



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

5 November 2021

***PANEL: James Hodge – Chairperson
And Noluthando Jokazi***

TECHNICAL TEAM

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COMPANY: TRAVELSTART



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PROCEEDINGS ON 05 NOVEMBER 2021

MS KLOTZBUCHER: I cannot hear anyone from your side.

CHAIRPERSON: Paulina, you can put on your camera. I am just going to welcome the public to the afternoon session on our fourth day of the public hearings into the Online Platforms Market Inquiry. As the public can probably see now, we have Paulina... it is going to be tough, Klotzbucher from Travelstart who is joining us first to talk about the Travelstart business and also answer questions from the panel.

Well, I suppose we are going to start with questions from the
10 panel. There is no presentation. So, I am going to pass over to Ms
Tshepe to start the question from the panel.

MS TSHEPE: Thank you Mr Hodge. Welcome Ms Klotzbucher.

MS KLOTZBUCHER: Yes.

MS TSHEPE: I hope I got that right.

MS KLOTZBUCHER: Very good.

MS TSHEPE: Thank you.

MS KLOTZBUCHER: Thank you... hello hold on, you are breaking up.
Hello?

MS TSHEPE: I think you froze.

20 MS KLOTZBUCHER: Ja, hold on. I mean my Wi-Fi is fine. I mean, on
your side... hello? Hello? Hello? Hello?

MS TSHEPE: Hello?

MS KLOTZBUCHER: Ah great.

MS TSHEPE: Yes. Thank you very much. We apologise for that.

MS KLOTZBUCHER: No worries, no worries. At least we are not

experiencing loadshedding, right?

MS TSHEPE: Yes, but we even during loadshedding we should be able to proceed. But let us try. If you could just tell us a bit about Travelstart. Just give us a brief background of Travelstart. When you started, which areas are you concentrating on, what services do you provide.

MS KLOTZBUCHER: Okay.

MS TSHEPE: If you could assist us.

MS KLOTZBUCHER: So Travelstart is an online travel agency. We started back in 98 which makes us a little bit of an old lady when it comes to the digital world. It got incorporated by our founder, Stefan Eckburg in Sweden in Malmo and from 2006 he realised the massive opportunity in Africa and specifically he fell in love with Cape Town.

So, he decided to focus the majority of his efforts on the African continent. From... so from 2006 the focus was primarily on Africa. Our headquarters is in Cape Town, but we have offices in Nigeria, and this is operational offices in Nigeria, in Egypt, in Dubai. We also have development hubs in Athens and Porte and Taipei and India most recently as well as Mauritius.

So, we are very heavily focussed on travel on Africa and our main focus is flights, although recent acquisitions of Safari Now and Club Travel means that we are expanding into other verticals and ja. But primarily an online travel and plot specialist.

MS TSHEPE: Thank you. We actually had the pleasure of speaking to Flightsite about the busses, so today we are concentrating on flights and we just... in the few... in the past few days I think what we have had was

a lot of OTA's specialising in the accommodation space. Just explaining their business model.

We have not heard much on the flight side, and I want you to take this opportunity to just tell us the business model on OTA's that operate on the flight ticketing site.

MS KLOTZBUCHER: Okay, absolutely.

MS TSHEPE: If you would.

MS KLOTZBUCHER: So, you know, back in the 70's etcetera, if someone wanted to book a flight to London, they would land up going to
10 a travel agent which would be an offline travel agent and they would have these actual physical boxes, each one dedicated to a different airline and they would go to the Lufthansa box and they would search the availability against Lufthansa system, and go to the next one which is searching Air France's system.

Over time they realised you know what we need to do? We need to aggregate all these systems so that we can search concurrently across all of them and what happened is GDS started becoming a thing. Global distribution systems. Which meant that agents could go into these portals and search concurrently across all these different airlines.

20 That evolved to the next step, which was hey, we do not want to be able to do this just by an agent typing in queries against this GDS. We want to be able to have a website with the digital age dawning. How can we via web services through API's actually run queries against these GDS's, and get all the flight availability.

