



## **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

***11 November 2021***

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

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#### **TECHNICAL TEAM**

*Itumeleng Lesofe*

*CCSA Internal Team*

*Tshegofatso Radinku*

*CCSA Internal Team*

*Siphosethu Tetani*

*CCSA Internal Team*

#### **COMPANY: QUENCH**



**Gauteng Transcribers**  
Recording & Transcriptions

PROCEEDINGS ON 11 NOVEMBER 2021

Quench – Represented by: Ms Candice Bester

CHAIRPERSON: Welcome, as I understand, Ms Bester from Quench.

MS BESTER: Hello, good to be here.

CHAIRPERSON: Thank you. And, Ms Bester, apart from welcoming you. Just to advise that, obviously, we are broadcasting live. It is a public hearing. And so, if there is confidential information that is confidential to Quench, then please be advised not to traverse it in this hearing. And if there is a question that requires doing that, you can defer it and we will  
10 deal with it *in-camera*. Ms Bester, as I understand it, you do not have a presentation for the panel. I just want to check with you whether you have any opening statement, so to speak, or you just want us to proceed with question?

MS BESTER: You can proceed with questions.

CHAIRPERSON: Alright. I am going to pass over to my fellow panel member, Ms Doris Tshepe, to proceed with the questions. And once she is done there may be questions from myself or the technical team. Thank you.

MS BESTER: Sure.

20 MS TSHEPE: Thank you, Chair. Good afternoon, Ms Bester, and welcome.

MS BESTER: Good afternoon, Doris. Good to be here.

MS TSHEPE: And thank you so much for your time. We really appreciate it.

MS BESTER: Pleasure.

MS TSHEPE: Could I ask you to give us a background and a bit of the evolution of Quench just for the public to know who you are, what you are doing, when did you start, what areas you are involved in? Thank you.

MS BESTER: Sure. So Quench was born in 2016. It was founded by Liam McCreedy who came up with the idea to start delivering liquor directly to homes of the consumer by means of an online platform. And subsequently, together with Johan Grobler, they built an app which is now known as the Quench app. And they then obtained a liquor license which gave them to offer this solution to consumers.

10           And the initial proof and concept and business case in Stellenbosch was a great success and after that the year earlier – later in 2017 they partnered with equity investor, Dr Werner Roux, in Stellenbosch and then they were able to roll out nationally. Quench then partnered with a few retailer groups, liquor retailers, Spar Tops being the largest one and that enabled them to roll out the service nationally. They negotiated a partnership agreement with the Spar Tops Group as well as the Ultra Liquors Group.

          And then Quench became a standalone brand backed by these two groups and they were able to provide the solution nationwide to  
20 consumers, delivering alcohol to the homes of consumers. We, in 2020, with the onset of the Covid-10 Lockdown, Quench had to quickly pivot its business otherwise, as you know, liquor would have been null and void. We would have shut our doors.

          And so we partnered with major retailer, grocery retailer, Woolworths and starting delivering groceries to the homes of the

consumers. And by successfully doing so, we were approached by the Dischem Group. And in December 2020, we launched our pharmaceutical silo and delivering groceries, pharmaceuticals, liquor as well as restaurant to the homes of the consumers. Restaurants, also, came about during the Covid-10 Lockdown.

We wanted to give local businesses who were looking at shutting their doors, wanting to give them the opportunity to continue their business by delivering their food and services to the homes of the consumers. And we – these restaurants may or may not have been  
10 already been on other platforms such as Mr Delivery, or the Eats or the likes of but Quench gave them the opportunity to deliver to the homes of the consumers without the massive rebate of our said competitors.

And by doing that, we opened the doors to a lot smaller and local businesses. You know, the Italian pizza guy on the corner who cannot afford to give 30% of his turnover to a platform such as our competitors. And we gave them the opportunity to list on the Quench app, reached thousands of consumers being our customers, and deliver to the homes of the consumers.

And that is where we are at the moment as Quench for 2020 to  
20 2021 and still delivering Woolworths groceries, Dischem pharmaceuticals, liquor and restaurants.

MS TSHEPE: I guess starting in Stellenbosch with alcohol was just appropriate? [laughs]

MS BESTER: [laughs] Well, that is exactly how this – how the brainchild came up – how this all happened because Liam McCree was a student at

the University of Stellenbosch at the time and saw a massive gap in the market and that is exactly how Quench was born.

MS TSHEPE: Thank you. I have a son who is at university. Thank God he is not at Stellenbosch.

