



## **COMPETITION COMMISSION OF SOUTH AFRICA**

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In the matter of

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

held at

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

on

***22 November 2021***

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

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#### **TECHNICAL TEAM**

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#### **COMPANY: PAARL EATS**



**Gauteng Transcribers**  
Recording & Transcriptions

PROCEEDINGS ON 22 NOVEMBER 2021

Paarl Eats – Represented by: Ilse Erasmus

CHAIRPERSON: Good morning and welcome to the last few days of the public hearings in the Online Platforms Marketing Inquiry. This morning we have two food delivery platforms, Paarl Eats first and then Dryvar Foods and then our last session will be next Monday in the early – late afternoon, early evening where we have REBOSA, The Real Estate Board of South Africa and then Takealot.

10 So let me welcome the co-founder and Managing Director of Paarl Eats, Ms Ilse Erasmus. And Ilse, I believe your co-founder and Sales and Marketing Director, Ryan may join us but welcome to the public hearings on the virtual stage. I believe ...[intervenes]

15 MS ERASMUS: Thank you.

CHAIRPERSON: I believe you have a presentation. So, I am going to ask you to share that and take us through that and we will just follow that with questions.

MS ERASMUS: Sure. Good morning, everyone. I will certainly do. I will try and quickly share the presentation.

CHAIRPERSON: Ilse ...[intervenes]

MS ERASMUS: Sorry.

CHAIRPERSON: ...I think maybe you are sharing your ...[intervenes]

25 MS ERASMUS: Oh, am I ...[intervenes]

CHAIRPERSON: ...file finder and I do want everyone to be able to see what is on your computer.

MS ERASMUS: Ja, let me quickly just close that. Okay. Are you seeing the presentation now?

5 CHAIRPERSON: No, not yet. Maybe just share back to in view of yourself.

MS ERASMUS: Okay, I am not sure if you can see me now?

CHAIRPERSON: We can see you. We just cannot see the presentation yet.

10 MS ERASMUS: But to the presentation.

CHAIRPERSON: But if you are having difficulties, you can still just talk to the presentation and ...[intervenes]

MS ERASMUS: Sure, okay.

15 CHAIRPERSON: ...and then we will follow that with questions.

MS ERASMUS: Okay, sure, we can do that then rather just for the safety of time. Okay. Alright. So, good morning every one and thank you for the opportunity. We really appreciate it that we can actually be part of this platform.

20 So, basically, Paarl Eats was – the reason or how it originated was, there was a lack in the area in the Paarl East area where we resided at the time last year during Covid and of course there was no other delivery platforms in – that delivered in that area and that is how Paarl Eats started.

25 So we are an online food delivering company that

started in June 2020. So, we are just over a year old. So fairly new still. As mentioned, the main members are myself, Ilse Erasmus and then Ryan Petersen who is the Sales and Marketing Director as well.

5 So mainly what Paarl Eats – where Paarl Eats deliver, they deliver to the full community. So, there are no exclusions. And we deliver up until 16 kilometre radius from Central Paarl up until Wellington and then all the areas in between.

10 We are quite small but we see growth monthly, I can say. So, we have a staff compliment of seven drivers at the moment, three full time and then four part time drivers.

So basically how our platform works or where we – what platforms we can see. We use a Smart phone app. So  
15 it is on iStore, Play Store, Huawei and then also we have a website as well where the customers can order their food delivery – the food from.

We use a local hosting company. So Afrihost at the moment. Okay, alright ...[intervenes]

20 CHAIRPERSON: Can I just ask? Ryan, if you just mute yourself because it is giving feedback to Ilse. Thank you.

MR PETERSEN: Oh, okay.

CHAIRPERSON: Go ahead, Ilse. Welcome, Ryan.

MS ERASMUS: Alright, sure, thank you. Alright. So  
25 basically, like I said, we are using a local hosting company,

Afrihost, and the platform is set up to display menus, prices and accepting payments as well and the payment method that we make use of would be cash, card payments and also – sorry, payments on delivery and then also online payment.

5 We use local for all online and pay on delivery payments. And then our main clientele are mainly food and restaurants. Alright.

So get the restaurant onboard because we, of course, are fairly new and which was, of course, also one of the  
10 challenges are that to get them onboard we keep our fee structure very low. So there is no joining fees involved at the moment and we take about 15% commission from the restaurants as well.

We supply the restaurants with a device to accept their  
15 orders and ja, we are employer own drivers, of course. So we have had in the past made use of other resources as well. That did not work so well. So we have decided that we would employ our own drivers to do the deliveries because we very – we are very customer focussed and we, you know,  
20 we would like – we keep our customer – we would like to keep our customers happy and we would like to give them the best service.

We take responsibility for the order from the start to completion of the order and we also are responsible for the  
25 full payment as well. So in terms of our customer data. Due

to our policy, customer data is limited. The restaurants receive customer data per order, of course, for them to also have access to that. So if anything, you know, is – if there is any need to contact the customer then they have access to  
5 that as well.

The customer base is also used for internal marketing. So for example push notifications that we will send out and so on. So currently with the price, ja, clauses there is currently no restrictions and we encourage restaurants to  
10 provide the menu, the menu price with the added commission on the menu and for some restaurants that do follow that structure, you know, it is our advantage as well, as well as for the restaurant as well.

So the customers would prefer to, of course, go and  
15 use those restaurants as well because it is a reasonable price as well that the customer pay. Unfortunately, for the larger companies and larger food chains there is a fixed price for the third party supplier. So that is something that we have to follow, of course.

