



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

29 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: TAKEALOT



Gauteng Transcribers
Recording & Transcriptions

PROCEEDINGS ON 29 NOVEMBER 2021

Takealot – Represented by: Kim Reid & Frederik Zietsman

CHAIRPERSON: Alright. Welcome to the Takealot Team. I think maybe at the outset, Mr Reid, just to apologise for bumping you, not once, but twice. It was beyond our control but I realise that does inconvenience you. So just from the panel's side, apologies for that. But as we are late in the evening on Monday, let me allow you to introduce your team and then proceed with your presentation.

10 MR REID: Great. Thanks, Mr Hodge. Nice to you again. And Ms Tshepe as well, as well as the Technical Panel and the general public. I am going to go straight into the presentation to introduce the team. If that is okay with you? I have the pictures of everyone on the slides. So it is probably easier that way. Are you able to see the presentation?

CHAIRPERSON: We are.

MR REID: Great. So you have me today, the Founder and Chairman of the Takealot Group. We have Mamongae
20 Mahlare who is the recently appointed Takealot.com Group CEO. We also have Frederik Zietsman who is the Takealot.com CEO. We have Johannes Burger who is our Group Head of Legal and Regulatory Compliance, as well as Temosho Sekgobela our Senior Legal Counsel for Regulatory Compliance. We also have our legal representatives as well

as our Economist here with us who are out of shot.

We made various submissions to the Commission to date. We do not intend to deal with the details of these submissions, just to try and highlight the history of the business as well as deal with certain issues that have come up during the hearing. We do value this process and the ability to – or the chance to participate in this process. And also, I think at the callout is also that we, when we come across certain confidential matters in the Q&A, we will claim
10 confidentiality and deal with that *in-camera* early next year.

Starting off with Takealot.com. We are a proudly South African retailer committed to continue to create jobs, enabling SME's as well as growing in what we believe is an ever competitive retail market. We started our journey back in 2010 with the purchase of a very small online retailer called Take2. This was a deal that was done between myself and Tiger Global at the time where we both invested. Tiger Global is a US based investment firm who backed us in the early days of our inception.

20 At the time of going into the markets we were up against large retailers and still remain up against large retailers as competitors in the market. The numbers that you see on the screen represents the size of those retailers in 2011 when we started. So you will see us to the right of this graph, starting in 2011. Kalahari started in 1999 which is

obviously applicable to this hearing. And then we have got people like Massmart, Shoprite. We have got Steinhoff up there who obviously trade today as – largely as Pepkor. Pick n Pay, Clicks as well as Lewis who all started at significant times before we actually started our business in 2011.

As part of our journey we found delivery difficult in the early days and we purchased Mr Delivery to take care of our logistics part of the business. We purchases 40% of
10 Mr Delivery in 2011 and at that stage Mr Delivery was really a very rudimentary food delivery business which we have gradually transformed into the Takealot Delivery Team today which delivers upwards of 95% of all our deliveries to our customers. We completed 100% of Mr Delivery in 2014.

In 2014 we also started our Marketplace and we have grown that steadily over the years until today and we continue to grow it and we grew from roughly six marketplace sellers in 2014 to more than 5 500 today. Most of these marketplace sellers as SME's. Many of them are
20 historically disadvantaged individual as well and we enable these businesses their businesses on our platform and grow as we grow as a business.

In 2014 we also did a deal with Naspers and Naspers became a shareholder in our business, that was later 2014 and this came about, really, as a result of

Kalahari who had launched in 1991, we had launched in 2011 and at the stage that we actually did this particular deal, Kalahari through its backing from Naspers at that stage only managed to grow to the same size as we were 2011. So it took us roughly four years to grow to that size in 2011 and Kalahari had taken quite a while to try and get to the same level as we had in 2011.

The deal made sense at that time because we continued to compete in a highly competitive retail
10 environment and the combination of the businesses gave us the ability to continue to compete in that retail environment. The next transaction, which is probably relevant to this is, when Naspers became the majority shareholder in 2017 and that happened through the exit of Tiger Global from the business. As I have said to you before, Tiger Global is an international investment firm with particular time horizons for their investments and it made sense for them to exit at that stage and it made sense for Naspers to take up the investment from Tiger Global in 2017.

20 Looking at the business and the Takealot ecosystem, as we call it, we have many participants to our ecosystem, starting, really, with the employees who have worked for the business and have built business to date. We have customers who transact on the platform. We have franchisees who assist us with delivery's. Driver partners

who work for these franchisees as independent drivers and deliver in the last mile to the customers. And then we also have suppliers had we purchased our goods from and then sellers that we enable on the platform, sellers that are able to build businesses on the platform.

In the last 10 years we have managed to build a recognisable South African retail brand and our business has grown. We have been fortunate to grow our business in such a way that our orders have grown from the very
10 beginning to orders of a couple of thousand a month to the millions a month that we do today. And also very importantly, we have grown our seller base from the six odd that we had in 2014 in our rudimentary marketplace to a more sophisticated marketplace that we operate today with more 5 500 sellers.

We have also created many opportunities and job opportunities over this time which is important to just dwell on for a moment. We have created jobs through our 77 franchise hubs for more than 560 franchisee staff. We have
20 created jobs for 12 200 driver partners in the network who deliver to our customers, and we have created 5 500 marketplace sellers who are SME's and all provide additional employment benefits to the people who work for them and they have been building their businesses on our platform.

We also provide 4 721 employment opportunities

within Takealot.com and the total number of people employed within the Takealot Group today is roughly 5 533. All of these, obviously, have multiply effects and the numbers that we show you right now are just the base numbers and the employment opportunities are much greater than this given the multiply effects that they create.

The business has grown and has become more complexed over time and today we do 1.8 – we have 1.8 million customers. We deliver, as I said before, more
10 than one million packages per month. We have 75 customers pickup points that are run largely by our franchisees that own the 77 franchise hubs. We have 3.5 km of conveyor belts operating in our warehouses and our warehouses are roughly 100 000 m². We have roughly 100 000 m² of warehousing space at the moment and they are located in Johannesburg, Cape Town and with a much smaller one in Durban.

I would like to talk through our complexity of our business that Covid has created as well which will feed into
20 some other themes that we pick up later in the presentation. Although Covid, obviously, has been good for our business in growth, perhaps a little history on how we build our business on a yearly basis and how Covid affected us.

So we started in 2020 in our usual fashion where we plan meticulously to improve our systems and our processes

as well as our equipment requirements to be able to cater for the seasonal push that happens pretty much from October through December each and every single year. This is a traditional planning phase that we go through and we are hard at working during the year, making sure that we can scale the business to take on the rigours that are required at the year-end.

Covid changed that a little bit because we went into March 27 in a hard lockdown as most businesses did in this country, really wondering whether we are going to come out of it and whether we would actually have any business after the 27th but we were fortunate enough to go into May and open up at record numbers and that was very difficult for us to handle because we did not have the luxury of putting the systems and processes and equipment in place to be able to handle the scale that came in the months from May through, right the way through to December.

At the same time we increased our seller base at that same time from roughly 2584 sellers to 3915 sellers. That provided some significant challenges in the business and we are still trying to catch up with the systems and processes that are required in the business to be able to service each part of the business. We did, however, do a particular job over the 2020 festive season from a customer focus perspective because that was our best ever customer

operational year that we managed to achieve in the business despite the challenges of Covid.

If we look at the Takealot ecosystem, I think we can dwell on this for a moment, just to understand how we build the business. So we start the business by listing from suppliers and brands. That happens in our retail part of the business and the more products we list the more value we create in the platform, the more customers we actually get onto the platform, the more traffic we generate, the more
10 scale we build, the more systems we put in place in the business and the more we invest in the platform to increase the value of the platform, and the better the customer experience becomes.

Then what we do at a stage is we switch on the marketplace. We are able to switch on marketplace because we have systems and processes that we have invested in and we – the marketplace is important to our business because it is very difficult as a business to be able to become what we want to be termed as the everything store
20 where everyone can – any customer can come and really purchase anything they want on the platform.

It is difficult for us to be able to provide in our retail environments efficiently and that is where marketplace becomes a very important lever in our business because they provide greater variety in platform and they also enable

to build their businesses on the platform. The better they do on the platform, the more tools and services we provide to them, the more customers we actually get onto the platform, the more traffic we generate, the more volume and efficiencies we were able to affect in the cycle and the better it becomes for all participants in the actual cycle.

It is very important for us that sellers are part of our journey because they benefit from the value in the platform as the platform grows and the better the sellers do, the better the platform does and therefore the better the business does, effectively.

If we look at what we compete for within the market. We compete on two sides of the market. So, we are competing for customers to take them away from traditional bricks and mortar as well as other online companies who are selling exactly the same goods online and in bricks and mortar and we compete vigorously for these customers in an ongoing basis.

But only that, we also compete for suppliers and sellers. Suppliers have options. They can, actually, list their stock in bricks and mortar or they can list them online. Some suppliers do not want to necessarily list online. But we compete vigorously to get those suppliers online. We also compete vigorously for sellers on the platform and sellers have many options. So sellers can either start up

their own websites. It has become quite simple for sellers to enable themselves through various mechanisms and various business that are out there that are enablement businesses for sellers to be able to start their businesses and then they link into courier companies and they get going without our help. So we try and encourage them to come onto the platform because we believe that they can do a better – they can get a better service from us as a platform as they would doing it themselves.

10 They also are able to list on other marketplace platforms. There are quite a few marketplace platforms, some owned by large and some owned by smaller enterprises in the market, but we are all competing for exactly the same sellers in the market as well to get them onto the platform. Sellers also have the option of going into bricks and mortar as well. We must never forget that.

I am going to hand over to Fred to carry on with the presentation and we will switch between the two of us as we progress.

20 MR ZIETSMAN: Thank you, Kim. Good day, Mr Hodge and Ms Tshepe and public at large. Thank you for the opportunity that you have given me to take you through our business model. I think just starting with the competitive environment. Takealot competes within the retail market and as of today, we still compete with the model that is foreign

and new to most shoppers within the region. Therefore, we aim to make our shopping simple, easy, and we try to minimize any friction that sits within the consumer journey.

The customer experience on our platforms will follow very standard and rational flow. The customers will come into either our apps, be it Android or iOS app or our desktop site and they will search and browse our merchandise and our catalogue. They will find the product that they would like to buy. They will then enter into a very
10 logical checkout process where we offer various payment methods and various delivery options, whether they want to collect the item at one of our 75 pickup points or get the items delivered to an office or home, whichever is most convenient for them.

I think it is important to distinguish our model into its two parts as most customers are not aware that our platform actually offers two models. We have on the one side, we have got our retails product which is Takealot.com that buys, owns warehouses and trades on our working
20 capital. This is very similar to any other retailer. We take margin and we take stock risk on those products.

On the other side, as Kim mentioned, we have got a marketplace where we allow third party SME's to list their products on our marketplace. We give them a scalable and easy to use platform to enable them to sell through digital

channels. Our promise here is really to allow the customer to shop anything they can imagine, as Kim alluded to earlier. The only distinction on our platform would be if you look at the two examples we show you. The TV at the top is sold by a retailer supplier and the bottom is sold by a marketplace seller, only distinguished by – the sold by the seller in the bottom picture. Both models follow exactly the same process in how the stock flows into our distribution centres and through to the customer.

10 Having source of supply coming from various parties on our platforms, we aim to provide the customer at all times with the best possible offer on a specific product. Therefore, we have a mechanism on our sites that we commonly refer to as the buy box. The buy box does not discriminate to any retail product or marketplace product. It purely aims to present the customer with the best option. On the screen you can see a seller winning the buy box above Takealot retail as well as other sellers. The buys box takes into account two main variables which is both price and
20 availability.

Our marketplace really aims to provide a simple scalable and enter into online e-commerce solution to small medium enterprises. If you look at the services that we offer the sellers, you can at a high-level categorise them into three buckets of services.

A. Discovery.

Sellers make it possible for sellers to get their merchandise listed and discovered on our platform.

B. Operation fulfilment capability and services.

C. And then to round it off, a holistic support service, both from a customer and a seller perspective.

10 Details of that is listed on the slide. I will briefly touch on some of them. We do assist sellers with listing creation, creating their catalogue on our website. Research shows that quality listings convert better and we spend a dedicated amount of time helping them with that. We educate our sellers through multiple mediums, whether it is webinars, classrooms or written content.

 We have got a dedicated promotional capability that supports our sellers enabling them to get listed in our promotional campaigns. We have recently launched our
20 advertising business on Takealot.com which allows sellers to drive discoverability of their products. These services enable sellers to start off on a platform and to get them going. Once we have conversion on the platform, our services will then take into account the inbound move of stock into our distribution centres. We do the fulfilment, the

last mile services for these sellers. In some cases, we warehouse their stock within our distribution centres. And I think very importantly, we do deal with the enter and returns processing of their transactions. That includes the customer engagements through our customer service team as well as the logistics and the final evaluation of the items.

From a support perspective which is sometimes not understood and respect as much, we do offer sellers holistic support services. We have got a dedicated team to address
10 the sellers, whether they phone us or list tickets on our seller portal. We do offer quality customer service to service these customers to buy from the marketplace sellers. And then lastly, very important, we have a compliance team that makes sure that the hygiene of the platform is intact and that the sellers compete fairly and that retail competes fairly.