MS BESTER: [laughs]

MS TSHEPE: I just wanted to just to discuss the business model. It is a very interesting business model, Ms Bester, and thank you for sharing that journey with us. Could you just, both from the grocery – I mean, from the alcohol, the grocery and to some extent the farmer. There seems to  
10 be a need for national chain as a model. I mean, do you want to expand a bit more on that? It looks like once you had Spar Tops as a national brand you were able to expand your footprint nationally. Do you want to elaborate more? And what the importance of that was for your business to be able to cover in the areas that he did?

MS BESTER: Yes, sure. So, like I said, we started in Stellenbosch but having the agreements in place with national and major retailers, we were able to extent our footprint nationally. Currently we are operating in major hubs only. So urban areas; Johannesburg, Pretoria, Durban, Cape Town, Cape Winelands as well as the Garden Route down in the Southern Cape.  
20 But it is essentially where these retailers want to offer delivery services and specifically on-demand delivery.

As you know, the likes of Woolworths had a delivery platform or a delivery service in place but it was at the time taking up to two, three weeks to get goods delivered to the consumer's door. And, you know, when ordering the likes of groceries or pharmaceuticals, you do not want

your goods in three weeks' time. You want it today or tomorrow, at least.

So it was mutually beneficial. So for us it – we were able to extend our platform nationally, and for the retailer, they were able to offer an on-demand service whereby their consumers can place an order now and get it today.

MS TSHEPE: I was going to come to that to say, there obviously must be a market space for specialist delivery, on-demand delivery service such as Quench as against a store-owned delivery. And just – you have just touched on the long delivery, the long time for delivery. What are the  
10 other challenges that a store-owned delivery service would have  
...[intervenes]

MS BESTER: It is ...[intervenes]

MS TSHEPE: ...or they faced with?

MS BESTER: Yes. So, it is – the on-demand delivery space is incredibly challenging. I do not think it is everybody and anybody that can just leap into this space and successfully delivery within 30 to 60 maybe 120 minutes. It requires a lot of resource. It is labour intensive. It – we have a massive compliment of support staff and customer care. So I think for a retailer focussing on what they do and what they do is buy and sell  
20 products.

They – for them to be able to offer delivery as well from a national point of view, I think that requires a whole new business case and a whole new business side that they do not necessarily have the know-how for or the resources for and that is exactly where the likes of Quench come in because we have the on-the-ground teams, we have the customer care,

we have the support staff, we have the communication, we have the platform which is essentially what our product is, the app, to be able to reach a national footprint.

And, therefore, retailers can just focus on what they do and that is buying and selling products from the shelves and off the shelves.

MS TSHEPE: Thank you. Just, in terms of the team. I mean, you say it is a labour intensive process. So what sort of services do the support team provide?

MS BESTER: So our support team is currently about 20 to 30 people  
10 strong on a daily basis. They sit here in our head office at Quench in Stellenbosch. And what they do is, when we have an order come in, they ensure that that order is recognised and picked, processed and delivered. And whatever glitz may occur in that entire process, they make sure that the customer is ...[indistinct – distortion] [00:11:44] ...and they make sure that the shopper and the ...[indistinct] [00:11:48] is always informed.

So at all times, every single stakeholder of the process is aware of what is going on. And Quench specifically, we take our customer care very seriously. We like our customers to know what is going on at the point of the order and the delivery. So our support team is incredibly  
20 important for this function. And ...[indistinct – distortion] [00:12:18] and to navigate that and to navigate every single touchpoint and the person responsible in this process takes some work. So our support team is very, very important in that regard.

MS TSHEPE: Thank you. I am going to come to the customer and clearly it seems to be an important component of what you do and I am going to

speak to you customer acquisition but before I go there, I just wanted to ask. You spoke about equity partners and I just wanted to talk to you. Quite interestingly, we have had a number of people come and funding and this area seems to be a very difficult component particularly for smaller businesses. And you seem to have been very fortunate in that regard.

I mean to what extent is funding an important component for you and how did the acquisition of an equity partner and the partnership with the retailers helped you to be able to expand your footprint for example  
10 or is it or am I assuming?

MS BESTER: Your – if you are assuming, your assumption is incorrect(?)  
...[indistinct – distortion] [00:13:50]

MS TSHEPE: Sorry, Ms Bester ...[intervenes]

MS BESTER: ...elements to...

MS TSHEPE: Sorry, could you just start? We have lost you there for a second. Sorry about that.

MS BESTER: Sure. Can you hear me?

MS TSHEPE: Yes, we can. Yes, we can. Thank you. Please proceed.

