



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

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

on

18 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Itumeleng Lesofe

CCSA Internal Team

Tshegofatso Radinku

CCSA Internal Team

Siphosethu Tetani

CCSA Internal Team

COMPANY: SANDOWN MOTOR HOLDINGS



Gauteng Transcribers
Recording & Transcriptions

PROCEEDINGS ON 18 NOVEMBER 2021

CHAIRPERSON: Good morning and welcome to the fourth day of the third week of the online intermediation platforms market inquiry. Today we are... have a mixed bag. We are rounding off the auto classifieds section with Sandown Motor Holdings, a business user on the auto platforms or portals.

That is first up and following that we have got Bolt Foods, which is food delivery. That wraps up the morning session and then in the afternoon where we have got Avis, looking at car rental platforms, eDreams and that is flight platforms and they are more a European based platform that also has some presence domestically.

We have got Intercape to talk about bus tickets online and then we are wrapping up today with SAVRALA with is the vehicle rental association. I think it is maybe important just to indicate that tomorrow morning we are starting at ten with Samsung. They were rescheduled if you recall from the first week.

They have bought on board the international members and we will have a translation service just to assist with that and the rest of the morning is Price Check and Red Puppy, an E-Commerce platform and we will not be operating in the afternoon tomorrow. I will announce for next week our times.

We have got just a few wrap up participants in terms of power leads, driver foods and food delivery and then of court Takealot and we will announce those schedules tomorrow morning. But with that done, let me introduce Sandown Motors and I think we have got Roy

McAllistar and Dennis Peterson. Welcome Roy and Dennis. Gentlemen, I think you are on mute. Just to introduce you obviously to myself, James Hodge but also Ms Dorris Tshepe who is a fellow panel member and then we do have our technical team.

We have got Ms Tetani, Mr Radinku and Mr Lesofe. So, Roy, if you want to go ahead with your presentation, then we will have a few questions for you.

MR MCALLISTAR: Thank you so much James. Ja, it is a pleasure to be here. First of all, I will just run through the main points about
10 presentation before continuing. The first is a brief introduction to Sandown Motor Holdings and then we will talk about our dependency on these platforms, followed by customer behaviour that to a certain extent has driven us and the ranking and customer searches.

Customers search on these platforms and ja, there is some backup stats as well. So just briefly in the introduction of Sandown, I am one of the founding shareholders. We started business in 1982. So next year we will be celebrating our 40th anniversary and it is something we are very proud of.

The group now has been trimmed down quite considerably for
20 various reasons and we now operate out of three passenger car dealerships in what is known as the Gauteng West brand centre, namely Constantia Kloof and Roodepoort, Bryanston and in Sandton central as well.

We also have three commercial vehicle dealerships centred in the Pretoria, Centurion region and also in Roodepoort. So that in

essence is where we are now. As far as our dependency on the online platforms is concerned, as the fluxion of time, the industry generally and customers have moved away to a large extent from the Print media.

A few years ago, we relied heavily on those huge ads in the major newspaper, that today has moved to online and I guess to a large extent, the move to online has been hastened to a degree by the experience of the pandemic in the last while. We rely clearly heavily on the digital media for advertising our products. We have an average of 140 vehicles advertised at any given time on these platforms.

10 The platforms are crucial as I have said to our pre-owned operation in particular and we use Auto Trader in the main for this purpose. However, we have tried as a company to set up our own platform, but this share size we had was minimal. We do use the likes of Mercedes Benz dealer web which is useful but there is no doubt that the bigger the platform the better for us, hence using Auto Trader.

 The question of customer behaviour is the next thing I would like to deal with and I think it would be fair to say in the last two years, 2018 and 2019 the as a result of the economic slowdown in economic activity, we went through a very difficult period. The industry as a whole, and
20 the final knock our punch as we say in our presentation, was in fact Covid-19 in the first half of 2020, when our sales plunged to historic lows and you know, volumes that we have not seen in years.

 One thing that has come out of this, and I guess is really it is to the benefit of the consumer, the greater reliance on online and the efficiency of online purchases. So, we are finding whereas in the past

we never really thought the big-ticket items like cars would be sold online.