To Kim's point. We have got at the moment roughly about 5 500 sellers that are successfully trading on our marketplace platform. They do this for various reasons and they derive various benefits from our platform. Not all
20 sellers get the same benefits but at a high-level the benefits that they get, the obvious one, access to a large higher intend userbase that uses our web platform as well our apps to shop. They generate additional revenue streams; they complement existing sales channels.

We have a lot of existing businesses that use our

platform to drive a halo effect into their business. They get a great reach in terms of our customers. Our customers are spread across the country as well as the low logistics and delivery costs that we offer them. Importantly, the leverage our brand strength and the trust that we have built with our customers over the years.

Lastly, enabling innovation. A lot of sellers, and we have got examples of this, have built brands successfully on our platform and enrolled out these brands to your more
10 traditional bricks and mortar channels. Lastly, actionable insights. I think some sellers appreciate a lot is the real customer feedback that they get through our reviews programme for them to improve and to build upon their product attributes.

I am going to handover to Kim to take you through the competitive environment.

MR REID: Thanks, Fred. So looking at competition and competitive dynamics. You know, a customer has a needs state and in this particular example the customer is looking
20 for a TV and they have many choices. We do not know what that customer's needs state is at that time, nor is any retailer, for that matter. But we are all competing for that exact same customer and we are all selling them that exact same product.

The customer has many choices to make, either

through pure play online retails like ourselves or through pure play bricks and mortar and this is really morphing at the moment with many bricks and mortar players coming online.

And looking at our customer base today and interestingly enough, this was one of the findings found in the merger between Takealot and Kalahari by the Competition Commission which actually has not changed as many of our customers have only shopped once or twice online, proving to us, certainly, that these customers shop
10 predominantly in bricks and mortar retail for those same products and we are actually competing for the customer on an ongoing basis.

Retail is morphing and changing over time and competition is *hotting* up and many traditional bricks and mortar retailers, as I have said, are moving online and into e-commerce and some of them are using other ways to compete, not only online, but also instore. If you have a look at Game right now, they have launched a new age store. I believe it is in Johannesburg.

20 And what they allow customers to do, and I think they are rolling this out in mass, actually, what they allow customers to do is to check prices instore, compare them with online prices and then actually match those prices instore and this provides them a way to compete with the online channels as well as the other bricks and mortar stores

out there.

As a retailer, we still remain a very small retailer in the South African market. Yes, we have grown and we have grown quite substantially over the last ten to 11 years but if you have a look at many of our competitors to the left of our graph, we still remain a very small player against them and you know we still remain in a highly competitive environment, exactly the same environment we launched into in 2011.

10 If we look at online retail in general as a percentage of retail, online retail in general, today it is only sitting at 2.3% of total retail and we make up roughly around 1% of the total retail market in South Africa, still a very small retailer in this market.

If we look specifically at marketplaces. We are certainly not the only game in town. There are many marketplaces out there that enable existing sellers to come online. The likes of Makro have a marketplace. JD Group through the Every Shop have a marketplace as well. And
20 they all compete vigorously for the sellers to come onto their marketplace. In fact, many of our sellers are also multi-home and they will go various marketplaces as well and not only be on Takealot.com.

An interesting one is Leroy Merlin who originally were a marketplace seller on our platform and proofed just

how easy it was for them to actually go off the platform and start something themselves. They used an off the shelf platform and have now started their marketplace and are no longer seller on Takealot.com. Vodacom has also just recently launched their supper app in which they are enabling marketplace sellers to also sell within their platform.

So there are many competitors in the market and we cannot forget, you know. Loot or Bidorbuy who launched, 10 certainly, as e-commerce players way before us and have also launched marketplace subsequent. In fact, Bidorbuy were probably one of the first marketplaces in the country.

Fred, back to you.

MR ZIETSMAN: Thank you, Kim. For the next couple of slides I will take you through – just a high-level overview of how complexed our business model is. I think important to note that for continued value growth and for all the participants on our platform, be it customers, sellers, suppliers, Takealot requires to take a big, complexed 20 process and simplify it. The simplification is largely required because we have got a business that is interconnected by its nature and design and therefore we require all participants to adhere to standards and controls.

The call out on the slide refers to the October 2021 calendar months which is last month. To take you through a

bit of a journey of this complexity. During the month of October 2021 we had more than 1.8 million customers that shopped on our platforms successfully. They browsed and searched more than one million product listings on our platform of which 520 000 of these items and unique items are stored within our distribution centres that are both from marketplace sellers which equated for more than 5 500 sellers as well as small 660 suppliers.

Once the items and customers successfully transact,
10 our model then requires us to deliver these units and during the month in October, our last month, fulfilment capability delivered more than 2.6 million units to our customers. On receipt of these items or whilst purchasing these items, we are required to deal with more than 220 000 customer related tickets, whether through phone calls or online tickets that they generate. More than 11 000 sellers contacted us.

Obviously, sellers can contact us more than once during a calendar month. We provide sellers with a holistic support service. To end of this. We deal with more than
20 150 000 return units per month that we collect on behalf of sellers in our retail business. We receive them, evaluate them and process them within our distribution centres.

All these interconnected parts of our business requires that all participants, be it customers, sellers and suppliers, to adhere to our standards and really for us to

provide great customer service, we need to simplify this environment.

One of the ways deep diving into our marketplace business that we standardise and control is through our marketplace terms and conditions. It is important to note that we have got one set of terms and conditions that apply uniformly to all sellers regardless size, shape or age. These documents are very clear to read and ultimately our aim balancing the interest of all participants, Takealot.com
10 customers and marketplace sellers on our platform.

These documents, whether the formal Ts & Cs, supplementary schedule, service level agreements or policies are distributed to each seller, the seller accepts these Ts & Cs as well as the adjacent documents as part of the formal onboarding process onto our platform. Our online follows a very structure flow where we actually do acknowledge this to make sure that the seller do understand the implications of our terms and conditions. Our aim is to continuously improve our marketplace service and model.
20 This comes through iteration and we regularly engage sellers through various channels and forums where they raise service levels and operational concerns to us.

During the course of the public hearings, we have heard our sellers around these and to these service level issues as well as operational issues. I think it is fair to say

that they are not new to use. However, we thank our sellers for airing them. The first one that we want to address today is returns. Let me start with the need for returns. As with any e-commerce site, the customers do not have the ability to touch and feel products. Therefore, we believe that returns are an important part of creating and maintaining the credibility of our platform and to win customer trust.

The easy returns for customers attractiveness of the platform and the benefits to all the participants, be it
10 Takealot, retail, the customers or the sellers. Our returns are dealt with in the same way as our retails products and our marketplace products. We do not distinguish between the course. Important to note that our returns policy must afford customers the mandatory statutory consumer protections that is promulgated by the CPA as well as to bring uniformity to the customer engagement and operational complexities.

The concept of price parity and the relevant clause in our Ts & Cs having mentioned in the public hearings and I
20 will now expand a little bit more around what price parity means. To protect our customers first and foremost, we request our sells to list their products at the same or better price on our marketplace as they would on their own websites. We do not restrict them on terms of their pricing on any other marketplace platform and they are freely – they

are free to list and trade on any other marketplace platform.

It is important to note that our sellers price complete independently, they set their own prices, we do not influences it and we do not try to suggest pricing to them. We have invested into this platform over many years, as Kim mentioned, starting in 2014 and we provide great value to all participants on this platform and I think given the concept of freeriding and sellers using our platform to market their own offsite stores, we do not encourage that and this clause
10 protects us from any potential freeriding.

Gating of products or brands is another them or concept that has been discussed in the public hearings to date. I think as a disclaimer and a point of note, all our relationships with all our suppliers and sellers are confidential. So we would appreciate it that any specific gating issues that are related to a brand or a supplier, we will happily discuss that in our *in-camera* session in February.

I think starting with gating, it is important to note
20 that Takealot does not make the decision to gate or not gate a brand or product. It is, in fact, the sellers and suppliers that demand or enforce this based on their bargaining power in the ability to control whoever sells their brands and products on our platform. Takealot may accede to this gating suggestion or requirement if we believe the specific

brand in question attracts sufficient amount of customers and that buying from this seller, supplier or allowing the seller to list, will give us a consistent source of supply.

Our seller base is diverse and each seller derives different values from our marketplace platform, as I have mentioned earlier. Takealot aims to serve all sellers in order for them to succeed and to grow on our platform. We enable SME's. We have got various testimonials on our website which you can go and have a look at in your own free time.

10 It actually speaks to a lot of the value propositions I have highlighted today. In summary. We have every incentive to make sure sellers can succeed on our platform. What is good for the seller is good for Takealot and that is our conviction and our commitment.

As Kim mentioned, Covid resulted in the amount of sellers, more than 1 500 new sellers as identified areas of concerns within our service levels that needs improvement. Some of the sellers participating in these public hearings referred to these service issues. They are not new to us and
20 we are actively working on resolving them.

I think as part of our DNA as a business, we continuously improve all areas of our business not only our marketplace. I think in reference to our Black Friday campaign that kicked off on Friday, if you think back to 2015, 2017 we had severe outages on our site, whether it was our

own fault or payment providers but this just illustrates the fact that we make mistakes, we fix them and we move on. That is how we build this e-commerce platform and that is how we will continue improving these processes in order to build a successful e-commerce platform. We go by the saying “we build the plane while we are flying” and we hope to have those problems as it points to our growth and success.

With the risk of repeating myself, I think it is just
10 valuable to mention that we provide a simple scalable and supported e-commerce solutions to SME’s. Thousands of marketplace sellers currently enjoy the benefits on our platform and new ones are added monthly. However, we cannot guarantee the success of any small business. Success comes through hard work, diligence, focus and execution. And even though we cannot guarantee success, we have thousands of sellers that are successful on our platform at the moment.

As I mentioned, we previously – we acknowledge
20 that the recent growth spirits that we have experienced have highlighted service level improvement areas that we need to improve and we take them seriously and we will focus on them. We acknowledge them and we do not steer away from that but to provide an objective and a balanced view from our sellers on these issues as well as some benefits, we

engage with ten sellers and in the runup into this inquiry, mainly driven by us understanding the request in the RFI.

The fact is that we are running a successful platform and some of these marketplace testimonials will give you some context. I will take you through five briefly. The first one; she really just acknowledges the fact that yes it is cheaper for them to sell through their own platform, they will make more profit because they do not have to incur the fees that they do on our platform. However, they do acknowledge
10 that growth – Takealot offers them growth. And growth comes from a national customer base which they cannot reach through their own site at the scale that we do.

Just speaking to some numbers. The seller was trading 6 to 30 cases of wine before they got introduced to Takealot marketplace. In 2020, they increased that to, after joining the Takealot.com marketplace, they have increased that to 120 cases per month and subsequent to this current financial year, they are trading more than 250 cases per month.

20 Speaking to a different use case. The seller testified that they are actively investing and broadening their online product offering into kitchenware and some health products. They do this and they are willing to do this on Takealot.com because it is easier, they have got a good relationship and our supply chain allows them to sell these

products. They have already access to our customer base which just adds to the value proposition as well as our fulfilment infrastructure, again speaking to growth.

In the light of the service issues that we have referred to earlier, the seller is still happy with their arrangement. They have grown their business from R4 million to about R 50 million. The issues that they speak to mainly refers to fees, marketing reports, returns and stock replenishment issues. However, I think it is worth calling out
10 that they are still very happy with their arrangement. Their business, as I have said, grew substantially over the last couple of years.

The seller testifies that the fees are not unfair or exploitative. They do generate lower margins selling to a traditional wholesale model, whether that is Takealot.com's retail business or established bricks and mortar businesses. Therefore, the margins that they generate through our Takealot marketplace is still competitive and allows them grow. The specific business had no revenue in the South
20 African region prior to 2019. After joining Takealot.com they grew that to 3 million and currently trading at the end of 2021 at 36 million of which Takealot equates of about 30% of their online business.

Lastly, the seller believes that our fees are not exploitative, that the fees are applied uniformly and it is not

unfair to them. They mentioned that they did visit our distribution centre and they deem it to be fair that we recover through handling fees and storage fees the cost incurred in maintaining and running these distribution centres.

As it stands and I have mentioned it earlier, we are running a successful marketplace as can be seen in the graphs in the slide. Our aim is to continue to deliver the value and enable SME's and HDI's t start businesses, grow
10 businesses and expand their business through Takealot marketplace. Takealot has incentivised to treat sellers very fairly because what is good for them is good for us. If sellers are treated unfairly and is discriminated against it is not good for our platform.

Just as a point of reference, under the bottom left-hand graph, you will see that when we started, obviously, marketplace contributed close to zero to our business and overall grows merchandise value where today marketplace accounts for 54% of our growth merchandise value. As Kim
20 mentioned earlier, we have significantly increased the number of sellers on our platform, bottom right-hand graph, to more than 5 500. That trend is accelerating and we see value being added to more HDI's and SME's.

Important and lastly to note that if you look at the amount of products that sellers sell on our platform, we can

see the exponential increase in the number of unique items that are sold by Takealot marketplace, going from about 100 000 products in January 2018 to more than 700 000 products today. To summarise. We have all the incentive to continually improve the tools and services for SME's and to scale and to grow our marketplace.

Over to Kim.