So that kind of brought on the rise of OTA's which were digital or

online travel agents that did the exact same thing that an offline agency does, but does it through the distribution of a website and instead of typing in queries manually you would do it through web services and user kind of generated actions, which would then trigger APR requests against the airlines.

So, our model is to do that, where that means that we are very heavy on technology and we are integrated with multiple GDS's. I know that a lot of you are interested in kind of the evolution of that, which is how the airlines have now decided to kind of move away from the GDS's
10 and start having a much stronger interaction directly with their customer.

One of the bad things about the GDS's, was that the airlines could not do price differentiation based on channel of distribution or the final customer. So, they could not say oh, Sally's Travel Agency does not sell really... does not provide high quality seats that they sell. They do not sell a lot of business class.

They do not do a lot of you know volume on this route, but Harry's does. So actually we want to give Sally more availability, specifically in the area that she sells. So, they could not do that kind of level of control. So, they decided that and together with you know,
20 pricing issues etcetera, but it was mainly a control function.

They wanted to have a better engagement with their distribution channels, more control and more control ultimately with their end customer. So they kind of started moving towards NDC which is the kind of new distribution methodologies that they have been bringing out and that originally was going to circumvent the GDS's completely, but

the GDS's and the airlines have kind of realised that you know what, instead of reinventing the wheel, because no OTA is going to integrate every single airline individually.

There will always be a need for an aggregator. So you know, there has been conversations with the GDS's over time and now it is like okay, how can we convert the model of the GDS to also support some of these newer distribution formats.

So our model has not changed. We are an aggregator. We continue talking with GDS's, with airlines direct and through other
10 aggregators. We provide the largest spread of possible content to customers. It is just that how those... the conversations between those models kind of have changed, and obviously the, the margins and the commercial discussions between these different parties has changed over time based on the different models.

So that is a very long answer to a very short question, but ultimately yes, we sell flights and we make margins on top of it. We have micro margins because unlike an offline travel agent, we do not sell 1000 flights a month, we sell a lot more than that. So we have small margins, but we have high volume and we do not require the same
20 amount of you know, hand holding etcetera.

So we are a low margin, high volume business selling flights directly to the consumer.

MS TSHEPE: Thank you. I am going to come to the issues of pricing now, but I am still at the broader level and thank you for that. It was quite comprehensive and exactly what we are looking for. You

mentioned in terms of role-players, air lines. You have mentioned aggregators and I am assuming you are talking of Metasearch service and OTA's.

What is the role, what is the function of each of these role-players in this industry?

MS KLOTZBUCHER: So when I was referring to aggregators, I was meaning airline aggregators. So just like a GDS is a kind of distribution hub, you have got the airline, you have got the GDS, but you also get aggregators that integrate many airlines directly. They are kind of, they
10 are still on the supply side.

Then you have the distribution side and on that side 100% correct, there is also aggregators that are Metasearch players and I kind of will rephrase it for the public to understand better. They are basically price comparison sites. It allows you to kind of like a price check, I think in South Africa probably is the closest comparative where you have got a whole bunch of different providers, and you are not actually transacting.

Suddenly I see everyone is frozen. Can someone hear me?
Hello? Hello? Am I back?

20 CHAIRPERSON: [indistinct – 00:11:36]

MS TSHEPE: Yes. It looks like we are being load shed, I apologise profusely for that.

MS KLOTZBUCHER: It is okay. I was actually, I was busy checking loadshedding and I was like I wonder if it is going to happen today. I am actually just checking my own loadshedding.

MS TSHEPE: Yes.

MS KLOTZBUCHER: So ...[intervenes]

MS TSHEPE: We should be able to go into a backup system now, so hopefully we are okay. So if you could just continue, our apologies for that.

MS KLOTZBUCHER: So on the distribution side yes, there is also aggregators which are like price comparison sites, and what they do is they provide a way for consumers to compare pricing and product across multiple distribution partners. So instead of jumping between
10 airlines direct, and going into multiple OTA's websites, these guys aggregate everything.