They are indeed being sold now, and this is yet another reason for using the likes of Auto Trader and the online platform. The effect of the new vehicle shortages as well as the effect of Covid-19 on the consumer, has resulted in an increasing number of consumers are looking for used vehicles and this is again driven by share economics.

So used vehicles in our instance, are increasingly important and we have been further adversely affected, like all other manufacturers by
10 the semi-conduct shortage, which is impacting production volumes throughout the world. Finally approximately 75% of our sales, are actually from online sources, online platforms.

These are just some stats based on the 2020 Auto Trader bi-annual car industry report. Mercedes Benz products ranked second amongst all searches which is very interesting and with the C cars ranking third over all in terms of model searches and that is really food for thought when one looks at the overall market and the popularity of the products and there you have these stats.

Ja. The digital adoption continues to increase and therefore it is
20 imperative that we advertise on trusted and well-advertised sites and here is just some stats about Auto Trader. It is SA's number one auto motive classified site. It has over 460 million page views. I mean it is incredible and searches actually conducted amount to 319 million and just visit our 55.

So those are the key numbers that apply to Auto Trader.

Customer advert views are over 149 million and the average time on the site is five minutes, 54 seconds. The Sandown number of views in our listing amount to 306000 a year, dealer pages as they call it. So we as a company are support of a fair and effective competition on the online platforms.

We believe in an inclusive economy and welcome any new entrants that positively contribute to effective competition and our business case. We remain at your disposal to answer any further questions you might have. Thank you.

10 CHAIRPERSON: Thank you very much Roy. I wonder, you can stop sharing the presentation. Then I think we can see you more. There we go. Thank you very much for your perspective. I am just going to go straight into the online platforms obviously because that is our focus in this inquiry.

I mean, what are the... I see you have listed Cars.co.za and Auto Trader. I assume you list on those two, is that right?

MR MCALLISTAR: Yes, we do.

CHAIRPERSON: And why do you choose those two? What are your criteria for which platforms you list on?

20 MR MCALLISTAR: It is the exposure that we get and the cost per unit. We are looking at cost and the results with the revenue that we generate from that. So it is very much economy is the scale if you like.

CHAIRPERSON: And have you tried any of the other platforms? I mean we heard from Car Find, I think people have mentioned Surfer Cars and others, and what has your experience been if you have tried?

MR MCALLISTAR: We have tried various platforms, but ultimately our focus has always come back to the bigger ones where we get the best bang for our buck if you like using that expression. Ja.

CHAIRPERSON: So why do you think those other platforms have not provided any bang for the buck in your words?

MR MCALLISTAR: I guess at the end of the day it is their marketing expertise, whatever that is. I am really not in a position to comment on that. Ja, it is a case of the product that they have developed an offer as to its popularity I guess in the market place.

10 CHAIRPERSON: So if I understand it is I suppose they do not have the customers and the leads coming through in their platform compared to the bigger two. Is that right?

MR MCALLISTAR: Ja, well I... yes, and one can ask the question why would that be and I can only think it is as I said, the product offering. The innovation that goes into it. It is that expertise and the skills they obviously have versus the opposition. I guess that applies to any company really.

That is what attracts the consumer that matters at the end of the day.

20 CHAIRPERSON: Certainly and I think we have heard from a number of these platforms, obviously it is user interface, it is marketing. But that is not your business, and so I cannot expect you to answer that for them. But we have also been told about for instance Gum Tree. I mean is that something you have used or thought about?

MR MCALLISTAR: Yes, I am not entirely familiar with Gum Tree, yes

but I am aware of them, and I am quite sure we have used them in the past but it is not a major one in our portfolio at all.

CHAIRPERSON: And we were also told yesterday about Facebook market place as well as there is another place that consumers may go. I do not know what your experience has been.

MR MCALLISTAR: I really cannot comment on that. I do not know whether we have used that at all.

CHAIRPERSON: Alright, and just then on your own platform. I mean I assume you have a website for your group, is that right?

10 MR MCALLISTAR: Yes, we do.

CHAIRPERSON: And through that you would obviously advertise your new cars as well, because you know, that is part of your business as well. So can I just understand your pre-owned platform. Was that sort of an extension of your current website that you set up to list your cars?