MR REID: In conclusion. The use of the e-commerce channel, in South Africa remains in its infancy. South Africa
10 is still really dominated by physical retail with e-commerce only making up roughly 2.3% of retail in the retail market. It is a dynamic and competitive environment and it enhances consumer welfare, it enables SME's to participate as well as grow and who also offers businesses the ability to disrupt current inefficiencies.

We believe an overly intervention as an approach in the market would be harmful especially in the stage that it is in and particularly if the basis for this intervention were to curb the growth of efficient disruptors as well as effective
20 firms. We also believe that undue interventions will result in the loss of existing efficiencies, efficiencies which benefits consumers and sellers and we must remember always sellers are largely SME's and HDI's in our environment.

Undue interventions would also disincentivise firms from taking risks. these risks which are needed to make

investments in this country which is sorely needed and are necessary to enter and to disrupt the market incumbents or to improve platforms going forward.

I would like to thank you for your time today and we welcome the questions that will come.

Q&A:

CHAIRPERSON: Thank you and thank you for being efficient with your presentation. I just want to start by understanding the sort of divisional setup of Takealot.com below the CEO.

10 So I assume you maybe have a few divisions. Maybe you can just tell us what those are and how you structure the different parts of your business.

MR REID: With Takealot.com or the Takealot Group, Mr Hodge?

CHAIRPERSON: Dot Com.

MR REID: Dot Com. So Takealot really operates as an entity which sit on top of three central or a few central units, the one being our Takealot delivery team which is the area of our business that does all the deliveries. We have a supply
20 chain infrastructure which warehouses all the goods and deals with all the supply chain issues.

We also have a call centre which is central which delivers services into takealot.com for both sellers as well as customers. And the hub of takealot.com as a division. We obviously have marketing and all those types of things but

those are the customer facing parts of the business.

And then we also have engineering which deliver services into takealot.com as well which builds the systems and really builds the systems across both Takealot.com as well as the Takealot Group. We also – sorry, just to finalise that. We also have support services like legal, those types of services, HR which also contributes to the growth of the business.

CHAIRPERSON: So just on - we would all your warehouses
10 set?. Under Takealot delivery? I know you have got delivery partners as well.

MR REID: So just two probably to describe that. You know that Takealot delivery team is a division on its own which reports into Takealot com as well as the supply chain side which also reports into Takealot add com which is run by one head, an executive who runs both the delivery and the warehousing side. And then attached to that are all the franchise arrangements. So the franchisees report into that section of the business and operates under that part of the
20 business.

CHAIRPERSON: Okay, you have got someone on supply who oversees the delivery teams and also the logistics, which is warehousing and the like, is that correct?

MR REID: [No audible reply]

CHAIRPERSON: And then just understand. So I know there

are many divisions here but so is there I head for marketplace? Is that...?

MR REID: So we have - in Takealot.com we have got Fred who runs Takealot.com. He has a head that reports into him who basically runs both retail and marketplace.

MR ZIETSMAN: Yes, that is correct. The head of retail and marketplace Has got two separate teams which encompasses a Head of Marketplace as well Head of Retail.

CHAIRPERSON: Alright. So reporting to you, there is a
10 head for – well, let us just call it a platform and they have a Retail Head and a Marketplace Head. Is that right?

MR REID: Correct.

CHAIRPERSON: And then - mean, the support services and call centre, where do they sit, under the same head or another head?

MR REID: Our call centre sits under a separate executive who reports into an executive on a group level. So we have a Group Head of Call Centre Customer Service who operates the call centre for Takealot.com, Mr D Food as well as for
20 Superbalist.

CHAIRPERSON: Alright and then there was mention of a compliance team.

MR REID: That sits within the marketplace structure.

MR ZIETSMAN: Yes, correct. The compliance teams sit closer to the sellers, meaning within the marketplace

structure.

CHAIRPERSON: And these different heads. So just – I mean, let us start with logistics and delivery. I assume they have got certain performance requirements that they need to fulfil and on which they assess. Is that right?

MR REID: Absolutely. That is right, yes.

CHAIRPERSON: And so what would the Head of Delivery and Logistics be assessed on?

MR REID: Well, again, the Head of Delivery and Logistics
10 reports into the Supply Chain Executive. So the supply chain runs both logistics and supply chain which includes warehousing and largely they will be measured on very many things. So they are measured on things like the time it takes to pick and pack and get items through the warehouse, the efficiency of receiving items at the warehouse, the time it takes to get items to a customer, the number of successful deliveries. I mean, there is a raft of KPI's that we use to measure that part of the business.

CHAIRPERSON: Ja, thank you. And is this – sorry, I mean,
20 they just assess on those and what they increase or their bonus is depended on their performance?

MR REID: No. So, look, I would think that bonus criteria would be a confidential matter and we can discuss it at length in the *in-camera* hearings but largely there are a variety of factors that people are measured on. One is the

KPI's which are operational performance, there are softer measures which are to values and then there are also very hard metrics as far as revenue and profits are concerned.

CHAIRPERSON: But revenue and profits may not something be for supply chain or am I wrong?

MR REID: No, that is – everyone contributes to revenue and profits within the business. So, therefore, they also measure on those as well. It is part of their package.

CHAIRPERSON: And then the Head of Retail, what are they
10 sort of assessed on?

MR ZIETSMAN: The Head of Retail is the trading part of our business. They will be assessed on top line growth, inventory efficiency, our margin capability as well as back margins capabilities.

CHAIRPERSON: Sorry, what was that last one? Back ...[intervenes]

MR ZIETSMAN: Back margins, a trading term, with suppliers.

MR REID: Things like rebate.

20 MR ZIETSMAN: Rebate.

CHAIRPERSON: Oh, alright, sorry, I did not understand. Rebate I understood. Thank you.

MR REID: Yes.

CHAIRPERSON: Under retail, I mean, do you have sort of category buyers? I am just trying to think to what I

understand from traditional retail. I do not know if it is the same here.

MR ZIETSMAN: Ja. Do you mind if I take it?

MR REID: No, sure.

MR ZIETSMAN: Ja, so we divide the retail team into five broad divisions; lifestyle, home, electronics, media as well as consumables. Each one of those categories will have a Category Head and the reporting into the Category Head will be a team of buyers as you would know them from a
10 traditional retail business and then reporting into the Head of retail. As a separate reporting line is our Head of Planning which really just focus on the stock efficiency and the flow of stock in and out of our business.

CHAIRPERSON: Alright. And the buyers, are they responsible not just for sourcing but also then pricing and the like on your platform?

MR REID: Correct.

CHAIRPERSON: And then marketplace, the head there, what are they assessed on?

20 MR ZIETSMAN: They would be assessed on the retention rate of our seller base, the rate at which acquire new sellers, the size of our seller base, the services that we offer our sellers.

CHAIRPERSON: Alright and then within that, I mean, I have understood there are account managers that liaise with your

sellers. I mean, maybe just give us a little flavour for the structure beneath that?

MR ZIETSMAN: Hundred percent. So the Head of Marketplace has got direct reports being the team leads within the sales environment. Their main KPI's is to go out and to source new sellers for the platform. We use various channels to do that and it is really efficiency metric driven business. And then we have got an analyst reporting into that head which really just drives insights for the marketplace sellers for us to grow quicker. And account management in its purest form only sits within our strategic account management function where we have got hands on relationship with sellers.

CHAIRPERSON: But I assume within this is, are the people that sellers liaise with when they want to be onboard at all?

MR REID: Yes.

CHAIRPERSON: ...got an issue.

MR ZIETSMAN: That is correct. That are the sales teams, yes.

20 MR REID: No, not issues.

MR ZIETSMAN: No, not issues. They are onboard sellers. They deal with them and introducing them to the platform but the contact environment is dealt with the group contact environment within the customer service office. So the seller support does not sit within my team, it reports to a

separate group executive.

CHAIRPERSON: Alright and then that customer service, you indicated is both the final customer and the seller.

MR REID: Correct. They are different teams but they are handled under one executive because you are dealing with volume and therefore you are measuring and using very similar types of technology to support those parts of the business.

CHAIRPERSON: And I assume they would have KPI's
10 around this, the – well, maybe you should tell me.

MR REID: Well, it is – I mean, contact ratio. So we try and bring down contact ratios on a continual basis. The contract ratio is normally an indication of a problem. So the more contacts you have the more people you have to employ in those parts of the business. Therefore, we try and drive the context down. There are measurements of how long it take to get back to a customer or to a seller as well as the time it takes to actually resolve the issues. And also what we try and term is first contact resolution as well which is a
20 measure.

CHAIRPERSON: And then I would have to liaise with other parts of the business, I assume, if there is something in delivery that is not happening, then there are all those setups.

MR REID: Ja, so highly integrated business. Obviously,

everything affects pretty much everything else. So you are constantly liaising with different parts of the business to solve issues for either customers or sellers, yes.

CHAIRPERSON: No, thank you. Thank you. I think that is useful to understand. I just want to pick up. I mean, it seems, as you seek to suggest from the presentation, that the marketplace provides you, I suppose, variety or – I mean, as I understood it in the sort of online retail world also a long tail of products, unique products.

10 And as you put in your virtuous cycle, that helps attract customers and I think as you have indicated that the marketplace is now doing over 700 000 of these. Is that sort of roughly right?

MR REID: I am not sure about the 700 000. I am not sure where that comes from but marketplace today makes up 54% of our GMV, 5 500 marketplace sellers, yes. And you know, one of the challenges in the business is, as you start the business off and you are trying to build the business and you are trying to make sure that you are providing to anyone who
20 comes to the site, you know, and that product is relevant.

You cannot do that completely with the retail business because you will just be employing buyers hand of a fist and they will just be handling too many products. You know, we have got – at the moment we have roughly 520 000 unique products on the site and that excludes books.

You know, we are in the millions of reincluding books and it is very difficult to try and manage those processes at scale. What you do with marketplace sellers is you enable them to be able to use your infrastructure to be able to set up their businesses and they have in many instances better insight into the products that should sell on the platform because they are closer to the product itself and closer to their consumer.

CHAIRPERSON: So as on the side, just on, I mean, books,
10 there is a lot of – as I understood you, you recently stopped doing this sort of e-books and e-readers. Is that right?

MR REID: We still provide an e-book service in a very, very narrow sense but books is a vast and difficult product to manage. There are many books and we have got lists of books from international suppliers that we feed into our systems to provide books to customers as well as we have certain sellers who sell books on the platform as well.

But as far as the e-reader side of things, we have found that, you know, unless you have a device and
20 everything is pretty much integrated, you know, that ship has sailed. So e-books as such is not a major focus for us.

CHAIRPERSON: And who would be the major supplier of e-books into South Africa from your understanding?

MR REID: Look, I would think that Amazon is actually.

CHAIRPERSON: No, thank you. I mean, I just wanted to

ask why but I think you have answered that. It is the device and the integration. So people look to integrate into a reader and that is ...[intervenes]

MR REID: Ha.

CHAIRPERSON: That is my understanding from what you are saying.

MR REID: We did actually dwindle over time as well. So the physical book has come back into the fashion interestingly enough.

10 CHAIRPERSON: That is interesting. So – sorry, the 700 000 I just took from that last slide, marketplace unique payable products. I do not know if that ...[intervenes]

MR REID: Sorry.

CHAIRPERSON: ...I got that wrong.

MR REID: That is correct, that is correct.

CHAIRPERSON: And as I understood from your earlier slide. Sorry, there is again, you know, obviously we are using because of maybe confidentiality, broad numbers but and it may just be for October but people looked at over one
20 million product listing. So is that the sort of – just over that a rough number of unique products on the platform?

MR ZIETSMAN: Yes, that excludes most of our book lines which you would get through feeds. That would be unique non-book or media items.

CHAIRPERSON: Alright. So marketplace might be at least

supplying about 77% of the unique items.

MR ZIETSMAN: I cannot confirm the exact percentage but you might not be far off.

CHAIRPERSON: Ja, I am just going rough off your presentation.

MR ZIETSMAN: Sure.

CHAIRPERSON: I am interested, just in the retail side, I mean, I think Mr Reid has indicated, he cannot do everything in retail and it is your warehouse as well. And as I
10 understand, you know, with your warehouse space, it is probably precious. You want some faster moving items in there and sellers have maybe some slower items that they sit in their own storeroom and bring when there is an order and maybe fastest stuff is in your warehouse to enable quick delivery.

But when you start a category, I mean, I would imagine you probably go for the big selling items on the big brands that maybe a historic point at least for the retail side of the business.

20 MR REID: Well, I think the – when we – look, so if you look at the evolution of the business over time and this is pre-2014, we had largely retail products and that was largely because we had not launched the marketplace, number one, but number two, because you need to start your business with credible brands.

Once you have credible brands, people are willing to come and buy from you. You know, in the early days we would do things like we could not get supply of baby seats and we would actually go and buy them from a bricks and mortar and sell them for exactly the same price to get credibility on the platform to get people to come to the platform.

So we certainly started the business out of retail and then spread into marketplace and started enabling,
10 largely, because we provide an efficient service to marketplace sellers. So, you know, once you have expended money on the platform and you have created something, you are able to actually provide those services to marketplace sellers at a cost that they cannot necessarily do themselves and that is the efficiency of the marketplace and why it such an effective platform.

CHAIRPERSON: Thank you. That is helpful. So, I mean, you are going with brands because they add credibility. You know, when I come onto a platform, I want to see the big
20 brands and know they are there and brands are popular. I mean, just so that I also understand aside from credibility.

