



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

15 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

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CCSA Internal Team

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COMPANY: PROPERTY CENTRAL



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PROCEEDINGS ON 15 NOVEMBER 2021

CHAIRPERSON: Good morning, and welcome to the third week into Online Intermediation Platforms as part of the market inquiry launched by the Competition Commission. Today we move to property classifieds. In the morning we have Property Central and 0800Properties, which is an estate agent.

In the afternoon we are just going to pick up a couple of participants from last week that could not make the slots and so that is Famous Brands in respect of food delivery and Expedia in respect of travel. For the rest of the week, tomorrow we will continue with property classifieds and then on Wednesday we will look at auto classifieds and that will spill over into Thursday morning.

For the rest of Thursday whatever got a number of travel platforms and participants that were unable to make the timeslots in the first week and so they will be coming then and Friday the 19th we will start with Samsung where we have the head office participating and some eCommerce platforms that were pushed out from Wednesday last week and then of course on the 24th we have a final session with Takealot.

There may well be another afternoon session in that week in order to just accommodate those that have been unable to make the slots due to load shedding, as we saw

last week.

As we are starting with a new category of platforms we, I am going to ask the technical team to do an introduction and we have Mr Siphosethu Tetani to introduce classifieds more broadly, so this would be auto and property and some of the issues that have arisen in our further statement of issues.

MS TETANI: Thank you Chair, and good morning. I will focus on the three key areas of the further statement of
10 issues, namely classified platform landscape and trends, platform competition, business user competition and treatment, including that of SMEs and HDP firms.

Online classifieds deal in transaction leads rather than sales and typically specialise on particular product category. The inquiry has identified automotive and property as the two areas where classifieds platforms hold an important role in providing leads for businesses involved in those markets.

In properties classifieds business users include real
20 estate agents and in automotive the business users include vehicle dealerships and independent vehicle sellers. Online classifieds appear to have built up most prominence for large once-off purchases where consumers use the internet to research options before going to inspect and ultimately making a purchase decision.

Classifieds platforms seek to aggregate all or most available sellers in one particular category and then offer consumers the convenience of searching and comparing across those sellers on a single platform. The platforms are monetized through the business user side with subscription and other fees.

The value proposition to consumers is the convenience of being able to search and compare all sellers on a single platform, using a variety of search filters and
10 being connected directly to the business users for further inquiries. This is vastly superior to searching the individual web pages of each individual seller, which is more time-consuming and difficult to engage and easy comparison.

For business users the classifieds platforms have become an important source of leads for sales, giving the considerable consumer reach relative to what a business user could generate on their own websites.

The fact that businesses pay to list whilst maintaining their own websites is indicative that the platform
20 leads cannot be substituted by own business user website leads, or otherwise there would be no incentive to pay. Individual businesses are also unable to replicate the marketing spend to draw the consumers directly to their own websites in competition with the classifieds platforms, nor would that spend be cost effective, given the more limited

stock to the platforms, relative to the platforms, sorry.

In measuring the importance of individual platforms it appears that while side traffic is one indicator that is compared, what matters the most is the volume and quality of sales leads provided by the platform. Sales lead will follow from the level of consumer engagements with the platform and the number of unique users. Ultimately market position is also reflected in the price that business users pay to list on a platform relative to other platforms, therefore
10 listing prices or total revenue is another metric of importance.

Within property the evidence gathered so far indicates that Property 24 and Private Property are the two most important platforms providing leads in this category and within automotive Auto Trader and Cars.co.za are the two most importance platforms. There are also other smaller platforms which offer business users the opportunity to list for free or for substantially lesser fee in each of these categories.

20 Consumers can multi-home across, so in terms of platform competition we have found that consumers can multi-home across classified platform, for this reason marketing is a prominent cost item for classifieds to draw in consumer traffic. The marketing spent is typically spent on Google Adds and on above the line marketing and also brand

advertising.

Established platforms appear to have an advantage in marketing spend, given that the existence position can fund marketing from the existing profit whilst entrants may need to incur losses to merge the marketing spend. The other prominent cost item is staffing used for selling to and managing the large number of individual business users on the platform. A final measure cost item relates to the technology of the platform.

10 Simply generating traffic does not necessarily guarantee success, as the platform needs to convert that traffic to leads. This suggests platform engagements through ease of customer interface and range of listings are also important. Whilst consumers may multi-home across platforms they may also have a preferred platform or two and simply check other platforms to test if they have additional options not listed on their primarily platform of choice. This type of behaviour may explain high levels of sites traffic, but limited engagement by consumers on smaller platforms.

20 Business users in this category also multi-home as exclusivity is not a feature of online classified platform, however business users still need to consider their return to any marketing spend they make on listings across different platforms. New entrants may be able to initially get listings by providing the service for free to business users, however

these entrants ultimately need to monetize the listings to generate revenue to be sustainable.

Revenue may also be required to expand through consumer marketing and better platform technology if the level of shareholder funding is limited and cannot support large losses upfront. It appears that business users are likely to list on one or both of the leading platforms, given the important in sourcing leads, which may reduce the amount of marketing budget left for spending on other
10 platforms.

In the case of property classifieds multiyear subscription agreements may also lock in business users into this pattern of contracting. The inquiry also understands that some classified platforms have joint listing software whereby listings are uploaded to one platform and can also be added to another at an additional cost. This may also log in the business users into this platform, into this pattern of contracting with the two leading platforms, the existing leadership position, listing fees and contracting may
20 therefore pose a barrier for expansion of rival platforms.

On online platforms, online classified platforms generate considerable data from consumers, search patterns and real time and increasingly require or incentivise the provision of detailed data, including visual data from business users for listings, for example through making data

a quality or a factor in ranking or simply requiring it for listings. This collectively provides the platforms with considerable amount of data that can be used to generate market insights for business users in real time.