20 Then just in terms of the ranking and consumer search on the platform. We employ a ranking system where they can search the restaurants closest to the customer, our customer's geo location, restaurants mainly used by the customer, and the rating system.

25 So how the customer rates the system. Customer

would like to obviously look at that as well. And then customers have the option of searching nearby restaurants, like I said, highly rated restaurants by cuisine, by name or by promotional banner that we put up from time-to-time for the  
5 restaurants as well.

So the challenges face in the market is – I think the biggest one for us is the buy-in from big corporate restaurants because we are such a small local company that it is quite a challenge to obviously get buy-in from the  
10 restaurants, the big ones.

And then digital resources like the free device data and then marketing capital because obviously you know you have to market, we have to market our company out there, we have to market the restaurants and that is also quite a  
15 challenge as well. And then driver employment. You know, the turnover rate is quite high in that regard as well. Although we have our regular drivers that, you know, that is quite loyal as well.

Just in terms of SME's and the historical  
20 disadvantaged support. The main support for SME's and that is one of the reasons that we started this platform. It was, actually, we started to say that or we went to our local restaurants around here and we asked them to join the platform.

25 Unfortunately, not all of them, you know, bought into

that. You know, I think it was quite a mindset adjustment for them because of the service that is now open to them but, I mean, we – it is an ongoing thing that we are doing, engaging with them to open the platform for them as well.

5           Ja, so like is said, we do – we are hosting a few local businesses and they are very happy with our service at the moment. And then supporting businesses in the area, as I said, that has – the disadvantaged – in the disadvantaged area as well. That is also our main focus.

10           Competition issues. Mainly to get in with the larger companies, like I said, the big corporates. It is quite a challenge to get in there because obviously they have their own rules and regulations in terms of that. And then also the competition remedy. We would say that to set up a database  
15 where small suppliers can register.

          So our local small suppliers maybe if there is a database, if we can register and have access to that or a process that we can follow, of course, so that they are aware of the smaller local delivery companies. And then also  
20 create a ranking system for the SME's for consideration by the larger companies. So those that are already making use of us, you know, just to have that type of ranking system available, we would say.

          Ja and that is it from us. Thank you so much. Okay.

25   MS TSHEPE: Good morning, Ilse and Ryan and welcome.



MS ERASMUS: Good morning. Thank you.

MS TSHEPE: Thank you so much for your time and for the presentation. I just – I mean, the presentation covered a lot of the questions we have and thank you for that. It was quite  
5 helpful. So I am just going to engage with you with – on the areas that we require a bit of clarity. The first one I wanted to understand is. These areas that you are saying were not serviced at the time that you decided to go into. I am  
10 assuming the bigger food delivery platforms were not there yet when you entered. Is that correct?

MS ERASMUS: Ja, look, I am not sure. I think if – probably way back, like – and I am talking about a couple of years ago, I think some of the bigger companies serviced those areas. And I think it is because of they probably have their  
15 own reasons and obviously those areas, you know, sometimes not that safe to obviously enter the areas but because we recruit ...[intervenes]

MR PETERSEN: Sorry.

MS ERASMUS: Okay.

20 MR PETERSEN: Can you hear me?

MS ERASMUS: Yes ...[intervenes]

MR PETERSEN: Is my thing off mute? Oh, sorry. It is okay. No, no, I just wanted to answer that question for her quickly. The thing is, it is a bad loop that consumers are  
25 caught in where the company like Mr Delivery, Uber Eats do

not service the area, the customer does not – is not aware that they can order because they just assume that – because that is what we are dealing with because when we tell customers but we are delivering in your area they said we  
5 never knew that. You understand?

Because they are trapped in that loop where okay the big guys do not deliver, so you guys also do not deliver in our area. So they do not make use of the ordering platform which in turn loops back to that service providers do not  
10 cover these areas because people are not ordering in these areas.

Plus it is a – I think it is a big safety issue where companies that drive – the thing is because we employ local people, our own people in the area because unfortunately at  
15 the moment Mr Delivery and them they have a lot of out of people that are not from the area itself which causes also a safety issue and stuff like that.

And I think Mr Delivery has limited their delivery to 5 kilometres only regardless of the area. They only go up to  
20 about 5 kilometres in the radius. And obviously the – how can I say? The previously disadvantaged areas, they completely do not cover. I have tried ordering from an area already and they just – it will just pop up a message we do not service this area at this moment.

25 I think if more people start enquiring and doing that, I

am thinking that they will actually pick up from us to see, look here, there is a market in these areas because we obviously supply to these areas. We are getting orders from these areas, from these people which they assume will not  
5 order take-aways online.

Because a lot of people are very tight with the budget, tight with money. So they just – they have to add extra R 15,00 or R 20,00 on top of an order to get it there. They will rather get in the car and drive down.

10 But I think once Mr Delivery, the big guys see, look here, there is actually a market there because we just branched out to Wellington and Wellington is one of the areas where Mr Delivery just refuses to do deliveries because they are too small. So we are starting there and I  
15 promise once it starts getting and growing there, we will probably see that changing as well. I hope that answers the question?

MS TSHEPE: It does, Ryan. Thank you very much. So ...[intervenes]

20 MR PETERSEN: Okay, good.

MS TSHEPE: So just so I understand. So they – in respect of these underserviced areas for whatever reason, whether the market is too small or the place – the areas are viewed as unsafe, the bigger food delivery platforms have not  
25 entered those markets?

MR PETERSEN: Definitely.

MS TSHEPE: That – that is... Okay, thank you so much.

MR PETERSEN: No, that is a definite, ja.

MS TSHEPE: But then you are operating even just beyond  
5 the areas that are regarded as underserviced or the ones  
that you are calling as underserviced. So are they in the  
other areas where either Mr D or Uber Eats are there as  
well? Are you with them in those areas?