MS BESTER: Ja. So because the on-demand delivery space – so it has  
20 so many elements to it that are all equally important and to make it work. Every single element requires, like I have said before, resources and also technology. So I will start with the technology. Acquiring and developing a tech team, and as we all know they are highly, highly skilled and sought after individuals. For those – for that process you need a lot of funding and a lot of carrying of the business until that actually gets to a point



where it is profitable.

And further to that, the actual staff compliment that make all elements of on-demand delivery happen is also key to making it a success. So we are talking about a high salary for the staff compliment ...[indistinct – distortion] [00:15:17] ...structure(?). We have ...[indistinct – distortion] [00:15:24] ...technology and equipment and all of that.

So funding is detrimental and very, very important in a business of this nature. We, initially, got funding from our ...[indistinct – distortion] [00:15:41] ...like I have mentioned before but then ...[intervenes]

10 MS TSHEPE: Sorry, Ms Bester, to disturb you ...[intervenes]

MS BESTER: [Indistinct]

MS TSHEPE: We are – we are losing you just as you were starting to talk about funding. Can you just – if you could just repeat? I am very sorry about that.

MS BESTER: No problem. So I said that subsequently to our equity partner that we got onboard in 2017, we also got funding from Imvelo Ventures which is the investment arm of Capitec Bank and they acquired a percentage of the business and by that funding we were able to carry on and then we were able to also ...[indistinct] [00:16:30] out with our retail  
20 partners and able to go nationally because with that comes the acquisition of vehicles, the acquisition of more technology, more equipment, et cetera, et cetera.

So, yes, it is an ongoing task for funds and our funders and our investors are very much aware of this but it is exciting. It is an exciting ...[indistinct – distortion] [00:17:04] ...especially for eCommerce in general

is the future. Are you losing me again?

MS TSHEPE: We are. Just intermittently and we are wondering – the IT team has just suggested to us that maybe you switch off the video and maybe – it may be a network issue, that maybe if you switch off the video we would be able to hear you better.

MS BESTER: Okay.

MS TSHEPE: It is a pity because it is good to see you and interact with you in that way but I think it may be better to do so, if you do not mind?

MS BESTER: Sure. If we have problems again, I will switch off. I have  
10 just connected to a different ...[intervenes]

MS TSHEPE: Oh, okay.

MS BESTER: ...network.

MS TSHEPE: Okay.

MS BESTER: And it already seems a lot better. So...

MS TSHEPE: Okay, okay.

MS BESTER: We are looking good.

MS TSHEPE: Thank you for doing that. Yes.

MS BESTER: What did you miss?

MS TSHEPE: I do not think – I think you ended at a point where you  
20 were listing the sort of acquisitions, funding helped your worth and I think words to the effect that it is exciting. So I do not know if you were ...[intervenes]

MS BESTER: Yes.

MS TSHEPE: ...ending that session or that response or you wanted to add more?

MS BESTER: Yes, I, basically, just said that the eCommerce space and technology space is very exciting for investors and funders. So everyone is very excited when we go back for more funding because they know what the nature of the business is and what funding it actually requires in order to make it profitable in future.

MS TSHEPE: Ms Bester, just – given what we have heard from other small businesses and that you are able to go back and ask for more and funders are excited in this space. I am just interested. I mean, I would really be interested and just share your advice particularly with small  
10 businesses that may be out there wanting to enter the space and want to access this sort of funding. How did you go about it?

Obviously, without any confidential information but just the strategy because I think we are interested as an inquiry to look at how people can access funding in order to enter these markets and participate. So I was very interested in what you have managed to do and would really like to hear your insights. What are the things people could do in order to do – to access that kind of funding?

MS BESTER: Yes, sure. So I think the number one thing for us is. Anyone who has ever come onboard at Quench has really believed in the  
20 product. We think that we offer a turnkey solution for on-demand shopping. We are a platform that offers more than just restaurant food or more than just groceries or farmer or liquor. We have several silos and several services that we offer on the app giving the consumer an all-around solution and turnkey solution to their shopping needs.

And, therefore, every single one of us at Quench really do believe

in the product. That is the first thing. The second thing is. We as the team especially the – at executive level and in marketing, we have worked very hard at bringing the brand to life. Anyone and everyone that sees Quench as a brand knows that it is vibrant, it is fun, it is accessible.

And so, I think that customers and consumers can really relate to the brand and in that way we have put trust in the consumer and we were able to continue to grow our customer base. And also, together with the funding that we have and continue to get, we are able to continue growing that brand and the reputation that we have. I think there is also a bit of  
10 luck involved.