But the con of that is it means that consumers start selecting predominantly on price which you know has its own con's. because effectively you know margin erosion starts happening and that is one of the biggest problems that we have had in the industry is that price, because it is you know, especially in the air side and this is again... speaks to what I mentioned earlier around NDC.

Is right now people tend to view airlines very much like commodities which is not really the case. Anyone who has flown a
20 Qatar flight, knows it is very different from an Emirates flight which is very different to a Turkish airlines flight, but unfortunately there is a perception of you know, it being a commodity or buying the end result, which is arriving in London rather than the experience and the problem is the Meta sites, they tend to focus predominantly on price and not really focussing on anything else that that airline offers etcetera.

So you know, it makes it a very price sensitive market and ja. I hope I answered that question, sort of.

MS TSHEPE: You did. You did, thank you so much. Just moving to the issue on, on monetisation. I just wanted to understand. How do you then monetise in this space?

MS KLOTZBUCHER: So ...[intervenes]

MS TSHEPE: Because, sorry. Just... because it seems a bit different to accommodation where commissions seems to be the order of the day. So I just wanted to understand from the flight side, how do you do
10 them?

MS KLOTZBUCHER: Okay. So with airlines, their margins are microscopic and actually a fascinating point is when you fly on a plane, the amount of money an airline makes from the business class seats, forex seats, pretty much everyone in economy. So the revenue proceed and especially if you think about the amount of load factor that has to be considered, a plain still has to pay for its fuel etcetera.

So the margins in the air industry are tiny. Which means that they cannot give us their kickbacks either. From our perspective, we make money from microscopic margins. I am talking in some case...
20 some of the commissions like 1%. If you get 5% in this industry from an airline, that is like really great.

Then we also make money from small mark-ups on top of flights for processing, which are fully transparent on the website. Again, these are very small values. You cannot compare them to the margins in the hotel category where you know, obviously you know different margins,

and then also we make money from the ancillaries that we sell.

So for example, we sell insurance products, we sell other service benefits throughout the booking flow. So actually the sale of the flight lands up being a conduit for us to be able to sell other elements. It is something to hook other products onto.

MS TSHEPE: Thank you. Can I just understand... you mentioned commission and 1%. It... what would the commission be in respect of?

MS KLOTZBUCHER: So on an airline flight not all airlines give commission, like no domestic airlines really give commission but some
10 of the international airlines do provide commission and that is on the base fare. So a fare is usually made up of two parts. When you fly overseas, then you will pay R8 000-00 for a ticket to London.

A huge chunk of that is actually airport taxes etcetera. Then the other small part of it is the actual fare price. So we made, based on targets with the airlines etcetera, we have certain commissions that we get on the airlines, but they are negligible in the context of hotels etcetera.

Not a big driver for us in terms of revenue. The majority of our revenue drive comes from ancillaries, up-sell, cross-sell of other
20 services in the booking flow.

MS TSHEPE: Thank you. Just on that, I just wanted us to go a bit to a consumer journey in here. Where does it start? Would someone booking a flight having come to you then want to piggy back and book accommodation also, on Safari Now or do they go first to a Metasearch engine to look. Would you then also get like car rentals?

I just want to understand where that journey would start for a consumer if you could just ...[intervenes]

MS KLOTZBUCHER: So normally the journey starts a little bit earlier in the phase in the upper funnel which is the discovery phase where they will go to websites which specialise in content, inspirational content. This is not something that we focus on. We are much lower funnel. This is an area where our content providers, bloggers etcetera, they provide the whole inspirational travel kind of eco system.

10 Once you have decided where you want to travel and you have made that decision you will start your price journey in terms of comparing prices and then you might land up going either if you know the Travelstart brand, well you would land up going to Google first, right, and you would type in cheap flights to Bali for example.

Let us say once you have decided that Bali is your place, and flights is usually the starting point for any travel journey. So people usually start with the flight and only later on then go onto the hotel. So you will type in you know, cheap flights to Bali and they will see a whole bunch of results and we can talk about Google Flights in the context of this as well.