You know, as you decide to sort of now expand the retail side because you have enabled marketplace but you also might expand your retail side. I mean, I am assuming you have expanded retail products. Is that right or am I

wrong?

MR REID: We certainly have expanded retail products over time but we have – it has vastly been overshoot by the increase in the marketplace depths of products. We actually the product, for that matter.

CHAIRPERSON: So what is your, I mean, decision in those teams around what to add to your portfolio?

MR REID: There are certain core brands that you need to have relationships with who do not necessarily want to sell
10 on marketplace who we have to have onboard and those we continue relationships with as long as, of course, they are profitable. And also consistency of suppliers.

So consistency of suppliers is a very important part of this. So if a seller cannot provide, you know, consistent supply into the platform of a particular produce, then we prefer to go retail with it because the supplier of those goods is able to give us consistent supply which at the end of the day is good for the customer and what is good for the customer is good for the platform which is good for the seller
20 and for the retail part of the business.

CHAIRPERSON: Alright, thanks. So, partly it is consistency of supply sometimes if they do not want to be on a marketplace but are there other criteria that you use because, I mean, I am just thinking, maybe as an economist, you have got your own warehouse, you cannot use someone

else's.

I mean, there may be some large items you do not want to keep in your warehouse that you, you ask suppliers to hold for you. But I am wondering whether you – with space being precious, you want something that will move a little faster or is volume not a factor in your decision making?

MR REID: No, sure, volume is part of the factor but it is not a one size fits all. You know, it will depend on the product
10 as such. And largely, as I said, it largely depends on what margin we can make out of the product, what quality of product you are getting as well as the consistency of supply. Fred, I do not know if I have missed something?

MR ZIETSMAN: No, I think that is about right. I think there is one thing to distinguish in that suppliers in general do not fulfil on a lead time model. They do not have the capability. The wholesales, therefore, by definition, with the most popular lines will be in stock through our suppliers and our retail business.

20 CHAIRPERSON: Alright, that is because – ja, suppliers are not marketplace sellers, they will take an order on a monthly basis or every few weeks and deliver in – alright. And do – what the category heads, as you have go them, make these decisions around their category, what they want to stock, what they do not want to stock.

MR REID: Correct.

CHAIRPERSON: And then, I mean, once your sort of looking, I mean, how do – I just want to understand how those category heads go about identifying what products to stock because, I mean, one thing is obviously the brand and what is an important brand in retail but they also, I presume, would know what customers are looking for from what customers search on the platform.

MR REID: Yes, the search is one of the factors that does
10 feed into looking at whether something is something we want on the platform. It is a lead indicator. But you know it is unfortunately not that much of a sophisticated system as such because it is very much like traditional retail. You have got buyers. Buyers have certain knowledge. They also have certain relationships with suppliers.

Suppliers will be presenting products to the buyers on an ongoing basis and they will be making decision ons that. You know, when people could travel, they will be travelling to fairs and that type of stuff to understand what is
20 happening at these fairs to get product knowledge but a lot of it sits within the capability and the knowledge of the buyer, him or herself to understand what needs to be pulled into stock.

We, obviously, have systems on replenishment and the amount of stock we purchase and that type of stuff but it

is largely a skill, unfortunately, which is a human skill and you know sometimes we make mistakes on those.

CHAIRPERSON: So this part of the business is a lot more like classic retail. You know, you have got so much shelf space. You have got to make decisions and buyers are, I suppose, highly skilled in that sense if trying to make those decisions. Everyone makes mistakes but hopefully they are better than the rest of us.

MR REID: Yes, very similar. You know, the shelf space
10 limitation is not necessarily there but you do not necessarily have the ability to bring in lead time to increase your shelf space. So if you cannot fit it into the warehouse, you cannot sell it effectively on the retail side, to a large extent. Fred, I do not know if I am wrong there?

MR ZIETSMAN: Ja, correct but I think more importantly we do only – give every buyer a limited amount of money, working capital that they can trade on and what they do with that is up to them. If they do not trade well with their money, they get less money, if they trade well, they get more. So it
20 is all about working capital management as well.

MR REID: Ja.

MR ZIETSMAN: Not just face.

MR REID: It is a typical open to buy system.

MR ZIETSMAN: Correct.

MR REID: That is retail run.

CHAIRPERSON: Yes. I mean, I understood you, buyers are often on a kind of commission basis around performance or was that none?

MR REID: It is not a bad idea [laughs] but not is not something that we apply in our business.

CHAIRPERSON: Alright, but they get a working capital allowance which they get to work with. They do well, they grow. They do badly, they shrink. The – I mean, I am just intrigued as to how you manage space because you
10 obviously have got marketplace sellers you want to get into your warehouse. You now have got buyers and there is only so much space. And so, I mean, do buyers also get an allocation or the category gets an allocation or how does it work?

MR ZIETSMAN: Yes, if you break it down to the details especially in ours how it reflects over the last two weeks when we entered our maximum stockholding position for the year. Each buyer, whether on a level 1, level 1 would be TV's. They get a cub allocation, space allocation within the
20 DC and they need to make do with that. We have got regular operational meetings where we get check, which category is overstocked, understocked and we optimise the cube that we have got to our – that we can use.

CHAIRPERSON: And I mean, roughly how much of the warehouse is retail because you have allocated deed

category, I suppose.

MR REID: I do not have that number.

MR ZIETSMAN: I cannot give you an exact number. I would rather give you an exact number if we meet you again in Feb'.

CHAIRPERSON: Alright, I just needed a rough order of magnitude. I do not need an exact. So I do not know if you have got that?

MR ZIETSMAN: No, I rather give you the exact number. I
10 do not want to speculate.

CHAIRPERSON: I mean, marketplace sellers are advised about whether there are going to be in stock as in warehouse or on lead time, I think is the terminology, where obviously if a sale comes through they must deliver to the warehouse in order for it to be fulfilled. So if the retail arm is limited, I assume, marketplace is also limited? I cannot as a seller say: Listen, I want to be in your warehouse. You are going to make some assessment as to whether I can be there or not.

20 MR ZIETSMAN: At the moment, we – the sellers, it is to their discretion whether they want to stock our DC. Obviously, one of our key conversion drivers is to get more sellers into the DC so that customers can buy more regularly.

CHAIRPERSON: But if there no space, I mean, that is a

consideration or is it not?

MR ZIETSMAN: Ja, look, we need to make use of the space we have got. So we continuously optimising the model and as I have said earlier, it is really evolution of our business.

CHAIRPERSON: I mean, another source for your buyers, obviously, would be what sellers are selling and how well they are selling. Is that something they have access to?

MR ZIETSMAN: So the buyers can look at the platform and see what trades. Yes, correct.

10 CHAIRPERSON: Alright, because that is all in one division, ultimately.

MR REID: Correct.

CHAIRPERSON: I just want to understand. I think you... Sorry, is it Mr Zietsman? I mean, as you put it, once your – once in the retail side it is a kind of margin and stock risk, I think you put it. So to think of the marketplaces, it is almost like consignment stock. You have not actually purchased it. It is sitting on your shelves, if that is a retail term that is appropriate used? But when you order from suppliers for
20 retail you have got to take on the stock, so you use working capital for that and that is, I suppose, why the buyers have a working capital assignment. And, ja, what you get in response though is a margin on that when you sell it.

MR REID: Correct. Like all other retailers.

CHAIRPERSON: Ja-no, and that is what I would

understand. I mean, is the consignment example a good one for marketplace? It is sort of – may taking up some shelve space but you have not used money to purchase it and you are not on risk.

MR ZIETSMAN: Well, I think we risk of inefficiencies. That is the only risk we have got.

CHAIRPERSON: Yes-no, obviously, I mean that must be true. You do not want stuff sitting around forever because that is costing you money. That is a warehouse space.

10 MR ZIETSMAN: Ja, opportunity cost.

CHAIRPERSON: True. So what else could be selling and that is a classic retail. So although you are a warehouse, I suppose ultimately, there is some – still basic retail principles that apply.

MR REID: Absolutely.

CHAIRPERSON: So, I mean, just to understand. Obviously, on the retail side you said that things like top line growth, margin, rebates, et cetera, all factors that you assess, that part of the business on. So if your products do not move,
20 then much like again retail, you know, you probably are going to do worse because you are tying up working capital.

You are not making the margin as well. You are tying up shelving space in your warehouse. And a lot of retailers look at stock turners. It kind of measure that – I mean, is that a fair reflection for you?

MR REID: Yes, it is a fair reflection. I mean, look, if you have got slow moving stock, you have got a few choices. You either leave it in the warehouse which costs you money or you start shifting it out and you start diminishing margins and you start selling at discounts. So it is a typical retail model.

CHAIRPERSON: Ja, and that is why the buyer skill is important because ...[intervenues]

MR REID: Correct.

10 CHAIRPERSON: ...as you have said, if you have got deadstock you got to discount it heavily to get rid of it and there is an opportunity cost to that. If your buyer is good then hopefully the stuff moves and you get the stock turns you want.

MR REID: Correct.

CHAIRPERSON: I just want to go to your buy box and I must confess this was a concept that I was not very familiar with before we started this inquiry but I have slowly think I have understood it. But even looking at your example, I
20 think you have indicated price and availability were the two factors.

MR REID: Correct.

CHAIRPERSON: And by availability, I mean, as I understand is, it has got to be available immediately. So the stuff on lead time is not going to win the buy box.

MR REID: No. So, Fred, do you want to go through the...

MR ZIETSMAN: Ja.

MR REID: So, look, it also depends on price. So perhaps you just want to go through that quickly?

MR ZIETSMAN: Correct. So the buy box takes into account, as you said, two factors, price and availability. If a seller on lead time, they can still win the buy box by undercutting the price of our in-stock item by a fixed percentage. I think through iteration most sellers have got
10 derived at what that percentage is. The rationale behind that is. What we now and see is that in-stock item convert better. So it is ultimately supplying and showing the customer the best possible option for them.

CHAIRPERSON: Alright. Because another thing, in your slide example there was a cheaper product, it is only five rand cheaper but it ships in five to seven working days. So presumably that is not far enough below the better price in order to win the buy box?

MR REID: Right.

20 CHAIRPERSON: And you said that percentage difference and I assume from the way you are talking it is confidential but some surprise may discover this through trial and error.

MR REID: Well, it is not something that we have changed, I do not believe, for years. Ja. And it is not a secret source, so people can derive that.

I think what is important is that ultimately this – it is a non-discriminate way to actually get the best price or the best offer to the customer. This was most important for us. At all times we are trying to get the best offer to the customer because the best offer to the customer will be positive for the platform and positive for all the participants on the platform.

CHAIRPERSON: Yes, and I – I mean, I understood this was a sort of an Amazon thing but as you say, customer
10 conversion and this is where everyone supplies exactly the same products. So it is not different varieties of the same product.

MR REID: Correct.

CHAIRPERSON: It is exactly the same.

MR REID: Ja.

CHAIRPERSON: I mean, just a sense, you know, obviously your Takealot retail is generally always in the warehouse because it is your product and that is where you store it. So it is not going to have that lead time issue compared to some
20 sellers. Some sellers may be also be in the warehouse and so they do not have that lead time issue either. But, I mean, can you give us a sense of whether this, in giving the customer the best fit, does in some way advantage Takealot retail on whether they are in the buy box position more often than they not.

MR REID: No, there is absolutely no advantage to Takealot retail on the buy box. There is no code that promotes Takealot above anyone else. And I think we have got to step, you know, just one step back from this and have a look at how marketplace has grown as a percentage ...[intervenes]

CHAIRPERSON: Sorry, Mr Reid. Can I just...?

MR REID: Yes?

CHAIRPERSON: I did not ask if there was a code. I am
10 just saying and asking. So the question I asked was whether, you know, being in stock matters because if you are not in the warehouse, you have got to beat by a percentage margin.

The fact that Takealot retail is in stock because it is in the warehouse, that is where you store it, and I said that other sellers may not be in the warehouse but others may will be as for – per your example.

So I am just asking whether that provides some advantage or not. I am not saying it is bad for the consumer,
20 I am not saying anything else, I am just asking that question. So maybe if you could answer that question?

MR REID: Well, the fact that is something is in the warehouse, if your pricing is good and you are in the warehouse, the you are going to beat something where the pricing is good and is not in the warehouse. I think that is

the only way to answer that.

CHAIRPERSON: Ja, that is what I would assume and obviously you are always in the warehouse and some of the sellers are not always in the warehouse.

MR REID: Ja, I think that is natural. I think we have spent quite a bit of money in building the warehouses and therefore we stock in our warehouses but I think that we have got to be quite clear on here and I really do not have the percentage off hand but there is a large percentage of
10 marketplace sellers who actually are in the warehouse.

You must also recall or note that some marketplaces do not want to be in the warehouse. They do not necessarily want to pay a warehouse charge. We are paying a warehouse charge for any retail stock that sits in our warehouse. And you know as is the model for marketplace, the services that are provided to marketplace sellers, we try and do on a cost that they cannot do themselves.

But warehousing is one of those costs which, if they want to be in the warehouse, they are going to have to pay
20 for warehouse costs and we recover our cost based on that.