We have had – previously we have had investors who are very invested in the business and take it very seriously and they are hands-on and they know what the day-to-day operations are like and what it entails. So, as a funder, I would imagine not knowing what that entails, they would easily go back and step aside after a couple of million have been spent and go: I cannot do this anymore. But our investors are interested.

They know what the day-to-day is like and, therefore, they see how the money gets burnt and what it gets burnt on and why it is necessary to keep on funding this business. Because I see – I think all  
20 of them and all of us here at Quench see the potential in future and we continue to grow that potential.

MS TSHEPE: Did you just – I am referring to Mr McCreedy – I hope I am saying his name correctly – knock on the door and just – the first equipped tea partner: Hello, my name is Doris. I am here seeking funding. This is my business model. I am trying to think of that kind of

interaction. Is that the kind or is there networking? Is there knowing people? As you rightly say, trust plays an important role. How do you do that? I just... Ja.

MS BESTER: Sure. So, Liam McCreedy is someone who from a very young age have always been able to network and put himself in the right places at the right time and I think that is what happened for him. He was in Stellenbosch and for some other way or reason he met our first investor and was able to convince that this is a business that will work one day and this is five years ago.

10           At that time, eCommerce is not what it is today. I think Covid-19 also helped to sort of expedite that, you know, the customer's perception of what eCommerce and the use thereof. But back then, I think he had a vision and he knew that this was going to be a success and by doing that or by having that vision he was able to convince investors that this will work.

                  So to answer your question in short. I think it is – it – he – he was – it was a case of networking; he was lucky to be able to meet the people that he did meet. And with our initial investor, Dr Roux, we were able to open that network of – that door just to a whole new network of people,  
20 equity partners, investors, and by such be able to get to know a whole lot of more potential investors. And that is how we kept on growing and kept on acquiring partners.

MS TSHEPE: Thank you. I was interested. I mean, this is very fascinating. Just – I just wanted to ask. I mean, it is almost a similar question but in relation to national chain, like a Spar, like a Woolies.

When, you know, most platforms, the smaller platforms that we have spoken to – when you have touched on it, when you speak of restaurants in particular, is how they have found the importance of a national chain or franchise in delivery or logging onto their platforms.

And you, although were hoping in restaurants, you would go onto a niche of the local market. You do say that you have realised that the need for national chain. I just wanted to find out. Even with the Spar Tops, was it also just a matter of: This is a model. We are going to knock on a big brand like Spar and Ultra Liquor and similarly with the Woolies.

10 I mean, I heard you said Dischem, they actually approached you. But with these three, is that how you went about it and what those strategies?

MS BESTER: So the most important thing for Quench at the time was to increase our turnover but also increase our revenue and profit, essentially. So we just by buying alcohol and delivering it to the homes of the consumer was not going to grow our revenue. So we needed to partner with someone, one who had a national footprint and secondly, who were able to offer us good pricing so that we are able to offer good pricing to our consumers, essentially.

20 So we needed to partner with national retailers such as Spar Tops, Ultra Liquors and now Makro and the likes to be able to offer our consumer a good price but essentially for all – for – importantly also to grown our revenue. So we felt... And just to get back to local restaurants. The strategy there was – for us was to offer local smaller businesses the opportunity to compete in a market where they have the reach of 50 to 60

to 90 000 people where...

With Covid-19 having to close their doors, they were – or prior to that, they were only able to reach, let us say, a 100 kilometre radius around them but now they were able to offer this service to everyone around them who we were able to deliver to. And partnering with national retailers, that also, like I have said before, expanded our footprint and for us that enabled to us to roll out nationally.

MS TSHEPE: Thank you so much, Ms Bester. I just wanted to just chat to you just a little bit about customer acquisition which is another  
10 component of this relationship as to how did you go about that? What were your strategies? Where are we at now; do you still see growth in which component of the areas that you are in? And what are you doing, I mean, to try and lure these consumers to Quench?

MS BESTER: Yes. So, I love talking about this because marketing is where I am at. So it is – you know, it is a case of hit and miss in the beginning. Firstly, we know who our core customer – what our customer looks like. We are looking at a market that are – that is able to – one  
20 downloads an app. So have data on their Smart phone. Download an app, have the means to shop on high-end retailers like Woolworths and Dischem.

Secondly or thirdly, have the means to get it delivered. So able to invest in that convenience. And so, just with those three things we are able to sort of narrow down who we are targeting. And then further to that. We are segmented into, you know, the parents at home or the fulltime workers or the celebrity or the sportsman, et cetera, et cetera.