20 But they will see paid ads through various advertisers promoting you know, come look at cheap flights here and those advertisers will be Meta engines or brands direct or airlines direct or Google Flights. So let us assume they would choose a Meta site. They would then click through on that Meta site and land up on something like cheapflights.co.za, and there they are an aggregator of multiple OTA's

and multiple airlines direct and they would show a whole bunch of results which includes Travelstart as one of the results in their eco system and a customer based on price would select either us or another provider.

So they would first select a flight and then based on that flight, they would say hey, who is the best provider of that flight and the Meta search engine will provide you different options of who fulfils that flight. Then that booking would then get redirected to us and we would be the acquirer of the booking.

10 There is also something called facilitated bookings where the Meta supports the acquisition of that booking on their site. It is called a facilitated booking and basically it looks like you never leave the Meta environment, but actually the ticketing party in the back would be us. So I wish there was a simple answer to your question.

But the travel market is extremely complicated and it is very kind of look da loop. So yes, you can go through the Meta or you can go directly to the Travelstart site and you know, book directly there. Then there is also the whole Google Flights thing which we can open up that jar.

20 If you like we can talk about that as well.

MS TSHEPE: Thank you so much. I think James would like to follow up. I also wanted to... we will come to Google Flight and I think Donnavan will pick up on that just now.

MS KLOTZBUCHER: Okay.

MS TSHEPE: Thank you. But that was appropriate.

CHAIRPERSON: Ja, thanks Paulina. Just a follow up. So with [no sound 00:21:07] ...[intervenes]

MS KLOTZBUCHER: Hello, I have lost you. Hello? James? Oh, and you are back.

CHAIRPERSON: We are back. Apologies for that Paulina. So let me start again.

MS KLOTZBUCHER: No worries.

CHAIRPERSON: Just in terms of the journeys, you say flights may be a starting point. Obviously you said you have expanded into other
10 verticals, but what are the kind of other products associated with the flight journey and we see some of the accommodate providers that are more known for accommodation also offer a link to flights, but is that a big part of the journey or not?

MS KLOTZBUCHER: So you know, it is not a linear flow. So usually what happens is people in terms of data, people book their flight first and then they land up booking their accommodation but in the first phase you will land up going to check the flight price. Then you will have a look at the accommodation.

Then you will go back and maybe complete the flight booking
20 and then complete the accommodation booking and last, the last part of the journey will be car and then the one after that would be activities, etcetera based on where you are. So it is a natural kind of progression of the kind of booking verticals.

So I do not really, maybe you can reformulate the question a little bit. I am not sure I understood it. James, do you hear me?

CHAIRPERSON: I do hear you. Sorry. No, I think it is fine. I am going to hand back to Dorris and she will take you forward.

MS TSHEPE: No, it is fine James. I think you have covered. That was the point that I was going to ask because you did say when you are talking about the low margins, that you then are finding other ancillary services in order to pick up and I wanted to find out if those would be car rentals and accommodations. Which you had already touched on.

MS KLOTZBUCHER: Ja, it is very hard for someone to survive on pure flights, without and the main part is not so much even the margins, it is
10 the cost of acquisition which is very probative. Online... playing in the BTC space, it is extremely expensive. I mean, you can for example back in the day before Covid, booking.com spent one third of its revenues globally on Google acquisition costs.

That is one third of all the money it ever makes, went straight back to Google to buy more customers and make more bookings. So you know, there is a reason why this vertical has been exploding in terms of the CPA which is the cost per acquisition and unfortunately that is prohibitive to the entry of a lot of smaller players.

I think if there is any one point that I would love to kind of put
20 across, is the fact that you know, the internet was meant to be a levelling ground for smaller players. It meant to at the very heart of it, it was meant to allow Mary James Travel Agency to go head to head with booking.com in a neutral playing field.

But unfortunately that is not really what has evolved. What has evolved is a few massive tech players pretty much taking control of the

market and I say this because we support close to 300 ITC's which are independent travel agents.