MR MCALLISTAR: Yes, we developed a platform of our own and then through our principles, Mercedes Benz South Africa, we link into their dealer platform. Their agents platform which we are all able to access and that just gives us greater coverage in the market.

20 CHAIRPERSON: So if I can just sorry, understand. So this was what, to link in your stock of pre-owned vehicles, make it visible on your website and make it visible on the Mercedes Benz website as well, is that right?

MR MCALLISTAR: Yes, so just as I said it gives us greater coverage. We have say 140 cars being advertised at any point in time, and on a single site like ours, it would not attract the same attention as on a

combined site with all dealers.

CHAIRPERSON: Right. So do you still provide it through to Mercedes Benz? Your 140 listings.

MR MCALLISTAR: Yes, Mercedes Benz site points the customers to us and other dealers. Generally it would be on a search basis. So if you are looking for a C-class, the site will then point you to dealers that have C-class's on offer at any point in time.

CHAIRPERSON: And that would be the used cars as well, I see?

MR MCALLISTAR: I am referring specifically to used cars there.

10 Clearly they do advertise new as well.

CHAIRPERSON: So just understanding when you say you discontinued. Do you still... I understood you still provide those leads to Mercedes Benz and it is still searchable. You just do not have what, your own website anymore?

MR MCALLISTAR: Yes, well effectively we do but we were operating in isolation if you like. We now have this link. So the site is ongoing its dynamic. It changes all the time, but it is linked in to the overall dealer offering that is available.

20 CHAIRPERSON: But even with Mercedes as a big brand that I suppose can advertise their site, you are still seeing three quarters of your leads coming through the portals.

MR MCALLISTAR: Yes.

CHAIRPERSON: I mean we also heard over the last few days that the OEM's as they are called, the original manufacturers will advertise on Google to place their brand, direct people to their website, but it I mean

from what I understand from you that is still not drawing the kind of traffic that the portals have.

I mean I do not know if that is something you have any knowledge of?

MR MCALLISTAR: I do not... my knowledge in this regard is pretty limited, but I kind of would like it to what the press was and you know, not many years ago where we would have the so called laundry ads with dozens of cars listed and gradually the public moves away from that to the digital platform.

10 As I said earlier, the move to online enquiries has just accelerated over the last year and a half, and ja so that is where we are at the moment. So now I wonder what the future holds. I am sure things will change yet again.

CHAIRPERSON: Yes, and I suppose over your 40 years you have seen quite a lot of change and ...[intervenes]

MR MCALLISTAR: Yes.

CHAIRPERSON: I just wanted... you had a slide on sort of ranking and customer search. I just wanted to understand, when you are on those portals, how important is it that your vehicle is ranked relatively well?

20 MR MCALLISTAR: I think the ranking comes from the enquiries basically. I mean it is generated by the enquiries. So as I said it is interesting when one considers our product in relation to other products and price wise. I mean we are in the upper end of the market and it is fascinating to me that if one looks at C-class it is an expensive car in relation to the greater market and yet it ranks third overall.

I think that a lot of that is aspirational, you know people are interested and that is great, that awareness of the product.

CHAIRPERSON: We heard yesterday from both Cars.co.za and Auto Trader, the two you use, and on Cars.co.za it seems the default when you search is from cheapest to most expensive. That is generally how it is listed. I mean it seems most consumers might start. So your Mercedes Benz C-class may be at the expensive in, but assuming someone searching for that, they would type in or select Mercedes Benz, select the model.

10 They might select a price range or whatever and hit search and it would come out cheaper to more expensive. So I mean I understand on Cars.co.za you cannot really influence that ranking because that is how it is ranked, cheapest to most expensive and all you can do as I understood, buy a package that disallows you to stand out a little more, with more pictures and the like.

MR MCALLISTAR: Ja.

CHAIRPERSON: Do you subscribe to the package for the stand out or not?

20 MR MCALLISTAR: We do subscribe to a package for which will give us good exposure on the brand and so on. Very definitely I mean because ultimately and I am a lay man in this, but I would imagine that most enquiries has come to us, are where people are specifically looking for a Mercedes Benz.