MR PETERSEN: Ja. No, no, no, we cover basically all  
10 areas because we definitely have our own range. Because  
Mr Delivery only does the 5 kilometre, we actually getting the  
advantage where we delivery up to 10 kilometres or 15  
kilometres. We actually get that extra customers that never  
ordered before because there was not – there was not that  
15 access for them.

Because a lot of our customers as well are on estates,  
are on farms which are quite outlying in our area. So to get  
food to them as well. Basically the market is just a little bit  
further than 5 kilometres than what the current people are  
20 doing.

MS TSHEPE: Thank to you both. With regards to the areas  
where either Mr D or Uber Eats are there, how are you or  
how is the competition for you? Are you still finding that  
consumers are still ordering on your app? What has been  
25 your experience there?

MS ERASMUS: If I can just say? Yes, we have those consumers that obviously that have tried Mr D or Uber Eats and then they will try and order on our platform. I think the challenge there for us mainly is to keep the service up to  
5 standard and see what is it that sets us apart. Why they would rather order from us than Mr D or where they service the same area.

That – with that being said, I think the other thing is as well. Excluding this – the big corporates that obviously have  
10 the same pricing and that the same pricing that we have to use, we have those other restaurants that are perhaps not with Mr D or it could be those restaurants that are with Mr D but because we have this good relationship with this restaurant we, obviously, compromise on the pricing on the  
15 app as well to make it affordable for the consumer.

MS TSHEPE: Thank you, also. In fact, it leads me to another line of questions and I just wanted to understand. You spoke about menu pricing and commission. I did not understand what you were saying you – the restaurants –  
20 how the restaurants – whether the restaurants in fact absorb the commission that you charge them or whether that is included within the menu pricing. Could you just explain that part to me?

MS ERASMUS: Okay. Ryan, you want to take this?

25 MR PETERSEN: Okay, ja. Ja, there are certain restaurants

that deal with us. There are the one – because our  
commission is so low, our commission is only about 15%  
there are – I think De Kelder – sorry, I am not allowed to  
mention but there are restaurants that absorb the complete  
5 commission where they allow us, look, this our ...[indistinct-  
distortion] price, this is the price that we want on the app.  
So we go straight up. We love those restaurants. We try to  
market them as much as possible.

Where they absorb the commission price, they give us  
10 our menu price and the absorb the commission price. Then  
you have the restaurants that add the commission price to  
their menu price. So that still comes in under Mr Delivery  
prices sometimes where they will give us our menu and say:  
Okay, look here, add your commission on top. Then that will  
15 be the price on the app.

Then you have your larger corporates, like Spur,  
Panarotti's, those people have set prices for all platforms  
and then that will be the price on that platform. So there is  
no wriggle room with those ones. Like she – like Ilse also  
20 said, some restaurants are not on Mr D. So they are making  
use of our service instead of Mr Delivery due to the price  
being so low, our commission.

That is why we are ask them as well: Look here, can  
we wiggle around with the prices? And if they are happy to  
25 do that, we are happy to help them as well because we are

trying to be competitive in this market. There are not a lot of people in the market and the people that are in the market are quite big. They have got heavy names; big names and we are trying to just crack at that a little bit at a time.

5 MS TSHEPE: So the ones that are not on Mr D or Uber Easts, the ones that you try and wiggle the price, do you mean you – for them to absorb the price of the commission or to include the price of the commission in their menu price?

MR PETERSEN: That will be the discussion with them, yes.

10 MS TSHEPE: Okay.

MR PETERSEN: We will offer them those options. The majority will just go a percentage. There are restaurants that say: Okay, increase the price by 5% on the app ...[intervenes]

15 MS TSHEPE: Okay.

MR PETERSEN: ...so that their commission – so that their profit does not get decreased too much. Most of them will say: Okay, put it up by that commission amount and then deduct the commission and then pay us out. So they get  
20 their menu amount paid out to them. And the nice – there are some nice big restaurants that will say – like the one I mentioned where they are on Mr Delivery but they are giving us their menu prices.

MS TSHEPE: Okay.

25 MR PETERSEN: So they have their – Mr Delivery obviously

adds their commission and stuff but they are adding our – we are taking their menu price where we have – where they absorb the commission. Those are the three that we are working around with at the moment.

5 MS TSHEPE: Ja.

MR PETERSEN: Because at the end of the day, we are trying to provide a service to the customer as well and we know all customers look at pricing. All customers do check that and will see: Okay, look here, it is cheaper here, let me  
10 order here, rather. So that gives us a little bit of an advantage. That is why we do not want to increase our commission or service fees or anything at the moment. I think this will probably stay like this for a few years until we have developed a footprint in the area.

15 MS TSHEPE: So, essentially, you are saying your competitive advantage is lower commission. Therefore, whether a restaurant absorbs or includes the commission into the menu price, it means the menu price is lower and as a result the pricing, ultimately to the consumer, is lower and  
20 so the consumer still uses your platform? Am I summarising it correctly?

MR PETERSEN: That is summarised beautifully, yes.

MS TSHEPE: Okay, thank you so much for that. Just so I understand. The commission, is it a flat rate across the  
25 board or do you charge other restaurants differently? Do you



vary with your commission?

MR PETERSEN: [laughs] Ja, that is a difficult one. When we started out, we started out on 13%, on like 12%/13%. The thing is there are restaurants that negotiate and we  
5 obviously have to negotiate with them in terms of getting them on to our platform.