The larger platforms have started selling these data insights to the business users as new revenue stream. Larger platforms may be able to generate more useful insights given, the higher consumer traffic and more listings.

Another striking feature of online classifieds is the
10 level of profitability of the leading platforms. It appears that once a platform has become important or a must-have for business users in this category then it is able to raise standard listing fees substantially above the smaller platforms and can unlock numerous other revenue streams.

Listing fees for established platforms are typically multiple times higher than smaller platforms, which might reflect the additional lead value provided or the must-have status. It is also evident that on leading platforms a sizeable share of total revenue may be generated from one;
20 sponsored ranking and featured listings, two; the sale of advertising to third party complementary businesses and three; the sale of data analytics to business users on the platform. This suggests visibility on those platforms for business users is likely to be more important for a share of sale leads.

The unlocking of these additional revenue streams may reinforced the leadership positions if the platforms invest some of this in technology and marketing.

In terms of business user competition and treatment currently it would seem that online classified platform do not necessarily compete with business users on the platform in terms of listings. The one exception the inquiry is aware of is Private Property which had its roots in estate agencies collectively setting up a porthole, even though the majority
10 was subsequently sold. This raises the question as to whether that stake does provide any potential conflict of interest for the minority shareholders.

In both automotive and property sectors there exist larger dealerships and agency groups with hundreds or thousands of listings competing against individual dealers or agencies with a small number of, oh smaller agencies with a smaller number of listings.

It is common amongst online classifieds to provide volume discounts on listing fees, as the monthly subscription
20 fees is based on different volume categories. The inquiry observes that the difference per lead or listing can be substantial with the smallest category paying multiple times more than the largest category on per lead or listing basis.

Furthermore it appears that some larger groups are also able to negotiate, individualise discount for their

groups, which may reduce their cost per lead even further or reduce the cost of sponsored ranking.

The inquiry is interested to understand the impact of this differential pricing on participation of SMEs and HDP firms in terms of business users, given the number, the higher cost per lead that it results in.

Online classified platforms have increasingly expanded the use of sponsored ranking and featured listings on their platforms and these now account for a material
10 share of the revenue generated. The scope for offering preferential positioning arises from the sheer volume of listings on the platform which drives certain business users willing to pay for any means to stand out in consumer searches.

It would seem that sponsored search and featured listings to drive more traffic and leads, otherwise they would not be used by business users and the revenue contribution similarly indicates their sizeable value relative to basic listings. The inquiry is interest to then understand the extent
20 of additional leads created by these tools and the impact on consumer choice as well as the participation of SMEs and HDP firms.

There appears to be some movement within online classifieds to promote the participation of SMEs and HDPs, although that is limited to a few platforms and extremely

limited in size currently, for instance Property 24 provides free banded and premium listings along with banner advertising to a limited extent to qualify HDP estate agencies.

Also Cars.co.za provides a flexi package to SME dealerships on a pay as you go module for those with low stock numbers, however given the differential pricing on other aspects of the platform access such as listing fees, it is not apparent that these necessarily offer a net benefit for
10 SMEs and HDPs. Thank you, Chair.

CHAIRPERSON: Thanks, Ms Tetani. I am now going to invite I think the founder of Property Central, which is a property platform, Mr Randeia Jhagroo, into the virtual hearing room. Welcome, Mr Jhagroo.

MR JHAGROO: Okay.

CHAIRPERSON: Thank you, Mr Jhagroo, and I believe it is a very early morning for you, 03:00 where you are.

MR JHAGROO: It is a bit, yes.

CHAIRPERSON: So I just want to thank you on behalf of
20 the panel for making yourself available. I am joined by Ms Doris Tsepe and then also other members of the technical team, Mr Lesofe and Mr Radinku, whom I think you may have interacted with over time. Mr Jhagroo, this is a public hearing, so it is being broadcasted out on YouTube, so I would ask you not to traverse confidential information

and we can always set up separate time to do that. So I mean, maybe just to start I believe you do not have a presentation, but if you can just start by giving a little bit of background to yourself and how you got into the area of property platforms, I believe with your partner Mr Ngwenya.

MR JHAGROO: Yes. Good morning, Mr Chair. Thank you and you and the technical panel for having me, I am quite excited to be here. I think it is a very necessary inquiry, I think it has been coming for a long while in terms of the
10 changes that need to happen across the industry, across platforms and so forth.

Yes so myself, I am a, I guess I have been a programmer, a business developer for a long while and you know, building platforms is kind of what I do for the love of it and it is my business. So a few years ago in 2018 we decided to get into the property market and we had a look at what it is.

So our presence is not, does not arise from any property affiliation, any existing property business. It is
20 what we set out to do in terms of you know, looking at the market and understanding. So our strategy is continuously fed by analysis more than anything else.

So I think not to mince any words, our struggles as a business speaks to what this inquiry seeks to understand, you know what are the anticompetitive pictures that hinder

our growth and the ability of ourselves to become a viable business and a significant competitor to the two major platforms.

So we entered the market in 2018 after probably a one and a half year build cycle, we got into the market as an alternative to the current property listing websites and our intent at the time was to change the game by offering a lower cost product that was affordable absolutely to everyone and agile and superior in terms of innovation,
10 continuous innovation and I think that is what a young business tends to offer, a young platform tends to offer to a market.

So our business model is very simple, so we allow estate agencies and individuals to list properties with us. We are currently free while we build up momentum and build up a critical mass and the traffic to deliver quality leads, but the intent is obviously to charge a fee per agency, we have got to monetize it at some point.

So for the last three years we have been free, we
20 have been investing, we advertise significantly across radio, across the digital platforms, Google and Facebook and somewhat on Instagram as well, so ja, we have got a presence. I think we are known, but not necessarily engaged with as we think we should be after three years in the industry and again it comes around to what we kind of

realised over this time, which is that there are significant hurdles to actually breaking and making a presence, right.