You know, trying to provide them tools and benefits to be able to monetise their efforts and play in the online space. Unfortunately ja, it is a struggle for them to play in the online space and the costs of acquisition are just more and more prohibitive.

MS TSHEPE: Why has it ended up like that?

MS KLOTZBUCHER: That is a good question. You know what, it actually I will give you a very good example. so let us say with Google,
10 cheap and easy advertising you know, you can go into a market and without setting up local presence you can immediately set up shop and start getting customers.

What happens with that is as Google has built its network to get more and more information about its customers, it can provide more and more qualified leads. By providing more and more qualified leads it can start charging more for those customers, without increasing demand or providing any true value to the industry what it is doing , is it is charging more and more for the existing customers.

20 What it is doing is it is syphoning the few margins that are available out of the OTA and the travel space and moving it straight onto Google, because unfortunately in such a space people start competing on price and by competing on price and without an environment where other elements are considered, for example brand or service etcetera, you start seeing a kind of, it lands up being kind of like a poisoned well where you know, discounting becomes the order of the game.

Who can discount the most. Now big agencies have the power and the legs to stand and discount more potentially but smaller guys really do struggle because you know, their operating margins are higher. So they need to kind of present themselves in terms of other services that they offer.

Also, Google charges you know in specific currencies and rates to everyone so for us to advertise in our own market is more expensive than for players overseas to advertise in our market. What is you know R150-00 for them, you know it is a Cappuccino in London. So basically
10 it is you know opening up the borders, more competition. Google having more information charging higher and higher acquisition costs.

Margins being moved you know to survive, without pushing more demand, margins being pushed outside of the OTA's and the travel industry back into the advertising sector, and the advertising sector not being even a local player. I mean I think that is one of the things that is so frustrating, is that margins and revenues that should be in South Africa are being moved out of our South African coffers completely cross-borders to these big tech guys, which also happen to be incorporated in tax havens all over the world.

20 So it is not as if anyone is really benefitting of it, and I think you know it is a long waffly answer to your point, but you know, I am very much in admiration of what you guys are doing, I do not know how you will be able to do what you are doing. Because I mean in the US they have been trying, and I think people are realising maybe a little too late that the beast has been unleashed and you know, he who controls the

data and knows everything about everyone, is kind of hard to stop.

I mean just to give you context. If Google knows, and they offer Google Flight for free, which is very... it is very kind of confusing to people. They are like why would someone offer Google Flights for free. It is a free advertising platform. I mean surely that is incredible, but actually what they get, is they get that first part of the journey.

They get to know where a customer is going, for how long they are going, what flight they booked, if they are travelling with their family etcetera. So what they may be losing on the flight component, they can
10 then charge on Google Hotels, because now they have a qualified leader, qualified customer.

Like okay great, now I know exactly where this customer is going, what they are doing, etcetera. I can start selling through my own environment. I will now push them my hotels. My you know, through my environment. The hotels, the accommodation, sorry the activities etcetera.

Of course because there is no other advertising networks or platforms that compete with Google, kind of everyone is stuck. You either compete or you die. Right. So ja, again another long answer to
20 your point, but ja. It was a big question. How did the travel industry land up like this.

It is actually one of those glass of wine questions on a Friday afternoon. So ja.

MS TSHEPE: James?

CHAIRPERSON: Well, it is Friday afternoon and you can get a glass of

wine, but ...[intervenes]

MS KLOTZBUCHER: I would love to have a glass of wine of a live YouTube channel with the Competitions Commission, but ja. Let us leave it there.

CHAIRPERSON: Can I just get your long answer short and just my understanding is you are saying I suppose Google is charging more and more to acquire the customer.

MS KLOTZBUCHER: Yes.

CHAIRPERSON: And at the same time you are competing on price
10 because it is in that world of price comparison which thins your margins. So your, in a sense your acquisition cost goes up, your margins comes down and that has put everyone in a bit of a squeeze.