So certain restaurants will say: Okay, let us do 13% for four months, five months and then after I have seen an increase, then we can increase the percentage. There are  
10 restaurants that started with us in the beginning where we kept their percentage on 13% still. We have not increased their percentage yet.

The newer – because we have developed in the year, we have developed quite a name and quite a footprint, we  
15 have gone up to 15% and the restaurants are still happy with that. We want to maximise at 17% to try and get that for everybody. To get everybody on that but I think that is going to take a little bit of work to try and get all of our restaurants on 17% because a lot of them are already used to the 13%.

20 So it is going to take some negotiating to get everybody onto the same ...[intervenes]

MS TSHEPE: Ja.

MR PETERSEN: ...onto the same rate.

MS ERASMUS: Ja. Sorry, can I just mention something  
25 there, please?

MR PETERSEN: Ja.

MS TSHEPE: Please go ahead.

MS ERASMUS: Okay. So just what Ryan is mentioning the percentage there as well. I mean, we have gone in with the  
5 lowest that we could that obviously where we do not even make a commission at this stage and because mainly – I mean, if we look at all the expenses that has to be covered form our side as well, you know, that is even a challenge on our side. But we have to almost compromise not to go to  
10 high, to keep that, you know, that rates so that we can still do business, of course, the restaurants in the area.

MR PETERSEN: Ja, sorry, I have forgot to mention, ja. Three percent of our commission goes to Yoco(?) due to the – because we handle transaction fees, everything on behalf  
15 of the restaurant. The restaurant has no expense on that. We carry all the expense on us ...[indistinct- distortion] ..work out to about 7 even though we are charging 15.

MS TSHEPE: Okay, thank you. So you are basically saying, of the 15, Paarl Eats would get seven – 3% go to  
20 your funder and then the other is the other costs ...[intervenues]

MR PETERSEN: Ja.

MS TSHEPE: ...that the restaurants would have?

MR PETERSEN: The fees for the platform.

25 MS TSHEPE: Yes, yes. Okay. Thank you about that. So

you decided not to go the differentiation of the bigger brands and the independent with regard to the commission? Why was that because other platforms are doing so. I just wanted to understand what was the rationale for your strategy.

5 MS ERASMUS: [laughs] ...[intervenes]

MR PETERSEN: Sorry, let us understand quickly. We did not charge the bigger brands bigger commission.

MS TSHEPE: Or smaller? So you did not ...[intervenes]

MR PETERSEN: Oh ...[intervenes]

10 MS TSHEPE: So some of the ...[intervenes]

MR PETERSEN: Oh, did not ...[intervenes]

MS TSHEPE: Ja, do you understand me?

MR PETERSEN: Ja, no, no. Ja, the strategy was basically, go low, get all of them onboard. That was our strategy  
15 because we know these businesses all watch their bottom line. They all look at their finances. So we just wanted to get in.

That was our main goal to get restaurants onboard because obviously we are a new company, you are marketing  
20 to them, you would have to explain to them: Look here, we are going to take your money, then we will pay you out your money in a week's time. So there has to be that trust and stuff.

So if it was a big amount, I doubt people would have –  
25 people would have hesitated to go with us because it is – we

are dealing with their money. So, basically, all the restaurant's money is laying with us and we need to ...[intervenes]

MS ERASMUS: Pay ...[intervenes]

5 MR PETERSEN: ...reimburse them.

MS TSHEPE: So ...[intervenes]

MR PETERSEN: So, basically, from the time the food leaves, it is all our responsibility until they get their money deposited into their account again.

10 MS TSHEPE: Okay, so ...[intervenes]

MR PETERSEN: That was the basic strategy, just go low and try and get as much people on as possible. With the big corporates, because we dealt directly with the own ...[indistinct- distortion]

15 CHAIRPERSON: She is trying to get in.

MS TSHEPE: Yes, no ...[intervenes]

MS ERASMUS: Okay ...[intervenes]

MS TSHEPE: Please go ahead, Ilse. I think Ryan is frozen.

20 MS ERASMUS: Okay, I just – ja, I think just what I would like to just add on there with that being said is that, you know, apart from the fact that we had to obviously get a foot into the door. I mean, even the bigger corporates that are approaching us now. When we sit down they still negotiate a lower rate.

25 And as to why, I am not too sure. Probably because

they know that we are local and you know and fairly new and so they can still do that. And obviously, we will compromise, you know, at a stage to obviously just to get them on the platform and then you know – we will usually take it from  
5 there. Ja.

MS TSHEPE: And fair enough. As you said, to have the bigger brands on your platform is an important thing.

MS ERASMUS: Yes.

MS TSHEPE: And you want everyone to be there. I am just  
10 saying, we were quite interested because some platforms seem to have had this differentiation. So it was good to see that you guys have gone for a flat rate and you are – what you are doing is negotiating. It could be that an independent restaurant could have a lower commission or a chain could  
15 have a lower commission. So that is how I understood you.

MS ERASMUS: Yes.

MS TSHEPE: And I am glad to hear that. Before I continue on another issue of the national chains because you have raised that as another challenge. So Yoco is your funder.  
20 Are they still funding you now because we have been told by other smaller platforms that funding in this area is a difficulty and you have been able to do – to obtain some funding from Yoco. Do they still fund you or have you had to go elsewhere to look?

25 MS ERASMUS: You want to go, Ryan?

MR PETERSEN: [No audible reply]

MS ERASMUS: Okay, no, I am – ja, because ...[intervenes]

MR PETERSEN: Okay.

MS ERASMUS: H'm.

5 MS TSHEPE: Go ahead.

MS ERASMUS: Ryan?