So at the outset we thought we understood to a large extent what the challenges were facing us, but about a year in or so we realised that it is a little bit larger and a little bit more closed off than we thought. The industry tends to be a bit, as I said closed off, anticompetitive, uncompetitive, I would say uncompetitive was our initial view with a number of issues coming to light, I think the key issue
10 being the monopoly held by Private Property and Property 24. It is quite significant in terms of any other role-player willing to come in to the industry.

The other thing we saw and we, you know we know from engaging with estate agencies is exorbitant prices that tend to be charged by the dominant two players and this can come out of many reasons, but the pricing we find is a bit exorbitant, having run platforms ourselves.

I think there are a few issues arising from lack on competitor websites, the lack of diversity in terms of the
20 platforms themselves, in terms of HD by ownership as well as just diverse technologies and offerings and that again is because of the dominance of the monopoly. It just does not allow any sort of shifting forward in terms of technology. We have not seen any innovation coming forth for many years.

So there is that and that, from our discussions with

people who have engaged estate agents it tends to lead to a sense of unhappiness. Whilst they are engaged and they are clients of Private Property and Property 24, there is a sense of unhappiness. They are bound to them and they want something different, but there is not a willingness to actually shift to anything else and I think that comes down to support as well. So overall these are the issues that we found coming more out of monopoly and an uncompetitive environment.

10 So the five, I think, factors that we found and I can just tell them with regard to our terms of reference here, is ... [intervenes]

CHAIRPERSON: Ja Mr Jhagroo, I will ... [intervenes].

MR JHAGROO: Yes, but ... [intervenes]

CHAIRPERSON: I am sorry, I do not want to interrupt, but I will, I mean we can go to each of those individually, so give us the five and then I think I would like to unpack them with you carefully, if you do not mind.

MR JHAGROO: Okay.

20 CHAIRPERSON: So proceed with the top five, ja.

MR JHAGROO: In terms of growing as a business our struggle has been that we are excluded from the joint listing software and that is probably the most significant factor of us on-boarding new clients, right. I think the other one is the ownership, or well shareholding or interest in the whole

ecosystem held by Private Property and Property 24. In terms of the ecosystem I mean the whole internet marketing ecosystem, which is the websites offered, the joint listing software and the platform, so all in that whole chain again it is quite a ring fence to anyone else trying to get in.

A lot of their clients are obviously bound to one or either of these product sets and it is very difficult to actually get them to convert away from them, because invariably we have got to get on to joint listing software, otherwise their
10 properties are not listed with us.

I think there is major conflict of interest in terms of industry bodies like Rabosa and the role they are playing in encouraging the use of SMEs and the HDI platform, HDI owned platforms like ourselves, you know, Rabosa tends well, outrightly only supports Private Property and that is a major conflict of interest for anyone trying to get in.

We are not, you know estate agents are not encouraged to use us, not encouraged, and that is basically the view, yes, we are not allowed to use you, we are not
20 interested in using you and you are too difficult to use because you are not part of the syndication software. So those are the two major ones that ring fence us.

So I guess ja, that comes out of lack of support from bodies, aside from the lack of, I am sorry, the conflict of interest, there is lack of support, complete lack of support

from Rabosa and other industry bodies, which just happens constantly and obviously there is the historical advantage of early movers, you know the bigger budgets that come with the early movers, the funding that they have received and obviously over time the better positions on Google Search, which we have got to work our way through a number of years to get there. So those are the major issues that I am saying, so one, two, three, four, five, ja.

CHAIRPERSON: Thank you, Mr Jhagroo and I think that is
10 a useful introduction. I actually wanted to start with, in the
area, before we get into your, some of the, you say
uncompetitive or anticompetitive actions, just to pick up the
issue of diversity, because as you may be aware, our
mandate for this inquiry and indeed the Competition Act is
also to try and address the historical disadvantages faced
and to encourage the participation of small businesses, but
also historically disadvantaged individuals and part of the
specific mandate of this inquiry is also to ensure that, as we
move into an online economy, that there is participation by
20 historically disadvantaged individuals and what the barriers
may be to them and how we can address that.

I mean, from our first sort of two weeks of hearings, to be honest it does not look like the online economy has transformed at all and I just wanted to find out more stepping back, I mean the estate agency business as a whole, what

has been your experience?

MR JHAGROO: Very previously advantaged, so in terms of property absolutely, from representation across estate agents as individual agents I think minimal, estate agency ownership probably even less. Ja, and in terms of platforms and technology our best approach with any other player, besides myself, yes the larger companies have representation across the board and so forth, but actual builders, owners, funders, I think they are pretty much
10 nonexistent on the technology side.

I think on other platforms I have definitely seen smaller, I am talking non property classifieds delivery system, I have seen smaller technology companies come up, but go by the wayside or fall by the wayside, so I have seen that happen.

Property I have yet to meet anyone else who is, ja HDI or HDP, I do not see it. Our engagement, we are on the individual level, ja it is not diverse at all and there is not, there does not seem to be a move to encourage it and like I
20 said when someone, you know comes up like Property Central there is an encouragement to say let us look at using them. It is just it gets closed, please do not come here, you know and that is how it feels. It literally is that.

CHAIRPERSON: Yes, because I did a little bit of searching myself because there seem to be initiatives in the industry

since the 2000s, but recently when they launched the Property Practitioners Act in 2019 it was stated that out of the 43 000 registered agents only 3 000 were black and of those only 400 were principal, which I think goes to a point that ... [intervenes]

MR JHAGROO: I can certainly attest to that. Ja, you know our numbers, and I did not want to put it out there, was probably like 95% was white and or other and ja, HDP no, 5% or less I would say in terms of our engagement alone,
10 which I think in the current economy is rather, rather low for a presentation of diversity.