MS KLOTZBUCHER: Yes, basically you are re-allocating margins from the travel sector into the advertising sector. The money that we make you know, as hotels, airlines, local players, tour guides etcetera, that money has basically moved from them to Google. That is basically, I mean that is the long and short of it.

It has moved to advertising platforms and I think that is ultimately at the very heart of it, the part that is you know a little bit scary because
20 with that money they are building an engine to directly compete against us. So you are feeding a beast that is getting more and more money who is now building a better and better tool to then come after you.

So it is kind of like, and can you not play with them? Not really. I mean they are you know, if you do not play with them you get nothing. So it is a little bit like prisoners dilemma, except you know kind of we

have lost already.

CHAIRPERSON: Well, I am sure the economists would appreciate that reference. Ja, because we did have Google last night. We did have Google last night and we did put to them I suppose that is it that they are the top of the funnel which directs all traffic to the next layer and that may be I suppose why they can charge more because they are search in essence.

MS KLOTZBUCHER: I know what their answer is without you even telling me. They say the standard answer... oh, because we focus on
10 the consumer. We are focussing on the consumer to have a better experience. That is their standard answer at every freaken conference everywhere.

They are like we want to build a better experience, this helps us build a better experience. It is all about the customer at the end of the day, except it is short term. Yes, if you right now as a customer it is a better experience. Hell, with that much money you will be able to build a damn good experience, right.

But unfortunately that is really short term thinking, because you know what? It is not about today, it is about the fact that ultimately they
20 do not... you cannot build an economy just on advertising. Someone needs to deliver the service and ultimately that is what you are shifting the revenues from.

You know, yes it is a great advertising platform. Yes, it is a great experience, but ultimately you have just shifted significant revenues to them. Number two, you know they are getting more and more involved

in so many touch points and they are getting close, they are wanting to have a closer relationship with the end customer.

Ultimately they were meant to be an intermediary. They were meant to be a technology platform connecting suppliers and surface providers to their customers in a digital environment. They have now decided no, they want to have a closer relationship directly with the customer, and unfortunately getting you know, the middle man rather as getting squeezed out more and more, and that is fair enough you know.

10 Economics one on one, except that you know, it is a giant monopoly that is basically doing the squeezing and they are not even a local player here. You know, they are not even you know, it is ja. So I mean the problem is how do you... one can complain and unfortunately travel agencies do this and we have been doing this for the last 20 years.

We ignore the issue, or we complain. That is pretty much, there is two approaches by travel companies. You ignore or you complain. You, everyone still advertises on Google. Those are, but those are the two approaches. Ultimately, what is the alternative and I think that is the problem.

20 It is like how do you work around that and I think the big problem there is you know, how much you know... how much, because I can tell you right now. I can foresee that Google's next step will be to move into the payment space potentially. Will they move into the payment space and control the full funnel?

Again, under the umbrella of a better experience, but now your

credit card is lodged with Google. It is so seamless. It is just you know, one click and you are buying. I mean how can you argue with that, except now they have transactional data for everything that you purchases.

Now they can start pushing other suppliers all over the world. I mean you know, you can sell a lot under the umbrella of you know, we are just making things better.

MS TSHEPE: Thank you so much for that. I think we already moved onto an area that Donnavan was going to touch on. Donnavan, I will
10 just hand over to you. I do not know if you, there are some further points you want to raise on that or you want to move. Thank you.

MR LINLEY: Ja, I have just got some... hi Paulina.

MS KLOTZBUCHER: Hi Donnavan.

MR LINLEY: I have got some specific questions. So with Google Flights, the I mean just... can you just take us through. They occupy quite a bit of space on the search results page.

MS KLOTZBUCHER: Ja.

MR LINLEY: I mean how has that impacted sort of your organic... your organic traffic at the bottom ...[intervenes]

20 MS KLOTZBUCHER: Good question. So the space, they are actual kind of an inventory location or real estate, has been forever a kind of a point of contention. It started with Google having paid ads and organic results being pushed down. So back in the early 2000, paid results were actually on the right hand side and Google's organic results were on the left hand side.