MR PETERSEN: Oh, you want me to go? Okay. Yes, Yoco has been a great help for us but the thing is, why they are helping is because they can see the turnover in our bank  
10 accounts, the amount of sales that we generate per day, the amount of sales per year, because even I had a look at it and compared to what we were doing this month last year, it is hundred thousand more.

So the thing is, they – every time our budget goes up,  
15 they actually offer us a decrease in the service amount which is helping a lot. Each percent counts at the moment. So we have got a rate – a nice rate of 2.7% or two point something percent with the Yoco depending on the card transactions.

And then always funding – we have used the funding  
20 of Yoco once or twice and the repayments – their interest rates are really very good. I think the interest rate is 5% if I am not mistaken. So it is basically 5% on the repayment amount with them.

I think it is – the main reason we get along with Yoco  
25 so easily is basically because of the turnover.

MS TSHEPE: Thank you, Ryan. So let me understand. So are they just a service provider who has been supporting with lower rates or have they provided some investment funding to you?

5 MS ERASMUS: It is basically ...[intervenes]

MR PETERSEN: Oh, no ...[intervenes]

MS TSHEPE: Ilse, go ahead.

MS ERASMUS: Okay, sorry. It is – ja. I think if we talk about funding, it was probably, obviously, not investment. It  
10 is almost like a loan type of thing that we obviously – ja. So it is not investing in the company. We need to obviously pay it back. But they still has been a great help to us. I know that we have been negotiating some rates with them as well, if I am correct. They have actually improved on the rates as  
15 well, you know, after this year when we negotiated with them. But, ja, it is not an investment. It is basically just a loan that they are assisting us with.

MS TSHEPE: Oh, okay, thank you. So when you say rate, you mean the interest rate, they charge you for you to repay.

20 MS ERASMUS: [Indistinct]

MS TSHEPE: Okay, alright.

MS ERASMUS: Yes, ja, ja, ja.

MS TSHEPE: Okay. And you have not gone elsewhere to look for funding as in investment funding?

25 MS ERASMUS: Not too much, actually. Ja, we have not –

that is actually one thing that I must say that we have not went into, you know, in exploring all the avenues. We – there were here and there that we obviously explored but we have not explored obviously all the other avenues. I am sure  
5 there is still that we can have a look into as well. Ja.

MS TSHEPE: The avenues that you say you have explored, was it public entities or was it private equity or venture capitalist kind of companies or firms?

MS ERASMUS: Ja, Ryan would – I mean, you do not have  
10 to mention names.

MR PETERSEN: ...[indistinct- distortion]

MS ERASMUS: Excuse me?

MR PETERSEN: ...[indistinct- distortion] ...when we started, it was actually because of the requirements for getting the  
15 funding was – it is very – I mean, I say you have to have all your T's and dots ...[intervenens]

MS TSHEPE: Yes.

MR PETERSEN: ...and T's crossed.

MS TSHEPE: H'm.

20 MR PETERSEN: You have to have your proper business plan, you have to have this form, you have to have projections. That is why we have decided, look here, we are going to use whatever money we have left. I was still employed. So we actually got at the – because we started  
25 doing it during the Covid period there was a bit of saving that



we could do due to the fact that we were not very mobile during that period.

So we have saved up and we have put every cent and we tried doing everything ourselves from scratch to reduce  
5 the costs. We try not to go into any debt. We tried not – and that tis actually why we – I think we are lasting so long because we try to reduce.

And if we do, like we get a loan or we got payment, we try to repay it as fast as possible. That is one thing we want  
10 to build on. We want to keep on – we want to build this, basically – as – because we have got so far now, we basically building on our own two feet now.

We are using all our own funds, we are using our money, putting it in and obviously the business is generating  
15 some money to put back into itself because we are not really making a profit now for this period but we, hopefully by next year we should be seeing some rewards for pushing in all the money into this business.

MS TSHEPE: Thank you so much, Ryan. Can I just go  
20 back? I now I digressed a bit. It is just because you have mentioned Yoko, so I just wanted to clarify that but thanks for that. The one issue you raised, Ilse, in your presentation as one of your challenges has been the national chains and that it has been difficult for you to just get them onto your  
25 platform. We see you have some. So who did you approach

and what has been the responses?

MS ERASMUS: Are we allowed to actually go and mention names? [laughs]

MR PETERSEN: Well ...[indistinct- distortion] ...[intervenes]

5 MS ERASMUS: Ja. [laughs]

MS TSHEPE: Ja, if you are comfortable. If you are comfortable to mention it, that is – ja, that is entirely up to you. Thank you.

10 MS ERASMUS: Okay, alright. Okay, Ryan, you want to answer that?

MR PETERSEN: ...[indistinct- distortion] ...explain that the bigger chains that we have onboard are privately owned chains. So that means that owners can make final decision as well where we use personal relationships. I will use Spur as an example where we also knew the owner of Spur and got us a meeting via that with the owner. So, basically, what I have done – how we started, I went to all the owners, try to get meetings.

20 Obviously, sometimes you get managers. Managers do not really carry on the message but where I was persistent and I kept going and try to get to the owner of the business. They will say: Okay, the owner will be in this time or that time. Then I will go back and check up with the owner and once I get hold of the owner – the owners are quite eager to go ahead.

25

They do not really – because they know the situation already. So they are quite eager to go ahead where the bigger chains that you mentioned like McDonald's, we definitely trying to get McDonald's and KFC but they are very  
5 difficult to get into.

MS ERASMUS: Ja.

MR PETERSEN: There is not a set structure or set platform where you can say: Okay, look here, we have sent emails. The best we can get is their customer service and then they  
10 will just respond: Your email will be forwarded to the relevant department. The thing is – okay, as we also do not know too much about their infrastructure, we cannot really say: Okay, look here, let us go to this department, let us go to that department.