CHAIRPERSON: Ja, and that is how I understood the advice you give marketplace sellers. I seem to remember something that says there are pros and cons of being in the warehouse. The pro is you are more likely to get a sale conversation because you are not on lead time and

consumers prefer that and obviously in some of their things like a buy box there is – that factors in. But if you are in the warehouse you may be at risk of incurring warehouse fees especially if you are not good at managing your stock.

MR REID: Correct. And we have had certain sellers who over time seen it fit to, you know, use our warehouse services for stock that they do not necessarily want to warehouse themselves which never moves.

So that is not good for us as a business, it is not
10 good for us a platform but we certainly never have any incentives to impede our sellers on the platform. I mean, you know our growth and our sellers strengthens the platform as such.

I think that is very important to understand is that the better the sellers join the platform the better the platform is, the better – the more value the platform has.

CHAIRPERSON: Sure. Is this ...[intervenes]

MR REID: Yes?

MR ZIETSMAN: Oh, sorry, Hodge, can I add something to
20 that conversation?

CHAIRPERSON: Please go ahead. Sorry, I was not looking up.

MR ZIETSMAN: So just as a matter of clarification. We do have incentive sellers to stock our DC's by given them free storage if they are efficient. If their four days' cover is lower

than 35-days, which is to your earlier point, a retail efficiency metric, they never pay storage fees.

MR REID: I think that is a very important point, ja.

CHAIRPERSON: Ja, that is what I understood. I mean, just to this point of stock sitting. I mean, is this – I see recently you introduced a storage escalation fee. Is that to stop people squatting in your warehouse?

MR ZIETSMAN: Ja, we normally introduce that over the seasonal period where the opportunity cost of having the
10 wrong item in the DC and too much of the right item, it severely hurts our business but we – that is not a new concept. We had that last year as well.

CHAIRPERSON: Alright, that is for the high demand period, this October through to December.

MR REID: Correct, yes.

CHAIRPERSON: I mean, I just want to go to that because I mean, I think I should be especially grateful that you are here on Cyber Monday, probably one of the big days as well and you may have had to prepare over Black Friday and the
20 weekend. But this is a major – well, it has become a major sort of time for online and probably even retail. Everyone sort of lays claim now to Black Friday.

But this is a time when you have got to decide what you are putting on promotion. I assume you have got to prepare for that by engaging with suppliers and there is

leads time to that in order to ensure that you have got stock because you do not want to put something on big promotion and then no one can buy it.

So it seem this is – I mean, the build-up to this month, because it almost has become a month now, with Blue Dot sales and things like that. I mean, it must go back quite a way, the planning that is undertaken.

MR REID: Fred, are you going to take it?

MR ZIETSMAN: Ja, correct. We normally start somewhere
10 in August, late August, beginning September on the retail business. I think we continue with that up until in some cases the day before the campaign starts just – especially this year with stock supply being in short supply given the global trade, a slowdown in terms of containers.

I guess you are all aware of that. But for the marketplace sellers we allow longer lead time. We start that conversation earlier. We actually expose our calendar quite early to the marketplace sellers to allow them have visibility of what we are going to do when in order for them to plan
20 their stockholding accordingly.

CHAIRPERSON: So is this – when you say expose your calendar, this is the platform around, we are going to have a Blot Dot sale here. I mean, they all know about Black Friday and Cyber Monday but is it sort of the lead up of different specials?

MR ZIETSMAN: Ja, it becomes a bit more specific where we share with them the categories that we will be promoting on certain days. They will then have upfront knowledge as to when their stock needs to be in the distribution centres. It is just to help them ease into the seasonal period.

CHAIRPERSON: Alright. And for your own buyers, I mean, it is interesting you mentioned this, ja, global supply chain issue. But I suppose they have got to be talking to their suppliers and deciding what should be put on special and
10 making sure they get stock because the lead times and disruptions may be there or – I mean, is that right?

MR ZIETSMAN: Ja, I think that principle holds for all retailers. I think in some cases Takealot is still on the backburner for some of the big brands. They deprioritise our channel and they prioritise the bigger bricks and mortar channels in terms of stock allocation. So I think our conversation is quite an aggressive conversation to at least get some stock in, yes.

CHAIRPERSON: Alright and this is, I mean, this is your
20 peak because everyone is wanting to put in stock because there are things that are going to move. So this is your real crunch on your warehouse and your space. I assume that is – well, I mean it follows but – I mean, so for your retail guys, I mean do they still get the same space allocation or is there a change for this peak period?

MR ZIETSMAN: We keep the space allocation consistent. Obviously, certain categories like TV's, laptop, larger appliances, those items that customers have been waiting for, we might make the discretion and call to increase their space allocation just due to the nature of the consumer buying an interest over this period.

CHAIRPERSON: So is, I mean, just out of – so is Black Friday more so associated with electronic purchasing or big ticket items? Is that what customers sort of go for, the
10 expensive things that – not the cheap things that they get a bit cheaper but the ticket item that they have been waiting for?

MR REID: I think it really depends on the customer, right. You have got – if you look at the execution and the grocers, they sell everyday items like Omo dishwashing powder on a Black Friday deal. That is a requirement for that specific customer. It might that be certain customers would like to buy TV's and laptops because the absolute rand saving makes sense to them.

20 CHAIRPERSON: Ja, you know, I was just asking more from your side. I mean, groceries is not your main line.

MR REID: We see a variety of products being purchased over Black Friday and Cyber Monday but I mean Cyber Monday traditionally supposed to be aimed at technology and technology products but often what we find over these

periods is whatever the main thrust of the promotion is, it has a halo effect over the whole platform. So you get people, you know, buying toilet paper on Cyber Monday. It is indiscriminatory as far as customers are concerned and but this period over the seasonal period, there are more large ticket items which are purchases which is traditional, I believe, for retail in this country.

CHAIRPERSON: Alright, thanks. No, it just helps to understand and I appreciate the halo effect that it, you know,
10 deals are to be had on Takealot, so more customers come and see what is on offer and the more offers the better the customer, I suppose, feels about the platform.

The – I mean, we have heard from some marketplace sellers that you have to apply for a promotion and you will not necessarily have a promotion accepted. That was my understanding. I mean, maybe you can just talk us through that process?

MR ZIETSMAN: Yes, sure. So in order to protect the integrity of our promotional campaign, meaning that we offer
20 customers credible prices, we do have certain key requirements for sellers. The same requirements hold for our retail business. For example, we will require the seller to add five or more items. That is just an arbitrary amount to – in order to qualify because we do not want the promotion want to run out in the first ten minutes.

That is just bad customer experience. There is price point requirements in terms of discount but I think it is fair to mention that the same criteria holds throughout the whole business.

CHAIRPERSON: I mean there is minimum requirements but as you said this is the biggest pressure point. So not everyone is going to get it approved. So there are other factors that must come in. Is that not right?

MR ZIETSMAN: No. So we do offer our sellers a lead time
10 promotional capability. In fact, the majority of our sellers choose to opt for that. So they allocate stock to our channel and our promotional campaign space on a lead time model.

CHAIRPERSON: Alright. So I understand from your answer that there is no – if I am on lead time, as it is sitting in my warehouse as a seller, then as long as I have met some basic requirements I am in. But if I want to be in the warehouse, then there is a restrict on space. So there, I mean, you have got to make some choices as I would understand it.

20 MR ZIETSMAN: No, we do try to accommodate everyone in the DC and we are fairly successful at that. I think to my earlier point, if we can have more sellers in the DC it would be to our own benefit and to the benefit of all the participants on the platform. Unfortunately, we do not influence them in terms of when and how they stock. They

do that themselves.

CHAIRPERSON: Alright. Because I mean I understood from what the sellers are saying is that some of their promotions are not approved and so they are not able to run them

MR ZIETSMAN: Sure. As I have said some criteria holds. If they applied for less than a specific amount of units, we will decline because to my earlier point, the customer experience is really poor if you only put one item on
10 promotion. So ...[intervenues]

MR REID: I think it is also important to understand the ideas around to these things. So perhaps when we are *in-camera* we can actually understand the detail around these types of things. It is very difficult to speak to you if it is an isolated incident what the actual incident is without actually understanding the detail of who the seller is and what the issue was.

CHAIRPERSON: Ja, I have got nothing specific. I just want to understand the cause, as I said, you know sellers
20 indicated that their promotions were not always accepted and I just wanted to understand whether there is a space limitation or whether, you know, there were other factors that were taken into account. That was all.

MR REID: No, again, I think it is very difficult to speak to something like that without understanding the exact detail.

CHAIRPERSON: Alright. We will deal with that *in-camera* then. I mean, we have also heard from sellers that they sometimes get approached by suppliers asking them to raise their price in order not to be cheaper than Takealot retail are they in competing for the buy box or the like and we have heard this from a couple of sellers.

MR REID: Ja, so perhaps we can address that directly. So we run a platform which that does not discriminate between retail and marketplace. We evaluate our retail division on
10 the quality of their sales as well as the margin that they sell at.

So I am quite certain that some suppliers will be put under pressure to match certain pricing if the retail part of the business is not able to match the marketplace price which is natural in a platform like ours and it is to the benefit of the consumer.

I think the point around this that needs to be made is that the supplier has an option. The supplier can either give us a better price or they can apply pressure on
20 marketplace. If they decide to apply pressure to a marketplace seller, that really has got nothing to do with us.

It is not something we encourage or even have a discussion about. We are speaking to the supplier and we try and get the best possible price for the consumer at the end of the day.

CHAIRPERSON: Well, I just wanted to understand that because you do not seem to be too concerned about this. I mean, your buyers are engaging the suppliers and they are assessed on their sales and obviously that whole division is a cyst on margin and top line performance as well.

So, I mean, I would assume a buyer who is trying to improve their performance may have an incentive to go to the supplier and say: Hey, give me a better price well I want to understand why this other guy on the platform is beating
10 me on Takealot retail.

MR REID: Absolutely. And I think that happens. I wouldn't say often but I'm sure it happens and I actually do not see anything wrong with that because the supplier had to make the decision at the end of the day. Remember we do not have any market power. So that supplier is supplying into much larger retailers than us.

We sell a small but percentage of their product on our platform, on our retail site. And if a buyer goes to a supplier, that is a national discussion. It is the same as and
20 I know I used Bakers the last time I was on this hearing - in this hearing and let us use this again.

So if, you know, Grocer A is selling Bakers biscuits for a specific price and Grocer B is undercutting him, I can guarantee you that that particular buyer is going to have a discussion with this apply it is say: Hey, I cannot seem to

get to this price. What are you doing here? Okay.

Now the supplier has the option. The supplier can decide to give that particular grocer a better price, okay, or change their pricing structure with the other retailer, effectively. It is exactly the same with us. We do not involve ourselves between discussions between the supplier itself and the marketplace seller.

And if you have proof of anything like that happening, we would like to know about it because it is not
10 something that we would encourage at all. It is vitally important that we understand that the success of marketplace on our platform is what our platform is about.

The most successful marketplaces on our platform, the stronger the platform becomes, the more successful the platform is. We have no incentive to do anything untoward towards our marketplace sellers. Do we have service issues? Absolutely. We have – we understand our service issues and we are busy working towards those service issues.

20 CHAIRPERSON: But it would concern you if marketplace sellers are getting their prices pushed up as a result of high pressure.

MR REID: Well, I cannot speak for the supplier. So, again, I have no control over this. As a business we do not have market power over suppliers. In many instances market

power over us than we would have over them.

CHAIRPERSON: Alright, but it – I mean, I think – look, I think the point – the real point is that, you know, your buyers are incentivised to perform as they should be that may unleash from then a desire to ensure that they can win out in these games because the longer their stock sits in the warehouse, the more it cost you and the war working capital it cost them and they have a limited budget of working capital.

10 So, I mean, the way that it is set up, those incentives, may provide them a reason to go approaching supplies on these things. And we do not know what they are saying to the suppliers. I do not know if you do?

MR REID: No, I certainly do not know what they are saying to suppliers but I would like to understand how that is different from, you know, say for instance a buyer going to have a discussion with Supplier A who supplies, let us say, Massmart and Massmart is getting a better price. You know, they are going to have exactly the same discussion.

20 CHAIRPERSON: I mean, as I understand from of what you have said in interviews is that obviously some of the benefits of having retail and marketplace is that you have got many salads competing for the consumer and the buy box, I suppose, is the most stark version of that. It is the exact same product and only someone gets the big picture and the

click through.

MR REID: Well, it is not necessarily only someone who gates. I mean, the customer has the option to choose the additional options that they have at the buy box, they can choose from others but I would be - I wouldn't be the one saying winning the buy box is not the primary consideration for a consumer.

CHAIRPERSON: Ja and sorry, I used the buy box, maybe just as an example, but it is more the general principle. You
10 have got people selling the same products or close substitutes on the platform and you know they are trying to win the consumer over too. So you benefit from that competition and the consumer benefits.

MR REID: In many instances it is not necessary to our benefit to win it in retail. In many instances it is better for the platform for marketplace to actually win out. So I think that is, you know, it is not binary in any sense.

CHAIRPERSON: Mr Reid, sorry, I did not ask you a question of whether it is good for you or not. I just asked a
20 question that is a benefit of a platform with marketplace and multiple sellers. Is that not a benefit to the consumers?

MR REID: To have multiple sellers? Absolutely.

CHAIRPERSON: Alright, But when products are gated you do not have that anymore, so when they become exclusively through retail.

MR REID: Correct. So, I mean, the gating of products on our platform we do not have that necessarily on our platform. No, it is not that it is not on the market but not on our platform. Yes.