So you know, they have kind of equal position. Over time those paid results have taken you know precedence at the very top. Okay. Fair enough. Call, okay. Everyone got a little bit pissed off. Organic results got pushed down, fine. That impacted a whole plethora of industry which is basically the affiliate industry etcetera, which was trying to kind of be focussed on you know optimising their websites to try and get customers directly and you know, there is a whole other story there.

Okay, that was fair enough and now they have moved in with the
10 whole Google Flights side, and now when you search cheap flights let us say to London you will have and this was before, like a year ago. You used to have cheap flights on the top and then the paid results and then the organic.

Since the hearings in the US, I think we got a little bit of a knuckle wrap and what they did was they moved the paid results above the Google Flight search panel. What I find as irritating is it is very inconsistent rules around it. So depending on when you search and on what device you can often pick up on some of Google's testing that runs in the background.

20 So sometimes you would type in Travelstart, which is not a flight term, and yet the search panel would pop up, which is like hey, why are you showing people a flight search panel when someone is searching for a brand that we have tried to grow for the last 20 years, but okay because when you would do it again and again it is hard to replicate because you know, testing it is like one server and a massive cluster.

Kind of hard to replicate. So number one, the point is position has been shifted. So yes, real estate you know obviously our organic ads have lower click through rates because now it is first paid, then Google Flights and then lastly if you are lucky enough you will find the free organic search results right at the very bottom.

But the problem with Google Flights itself is that it is not very accurate. So if you actually type in today for example I landed up just coincidentally thinking you know what, let me have a look at this product again and I did a search from Cape Town to Dowa and the cheapest
10 flight was on Qatar for I believe about R9 000-00.

When you opened it up, only then did you see Travelstart as a booking option, but we have a great deal with Qatar which we offer for R7 000-00 but that was not visible to the consumer. So they could see a whole bunch of flights for a whole bunch of airlines, but our cheaper result was not even visible there.

So again they do not provide a free, you know it is fine to be a price comparison site, but then at least be fair in how you position people and you cannot tell them where to be positioned and you cannot control it and you cannot pay for it and if you complain about it, they will
20 say but you cannot complain, it is free.

So by them making it free they have given themselves a licence to do anything that they want under the umbrella that it is free, except for the fact that you know what? Losing a customer also costs money and a customer that may have wanted to come to Travelstart, but now saw a whole bunch of other pricing for other airlines and other OTA's

you know, that might not be accurate even because their cash is regularly not up to date, which you can check yourself by all means.

Go have a look at some pricing. The example I did was departing I think the 8th of December to Dowa from Cape Town and you could see the pricing was all over the place. When you click through the pricing jumps up and down. It is not even an accurate representation of it.

So ja. You seem a little [indistinct – 00:41:45] Donnavan. I am using a lot of words. I am female. I cannot answer something
10 [indistinct].

MR LINLEY: No, that is fine it is not a problem. I just... what is your... I mean you mentioned your alleged, well I mean how Meta search sites work. I want to know specifically Travelstart, I mean what is your sort of dependency with if you are or not dependent on Meta search sites to generate leads for bookings.

MS KLOTZBUCHER: We are lucky. We are less dependent on Meta but that is because earlier I mentioned that we got started in 1998. So we are a little bit old, and that means kind of people know our brand so we are lucky. We have that brand presence. We have customers that
20 have been using us for years and years and you know, ag a lot of headaches and campaigns and all sorts of kind of promotional activities means that people know who they are.

But you know, Suzie's Travel Agency you know, A she would not have the tech to complete on the Meta. Number two, she does not have the money to compete on Google. So she just really needs to find

another way of advertising, and I think really that is probably being a Competition's Commission, probably the ones that you are trying to find a way to protect.

The small you know, suckling industry which is pretty much finding it impossible, near impossible to kind of break into the industry which is extremely unfair.

MR LINLEY: Thanks, I am going to just switch over to Dorris, thanks.

MS KLOTZBUCHER: Sure.