15 Because any time you call, you call in as well, they will tell you as well: Okay, you need to talk to the regional manager. Then you have to ask: Okay, who is the regional manager? Okay, we cannot share that information with you. It is stuff like that.

20 So, basically, what we also do, we leave stuff at the branches for the regional or for the manager to pass onto the regional manager but so far we have not had any good response or feedback from that sort of marketing.

Because we would like to – the thing is, we have a  
25 massive request for McDonald's. There is a thing that

opened with us now recently. Or was it Nando's?

MS ERASMUS: Yes.

MR PETERSEN: Which we also would like to try and get onboard. They are also privately owned. So I did call into  
5 Nando's and they will tell me: Okay, look here, you need to find out who the owner or the manager is of the branch and then go accordingly. It is like little stuff like that. So to get the big guys onboard it was a struggle.

Luckily, like some of them did contact us to ask: Look  
10 here, how does your platform works or platform ...[indistinct-distortion] I am going to specifically mention Panarotti's. They are also a Spur core company but because they were a different – they just came to us through a different route with us – without us having to market or go to them and ask can  
15 we ...[indistinct- distortion] ...contacted us.

MS TSHEPE: So was Panarotti's, the head office or was it also a franchisee?

MS ERASMUS: Ja, they ...[intervenes]

MR PETERSEN: No, it was a ...[intervenes]

20 MS TSHEPE: Sorry, I did not get that, Ryan?

MR PETERSEN: Sorry, they contacted Ilse, so she can explain.

MS TSHEPE: Ilse?

MS ERASMUS: Okay. Ja, sure. I am not sure. I think they  
25 – obviously, they are privately owned but it is actually nice

how they got hold of us which actually showed us that we have some sort of visibility there because the manager of the branch actually did some research to see what delivery options were there in this area. And that is actually how they  
5 contacted us. They – we came up in the search.

We came up, they did a little bit of research on Paarl Eats and then they contacted us and, I mean, that is how the relationship started, so which is quite nice and good from our side. Ja. Ja, that – I think that is one of the big corporates  
10 that actually came back to us.

The others, I know that we have also emailed as well and that was also not a very good and positive response that we have received as well. Ja.

MS TSHEPE: Thank you so much, Ilse, for that. Can I just  
15 go, I mean, to the customer side, I mean, which is another side that you have to deal with and as you said in your presentation, Ilse, you have to be visible to the customers, the customers need to know that Paarl Eats exist. What sort of strategy did you employ to get yourself known to the  
20 customers for them to be able to come – to download your platform, to try it and eventually become loyal users? If you could just share briefly with us?

MS ERASMUS: Sure. Okay, Ryan, you can chip in if you wish to. So, basically, the platforms that we currently use  
25 ...[intervenes]

MR PETERSEN: ...[indistinct- distortion]

MS ERASMUS: The platforms that we currently use would be social media. So we are quite visible on Facebook, on Instagram. We try to be visible on TikTok now, on Twitter.  
5 You know, all those social media platforms. So that is basically our main marketing focus.

In the beginning we, actually, we went all out to have the ads that they have put up in the mall, in the Paarl Mall. That, obviously, did not work out quite well for us. We have  
10 also made use of our local radio station to obviously market on that platform there. Recently what we have done now is, we have gone into where we obviously asked for some mass promotions from the restaurants. So we have now done the flyer side as well of things.

15 On the app itself it has some promotional banners as well, obviously, in terms of marketing. Ja, and then I know that – or we have actually been in the newspaper a couple of months ago where one of the customers approached us that is working for the local newspapers that approached us and  
20 asked us if she can do an article with us which was also very, you know, nice on that side. So that, obviously, contributed as well in terms of the marketing.

I think – I do not know – I am not sure if I have covered everything but there is quite a lot of work that needs  
25 to continuously happen in terms of marketing. Just to

mention; one of the restaurants as well here. I mean, he is very customer focussed and you know focussed on his sales and all of that.

And we are in such a partnership at the moment where  
5 he actually asked us if he – if we come to some conclusion, if we can share those marketing costs on certain platforms and how we can obviously do – what we can do for him in that regard as well.

So it is quite a nice relationship, a win-win situation  
10 that we have with that restaurant at the moment, which is you know, quite also very nice on that side. I do not know if Ryan has anything to add and if I touched on everything there? Is there anything else?

MR PETERSEN: Ja, so we also try to give away free  
15 cooldrink in the beginning ...[intervenes]

MS ERASMUS: Oh, yes.

MR PETERSEN: ...to give to our customers. [laughs] That did not really work out as planned. The thing is. How the industry and how ...[indistinct- distortion] is actually growing  
20 by word of mouth.

MS ERASMUS: Ja.

MR PETERSEN: And I think that is the best type of marketing out there because obviously the person will only – how can I – advertise you if he has got a good service and  
25 that is definitely what we are trying to do. We try to give the

customer a good service so that they can be return customers. Because we have our usuals already, we have our regulars but we want to increase that regular base and that obviously that...

5           The thing is there are certain areas where we deliver where we cannot really market. We cannot go and put flyers, we cannot put posters and stuff and that is where the – so basically we deliver a lot of estates and the estates are very finicky when it comes to stuff like that.

10           So, basically, we have - ...[indistinct- distortion] is one of the estates and that is only word of mouth where one would tell the other one and all the customers that are generated out there will be basically word of mouth clients that we have.