CHAIRPERSON: I just wanted to ask about, I mean for the few black estate agencies and their agents do you think the current platforms are servicing them well or their needs well? I mean, just in terms of their size, the pricing.

MR JHAGROO: You know in terms of, if you are a start-up, I have seen them work very hard at what they do, it does not encourage them in terms of pricing for sure and the areas in which they work and I think in my written submission I did
20 put forward what I call the democratisation of property. Some of the areas they work are not necessarily a Sandton or Sandhurst or whatever it is and unfortunately the pricing that comes across on Private Property and Property 24 does not allow them to list these properties, you know.

If you have got a large number of lower sub 700 000

properties you are not going to be able to put it on there. They are not encouraged to do so and that has got to do with pricing and the type of representation of properties on those platforms and that needs to change also, so yes, that pricing is a major factor.

I mean, if I look at the pricing structure the smaller players, the smaller estate agents are paying R500 000 upwards, you know, the larger, medium guys playing R20 000 or so for monthly listing of properties, which in my view is
10 ridiculous and I think that is what keeps them out, if anything else. It does not encourage them to grow their businesses, it does not encourage them to grow their businesses in the right areas outside of the very expensive areas and that is where the struggle comes onboard.

The other issue is that by not listing the lower end properties owners of those properties do not unlock the value in their properties, because they do not get the leads when they put up their properties for sale, you know. They may put up their property to a local estate agent and get two
20 interested buyers, if you were to put it up digitally you suddenly have 10, 15 interested buyers and that unlocks the value of your property, which we also do not see happening.

So it is two levels; at the agency side and obviously on the owners' side as well, and how do you get them onboard a platform that is just too expensive? It does not

make sense.

CHAIRPERSON: Ja and I think to your point I also did a little bit of research and you know, on the largest platform in Cape Town, I went to Lange and there were three listings, Guguleto seven.

MR JHAGROO: Yes.

CHAIRPERSON: I am sure there were many more properties in those township areas, but what you are saying as I understand is when you are dealing with low priced
10 houses the exorbitant fees may get uneconomic to list.

MR JHAGROO: Yes.

CHAIRPERSON: And so it is not servicing those sellers as well as the agents well.

MR JHAGROO: So and to that point when one looks, sorry to interrupt you, when one looks at the property market, if you were outside and you suddenly, you know hop onto one of our property platforms and you say wow, this is South Africa, it is actually not a true representation of what South Africa is, you know. Those are just the top end areas
20 or the medium to high income areas. That is not what South Africa is about and that, if you look at a property on the listing website that is what you see, it is not actually what South Africa is about.

CHAIRPERSON: And I am going to come to these sort of specific barriers around syndication, conflict of interest, but

if this is essentially an untransformed industry then can you give us a sense of the other kind of challenges that you may face as a historically disadvantaged individual trying to make headway here, so apart from the specific practices, almost the softer stuff, the business networks, the other elements?

MR JHAGROO: I think the softer things are definitely the business networks, without a doubt. Like I said, I came in with no property background, just purely from a technology
10 side. I think if there were more HDP individuals who were from the property side you would see more those people stepping up, more of us stepping up, coming across rather than one or two and I think that is one of the, that is the network effect, well sorry, that is the effect of having existed or not in the industry which we have not from any significant sales perspective, marketing perspective or anything like that and I think that is one of the things you would see and my experience is there.

The other thing is actually the network effect. Again
20 having, not having the property background, not having the previous advantaged background you know, we do not know directors in companies that will suddenly get their businesses, I cannot call up my friend from Michael House you know, please come and list your estate agency with us or you know, we are willing to do business with you.

Those sort of network effects on a personal level definitely exist and then above that at institutional level when we look at organisations like Rabosa and Private Property and you look at the shareholding and people who sit on the board you can definitely see the network effects of that.

Some of them, they will argue, came out of necessity and need to grow a separate platform, but there is definitely a network effect that continues to happen, I mean
10 companies like Pam Golding refuse to just do business with us, for whatever reason you know, but I am sure if I knew someone there it would be a little bit different. I could call someone somewhere and say you know what, you know can we meet and discuss this, because you can come onboard our platform. Network effect is massive in this industry.

CHAIRPERSON: And I just want to ask on the funding side as well, I mean in the first week we had some venture capital, well the South African Venture Capital Association had come to us, we also heard from Naspis Foundry which is
20 eventually Capital Fund but you know, certain over the last week when we were doing food delivery there is a number of township entrepreneurs that have emerged, but are not getting the funding. When we asked the Venture Capitalist Association about transformation of that we were told that unless the institutional investor has a specific mandate for

them that that is not necessarily going to be on the radar. So I just want to understand, you said you are funding your business at the moment.

MR JHAGROO: Yes.

CHAIRPERSON: You know, your experience of the venture capital industry and funding for portholes such as yourselves or other business ventures, so just what your experience has been.

MR JHAGROO: I think to be honest my experience has
10 been minimal, I have not gone out to seek funding yet. I have had one discussion, but it did not seem like something I wanted to do, so it is not something that I would really comment on significantly in any way, to be honest.

CHAIRPERSON: No, that is fine. It was just to see if you had had any engagements or not. I mean, let us get then to Property Central and property platforms and I think often when we talk of platforms we talk about the two sides; the consumers and in this case the estate agents.

As we understand, I mean consumers like platforms
20 or aggregators, because they aggregate, because you have got listings you can compare, you can go to one place and do a complete search, compare options, I mean just to get your comment on that, is that your experience too? Is that why you launched a platform?

MR JHAGROO: Absolutely. The point is to give them

choice, variety and the ability to compare prices, features or whatever, it gives them the greater choice when making their decision. In that yes, two-sided and one-sided platforms, that is the service we provide.