CHAIRPERSON: Well, as I understand what gating means east at the marketplace sellers cannot sell that item or that brand.

MR REID: No, so we have actually got examples of sellers actually getting us as well. So it's not about - getting is a
10 supply issue. It is not a Takealot issue. So, effectively, we do not get products. Suppliers and sellers gate products. They are the primary distributor of certain products. They have certain rights to be able to distribute those products. And then we got to have to make a decision whether we are going to put it into retail or into marketplace and we are we going to get supply from.

Now if it is coming from a supplier who wants to gate, we have to then consider all we going to be able to give the product to the consumer on a consistent basis which
20 is one of the primary considerations because it is coming from that particular source and that is the primary source of the particular item.

If they then say: Look, we do not want you to sell it on marketplace, or, we do not want you to sell it on retail, for that matter, if it is a seller, we consider that and we make

the decision but the power sits with the supply or the seller.

The power does not sit with us.

CHAIRPERSON: Well, I just want to ask. I mean, you have obviously saw or your team saw those sellers who came but – and I cannot remember the gentleman from Romtech's name but I mean he provided emails around the Xiaomi. I will never get this right. But that email in response because he had stock of this smartphone brand which I believe is now growing. But he had stock and he was, I think his stock was
10 delisted and he queried this and the response was:

“Dear, Seller.

Thank you for your reply.

Top management at Takealot.com has decided not to allow any marketplace sellers to list the Xiaomi brand products on Takealot.com...”

MR REID: Yes, so I would prefer not to speak about brands and we can speak at length about brands *in-camera* because obviously the supplier agreements are confidential. But again, you know, reference to top management will be a
20 reference to our agreement that has been struck and if I supplier has said to us: Look, we want to sell the product on the platform. We do not want anybody else to sell it on the platform. If you do not take it from us, well, you are going to have to get it from somewhere else.

Our choice is simple. We know that that particular

brand sells and is the primary supplier of that particular brand. If we want consistency for our consumers on the platform then we have to take it otherwise we are going to have to take our chances and hope that a – in this - in your instance, the marketplace seller can actually provide consistent supply and that is often something that we are not going to take the chance on because of the fact that it is actually supplied through one particular place.

CHAIRPERSON: Look, certainly that email is worded as
10 management but I mean there are benefits also for you being
the only supplier. I mean, there is not that pressure. You
can probably plan with that brand holder promotions. I
mean, these are the kinds of things that normally happens in
retail that, you know, periodic promotions and product
launches. I mean, do you not also in discussing with the
brand give him the pros and cons of the gating?

MR REID: So, I am not really aware of any discussions with
any brand of the pros and cons of gating. I think the one
important point to point out is that, as soon as we take
20 something on retail we take this stock risk and we take up
quite a significant stock risk in that. So it is not a decision
that we take lightly as to where we need to go based on what
the supplier's requirements is concerned. I think it is very
important to understand this is a supplier requirement not
Takealot requirement.

CHAIRPERSON: I am just saying that there are benefits to take a lot because as you said you are on stock risk. You know, if a marketplace seller is undercutting you in your stock is not moving as fast and that is your risk.

MR REID: Sorry, Mr Hodge, I missed that. Could you just repeat that please?

CHAIRPERSON: I said, the question is more, there are benefits to Takealot too if it is a gated product because, as you have just indicated, you are on stock risk and if you are
10 getting undercut then, you know, you sit with those costs and those risks. So it is not as though it is completely against your interest to do that.

MR REID: Well, you know, it does not really - I really do not understand the point because effectively we are still competing in an environment. This is not an exclusive product only on our platform. This is a product which is applied freely into the market to bricks and mortar which we compete against and I would presume other on line platforms as well. So the consumer can go and buy the product
20 anyway they want to. This is an instance which he supplied from a supplier on our platform effectively.

CHAIRPERSON: Ja, I think the point is more of I see if I am buying it on your platform, you know. Less pressure from other sellers and also more control over your risks.

MR REID: Ja, I do not think we have much control over the

risks. The stock risk still remains. We still have to make a buying decision as to how much stock comes in. The supplier does not going to treat us any differently there. But again, you know, we do not exist in a microcosm, we exist in a highly competitive retail markets.

So the pricing of that product, we will be constrained by the pricing of the product in any other channel that it sells in. And, in fact, in this particular instance that you are talking about it is a highly, highly
10 competitive market which is very difficult for us to compete in at all, actually.

CHAIRPERSON: I just want to ask about fulfilment fees because you have got success fees for sellers and then you have got fulfilment fees which is, I mean as I understand, logistics costs. So it is free for logistics. So for the delivery of the item and this is item based and you kind of have got to wait and size the factor much like, I suppose, courier type companies.

MR REID: You want to take it, Fred?

20 MR ZIETSMAN: Ja, I think It is important to acknowledge that it is not just the last of our fulfilment fees that we are recovering from sellers, it is also the inbound receiving, the packing away and the storing and the filing of the stock, the eventual picking of the stock, the packaging, the box that we put the item in, the dispatched through our milk trucks to our

branches and then ultimately the last mile component of it.

MR REID: And what is also important in that fee structure is that it is very difficult for sellers to find that service at a cheaper price

MR ZIETSMAN: H'm.

MR REID: Ja.

CHAIRPERSON: So just so that I understand it. The recovering, obviously. Inbound receiving, picking and packing. So that is putting it into a Takealot box and sealing
10 the box and then putting it in, you said you have a milk truck to your ...[intervenes]

MR REID: Milk, ja.

CHAIRPERSON: ...to your branches. So it is sort of, I suppose, hub spoke type model. You go to a branch and then they go out to everyone. So you have got a big central we house but you have got other places then?

MR REID: correct. So when you look at the logistics side of things, we have got central warehouses. The central warehouses will pick and pack and receive, pick and pack
20 and ship items, they will be dispatched in vehicles which go to specific locations which are largely hubs. Some of them do actually still go to external couriers. Those hubs are franchisees and then those franchisees will be spider out directly in the last mile to the customer.

CHAIRPERSON: Alright, yes, no, I mean, I think we have

discussed this with, obviously, Mr Di as well, those franchisee models for the final last - that is the final last mile, that is where they predominantly operate, not the bigger logistics reach all trunk reaches, one might call it.

MR REID: no, so the franchisees are doing last mile only and they are also doing collect. So they also have delivery hubs as well. Collect outlets as well.

CHAIRPERSON: Alright, ja. So they - you have got to pick up points, that is what you mean by the collect?

10 MR REID: yes, yes, thank you. [laughs]

CHAIRPERSON: I mean I just wanted to understand because just look at your slides, you are doing about - I cannot read it off - 1.2 million orders per month, I assume, from consumers and you are moving about 2.6 million items. So ...[intervenes]

MR REID: It is based on October's numbers.

CHAIRPERSON: No, that is what I understood, ja. So it is roughly what, 2 items per delivery order?

MR REID: It is actually slightly more than that but again
20 those are details that are preferred to remain confidential and we can discuss them in detail later.

CHAIRPERSON: The - I mean, the - so, I am just trying to understand. Fulfilments are done on a per item bases but obviously, like the last mile, it might be a single courier with a single order that has multiple items in it

MR REID: Correct.

CHAIRPERSON: So I understand, I mean, can they be a sense of over recovery then if some part of a - I am charged on an item that goes with a whole lot of other items?

MR ZIETSMAN: Ja, maybe I can address that. So you will see on our charging structure we do accommodate certain categories at a lower charge. I think there is R 25,0 and R 30,00 charge for non-perishables And health related products. The logic and rationale there is that in setting that
10 recovery structure, you look at the orders that normally contain those items and those orders normally have a higher amount of items in the orders and therefore we give the discount to the seller.

MR REID: And again, I think at all times what we are trying to do is we are trying to provide the service to the seller at a cheaper cost than they can do eat themselves. That is ultimately how we are trying to build the business.

MR ZIETSMAN: Ja, we do not differentiate between regions, whether it is remote or urban centres, we charge the
20 same fee. So we ship to the borders of the country for the same fee as we ship to Sandton which is very different to the courier business which charges differential rates depending on how far and where it goes to.

CHAIRPERSON: So, sorry, health related, are those the kind of things I pick up in Clicks and Dischem in in a normal

brick and mortar store?

MR ZIETSMAN: Correct, they tend to be in larger baskets if the price points are lower.

CHAIRPERSON: Alright. So for those categories, at least, you have factored in the - that kind of package and the multiple item orders?

MR ZIETSMAN: Ja, we do it for all.

MR REID: Those are done for all.

MR ZIETSMAN: Ja.

10 MR REID: Not just for those, it is done for all.

MR ZIETSMAN: It just illustrates the principle quite clearly.

CHAIRPERSON: Alright, sorry, then I misunderstood. I thought it was these two categories ...[intervenes]

MR REID: No, we are not trying to over recover anything in our business. We are trying to provide a service at the lowest cost for the seller because what that does is, it drives into the platform because they get a good service out of the platform and therefore would want to sell on the platform.

20 So there is no incentive for us to, you know, extort cost out of sellers in these types of systems because that will harm the seller at the end of the day and if it harms the seller at the end of the day we lose a seller on the platform, it weakens the platform.

CHAIRPERSON: I mean, the chap from Romtech had a specific complaint about the drop shipment which if - I

mean, maybe you can explain to me but I understand that someone from the warehouse picks it up from his warehouse and takes it to the customer or maybe these aggregation points.

And his complaint was that it is charged per item when, you know, it is all in one box because he has boxed it and it is the dimensions and weight that sort of deviate then, he is charged. He feels he is charged multiple times.

MR REID: Sure. Maybe I can elaborate on exactly what our drop shipping model is? I would drop shipping model allows sellers to send or actually our Takealot delivery team pick up an already ready to be ship box from the seller which contains all - we basically outsource our warehouse into the sellers.

They pick and pack the box, ship the item, Takealot delivery team will collect it, we charge them a lower handling fee because we believe that is fair because we do not do the inbound receiving, the filing, the picking and the packaging, eventually the packing and dispatch of the item. So we give them a reduce charge.

However, for the inbound leg into our dispatch areas and our DC's we charge them a fee but again to Kim's point, that fee is fair and actually undercuts the market in terms of three power alternatives that the seller will have. That is the whole rationale behind the charging model.

CHAIRPERSON: Well, that is just what I wanted to understand because obviously he did not think it was fair but it goes back to this per item versus per box within the item.

MR ZIETSMAN: Ja.

CHAIRPERSON: And he said he was being charged per item and he felt it should be on the box because it is a specific weight and size and normally that would be the basis.

MR REID: Well, I think if you ask any seller does he want something done cheaper, I am sure he does. I think the
10 question has to be asked is. Can you get it cheaper elsewhere? So, if he was doing it himself, could he actually get a cheaper price? We, certainly, are not extorting money out of sellers in this regard. We believe our pricing is fair and it is also based on our cost structures and we are passing on those costs to the sellers.

CHAIRPERSON: Alright. I do not know if we can take it any further. I was just trying to why it is per unit if things were multiple packed but I am not sure you felt it was fair but I am sure we can engage in private about that. Then you
20 have got a number of marketplace testimonials. I am assuming they did not bang on your door. So maybe you can just explain how you selected them?

MR REID: Sure. So, I mean we are not going to go into the detail of how we have selected them. You are a whale of the correspondence that has happened between us over the last

month or so. The fact is that what we did with our marketplace sellers is that when we were requested by the Commission, we had to go to marketplace sellers to get certain answers because we had to reply to your request. This is one of the processes that we followed.

We never said that this is a statistical sample and statistically relevant. We, however, gone out to find out to assist both the Commission and ourselves what marketplace sellers are saying and you know we are happy to have this
10 discussion again *in-camera* in detail because we have – there have been various admissions in this regard over the past month or two.

CHAIRPERSON: So, Mr Reid, I just want to ask. I mean, you have put this in the public domain, so the public, I think, deserves to know how you have selected these testimonials.

MR REID: No, we certainly did not put this in the public domain. The Commission actually put this in the public domain we were accused of intimidating our sellers at the time.

20 CHAIRPERSON: No, I am just talking about your testimonials in your presentation. That is you putting it in the public domain.

MR REID: Ja, sure, so we have heard from sellers in this Commission. They have given one view and we have taken the results of what we have had a look at and we have given

another view. As I said, this is not meant to be - we have not portrayed this as a statistically relevant sample, I do not believe.

CHAIRPERSON: Sorry, Mr Reid, but with all due respect, you are being very evasive here. You have put testimonials before the public and I'm asking you how you selected those sellers.

MR REID: And as I have answered before, we have replied to you in writing exactly how we have selected their sellers.

10 CHAIRPERSON: And do you not think that the public have a right to know because you are trying to market this to the public. So should they not know how you have selected them?

MR REID: No, I do not believe the public should now how we have selected them. We have portrayed these - as I have said, we have not said that this is a statistically we live at sample off sellers. We have gone out based on your request, the Commission's request, on certain information that you required. We have gone out to get that information
20 and this is what we have come up with. We said we have done 10 sellers and we have represented 5 here. I am certainly not being evasive at all.

CHAIRPERSON: So, look, I think, I mean, just for the record. We just ask you for the top 10 and the bottom 5 unless you are telling me these are those. This is not a

request from ourselves. Is that ...[intervenes]

MR REID: Mr Hodge, I have answered the question three times now.