So and we have got all the competition out there, also advertising their ways. So one needs to try and stand out a little.

CHAIRPERSON: And because it is ranked cheapest to most expensive, I mean does that make you think carefully about your pricing with your Mercedes Benz that you have used cars?

MR MCALLISTAR: Ja, you know I think at the end of the day we can think as hard as we like about pricing, but the markets ultimately dictates what is acceptable or not, and we adjust accordingly. It is a very dynamic situation and that is the market place and how it should be in my opinion.

CHAIRPERSON: No, certainly. I mean with Auto Trader we heard
10 yesterday that there is other tools you can use though to appear at the top. You have got featured listings, you have got premium listings. You can buy a sort of brand logo. I mean do you subscribe to any of those packages to improve your visibility?

MR MCALLISTAR: We do subscribe to the packages but it is all relevant to the cost to us. So in our case, the amount we spend relative to the actual average value of our cars, is well within our parameters. But it is cost driven as well. One has to be in any marketing it can be hugely expensive at the end of the day.

So it is balanced by the cost effectiveness of it, ja.

20 CHAIRPERSON: And I mean on that I suppose we heard from the, at least from Auto Trader that their costs are small relative to the margins that are made by dealerships. I mean just to get your perspective, I mean you are a dealer. You have got a range of other costs as well. I mean and you just said marketing you know, has its role and it obviously delivers leads and value for you.

But I mean you have also spoken about the tough times you have been through. So just, can you give us a sense of how you think about marketing budgets and how much you are willing to spend there and what other costs you have got to deal with as a dealer in this environment?

MR MCALLISTAR: Ja, the contrary to public perception, margins are not as rich as one would hope, so it is a very tight margin that most dealers work to. The times that we are currently living in are clearly different and we again it is a client demand, and so because of the
10 shortage of products, the margins improved to a degree.

But this is the exception and as you said having been around for as long as I have, I have seen the best of the times and the worst of times, and so it... marketing is one of those expenses that is variable and it can obviously it has to be controlled. It is material in the overall package of costs if you like, but you know, marketing is not just advertising.

It is your premises and the amount of money that one spends on just being able to occupy these premises that we do and in this market that we are in at the moment, suppliers is obviously having a major
20 impact on us as well. So I cannot give you a precise number here, but other than to say it is a material variable expense that we control.

CHAIRPERSON: Ja, no I think you have given us a good perspective because I think it was important for us to understand because as you say the perception may be that margins are rich but you have a lot of other costs, and I suppose maybe ja, because of the new car supply

shortage and the shift to use, you maybe have a little more margin there but would I, I mean I understand there is also a stock issue because there is also only so many used Mercedes Benz's out there that someone wants to sell, especially if they cannot buy a new one.

Is that right?

MR MCALLISTAR: Absolutely, ja.

CHAIRPERSON: Roy, just on the ranking there. Just to go back to Auto Trader. I mean you said you buy into some of the packages and I just want to ask what the purpose is of buying that. I mean they are
10 there for visibility and views and that is what we are told, but do you see them as important to get those packages on Auto Trader or are they nice to have?

MR MCALLISTAR: I think it is a combination of both and I would like to believe that we do it just in terms of the value for money more than anything else, if the package gives us that little extra exposure in the market place, then it is money worthwhile investing in. We are certainly trying to avoid to have in the main, but often a package comprises both must have's and those really beneficial elements.

So ja, but it is really driven by the kind of exposure that we will
20 get on in that meeting.

CHAIRPERSON: I just wanted to ask on some of those nice to have's. I mean we are interested in things like the dealer branding, for instance. Having your logo and that is clearly part of your promotion.

MR MCALLISTAR: Ja.

CHAIRPERSON: I mean was it always the case that you paid extra for

that or is that a recent development?

MR MCALLISTAR: You know, I think what has happened over time is as the medium online advertising has matured, and as technology has matured, so these so called nice to have's they become available. I think if one just looks at any sort of TV for example, and I still marvel at just what one can get on TV.