We have got to on-board clients who are willing to sell the product and we have got to get the eyeballs on the traffic onto those platforms as well, so yes, that is the area any of our platforms would play.

CHAIRPERSON: And if you are going to a platform to
10 compare, I mean I would presume you want to have the most listings on your platform.

MR JHAGROO: Yes.

CHAIRPERSON: Is that the objective?

MR JHAGROO: Yes, absolutely. The fewer properties you have, the less competitive you are. Your client will take two houses instead of 20 houses in the area you are searching, so after a minute he is off the platform. You want to have as many as possible and I think that is the significant barrier we face as getting a significant number of critical mass of
20 properties to offer serious interest to people who are willing to look at what we have and to stay onto the site and we have grown a sense of loyalty from our customers certainly, it just might be that we do things differently, and that is what we intend to do, but yes, the more property you have, the better obviously your traffic will return.

CHAIRPERSON: The last point, I mean you would also compete on other factors, but I suppose properties are an essential element, but you also use experience and what the, the journey that might also set you apart, the innovations that you talk about.

MR JHAGROO: Yes. So like any other website, platform, your stock, your inventory is obviously what the user generally comes for. Then it is the user experience and customer service and I think those all have to be on point in
10 order for you to gain loyalty, grow your market share and so forth.

Innovation speaks to all of those things and I think that is what drives what we continue to do and how a platform continues to grow and funny enough one of the things that we have seen with the dominance of Private Property and Property 24 is, we might not like it, but lack of innovation. They are almost carbon copies of each other and without fresh blood, without fresh eyes, without fresh, you know way of doing things I do not think that is going to
20 change, especially being held by larger companies.

They tend to be slow moving unfortunately and if you have spoken to, and you have spoken to for example the township entrepreneurs, they have got a different way of doing things. We small guys have a different way of doing things. We can move faster and we see gaps that exist that

the larger players do not and that absolutely speaks to the innovation and what we can deliver and we understand more that type of client as well.

CHAIRPERSON: And that I think goes to, you know why, exactly why we want competition to exist.

MR JHAGROO: Yes.

CHAIRPERSON: And innovators to come through, but also why we need transformation, because you know as you put it you know, you are going to understand what different people
10 need, different estate agents need, different customers need.

MR JHAGROO: Yes.

CHAIRPERSON: So I want to just go to the syndication software that you raised and just you know, this is also useful for the public who do not know all the back end of all of this, but I mean as I understand the estate agents have to put up listings onto their own website and also want to list on platforms such as Property 24, Property Central. We will come to whether they can list on Property Central, but you
20 do not want to do that multiple times.

So as I understand syndication software is a way to manage your listings and that those should then link to where you want to list. Is that, I mean is it roughly correct?

MR JHAGROO: That is correct, so yes, it is a single system or software that allows you to list across multiple platforms

and your own website in most cases, yes so that is correct. So it allows you to list, it allows you to manage, you get leads from them and so forth.

CHAIRPERSON: And so you, I mean you would want to as part of the functionality of that syndication software be able to select which properties you put on your own website, which ones you list on different platforms and a range of platforms that you may want to list on.

MR JHAGROO: Yes, so those decisions are driven by
10 having your own website, for one, and then which ones you have, which other platforms you have paid for, so for example Private Property and Property 24 are paid platforms, and then you get the free to listing platforms like, well we would be one ourselves but you know, I think there is [indistinct – 00:39:59] and so forth, so there is a few other free ones and obviously if you are not paying for Private Property and Property 24 you are going to choose the free ones to list ones, so yes, that is exactly how it works.

So the stock, the inventory flows through the joint
20 listing software services and it is a significant back fall to the flow of stock into different, into the different platforms and once you are excluded from that it is very difficult to get them onboard, for example Property Central, because they do not want to have to list many, many times. They want to obviously do it once and get it everywhere and that is totally

understandable. Who wants to do three times the work when you do not have to?

CHAIRPERSON: Ja, and I suppose ... [intervenes]

MR JHAGROO: As to what or, you know how it affects or what the effect is with regard to being ring fenced out of it, which is that we just do not get all the properties, we do not get the fresh properties. We have got to come up with innovative ways of getting the stock onto our platform, which is having a capturing team which looks at a client's
10 properties and gets them onboard.

There is a manual way of doing it, for example that is one of the ways we do it, so it is a service we offer for free, whereas if we were part of the syndication software or the joint listing software we would make it easier. They would be updated freshly and so forth and you know, they exist for a reason.

The issue is that if you exist or if it is owned by larger platform, is it fair? Because it is being used to exclude us, is what we find.

20 CHAIRPERSON: Let me Mr Jhagroo, let me, can I just take you a step back, Mr Jhagroo?

MR JHAGROO: Okay.

CHAIRPERSON: I mean as I understand from your submission there are five big syndication software and I think as you rightly pointed out I mean you subscribe to a

syndication software because you do not want to do it twice or three times getting your listing and two of those, as I understand, are linked to the main platforms you have identified.

So Fusion is linked to Private Property and Prop Control is linked to Property 24, as I understand and as I understand those two link to each other. So I could be on Prop Control and there is a link to allow me to list on Private Property and the other way around.

10 MR JHAGROO: I am actually, I cannot, I am not clear on whether they are actually linked to each other, I have not even bothered to find that out, but yes, the two major ones are owned, well the two major ones are owned by the two major players. The other large one is Proper Daser, which I think is independent, but yes, ja.

CHAIRPERSON: And as I understand ... [intervenes]

MR JHAGROO: Sorry, I am assuming for purposes of doing businesses across the two large platforms they would have to be linked.

20 CHAIRPERSON: So it is technical possible to link from a syndication software to a platform, and you are a programmer, so I assume that is technically not a problem.

