA group might be a group that would have entered South Africa. Their roots were in Australia. They have bought multi country portal platforms and businesses in Indonesia, Malaysia etcetera, and so you would think that that could be a group that would look at South Africa and say hey, that could be interesting.

But I think timing wise, luckily we have managed to build businesses here. Ourselves, Private Property, you know the smaller players and so I think that we are more able to defend this market now going forward, but that is our worry is that a big international player comes in and disrupts us.

MR NIKKELEN: And maybe just to add one point here. I think there is the elephant in the room here is actually Facebook, where we and other potential entrants in markets might not be able to make it work, depending on the underlying market
10 stretch.

They compete with an audience with of course multiple our size that have come to them at no cost for launching these businesses. So for them the whole say prerogative is different and that I think is the topic that we have discussed way too little here.

That is also impacting our business as Private Property eluded to earlier, specifically in the types of markets not South Africa, they were just discussing. You might end up in a situation where competing via portals like ours, and our
20 competitors in the same business.

It is impossible, but for a player like that it is very much possible and therefore basically preventing any form of competition.

CHAIRPERSON: Ja, and I am sure we will be in contact with Facebook to sort of look at that, and I am sure in the in-camera

session you can expand upon that in more detail.

MR NIKKELEN: Yes, it is in my perspective the most relevant large force that has been discussed too little in this space.

CHAIRPERSON: I just want to see if anyone has any questions? Alright. Mr Farinha and Mr Nikkelen, thank you very much for coming and participating in the public hearings. You know, certainly I think it was an interesting discussion and we learnt a lot and we will take it forward in the more in-camera sessions as well.

10 I would ask Mr Farinha that you do not give up on that dream of digitalising everything, because it takes about six months to transfer your rates from one property to another, and certainly that would be appreciated.

MR FARINHA: We all have a dream Mr Hodge. I would like to really thank you for giving us the opportunity to present and also just the engagement you know, has been really positive with the Commission and we look forward to the in-camera sessions where we can you know, further get into these issues and figure this out.

20 CHAIRPERSON: Great, well thank you and with that we are closing the session for today. Tomorrow we, I just want to check with the team. We are just waiting to confirm, but I think we are moving to Automotive Classifieds with Auto Trader and Car Find in the morning and Cars.co.za in the afternoon.

I had indicated to the participants that I had to attend a

cabinet meeting tomorrow but that got suspended or pushed out to next week. So we are hoping to get them back after I turned them down. But hopefully we will see everyone tomorrow morning and we will carry on the concession about classifieds.

Thank you very much.

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