So we are really able to narrow down our market and our target market. And then we figure out how do we reach them. And being an online business or an eCommerce business, we know that that is where we are going to reach them. So we reach them via digital marketing. Firstly being Google. Our best friend, Google. Via SEO banner displays, display ads, via the Google display network.

And then, of course, a massive, massive key-marketing channel for us is social media, of course. We spend a lot of money in social media to create brand awareness, to create an online presence so that  
10 customers and potential customers see us, are aware of us, use us, get to trust us, and come back to us. Customer acquisition as a whole is, like I have mentioned earlier, is a hit and miss. So we sometimes roll out with a certain strategy.

For example, we would use a certain website to advertise and then we would completely hit the mark. And we would go back to an older strategy or one we have used before, we see it works, we implement it, slightly tweak it so that we can reach a wider audience or potentially a different audience and then see if that works.

At this stage of the game and where Quench is at, at the moment,  
20 we really have narrowed down our strategy and we know exactly what to do, when to do it, who to partner with in terms of people, influencers, key-events, key-interests, nationally and in terms of the general South African. So we now know how to acquire a customer.

But, essentially, it is about retaining that customer. So customer acquisition is easy. Well, fairly easy but it is to retain that customer.



Therein lies the challenge. Is for your customer to use you. Firstly to use you is the major challenge but once you have overcome that, to retain that customer, to build trust for them to able to use you again and then eventually what we call our – the word has left me now – our loyal customers, that is where the challenge lies.

And so that is where we focus on, it is customer retention and we do that by means of various strategies. So one – a very, very important one for us is our customer care team. We have a very personalised service. So our support staff ensure that they are always on the ball. Our  
10 customers know exactly who they are speaking to.

There is always a human on the other side of the line, not a *bot* or a machine or an automated message. It is always a human on the other side of the line. So that is a unique selling point for Quench. And we give them what we promise. So our delivery promise is within 60 – 120 minutes.

With pharmaceuticals it is a lot quicker. It is 60 minutes. So we make sure that we promise on that delivery – on – we deliver on that promise. And by doing so, our customers get to trust us, they love us and so they come back. And that retention is where we are focussed.

20 MS TSHEPE: That is a key. What is the discovery try out and then loyalty. That is what your market has said. Yes.

MS BESTER: Exactly.

MS TSHEPE: And any use of promise? I mean, in the restaurant business we see a lot of that as a mechanism to acquire and retain customers. Is there any use and how do you deal with that and how...?

Ja.

MS BESTER: So for us in the restaurant space specifically the margins are already very tight and very small. So we offer the restaurant or the businessowner the opportunity to run their own promos because Quench takes 10% of whatever that basket value is. If they are willing to, you know, give on their margin that is already so tight, that is their indaba. Quench do not necessarily offer promos in the restaurant space simply for that reason because the margins are already so tight.

10 With groceries and pharmaceuticals, we are able to offer a lot – a more wider spectrum of specials and promo codes. Most of our promos run on deliveries specifically. So we will offer free delivery for a day. We will offer a discount on certain products.

But where – what is a big element for us is the partners that we have with brands. So the likes of Heineken, Coca Cola, Pernod Ricard, Distell, D’Hazzio(?) [00:36:17] and more were able to partner and offer the customer a really, really good deal on the platform and by doing so, we are also giving these partners and these big brands, let us say Coca Cola, for example, the opportunity to reach up to 90 000 people in the eCommerce space.

20 So by partnering and strategizing promotions and deals for our customer, were able to benefit both ways for the brand and for Quench and for the customer.

MS TSHEPE: Thank you so much, Ms Bester. And thank you for sharing. I mean, it has been a fascinating conversation. Can I just turn to the next important question? It is; how do you monetise? I mean, you have

touched on it a little bit on restaurants. And just – if you could just explain to us with regards to the others as well?

MS BESTER: Sure thing. So our customers place a delivery on the – place an order on the Quench app. There is a set delivery fee. We are moving into a scaled delivery fee but I am not going to get into that now. So the delivery fee is purely to cover the costs of the driver and our instore shopper. So Quench,, as a business, does not see a cent of the delivery fee. That goes to the picker instore and the driver. How we monetise.

We have strong and very, very solid relationships with our  
10 retailers. So it is the likes of Spar, Ultra Liquors, Marko and then of course the two big ones; Woolworths and Dischem. And we have rebate agreements in place with those retailers. And we are able to offer, mostly, instore prices for our customers and by giving – by offering instore prices, we are able to give our customer a good price on products.