MR JHAGROO: Ja, that is why they exist, is that other people can receive feeds or push feeds through to them, ja so it is absolutely, that is the reason they exist, is it to do it.

CHAIRPERSON: And you have technically linked two others, I believe, Web Box and Integral.

MR JHAGROO: We are in the process, there are two independent, yes Web Box and Integral, they are actually two independent joint listing software service providers and website providers and ja, they have been kind enough to actually allow us onboard and funny yes, for example Integral has a competing product with us which is called My Property, but they still allowed us onboard, you know
10 whereas the large companies like Private Property and Property 24 and Fusion and Prop Control have refused us any access to it.

CHAIRPERSON: So can you just tell it, I mean your engagement, you have basically said they have refused to link with you. I assume you have approached them to enable a feed and offer presumably a service which should be in the interest of their clients, estate agents. So what went down when you did approach them?

MR JHAGROO: Simply probably two sentences; no, we are
20 not interested in doing it, it is not going to happen in the future, in the near future, nothing more than that, you know. I asked for further engagement, nothing has come of it, so yes, absolutely nothing and you are right, the offering should be to improve your client's exposure and experience, which is the reason Integral gave us when they allowed us to feed,

so they can improve the experience and the offerings to their own clients, even though they have a competing product.

CHAIRPERSON: Alright, so basically no engagement, you followed up, refused.

MR JHAGROO: Nothing.

CHAIRPERSON: And technically it is feasible.

MR JHAGROO: Ja, obviously technically, yes, they do it with our platforms, yes.

CHAIRPERSON: So I mean, you obviously have already
10 said that this has an impact, I mean I did have a look, I do not know how many properties you have got on your website, I think it was 25 000 or so.

MR JHAGROO: Now 35 000 upwards, but ja, around there. So it goes up and down, around there.

CHAIRPERSON: Ja, but being, I mean if you had access to those two, what would your listings be?

MR JHAGROO: Jeez, good question. You know, I think they get up to 250 000 listings at any one time, when I last checked, so it could be anything up from there to the same
20 numbers, 200 000, 250 000 listings you know, and that would be driven by one, currently we are free, we advertise, which none of the other platforms do, none of the other independents do, they advertise like I said on Google, on Facebook, on Instagram and on radio.

So we have presence, market presence, our brand

is fairly well known, it is just because they cannot get their properties on us that many of them do not list with us. So yes, there is an advantage with us and we have even go in our terms and conditions when we do charge there is a flat fee that is going to be charged and it is significantly less than any of the existing paid platforms' charge, so there is no reason for them not to list with us.

CHAIRPERSON: So I mean from your discussion there is it that some estate agents have come to you and said look, I would like to be on your platform, but I cannot technically? And is that why you offer private capture?

MR JHAGROO: Yes, so many, many have. They have come onboard, but they found it is just way too difficult to maintain their properties, as in keep them updated, managed and so forth, when the listing is sold and so forth they find it is a problem to, you know come back and search which one is gone and then switch it off or then add new ones as they come onto the market.

So those are the, yes, they have come to us and said you know what, we would love to be onboard, but we cannot and there are those who have not been onboard at all, but would not even look at it because it is too much of work, especially if it is a larger estate agency. I mean, some of them have a hundred agents and so forth and so they have an administrator or two who would then manage that for

a whole lot of people and you know, they just do not want to look at another platform where they have got to duplicate work and that is, you know, that is a significant back of course.

CHAIRPERSON: And ja, if you overcame those barriers you would have almost ten times as many properties, which presumably would make you much more attractive to consumers who you are marketing to.

MR JHAGROO: Exactly, and that would then allow us to
10 become a viable business, a big platform and gain, ja trust in the industry, gain significant traction to growth and obviously offer a different service, a differentiated service, differentiated customer care and so forth.

CHAIRPERSON: Now it seems your second issue is that even if you were able to integrate, you say you do not get support from the industry body, Rabosa, and I mean as I understand Rabosa represents, well I mean you tell us how representative are they of the industry and who mainly ... [intervenes]

20 MR JHAGROO: Well, if you look at their website it says they are the largest estate agency body in the industry, which I am obviously likely to believe and ja, they flatly refused any support for us and probably any other platform. When we approached them in 2019 that is what we were told, that we will not be playing any other platform, only

Private Property amongst their members. It is criminally uncompetitive I think, especially coming from any sort of industry body which respondent the majority of members, estate agents, ja. That means they are not looking at any SMME, they are not looking at any HDP owned businesses, nothing like that. That alone is just a statement on its own.

CHAIRPERSON: I tend to agree with you. Can I just find out who you approached from Rabosa and what exactly was the reasons being provided for not supporting you?

10 MR JHAGROO: So my neighbour in the building that we tenant is a Leap Frog franchisee and when we got started I approached him, I spoke to him and he said you know what, our CEO is the Chairman or CEO of Rabosa as well, Mr Jan le Roux. So he got on the phone and I think it was an e-mail as well you know, to tell Mr le Roux about us and the response was flatly no, we will not be supporting anyone, we will not be paying anyone else for Private Property, because in a few years' time they will be competition and we will be paying for them as well, so that was to paraphrase the
20 response.

CHAIRPERSON: Alright, so you did not even get into the room with Rabosa.

MR JHAGROO: Ja.

CHAIRPERSON: You got turned down.

MR JHAGROO: Ja.

CHAIRPERSON: I mean, what do you think of that reason in terms of what is your perspective that he is saying ... [intervenes]

MR JHAGROO: Very, very shocked.

CHAIRPERSON: Explain.

MR JHAGROO: If you align, first of all it is an industry body, like I said it is, the conflict of interest is massive, you cannot align yourself with one player. You are just setting yourself up for another, you know you are not giving your
10 members the best in terms of competitiveness, in terms of innovation, in terms of differentiated offerings. You align yourself to one platform which is then going to own you for as long as you exist, you know and does not need to offer you anything different, improve in any way or do anything different and that kills your innovation and it kills your innovation cycles, it kills anything else you want to do to change and be different.