15           We do the basic stuff. We do the radio ads. We do flyers. We do Facebook, Instagram and that stuff. But honestly, I have seen word of mouth is the better option where one customer will tell another customer: Why do you not use this app? Or why do you not order from these guys?  
20 They are cheaper, they are faster. Hopefully.

MS TSHEPE: That is good. That is good service to hear that.

MR PETERSEN: That is our main goal at the moment.

MS TSHEPE: Ja. So you are saying when it comes to  
25 promotion, I am assuming the cooldrink was one of your



promos because that is how – what we have heard is, the bigger platforms, that is what they do, either they reduce the price or free delivery or any of that. And you are saying you have tried in some and did not work or some have worked?

5 MR PETERSEN: Ja, the thing is with that, like the flashy promos, they do not really work as intended. The thing is, what we have also been getting a lot is where a customer – where a restaurant – the thing is, they do not really – if you tell them: Look here, this our idea here. Here is a special.  
10 Can we market and run this special for you?

Then they will have a look at it and they say: Oh, no, that looks nice. Yes, go ahead. They do not really – how can I say? For marketing purposes we have to go and convince them: Look here, there you go, run this promotion  
15 or can you do this or can you do that?

Like Ilse also mentioned, one of the restaurants, they are very aggressive for their marketing and they are willing to assist where they will give – okay, give 30% off our own menu. So, obviously, that is an advantage where we can  
20 say: Look here, okay, order on our app, you can get up to 15% off the whole menu from this restaurant. Which does help, that type of marketing.

But like is said, the free cooldrinks – okay maybe we were not known at the time because we were sitting with  
25 whole crates of cooldrinks for months, so. But the thing is,

once we started growing I think it was basically the best marketing was word of mouth to get the name out there.

But obviously we want to be more visible this December where we will try some more outdoors type of marketing where we will actually set up gazebos, park our delivery bikes or do something flashy where people drive by and actually just see our brand, see our logo. That is what we will try this December, ja.

MS TSHEPE: Thank you so much, Ryan. Ryan, I wanted to ask you. I think there were just two questions and I am going to give the technical team and James an opportunity but I wanted to ask you just these two issues. One is; have you lost some restaurants as a result of competition with Uber where you would have had the restaurant and the restaurant stopped signing in onto your platform because they are now with Uber Eats or a Mr D? Have you had those incidents where you are in areas where you are competing with Mr D or Uber Eats?

MR PETERSEN: No. I would say the competition with Uber Eats and much – I would not say there is much competition because they are still the giant in this field where their customers will rather join us as well. So, basically, they are running their thing on two platforms. I would say more than 50% of our restaurants are like that where they actually are on Uber or Mr Delivery but they are also with us.

We have not lost restaurants due to the fact that they wanted to go and stay with Mr Delivery or something like that. A lot of them joined because of the bad – I do not want to say bad service but because of the incidents. Because  
5 Mr Delivery is so large and they have so many drivers, there have been a couple of incidents that were told to us by certain restaurants and that is what we are trying to avoid, making those same mistakes.

So Mr Delivery - I would not say restaurants – we have  
10 lost one restaurant but that is not because of Mr Delivery. That was more ...[indistinct- distortion] because of ...[indistinct- distortion] ...it was not ...[indistinct- distortion] than the app orders. So he would cancel orders randomly and continuously and we had to ask him, it is hurting our  
15 platform. Sorry ...[indistinct- distortion]

MS TSHEPE: I think we have lost you there, Ryan, but I think I have got the gist of that, Ilse, is that correct?

MS ERASMUS: That is right. That is right.

MS TSHEPE: Thank you. And on the customer side. You  
20 have not seen reduction in orders for the same reason, have you?

MS ERASMUS: No.

MR PETERSEN: ...[indistinct- distortion]

MS ERASMUS: Okay, ja, no, no, I would not say. Ja, we  
25 cannot say that because of that we have lost – we probably

have to go and do some research and have a look, obviously, why certain customers are not ordering anymore. That is maybe something that we have to do but not that we are known to that that is the reason.

5 MS TSHEPE: Okay, that is fine. I think I will leave the rest to James. I think I am done. Thank you. Thank you so much, Ilse, and thank you, Ryan.

MS ERASMUS: Thank you.

MR PETERSEN: Okay, thank you.

10 CHAIRPERSON: Ilse and Ryan, I just have a few questions. I mean, one just for clarity. As I understand it, Paarl, at least the centre of town was served or is serviced by Uber Eats and Mr D before you arrived but they are limit to a 5 K radius and do not service almost your previously  
15 disadvantaged areas and that was the gap that you saw, is that right? Alright, so ...[intervenes]

MS ERASMUS: Ye.

CHAIRPERSON: So ...[intervenes]

MS ERASMUS: Absolutely.

20 CHAIRPERSON: So it was people in your community that did not have a delivery service, that you thought there was a gap to fill and so the restaurants may be – some of them maybe on Uber Eats and Mr D but they are seeing you to reach new customers, is that it?

25 MS ERASMUS: Ja, ja.

MR PETERSEN: That it is actually our marketing ploy to the restaurants because we tell them: Look here, even though we went to these other service providers, we are just giving you an extra revenue stream. Basically, you are going to get  
5 money in that you would not have gotten with Uber or Mr Delivery if it comes to our platform. So, basically, we just asked them just to look at it as a revenue stream, as an extra revenue stream for their business. That is our pitch here when we go into these type of meetings, ja.

10 CHAIRPERSON: Alright and do most of your sales still come from those communities or is there a sort of gradual encroachment into the – this sort of areas and Mr D and Uber Eats service?

MR PETERSEN: Oh, no, generally a lot of our customers  
15 are on the outer edges because they are enjoying this new service that is available to them. So I would say about 50%.