But as Quench we are able to receive a rebate from the retailer on whatever we have – whatever the revenue was for the month. So that is how we monetise. We also do that by means of partnering with brands like I have mentioned before. Brands see major value in advertising on the Quench app. So we offer advertising space on the Quench app. And  
20 we are able to display brands and deals and promotions on the app. And that is also how we bring in revenue.

The likes of Heineken and Coca Cola, as you know, have big advertising budgets and they are able to spend on advertising. And I think the focus for a lot of them is eCommerce. So they have sort of moved their strategies into focussing into eCommerce. So the spend a lot of

money on the platform to advertise. So, yes, those are the two ways that we monetise the business.

MS TSHEPE: I want to ask you just on the driver delivery model that you operate. Could you just explain a little bit on that?

MS BESTER: [No audible reply]

MS TSHEPE: The... Did you understand?

MS BESTER: [No audible reply]

MS TSHEPE: Okay.

MS BESTER: Yes, sure. I hope I am going to answer your question  
10 correctly. But we have a network of drivers nationally. Some of them are Quench drivers. So that means they have a bike that is funded by Quench and we offer a rent to own model for these drivers. So they rent these bikes from us on a weekly or a monthly basis and eventually they will own them.

They also then, of course, get a delivery fee and that is how they make an income. We pay them weekly. So they are able to pay us weekly for the rental of their vehicle and they can then – they know that they will eventually own this vehicle. We then also have another network of drivers which we call our freelance drivers and they might drive for other  
20 companies or other platforms such as Uber or Mr Delivery or even Checkers Sixty60 or the likes of but those are freelance drivers. So they are not always available and at Quench's beck-and-call.

So we give preference our Quench drivers but when we have, let us say, a spike in orders on a Monday morning and our drivers are all on the road and we are having to get a delivery or an order delivered to a

customer within that promised timeline, we have a network of freelance drivers to call on we are able to utilise them to execute the deliveries. I hope that answered your question?

MS TSHEPE: It actually does. Thank you so much. I just wanted to understand. With the first relation of the drivers, what you call the Quench drivers. That is still a sort of an independent contractor type relationship or are they employed by Quench?

MS BESTER: One hundred percent independent contractors but what is attractive for them and what makes them loyal to Quench is the fact that  
10 they have these bikes that they will eventually own. So they are – they prioritise Quench orders over – they are able and they are allowed to drive for any other platform or service or do whatever they want to do. They are independent contractors but they have a loyalty to Quench because they have these bikes funded by Quench and that is part of their contract. They have to prioritise Quench orders over anything else.

MS TSHEPE: Actually, you would have – I am sorry. Essentially, you would have an SLA like there is a certain type – time that they should dedicate to Quench, presumably?

MS BESTER: One hundred percent, yes.

20 MS TSHEPE: How do you source your drivers?

MS BESTER: Well, that is a whole challenge on its own. We have quite a strong operations group. So we have a head of operations and under him we have regional managers and our regional managers are each responsible for their own region and they acquire drivers via – literally going to a shopping mall and approaching drivers who stand on the side

of the road with their bikes and they would approach them and ask them whether they would be interested in being a Quench driver.

And like I said, what makes that attractive for a driver is the fact that we give them a vehicle, we give them uniform, we give them everything to – for them to be able to successfully execute orders for Quench. And then also, we get approached by a lot of people, not only in the driver space but in general. As we know there are a lot of people in South Africa seeking employment. So we do get a lot of enquiries about or for drivers.

10 So we are able to acquire through many ways but essentially it is a regional manager's responsibility for his region. And we then vet those drivers and then our head of operations will be able to say yes. So this will be a Quench driver. Let us issue him with a bike, let us issue with a uniform and a Smart phone and everything that he needs.

MS TSHEPE: Is there, I would imagine, over and above the uniform, the bike, some training required and do you provide that as Quench?

MS BESTER: Yes, we take our training very seriously. Again, not just in the driver space but across the board because we are working with customers and because customer is key and customer is king. Every  
20 touch point of our delivery process has to do with the customer. So we train our drivers and we retrain our drivers whenever we can. We also train our pickers, our instore shoppers. We have daily engagements with those.

That is why our regional managers are so important. They see them and engage with them on a daily basis to ensure that they are

delivering the service that they need to. And then, of course, we provide training at head office level. We train our support staff. We have – we offer courses and development and skills development for some of our key employees such as HR and finance, et cetera. So, yes, we take training very seriously.

MS TSHEPE: Thank you. My last question with regard to this and it is still about drivers. We spoke to one of the small businesses called Sister On The Move earlier this morning. I do not know if you were able to listen but one of the key things that they were doing with drivers was to try and  
10 firstly target youth, South African youth that are unemployed to be drivers in particular and train them.