Are you offering as an industry body, are you offering your members the best if you are not willing to look
20 at anything else? And that was downright unwillingness. You know, it is no second opinion, no discussion, no nothing, no, we are not going to be looking at you. You cannot be representing your body in the best manner possible if that is your attitude of things.

I mean, you are turning down platforms that can

give you different features, different functionality, can meet the needs of your different members differently and more suitably, can offer you far better pricing that you are getting right now. Why would you want to lock yourself into anything else instead of let us look at this, let us look at this platform, let us look at how they are doing things? You know, there is five other people doing it, why not look at what they are doing instead of a flat-out no response? It is extremely short-sighted.

10 You are doing no different than they have been doing for the last 20 years, which is locking themselves into one or the other platform and seeing it as a solution and yes, some of the reasoning may be you know, Property 24 is so large it is going to be so hard to catch up to them. Nonsense.

 They are competing on funding for, they are competing on funding for marketing, they are not, this is a technology platform. Innovation is what drives growth and future growth, not necessarily money. They are going to
20 throw as much money as they want into marketing and try and compete with Property 24, but that is not how it works. If you want to make a difference, you innovate, and I do not see you know, that sort of innovation coming from either of the two platforms unfortunately.

CHAIRPERSON: And Mr Jhagroo, you know they might

come and say well, exactly as you put it you know, in the battle against Property 24 and the high fees on Property 24 is I think they have said in public we need to back a competitor and if we all back private property then that is going to be the long-term solution. I mean, what would your response be to that?

MR JHAGROO: Short-sighted again. You could be flogging the dead horse constantly and I cannot see it any other way. You have got to back the competitor, but why do you need to
10 put so much into this thing when there are other people who are willing to do it anyway? It should not be your position and yes, maybe 15 years ago there was no one else, but we have reached a point where you know, the diversity of technology and platforms is just growing constantly.

You do not have to align yourself with something like that, it is just short-sighted and well, and it does not speak to you know, the current economic reforms that we should be pushing forward. You know, in these times you need to start changing your ligancies. It has not
20 significantly worked I think, and I think many agents will testify to that or attest to that should I say, is that it has not really worked for them, but also things are changing. You need to change with the times, absolutely.

CHAIRPERSON: Ja, and I think as you put it there are innovations out there that could also disrupt that may come

from other sources, potentially yourself if you had that support, so.

MR JHAGROO: Everything is about disruption nowadays and that is what drives growth and change.

CHAIRPERSON: I just want to pick up then you know, the other issue which is the, well the other side, the consumer side and I think we have set out in our further statement of issues it seems marketing spend and marketing is a big part of aggregators, because you want to bring the consumer to
10 your site.

Obviously once they are on your site, as you indicated, you have got to have a product offering that keeps them there, otherwise they desert you.

MR JHAGROO: Yes.

CHAIRPERSON: But you raised the issue of sort of, I think you raised in the context of almost organic ranking on Google, but I mean can you give us a sense of the customer journey in property? Where do they go to? Is it Google and how do you improve your visibility there and how you have
20 been able to compete in that space?

MR JHAGROO: Okay, so I think the customer journey probably has two points of departure, I think the significant one being properties for sale Sandton, they would go and type that into Google, all right. I think that is where the main one would come to. The second one would be private

property Sandton or property for sale Sandton, private property.

So there is, first level is searching by areas, second level is probably brand recognition of a platform that they are aware of or probably trust, so those would be the two and the third point where they would go and type in privateproperty.co.za directly. So how this, I guess how this plays out is if they do the search property for sale Sandton, if you your SCO is pretty well done, if you are well aged in
10 the market, well aged in Google's indexes you are going to start popping up on the first two, three, four listings for organic search, right and that is, I do not know how much detail you wanted me to go into, but yes, organic search is based on various factors, age being one, the website, the trust of that website and so forth. There is a whole lot of factors that play into it.

CHAIRPERSON: Ja, and we had Google here in the first week, interestingly.

MR JHAGROO: Okay.

20 CHAIRPERSON: I mean, maybe the question for me is, I did not realise age of websites was a factor.

MR JHAGROO: Well yes, if you are long in the market and you produce quality results yes, you are trusted, experience. New websites take a while to get indexed and to grow their index ranking. Age is a factor, without a doubt. So yes, the

longer you are in the industry and you have provided fair quality rankings, you are fairly well trusted, you will start popping up on the top rankings.

Now with that you can also go search property for sale Sandton and Google's paid ads will pop up right at the top, so the first thing you are going to see is the paid ad by one or other platform. So if you go property at Sandton the two platforms with the largest budgets are obviously Property 24 and Private Property, so in most cases they
10 would be the first two, three positions in terms of paid, thereafter in terms of organic you will see the same thing.

Obviously they have got the largest trust by Google so far and so yes, in terms of paid one, two probably them and then organic one, two as well and that is in areas and suburbs. They can also obviously bid for the competitors' names and website names, should they choose to, so for example Private Property would probably bid on Property 24's searches. So if someone goes and searches Property 24 chances are that Property 24, that keyword as
20 well.

So all of those things play a role in the departure point for searches, for users looking to buy or rent, it is whether they go to the brand they trust or know, usually it is know, I guess, or whether they just search for whatever is in the area and the platforms will come up first in most cases,

which gives them the greater variety rather than going to an individual estate agent's website.

CHAIRPERSON: Well, that is what I also wanted to ask you is you know, we are told by this big platforms that well, they compete with the website of the estate agent, they compete with GumTree, they compete with OLX. I mean, what is your view on that in terms of just you understanding the consumer journey?