CHAIRPERSON: Maybe, Ilse, you should take this up.

MS ERASMUS: Ja, okay. Ja-no. No, like Ryan said. I think that is mainly a thing. It is like a 50/50. You have your  
20 – I know of, if I can say one or two particular customers, you know, that we have a very good, actually, relationship with that customer where I know that they will tell me, you know, or tell us that: We would rather want to order from you guys. You have got this restaurant onboard. You get the food to us  
25 quicker. And so on. So that is one thing that I can say.

So, but then also, like Ryan has mentioned, most of our or our other customers are on the far end that actually – that enjoy the fact that food can be delivered to their door now. Ja, so it is – I would say it is 50/50.

5 CHAIRPERSON: Thanks. And I also just want to confirm. I mean, because you have not got – I mean, you are working off your own savings. I assume you have to make this sort of pay for itself or at least not run up big debts with your personal savings. Is that right?

10 MR PETERSEN: Ja.

MS ERASMUS: Ja.

CHAIRPERSON: And so, I mean, you charge a lower commission than the big players but do you charge for delivery as well for the customer in order to balance the  
15 books?

MS ERASMUS: Ja-no, definitely. So, but the – basically what happens is. I mean, we charge a delivery fee. There is also tips included as well for the drivers. But I mean that is – we do not make anything off that. We do not make  
20 anything of the delivery or the tips. That is basically – that all goes for the drivers.

But that is – if you – how you call – what you are saying, is that is basically how we are balancing the books that we know that we do not have to still cut into that as well.  
25 Obviously, we have a structure with our drivers because we

have our loyal drivers.

We have, obviously, infrastructure where we say: Okay, you know, there is some incentives in place for our drives. So we have some finances and we pay out to the  
5 drivers, you know, on a weekly basis coming from our side as well, not only the delivery fee.

MR PETERSEN: Ja-no, the thing is. We have to be competitive as well with the other platforms where they charge a set fee and we have to match that set fee but we  
10 are obviously not paying our drivers that set fee. We pay them above that set fee.

So, basically, whatever – if the order is for that set fee and we are paying the driver above, so that comes from our commission as well, just to keep the delivery fee competitive  
15 as well because if one company has R 15,00 delivery fee and the other company has R 20,00 delivery fee, they are obviously going to go with a cheaper delivery fee if they are getting the same food from the same place.

So we do try and keep the driver rate competitive but  
20 we do pay our drivers more than what the set fee is. But there are certain orders, like the Paarl orders, where they will just get whatever the amount is because it pools in at the certain amount. So they will just get that amount then.

CHAIRPERSON: And then maybe a last question from me  
25 is. I mean, the technology platform, I mean, getting an app

up and running. How did you go about that process? Did you sort of a third party to help you?

MR PETERSEN: That was mostly me, yes. I started off as a website we started – where we started our marketing to  
5 restaurants. We were initially going to be this – because the website was the easiest to run, to set up market and try and – how can I say – get out to people. But then as we were marketing – I think the first or second restaurant we were marketing actually asked us: Why do we not do an app?  
10 And then I am like: Okay, we will look into it.

But because they signed with us, I actually went in and did the research. And initially we started most of the stuff ourselves. Like the basics I can do myself, the basic HTML, CSS, that type of coding, I could do myself. There  
15 were certain issues where I had to get in foreign help because the local help here is too expensive.

They are charging up to an excess of R 1000,00 for assistance where internationally we could get people to help us for a set fee and they could get that certain feature  
20 developed and set up for us. The thing – the main issue that we were having were like Spur threw us a curveball by telling us: Look here, we need a printer.

Unfortunately, our app was not set up that way to allow for printing integration. So we had to get a third party  
25 but luckily I have used some people. So I just made a



couple of Whatsapp calls and we got the help. Unfortunately, most of the people that helped me are from India. So they were assisting us greatly.

When we decided to put on a payment gateway as well, there is nobody really here in South Africa that will assist for under, like R 20 000,00/R 30 000,00 just for a payment gateway where we could have – we just made a call and then we tried to implement it ourselves.

So, basically, most of it was ourselves being able to sit and working, building this infrastructure and then a lot of external help and buying a lot of plugins and stuff like that, that is used in the app as well.

And what else is there? It is basically just the plugins. I know we have bought some of the features we had made and basically the rest we just did it ourselves.

CHAIRPERSON: And on the restaurant side, do you give them or the use their phone or how does it work that they get notified of an order?

MR PETERSEN: That Ilse can answer.

20 MS ERASMUS: Okay. No, no, they have a device. So we supply each restaurant with a device, mainly, where they would – obviously, we will set up the device for them to receive the order as well. So, basically, obviously we have like three platforms that is interlinked, the customer, the restaurant and then the driver that are all interlinked. So

they have a device with that app on that they receive the orders.

CHAIRPERSON: Great. Well, Ilse and Ryan, I just want to thank you for participating in the public hearing. I am sure it  
5 has been educational for the public to hear about start-ups such as yourself, you know. I think someone called it bootstrapping from your own savings. So I do want to thank you for that and thank you for the insights that you have given the panel and the technical team. And we want to wish  
10 you all the best with Paarl Eats and hope that you grow and succeed.

MS ERASMUS: Thank you so much, James. And thank you so much for the opportunity that you have given to us. We appreciate it.

15 CHAIRPERSON: Alright. So, Ryan and Ilse, you can leave the virtual hearing stage and we are going to invite in our next participant which is a food delivery company called Dryvar.

[End of session]

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<u>Case No</u>  OIPMI	<u>Competition Commission</u>  PAARL EATS
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