CHAIRPERSON: No, look, Mr Reid, to be very frank with you, you have evaded the answer three times or more because, I mean, if you want the public to know - this is not even a sample, this is a selection and so I think the public should know that because then they can assess it in their own right that you have put it before the public. You have
10 made it nonconfidential.

MR REID: [No audible reply]

CHAIRPERSON: look, I think the public will draw their own conclusions from your silence and evasion. Let us just look at what I said. So, I mean, either though they have their own online they want to be on Takealot because you have a national consumer base and you have a large platform, many customers that all going to drive their sales. They are not going to reach them through their own online. I mean, that is what marketplace Seller A, B and C will say, is that not
20 right?

MR REID: It is clearly one of the advantages to be on the platform, yes.

CHAIRPERSON: Yes, because I think we have heard throughout these public hearings, you know getting some front page real estate on Googles search is fairly difficult

and small because obviously that real estate has been turned into advertising and it takes money to get appearance on the search, is that not right?

MR REID: So we never evaded the fact that we believe that being on our platform gives the sellers the ability to access consumers. That is one of the advantages.

CHAIRPERSON: The other thing raised but I think your first marketplace testimonial is that it is obviously cheaper than to do it on the own platform because they do not incur the
10 fees but as your price parity clause dictates they cannot price it cheaper on their own platform, is that not right?

MR REID: So we have tried to address that in our presentation on price parity. We have a T & C in our Ts & Cs which basically does say that a marketplace centre needs to price on the platform the same price as they priced on the old platform and the reason for that is we believe it is good for customers because if a customer comes on to our platform, number one, they do not think go and see it on the same sellers platform being sold at a cheaper price which
20 then leads to a whole lot of questions on our side, that is the one thing.

The other thing as well is, is that we have actually built this platform to the benefit of all and we certainly do not want to encourage freeriding on the platform. So if a marketplace seller comes unto the platform they do not have

a large charge to come on to the platform. Remember that it is a success based fee and if they are now undercutting their own price on the platform - on the platform, it allows them to really freeride on our platform.

CHAIRPERSON: I mean, you have always had a clause such as this since you opened marketplace, is that right?

MR REID: Yes, so I think it is important tonight that the business evolves. So when you start out with Ts & Cs in the beginning you cater for all types of eventualities and this
10 was one of the eventualities that we did cater for at that time, yes.

CHAIRPERSON: So you do not actually know how much freeriding would happen if you did not have this clause?

MR REID: I certainly cannot test it, no.

CHAIRPERSON: So it's a hypothetical, really?

MR REID: Well, it is a clause that is there in any business which has many Ts & Cs. I am sure many businesses around the world have many Ts & Cs for eventualities and this is one of those clauses, yes.

20 CHAIRPERSON: Amazon does not have this. Are you aware of that?

MR REID: I am actually not aware of that, no.

CHAIRPERSON: So Amazon abandoned it in 2013 following an investigation in the European Union and that was abandoning both, what we turn wide parity, which is pricing

on other platforms as well as on their own and they abandoned it in US, a similar antitrust investigation 2019.

MR REID: I am not aware of that.

CHAIRPERSON: But they are doing alright.

MR REID: I am sure they are.

CHAIRPERSON: So, I suppose, you know, the question is and we had this with the travel industry as well is, there seems to be no actual evidence that freeriding is a real problem and in fact to the contrary, we have evidence of
10 where there is no parity clause and free riding does not seem to be a problem. Do you have any comment?

MR REID: I think my only answer to that is that I actually do not know. I hear you on Amazon, I did not know that, but I do not know what would happen on our platform.

CHAIRPERSON: Well, I mean, part of the issue, as he says, you know, if customers got the old websites, it is hard to discover and that is why they are on your platform because you market extensively and draw consumers there. So it seems unlikely and also the consumers drawn to your
20 platform, they have got a great returns policy, they have the assurance of the brand, there are other sort of trust elements that sits there. So are a lot of other reasons why customers continue to use the platform, anyway. One being awareness but two being trust.

MR REID: I agree with your points but as far as it goes to

freeriding, I just cannot answer your question because it becomes hypothetical.

CHAIRPERSON: And I suppose my only point is, it is hypothetical that they will be freeriding, with the evidence at least that we have, doesn't suggest that but let me move on.

MR REID: Hodge, Could you provide us with that evidence? I am not aware of any evidence in that regard.

CHAIRPERSON: Just moving on to the sellers. I mean, you survey this sellers periodically just to understand them.

10 MR REID: I will let Fred answer this.

MR ZIETSMAN: Yes, we do so survey them. We have got a monthly instalment of a seller in MPA survey that we Out which is quite comprehensive and it is very important for us to get a feel and to listen to the voice of the seller. We take that forward very seriously and actions that flows from that.

CHAIRPERSON: so is that more of a random sample or how does that work?

MR ZIETSMAN: It goes to all sellers.

CHAIRPERSON: So then it is just who replies.

20 MR ZIETSMAN: Yes, like any other survey, you have got a response rate. At the moment we are quite happy with our response rate. We do look at that from all angles to ensure that these no biases in the samples or in their responses.

CHAIRPERSON: I mean, you are not thinking that would have been more useful to have put that up as it

...[intervenes]

MR ZIETSMAN: [Indistinct]

CHAIRPERSON: ... More of a random sample.

MR ZIETSMAN: I think that is quite confidential and we are happy to share that with you in the *in-camera* hearings to whatever detail you would like to see.

CHAIRPERSON: Does that go to the operational issues, so you can understand if there are challenges?

MR ZIETSMAN: It is wider than that. It speaks about
10 operational issues, fees. We try to address each potential friction factor and point that a seller might have on our platform because as I have said in my presentation, we have got every incentive and all incentive team do you improve our services to marketplace sellers.

CHAIRPERSON: and dependency on the platform for their sales?

MR ZIETSMAN: I am not sure, is that a question or is that a statement?

CHAIRPERSON: Is that part of your survey?

20 MR REID: No, we do not think that is relevant to us, the survey, because our surveys aim to service delivery improvement and operational improvement.

CHAIRPERSON: So When you said earlier that some of these issues are not new, is that because they are coming up in these surveys?

MR ZIETSMAN: Correct. As one channel, obviously, we have got relationships with some of our sellers and they will just directly tell us that, what issues they experiencing.

CHAIRPERSON: So, I mean, the kind of things we have heard during the hearings, these are not new, as you put it.

MR REID: Perhaps we just need to distinguish between what we have heard in the hearings and what we are discussing as well. So service issues are not new to this company at all. You know, again, I think we try to address
10 that in the presentations. We are company that grows and grows quickly and as we refer to in the presentation, we bought the plane while we fly it. It's a consequence of a fast moving business.

We have had many issues in our organisation from, you know, falling over, over Black Friday for, I do not know, four or five years in a row which we had to deal with and make sure that we could scale correctly and we have dealt with those issues.

We have had seller issues since the beginning of
20 starting our platform. It is a new platform and it evolves over time. And what we do is come out we take the seller input on an ongoing basis and we address those problems and we will address these problems and continue to address these problems as we grow the business.

So I think we just need to distinguish between

service issues and competition issues because service issues are not competition issues

CHAIRPERSON: If I look at the - just some of the complaints and maybe to get your response as it is fair that you should have the right to reply. I mean, the one raised is that a seller gets told that a survey is cancelled by Takealot and then at some other point in time it is changed to cancel by the seller and obviously we have been shown evidence of this. So, I mean, can I just understand what is going on in
10 that instance?

MR ZIETSMAN: Sure, I am happy to discuss that. I guess it comes back to the fact that our operations are scaling. I mentioned in my slides, I cannot recall that but the amount of units that we ship every month, I think was close to 2.3 million in October. That puts our DC's under extreme pressure.

So we do have irregularities in our reporting we cannot completely account for who is at fault. We do have dispute processes which we run regularly and quite
20 efficiently for sellers to dispute those cancellation penalties and in 99% of the cases we find that we were wrong we pay out or we reversed the charge for the cancellation penalty

CHAIRPERSON: Can I just ask? I mean, so it is put in as cancelled by Takealot? So does your warehouse say cancel the order, I am under pressure?

MR ZIETSMAN: No, that is not that the case. It is cancelled by us because it was late, that is one example but there are various examples.

CHAIRPERSON: So that is a delivery operational issue ...[intervenes]

MR ZIETSMAN: Correct.

CHAIRPERSON: ...of finding it in a warehouse and... Go ahead.

MR ZIETSMAN: ...issue where an item might be on time but
10 not all items would be in the box which is a completeness issue.

CHAIRPERSON: So why has it changed to ...[intervenes]

MR ZIETSMAN: [Indistinct]

CHAIRPERSON: Why has it changed to by cancel by the seller then because that is what confuses these sellers. They are saying: I never cancelled this order. So, you know. Maybe it is Takealot operation issue but you cannot pin it on me.

MR ZIETSMAN: Ja, look, it can be one of various reasons.
20 I do not think I am in a position to speak to exhaust(?) Of list but I guess it comes back to the spirit of operational issues that we are solving and we are willing to review – reduce – ag, not reduce, reverse the charges in the cases where the seller disputes.

CHAIRPERSON: I suppose my question is. Why is it

automatically put onto the seller to dispute it when it is your operational issue? Why not take responsibility as Takealot?

MR ZIETSMAN: It goes both ways. This is an example you are giving us. It is not necessarily all examples.

CHAIRPERSON: I am asking you on this example, though. Why does someone in a control room somewhere when it is clearly marked as cancelled by Takealot decide they are going to change it to the seller and put the seller into dispute mechanism?

10 MR ZIETSMAN: Because they act on the data that is available to them at the time of decision making, that data we are improving in order to get more accurate in terms of our route cause analyses.

CHAIRPERSON: They have acted on the data and they put cancel by Takealot. That is what they did. And then someone changes it.

MR REID: We can discuss particular issue at nausea but I think the point is, is that we are saying is, we have operational issues and we will always have operational
20 issues. There are dispute mechanisms in place to handle these types of things. Whether the thing is pushed onto the seller or not, you know, it is one example.

So there are many examples that will flow completely the other way. This is not a concerted effort to try and upset the sellers. That is not what we try and do.

We try and build the business to actually support sellers, to actually enable them to sell on the platform. That is the whole spirit of the platform.

CHAIRPERSON: Thank you, Mr Reid. I just wanted to understand why it has changed. That is my only question when it was determined initially that it was a Takealot operational issue.

MR REID: It could certainly change for a host of issues. I might actually not close this issue at all. Are you – close
10 this issue?

MR ZIETSMAN: Ja, it is one example but I cannot – I – of memory I cannot recall exactly the incident but as I said it can be initially cancelled by seller and then move to cancel by Takealot which will have the adverse effect. I think it is not necessarily representative of all cases. It is one case. But my point is, I do not have the detail. I can surely follow up and give that answer to you when it is convenient for you.

CHAIRPERSON: So, I mean, cancellation is an SLA. So if it is cancelled by the seller they could fall foul of the SLA's
20 and that can trigger an immediate suspension. Is that not right?

MR ZIETSMAN: Well, it is not immediate. We have got SLA's and tolerance levels within our SLA's which will account for these but for the most part, if a seller does not commit and act on the promise they made to the customer,

we will remove the seller's privileges in order for them to improve their performance.

CHAIRPERSON: But I mean the short answer is, you know, that they will have the account suspended if they fall foul of an SLA and that can be triggered by more cancellations if it passes the threshold and those could be ones where it was an operational issue by Takealot that is now pinned on the seller.

MR REID: So I think the answer to that is the following, is
10 that we are dealing with thousands of sellers, thousands of items that go through warehouses. They lead to thousands of contacts which comes from the sellers. We have got to put processes and procedures in place to handle these types of exceptions as well as to put certain processes in place to make sure that at the end of the day we know customer orders an item on Takealot which is effectively how we build this platform that item is delivered to the customer to date it's been promised as he has checked out at checkout.

If we fail to do that on a continual basis for
20 whatever reason through our own operational inefficiency or through a seller's inefficiency to comply with the requirements of the platform then the platform is at harm and if the platform is harmed, it is bad for the seller, it is bad for the retailer. Sorry. For us as the retailer it is bad. It creates problems for the customer and it diminishes trust.

We have managed to build a platform that actually has trust because of those strict processes and procedures that we have in place. We are, however, building this business on a day to day basis, putting better processes and procedures in place.

Some things will go wrong no doubt and some things will be to the detriment of sellers, this will be to our detriment but overwhelmingly we have both a platform that is gone from 6 sellers to 5 500 sellers which has gone from
10 zero percent of our GMV to 54% of our GMV.

If we had wholesale problems throughout our system thank you making it impossible for sellers to build businesses on our platform, we would not be where we are today. So we recognise the issues. We are going to improve those issues. These are service issues.

CHAIRPERSON: The return policy is the other one and this has almost become legendary that – I mean, your return policy is more generous than the CPA as I understand because you want to build trust and because, as you put it,
20 customers cannot touch and feel before they buy. So they may progress it when they get it and send it back.

MR REID: That is correct. Trust is important. Returns is an important part of that trust, of that trust loop, yes.

CHAIRPERSON: And you said in the presentation that this applies equally to retail and marketplace and that as a

policy. I just want to understand the backend, though, how this works when a return happens and what happens with the retail side of the business when a return is flagged. So maybe just tell us operationally how that happens for retail?