MR JHAGROO: I do not see an estate agent as, an estate agent's website as a competitor. They do not offer the variety across a suburb or an area that a platform, they may offer knish offerings, very specifically you may trust that brand and go to it, for example at Pam Golding or whatever it is that you trust, but I as a platform, I do not see them as competitors at all, at all and having spoken to a few of the estate agents, the traffic they receive from their own websites is pretty insignificant. They know they have got to be on a platform in order to drive sales and good leads at least.

20 CHAIRPERSON: So what role does the website play then?

MR JHAGROO: Sorry?

CHAIRPERSON: Sorry, please finish your sentence, then I will ask my question.

MR JHAGROO: Sorry yes, you were saying in terms of I think GumTree and IOL Property or something like that.

CHAIRPERSON: OLX, GumTree, ja.

MR JHAGROO: Oh, ja.

CHAIRPERSON: Facebook Marketplace as well.

MR JHAGROO: We have found there are quite a few agents who struggle to pay the fees of the two large platforms who switched to Facebook and sell directly off Facebook, we have seen them doing it quite often and they come to us funny enough, obviously because we are free, so we have seen that happen.

10 In order to OLX and so forth I do not even see OLX appearing on a search if you search in areas, so I would not think they would be a property competitor. GumTree occasionally, but again they do not specialise and I think a lot of users look for the specialist websites. In terms of what you do find on for example GumTree would be the diversity of property, the lower end property, the odd properties that you are not going to find on, and probably like you know, weird little home, freestanding homes and so forth in odd areas that no one is willing to put on. You would find them

20 on the alternate platforms that are free, for example GumTree and so forth, but the bulk of indexing on Google's first page is generally the larger platforms.

CHAIRPERSON: So what would the, I mean the, as you say these are the specialist property, so for the consumer is that a different experience to a GumTree, if I am looking for

properties?

MR JHAGROO: It is, it is obviously more focused. The search is a very good, the whole interface is built for a specific need whereas you know, the more general classifieds tend to, the user experience tend to be a bit more generic. You may find the search may not be as great, again I am not saying that is true, but it is more about the user experience and what you want to look for and how fast you want to find it and chances are you will also get more
10 updated properties on the specialist properties where they are paid to be there.

CHAIRPERSON: Mr Jhagroo, I do not want to keep you too much longer, it is now close to 04:00 and breakfast time. What do you think should be done? You have raised a number of issues. If we make findings on some of these we are obliged by our Competition Act to actually put in place remedial action, so what would you suggest should be done?

MR JHAGROO: I think it is going to come in, I am going to come in with quite a bludgeoning approach here. One is I
20 think bodies like Rabosa need to disengage from partnerships and conflicted partnerships with platforms like Private Property to allow us, us being HDI, HDP, SMEs, to get a foot in the industry and not, or profit taking on our side, but to also offer different products and innovative products and something, the industry sometimes need,

different people need different things and we are just being excluded, so definitely disengage from strange partnerships, conflicted partnerships and so forth.

You know, I would like to see you know, industry bodies like VAB, Rabosa, the Estate Agents of South Africa, they need to recognise and support new or independent HDI owned portholes like Property Central and any other one that comes along. There has to be a recognition that exists and support, not just close the gate on us, we are too small or
10 we do not know you or whatever it is.

How is it going to change if we do not get that recognition in the first place? You know, at least allow us to walk the pathway a little bit. What did I put down? So I think yes, it is fast-tracking the support and to be promoted by the bodies to be used, de-monopolisation of the syndication software platforms and the whole ecosystem.

Should the larger platforms have such significant interest to ownership of the website development, so they offer website packages along which they offer the joint
20 listing software and sometimes alternative marketing, that has to be de-monopolised or managed in a way that at least gives other platforms a foot in the door. Allow us to enter the industry.

Without that joint listing software you know, we are pretty much excluded and it makes anything we do years far

and ja, whether we will ever get there we do not know. I am at it three years and we might be growing, but very slowly. So de-monopolising the joint listing software, de-monopolise the whole marketing, internet marketing ecosystem and you know, I think from an inquiry perspective to look at the collusion between companies like Private Property, Property 24 and the industry bodies, you know.

Why should this exist? Why should one platform be preferred over another, aside from all marketing tenants that
10 they have struggled with before? I do not think there is space for it anymore, so investing in a collusion, the interest of shareholding and board members or whatever that exists, these odd relationships, and I guess some sort of mandated, what is it, regulated support for HDI businesses in the industry, because it is not happening, it really is not happening. As you said, the numbers are quite ridiculous. If it is not changing by itself something needs to happen to change it.

It is not going to change by itself and we
20 understand that from the discussions we had, very closed door, you know, very clannish. It is not going to happen without some sort of regulation, so ja, those are my recommendations.

CHAIRPERSON: Well, I think Mr Jhagroo, you have given us a lot of food for thought and probably the industry as well.

I mean, we will be speaking to others tomorrow, including Property 24, Private Property, My Property as well and following you we have got an estate agent as well to get their experience.

I do not think there is any more questions from my fellow panel members of the technical team, so I think it is just left for me thank you for getting up before 03:00 in order to be onboard here and to wish you all the best with your business and we certainly I think take your submissions very
10 seriously and we will be exploring this and so please remain in touch with the inquiry and we will also look to be in touch with you and as we take it forward.

So our next stage is after hearing the, doing the public hearings is to come out with some findings and if necessary, any preliminary recommendations in the first half of next year.

MR JHAGROO: Thank you so much for having me participate, like I said it was so necessary. I am looking forward to what is going to come next. Thank you again.

20 CHAIRPERSON: Thank you very much, Mr Jhagroo. You may leave the virtual hearing room now and we can invite, I think it is Mr Manning from 0800Properties. I will check with the technical team if he is ready.

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