And they are looking at various projects to try and get those who do not have a Code 02, do not know how to ride a bike. Are you sort of – do you intentionally go and target various – when you look at drivers, are you targeting various profile of people or is it just looking across the board and would be looking at people even without the necessary training but to train them to get to that level? Thank you.

MS BESTER: So the priority for us to acquire a driver is definitely a person who would potentially be previously disadvantaged. So they do  
20 not have a bike, they do not have the means to purchase or fund a bike. And for us a Quench driver is priority. So, yes, we would target a person that does not have the means to be able to fund their own equipment and necessary skills to be able to drive for Quench.

So, yes, that is a priority but other than that, we do require quite a large network of drivers. So we pick them up wherever we can. If we

know of or are aware of drivers that are looking for more work, more projects, more deliveries we will acquire them regardless of their background, regardless of what they have or do not have. But to answer your question. Absolutely, we target person that do not have the means to acquire or purchase their own vehicle.

MS TSHEPE: Thank you so much, Ms Bester. Chair.

CHAIRPERSON: Ms Bester, I am just going to ask Ms Lesofe to ask you questions. They seem to have some follow-ups.

MS BESTER: Sure.

10 MR LESOFE: Thank you, Chair. Good afternoon, Ms Bester.

MS BESTER: Good afternoon.

MR LESOFE: I just have a few follow-up questions on the food delivery side.

MR LESOFE: You mention that your commission fee is 10%. Is it the same across all restaurants?

MS BESTER: Yes. So we offer a flat fee of 10% and that is what we take off the full basket value from the restaurant.

20 MR LESOFE: Some of your competitors or food delivery platforms in the market seems to differentiate. I am not sure if you followed the discussion debate before your session. If I may ask? Why do you charge a flat commission fee?

MS BESTER: Well, the goal for us with restaurants was not to make money. Everybody wants to make money but with the onset of the Covid-19 Lockdown we wanted and we saw the struggle of locals, local restaurants and we wanted to give local restaurants the opportunity to be



showcased on a platform such a Quench because they were unable to list themselves on other platforms because of the high rebates that these other platforms take from them.

So another competitor that takes almost 30%, a restaurant that is a very small does not have a large – a big revenue. They are – it is impossible for them to give 30% of their basket size to the platform. And that was the goal with starting restaurants. We wanted to give local restaurants the opportunity to showcase their business on Quench and be able to continue to deliver through the lockdown.

10 MR LESOFE: Indeed they must be benefitting from your lower rates. Would you say they – or do you know if they passed on the benefit to end consumers?

MS BESTER: I am not sure. So for – the Quench model is very basic. It is whatever the restaurateur offers to the end consumer. It is purely, we take 10%. There is no other rebate, no nothing, no discounts, nothing at all. So if the restaurant decides that they want to offer something specific to the end consumer, they are at their – that happens at their own discretion. We would still be taking 10% of whatever the basket value is.

MR LESOFE: I may have missed this. What is your delivery fee?

20 MS BESTER: It differs across all silos. So I am going to start with liquor because that is where we started. So a liquor delivery will cost the consumer R 35,00. That is a flat fee. For Woolworths and Dischem it is R 60,00 delivery and that is split into R 35,00 for the driver and R 25,00 that goes to the instore shopper. Restaurant deliveries are exactly the same. It is a R 35,00 delivery.

But like I have mentioned before and something I cannot delve into at this stage because it is still in development. We are implementing a scaled model where the further the driver goes the more he gets paid or the closer he is the...

And that also benefits the customer because if they are 2 kilometres from the shop where we operate out of, they do not – they pay less than someone who is, for example, 10 kilometres from a store.

MR LESOFE: Okay, thank you very much.

CHAIRPERSON: Thanks, Mr Lesofe. Ms Bester I have just got a couple  
10 of questions. So I do not think I caught your designation in Quench.

MS BESTER: I am the Head of Marketing and Brand at Quench.

CHAIRPERSON: Well, I am glad we have you because the question I just want to ask is about consumer expectations and how they are set. So you mentioned earlier Woolworths took - I did not know it was two weeks to deliver your food. But you are coming in on the on-demand space, 60 minutes to 120 and I suppose maybe the success of Checkers Sixty60 has – I mean, did those set expectations in the market amongst consumers?