MR REID: So the return is flagged from the customer's point of view. The customer lodges a return and then the normal processes is followed. So we will send out a vehicle to go and collect the item from the customer, it will eventually arrive back at the warehouse whether it is a
10 marketplace or a retail item.

It will then go through a returns process and the same things are followed. If we have return processes in place with our suppliers, well then those particular items will go back to the supplier for credit and the Ts & Cs are very clear as to what the returns processes are in place for our marketplace sellers.

CHAIRPERSON: Alright, so for retail, as I understand it, it goes back to the supplier. So.

MR REID: No, no. So, unfortunately, not. We have a large
20 amount of return stock that is currently sitting in our DC that we face and struggle with on a continual basis.

CHAIRPERSON: Alright. So maybe I misunderstood because you said it typically goes back to the supplier for credit.

MR REID: I said if we have RVC's in place. So if we have

actually have an agreement in place with the supplier which is few and far between. So I welcome you to visit our warehouses in Johannesburg. You will see the amounts of return stock that we have sitting on the shelves in our DC's. This is a common retail problem.

CHAIRPERSON: Sorry, what did you say, RVC's? Is that right? What does that stand for? I do not know the ...[intervenes]

MR REID: [Indistinct]

10 CHAIRPERSON: Sorry, Mr Reid?

MR REID: Sorry, Return for Credit. So, for instance, out of box failures. So if, you know, if a customer takes something out of the box straightaway and it is dead on arrival, those would typically come back and we would then try and recover it from the supplier directly if it is a retail product.

CHAIRPERSON: I mean just to understand because I understood the sellers, marketplace sellers are not allowed access to the warehouse but your retail buyers are they allowed access?

20 MR REID: They certainly are allowed access. We don't buy our retail buyers from the warehouse, no.

CHAIRPERSON: Alright, so they could go and look at their returns?

MR ZIETSMAN: Ja, I think it is Highly improbable because most of the volume with sitting Joburg and we are not going

to fly across country to go and look at the returns. We do not see any value in that.

CHAIRPERSON: So are most of the buyers not based in Johannesburg?

MR REID: They are based in the offices in Cape Town. In fact, all of the buyers are based in the offices in Cape Town. In fact, at the moment some of the buyers, I do not know where they are based to be frank. [laughs]

CHAIRPERSON: I think that is a challenge we all face.

10 MR REID: [laughs]

CHAIRPERSON: I mean, The other issue raised by sellers it that they are given seven days to respond but supplies themselves, so the supply is to them, typically require 21-days to assess. So they are kind of unable to comply. I mean, is this a challenge Takealot retail has? I mean, I assuming you do not get seven days ultimatum, or do you?

MR ZIETSMAN: No, I think the promise ultimately sits with the customer. So we have got a specific turn around period to get back to the customer because the customer is either
20 out of pocket or waiting for a replacement. So the same standard holds for our retail business. We allow the seller seven days after receiving an item from our DC that was returned by customer to log a dispute.

So this even days is not to complete the full return to our DC's. It is merely giving them some time to assess

the product and then raise a dispute. That dispute does not require a technical report. A technical report only follows and it is required 14-days thereafter. So the total turnaround for that return item would be 21 days which is exactly what we do in our retail business.

CHAIRPERSON: Alright, thanks for clarifying that. The – I mean, often we are told that there is a dispute resolution process and that marketplace sellers can use that if they do disagree with the decision. I mean, as I understand from
10 reading most of the terms and conditions in SLA's is, action is taken almost on an automated basis by Takealot. So my account may be suspended because I have overrun my cancellations and then I can dispute. Is that typical?

MR ZIETSMAN: Ja, the only correction I will make is, it is not happening automatic. It is still a warm body that pushes the button to say your services has been suspended.

CHAIRPERSON: No ...[intervenes]

MR REID: [Indistinct] ...complimented by a dispute resolution process where the seller believes we were unfair.

20 CHAIRPERSON: Sorry, I had put on the mic at the moment. I did not get that last bit. It is prompting a dispute resolution process?

MR REID: Ja, look, if we disable a seller's privileges for example lead time, it is a human being that does that based on a set of data where the threshold is clearly displayed. If

we act inconsistently or whether a fault is actually with Takealot, the seller can freely dispute that and we do get disputes. Again, we have to count – we need to accommodate for defects in our process and I think it is important to note that want the sellers to sell. We have no incentive to switch off the lead times because it hurts us as much as it hurts them.

CHAIRPERSON: Ja-no, so at least you then have some AI algorithm that we may hear from others but obviously as you
10 recognise it, it does hurt them. I mean, if my account is suspended especially in November and I am not at fault, the damage is done. I mean, I am sitting with stock.

MR REID: Absolutely and it is to protect the platform. I mean, it is vital to protect the platform at all times because that is to the benefit of all on the platform. So you must remember that all of these – because we try to display it graphically in our presentation. There is a lot of complexity in our platform, a lot of interrelated parts to our platform. So it is not a simple – you know, it appears quite simple for a
20 customer.

They push a button and they pay and the stuff arrives at their door. There is a lot of stuff that happens in between that to make sure that it actually does arrive and arrive on time. And one of those complexities involves the marketplace and what we continue to try and do is put in

systems and process that number one make it easier for marketplace sellers to comply with what we require on the platform because that is the most important thing, is that if they can comply with what is on the platform and gives the customer the service that they require and it is promised to them, then the platform grows and they grow.

CHAIRPERSON: Can I ask who deals with disputes? Is that Customer Service and Compliance Group?

MR ZIETSMAN: There is a distinction between Customer
10 Service and Compliance. Compliance sits within the Marketplace Team and Customer Service sits with the Central Executive. So it has been dealt with by the Compliance Team which sits in the Retail and Marketplace Team.

CHAIRPERSON: And those are the people who pull the trigger?

MR REID: Yes, they also – before they pull the trigger, they send out a couple of warnings to sellers. A, you are reaching the threshold. B, you have breached the threshold.
20 C, you are at risk of being switched off. It is not a one strike and you are out mechanic.

CHAIRPERSON: Sorry, just so that I understand. I mean, is it the same people who make the decision who also would do the dispute resolution then?

MR ZIETSMAN: The dispute resolution will normally be

escalated to our Head of Operations or our Seller and Marketplace Operations Manager which is not exactly the same team. We have got people who do the investigation and present it to a management level to make the decision because it we view it as quite a serious decision.

CHAIRPERSON: So any dispute must be resolved by a manager following an investigation, is what you are saying?

MR ZIETSMAN: Yes, I also then get involved in some disputes from time to time

10 CHAIRPERSON: And I mean, how many people are part of this investigative team?

MR ZIETSMAN: Shu, good question. I cannot you on top of mind. I have been a bit far removed from that side of the business but as - through Covid and with the increase of our sellers we have added heads as the operation has required it. I think the magic sources understanding exactly how many we need in order to ensure consistent service delivery.

CHAIRPERSON: Alright, because obviously we hear that sometimes this is not resolved that timeously. I think
20 Romtech as an example of something that has been unresolved for over a year and that have had ...[intervenes]

MR REID: Ja ...[intervenes]

CHAIRPERSON: Sorry, Mr Reid, can I just finish?

MR REID: Sure.

CHAIRPERSON: And got the kind of eyeball escalate type

of reply which as I understand now from Mr Zietsman is what happens but I think a number of sellers have indicated that the dispute mechanism is certainly not timeous.

MR REID: Ja, so I think to say dispute mechanism is not timeous, I think it's not the correct categorisation of the service. I think that you have chosen certain ones which I am sure have happened. I am not disputing that they have happened but they are certainly are not the norm in the organisation but they will happen in an organisation our size
10 and our growth rate.

CHAIRPERSON: So what is this sort of norm then for resolving a dispute? They must be, I suppose, KPI's, so you have known.

MR ZIETSMAN: Ja, so we have got internal SLA's. The dispute or the resolution time will depend on the complexity of the dispute. If, to your earlier point, there is interdependencies between somebody and the DC that needs to – do investigation that will take longer. If it is a fee that was mis allocated to a specific category that dispute will
20 take hours if not minutes.

So it really – it is hard to comment on that because it is specific to the contact or the dispute. We did, after the sellers public hearings, we did pull all the relevant data per seller accounts, it is including we are happy to share that with you for you to go through on your own time.

CHAIRPERSON: And certainly we would appreciate that but also we can deal with *in-camera* your average turnaround times or different types of disputes.

MR REID: Not a problem.

CHAIRPERSON: I mean, I suppose the – I mean, the only observation I will make is, is sort of act now, dispute later type process. It kind of shifts the cost to the sellers and there is not really a cost or at least a direct cost to Takealot if it takes a few weeks because you have deducted say a
10 return or a cancellation, you have made the fee. So it is really an operational thing at the end of the day that you make a decision on how much resources are you willing to put in this.

MR ZIETSMAN: Yes, and again, I think if sellers are not having a good experience on our platform, they will eventually leave the platform. We will suffer, the customer will suffer and the value of the platform will degrade. So it is really in our own best interest to resolve these as quick as possible and we continually invest in additional resources.
20 Again, we have got the interest ...[indistinct]

CHAIRPERSON: Ja, I suppose, I mean, as you say, obviously the customer base is an the sales are what keeps them there, so they are willing to put up with some of these headaches because there is also a benefit to being on the platform. I just - we are running out of time.

So I just wanted to get a sense of you around onboarding sellers onto the platform and whether there is any prioritisation process. I mean, you have onboarded many, many sellers. Again, there may be capacity constraints but maybe if you can indicate if there is a priority basis.

MR ZIETSMAN: I think in our submission, whether the first of the second, I cannot remember, we did make it clear that there is a level of filtering in our onboarding – when a seller
10 comes onto our platform through our website. We assess the quality of the lead, as we refer to it. If a TO1(?) Brand comes through that process, the value of that seller and that brand might be higher.

We then give that to a specific team to deal with that has the necessary expertise but as far as the platform goes, it really not scalable to touch seller leads. We want to automate this as far as possible and we have invested in technology and standalone portals and educational academies to actually makes this process as light touch as
20 possible

CHAIRPERSON: Alright, that is your decreasing contact ratios or whatever, part of automating where you can.

MR ZIETSMAN: Ja, we need to conscious of our overheads. As Kim mentioned, we cannot just appoint people to find our growth. We need to find efficiencies and automations and

this is one area where I think we can do better.

CHAIRPERSON: But if I am a TO1 brand I get a team assigned, is that right? Is that what I understand?

MR ZIETSMAN: No, I think team is my word, it might just be an individual that deal with the initial assessment of the lead.

CHAIRPERSON: And in that sort of automation process, does the fact of whether the seller is historical disadvantaged or not feature in your algorithm.

10 MR ZIETSMAN: No, we did – we do actually ask the status but at the moment our platform is democratised to all people and sellers. We do not – we serve SME's by far and large and these SME's had the buyers towards HDI's but we do not treat them any differently at the moment.

CHAIRPERSON: Alright, because obviously you – I mean, you recognise that because of historic disadvantage, you know, it is not on equal footing and so that is why we, obviously, have measures in place to improve participation and deliberately focus on that aspect.

20 MR REID: Sure. And I think as a platform as we grow, you know, as we have been unprofitable for some time now and as we grow we look at different ways in which we can assist in these types of things. And that is not to say that we will not look at that as we grow. So it is part of our makeup to ensure that the seller gets onto the platform in as easier way

as possible and if there are ways we can assist certain types of sellers to get on the platform we will definitely consider those.

CHAIRPERSON: So that would not fall within your category of undue intervention, that would be something you would consider?

MR REID: It really depends on what the intervention is, I think. [laughs] I do not really know how to answer that, Mr Hodge.

10 CHAIRPERSON: Alright, no, just – it was interesting to hear from – we asked Mr John from Makro about what could be done and I suppose one thing he identified was a far more hands on people based onboarding process for historical disadvantaged sellers as opposed to this sort of educate through reading and navigation through the web ...[intervenes]

MR REID: [Indistinct]

CHAIRPERSON: ...but if you have any suggestions of how you may change that we, obviously, would welcome that.

20 MR REID: Ja and it is something we want to look into.

CHAIRPERSON: Well, that is very positive, Mr Reid, and I think we are out of time. So, again, I want to thank you for your participation. I want to apologise, once again, for delaying this appearance through my calendar issues and I appreciate the good nature with which you have taken that.

I appreciate having the whole Takealot team to answer questions and I am sure we will obviously be engaging in the new year as well.

MR REID: Thanks, Mr Hodge and thank you for your time. We believe this is an important process and we are happy to contribute to it.

CHAIRPERSON: Thank you. And with that, we actually bring to a close the public hearings for the Online Platforms Market Inquiry. And I think as we have indicated, the next
10 steps in the process would be that anyone wishing to make legal or economic submissions can send those to us by the end of January.

We will have *in-camera* engagements in February and we are aiming to put out a preliminary report in the beginning of May as sort of anniversary launching this inquiry. After that there would be processes of obviously engaging stakeholders.

If necessary, we can more hearings and finalise the process by October next year. So that is the process. If
20 there is any queries around the process from the public or from participants then we are happy to take that. But thank you Takealot team and with that we close.

MR ZIETSMAN: Thank you.

[End of recording session]

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OIPMI	TAKEALOT

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