I mean, these smart TV's that give you all sorts of options and you are able to access all, and this is happening at an increased pace. So you know, yes I think it is important to keep pace with them and to
10 have your branding now thrown into the deal is great. I mean just is it yet another way of increasing one's presence in the market place?

CHAIRPERSON: Roy, I am just going to check with the team if there are other questions we have for you. I have just got a few more. I suppose you have said you are dependent on two platforms. I mean, what has been your experience over time as these have sort of matured into the two big ones.

Have you found that you know, you are spending more on them over time, and do you have any concerns that there is two big platforms that are available and not much other that is working for you at least?

20 MR MCALLISTAR: That is a very good question. I think we are as a company, it is our policy to be continuously reviewing what we are doing, and try and improve on that. So we try all sorts of different means of exposing our product to the market. I can honestly say that I have not really considered this to be a concern.

It has worked well for us. As I say we are always, for example

that dealer platform that I referred to. We place a great deal of emphasis on that and see it, you know the public are moving. Are continuously browsing the internet basically.

Our brand as you saw from the stats, being as popular as it is, is not only looked for on the Auto Traders. But certainly the Mercedes Benz platform is a good one, so we are forever exploring other outlets for our products. Ja, and I think during this pandemic it is also brought to the fore, what more can we do in home deliveries for example.

Just as an example. So we are always exploring those things
10 and I do not see this as a concern. I think provided that we are flexible and fleet footed in what we do, ja. That is really probably a condeluded answer but that is how I feel about it.

CHAIRPERSON: Ja, but I think that makes logical sense. You are a business person. You are always looking to how to ensure that your business thrives and you are faced occasionally with changes in situation or challenging times and you need to respond to those.

MR MCALLISTAR: Ja, I think James you know the important thing here is that nothing... change is one of those things we have to cope with and nothing remains the same. So I have never believed in being totally
20 dependent on just one form... in this case one form of advertising. I think we have got to be alive to all those opportunities and move with the times, and certainly change is the one thing that we can all be sure of.

CHAIRPERSON: Yes, the only certainty. I have just got one last area I just wanted to ask you about, which is the sort of listings software and

getting your listings up onto these various sites. I mean, you did say in your slide there was an additional content management system was required to load and remove vehicles on your own site.

I mean, we obviously are not dealers and operating with this daily, but do you have a single sort of software or listing engine that you would load your content on and then say alright, upload to Auto Trader or upload to Cars.co.za or to our own website? I mean how does it work?

MR MCALLISTAR: I actually am not familiar with that. We have a little
10 department that handles this and yes, we obviously use software to load these cars, but I am not familiar with the process at all.

CHAIRPERSON: Alright, that is fine. I am sure we will learn more from others as well on that front. But Roy and Dennis, I do want to thank you for coming forward and participating. I know that takes time out of your day but I think as the panel and inquiry we really appreciate that. You are under no obligation to come here and the fact that you have chosen to do so, I think helps our process and helps inform us. Of or get a better sense of this area at least that we are looking into.

So I do thank you for that. Thank you for also responding to our
20 survey. You know, it is important we do hear from the users on the platform and maybe, I mean Dennis you popped up on my screen now. I do not know if you have an answer to that listing software question or not.

I am sorry we did not give you an opportunity to speak, but welcome. But yes, I want to thank you both for coming forward and I

think that is in a good public spirit to assist an inquiry and give us better information.

So I do wish you all the best with your business. I know it is challenging times. I hope you survive these times and we get back to some good times as well. But thank you and we may at some point cross paths again, but if we do, I know we will get your assistance, thank you.

MR MCALLISTAR: James, thank you very much. It has been most interesting and just under the heading of that software and the listings, if
10 you would like further information I can arrange for it to be sent to you.
If that will be at all helpful.

CHAIRPERSON: Yes, I think we... you know it is interesting Roy across all these different platform types how people load up and how easy it is, affects their choice sometimes. So it is just knowing that sort of middle software bit, what is happening. So we would certainly appreciate that, thank you very much.

MR MCALLISTAR: Thank you and enjoy the rest of your day.

CHAIRPERSON: Thank you both, and ...

SESSION ENDED

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<u>Case No</u> OIPMI	<u>Competition Commission</u> Sandown Motor Holdings
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