MS BESTER: Absolutely. We find that that expectation grows by the  
20 day. The other day we heard of someone who delivers groceries within 20 minutes and that is their promise. So from Woolworths delivering their groceries in a two week – so you can book your timeslot two weeks in advance, going to 60 to 120 minutes, that was already a large jump for the retailer.

And now with it being a very, very competitive space, the

eCommerce and on-demand space, everyone is fighting for the best service delivery. So now that we are able within 60 to 120 minutes, the bar is set and everyone – or there will always be someone who will better that and push the boundaries and push the benchmark. So, yes, that is the expected – you know the expectancy of the customer.

Even with the likes of platforms who do not call themselves on-demand, for example, takealot.com, they used to deliver within, let us say, five to seven days and now it is one to two days, sometimes three to four. So that bar is set very high and it continues to go higher and higher. But  
10 we are very happily able and willing to compete in that space to better ourselves.

CHAIRPERSON: Great. And so, just – you know, we are interested in consumer journeys here as well. I mean, once those expectations get set, you know, does this become part of the consumer's sort of - part of their selection about which platform they want to use and would a platform that, let us say, it is three days find that they are able to get traction with consumers or not as a result of change the expectations?

MS BESTER: So to answer your question. Yes, I do think a customer's or a consumer's choice that they make is based on one service and two,  
20 a product offering. But because of our product offering, we simply – we have to deliver on-demand. If we pick a frozen hake from Woolworths' freezers, we have to deliver within the hour.

Where another platform, for example, who do not deliver groceries, who deliver, let us say, pharmaceuticals or clothing, do not necessarily have to compete in that space because they do not have to

deliver because of, let us say, a cold chain issue or something else. So in that space specifically, let us say food or something that requires a very strict cold chain policy.

Yes, I think customers do make a choice based on who delivers the fastest and it is very competitive. Our competitors are brilliant. Everyone is brilliant. So we have to constantly better ourselves and increase the delivery service. So, yes, customers are picky.

CHAIRPERSON: And we had a discussion last – sorry, earlier in this week with Makro and their head of eCommerce was at Walmart. But it  
10 seems that precisely because of what you have mentioned, the cold chain, that maybe the preferred model with groceries, at least where they are perishables, that it is done from the store because the cold chain is – and not from a warehouse.

And so maybe – but with non-perishables and that may be your liquor selection, obviously a warehouse is more possible. I mean, maybe you can just give us some insight into the operating models that – do you look at a warehouse solution in some context or is it all instore?

MS BESTER: So because of our technology and how our app is set up, a customer is connect to a certain geofence and that geofence is based  
20 on a store. So we operate out of stores solely. And the reason for that is because we are able to pick quickly off the shelves. It is like a customer walking into a store, picking off the shelves, paying for it, in the delivery vehicle and gone.

If we have to implement a warehousing or a DC model it would be slightly more complicated, as you know, and we would not be able to

deliver within that promised timeframe.

CHAIRPERSON: And maybe a last question just on, again, customer expectations. Obviously, there is, you know, some platforms offering free delivery. It may not be in the grocery space. But does that start to affect expectations because you are charging – I mean you are charging a fee and does that tend to direct consumer traffic or not?

MS BESTER: Again, I think when we are talking about groceries, pharmaceuticals, any fast moving consumer goods per se, I do not think free delivery actually exists. Free delivery would come in where a basket  
10 value is really high and the platform may or may not have rebate agreements in place with actually supplier, giving them the ability to offer free delivery because they can increase their margins via a rebate.

CHAIRPERSON: Alright, that makes sense. It is a different operating model, ja.

MS BESTER: Ja.

CHAIRPERSON: And you would offer, I think as you have said, instore prices then. It is the rebate that is monetising your platform.

MS BESTER: Hundred percent.

CHAIRPERSON: Well, Ms Bester, thank you very much for your time.  
20 And affording the panel and the technical team your insights as Quench. I think we have certainly learnt a fair bit and especially you are the first in terms of more the grocery side of the business. So I think it is just left for me to thank you and I am sure we will be in touch potentially over the next two months or not. If we do have any follow-up questions, just to find out. And to wish your business all the best especially going into the festive

season.

MS BESTER: Thank you very much. Thank you. It was good to be here and good to be part of this journey with the Competition Commission.

CHAIRPERSON: Thank you. So with that, I am going to close the session. Tomorrow morning we are still continuing with delivery platforms. And in the morning we have Paarl Eats and We Dash which are delivery – local delivery services in Paarl and then, I think, in Mitchells Plain. We have go the Restaurant Association of South Africa. And that makes up the morning session and then in the afternoon we have Mr D.

10 Thank you very much. We will close that session.

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