MS TSHEPE: Thank you so much. Thank you Donovan. I just want us
10 to switch gear a bit and look into the future and I think we had Tripco
and one of the issues we were asking them is any intention of moving
into international space, and their response if I remember well, was they
cannot compete I think on the international world.

But we see that you are playing in that space and I just wanted to know going forward, how are you... what is your strategy? How are you moving forward and what has been your experience in the international market?

MS KLOTZBUCHER: So in different marketings that we are currently in,
so we have had wins and we have had losses. Middle East for example
20 is a highly Meta market. I can tell you, it is a blood bath over there. It is
almost impossible to survive there with positive margins and you know,
Covid actually made this something that a lot of companies in our
industry focus on growth over profitability.

They basically keep running at lower and lower margins. They keep chasing you know, growth valuations over profitability. We are not

one of those companies. We have always maintained you know we need to focus on bottom line economics. You know, it is... that is super critical to our team and our investors, etcetera.

But for example Middle East, super competitive, super heavy on Meta. Other markets like Nigeria, they are very small on Meta. Meta is still completely unknown there. It is starting to break out but it is really early days. Their focus is on offline and having a larger offline presence, and you know for example other competitors are much larger than us, that have multiple kind of offline hubs and kiosks, etcetera.

10 So I think the one mistake that people make is you know, thinking of you know Africa as like okay, this is how South Africa works, so this is how everyone in Africa works and I think we all know that it is like every market is so different. So even making a broad statement like you know how did we survive in other markets?

Well, in some of them we did not. Like in Turkey, that was a nightmare. Also very difficult, but other markets you know were slowly progressing and growing in you know, Egypt. You know, Kenya we are trying to kind of get back up because at one stage where we first entered Kenya, it was not really digitally ready.

20 Now it is becoming much more so. So you know what? It really is a factor of what are the dominant distribution channels in that market. Number two, how digitally ready is that market. Number three, how deep are your coffers? How much are you willing to go into the red? What are your timeline horizons?

Are you looking to gain market share within what period and

what are your relationships with suppliers, because unfortunately it is a chicken and an egg thing. If you want to have great deals, you need bigger volumes. You know, otherwise you are discounting at running at a loss.

So do you partner with the third party, and I think our industry is very much based on partnerships and collaboration and you know, working together to achieve the great or good, and I think that the one party that has historically been the horrors to partner with, truly has been Google, and I say that as someone who uses them and as a
10 consumer I am like ja, I totally love Google, but as someone in the industry that has seen how difficult it is to work with them and also to kind of collaborate with them during you know, during Covid, that is when you knew who were your real partners.

You know, how you know your friends during a bad time versus a good time. The people that stood by you. Amazing companies that were like okay, you know what? We know that the travel industry has disseminated, will like delay your payment terms of whatever, and yet there were some companies that did not budge not even a little, and ja.

Just to put it this way, that made it very clear who are the kind of
20 the guys who are there to partner and grow and support a market and an industry and those that kind of are not.

CHAIRPERSON: Thanks Paulina. Can I just ask in terms of your criteria, I mean are there opportunities for South African businesses in the travel sector online? So we are talking platforms ...[intervenes]

MS KLOTZBUCHER: Definitely.

CHAIRPERSON: In the African ...[intervenes]

MS KLOTZBUCHER: Packaging, dynamic packaging activities, there is so many areas that still have been untapped. So ...[intervenes]

CHAIRPERSON: And I am not ...[intervenes]

MS KLOTZBUCHER: So there is definitely a lot of other opportunities in other sectors.

CHAIRPERSON: And I am just thinking travel, I mean are they already crowded with the global players or is there space for South African platforms in those markets?

10 MS KLOTZBUCHER: So the big thing there is yes, there is a lot of technology companies which are overseas which are you know, and that is hard to compete with the tech. so like, but they do not have the supply and the one thing that South Africans have here, is we have a very fragmented supply when it comes to certain players.

Like activities, etcetera. So what usually happens is someone comes in. They spend a hell of a lot of effort aggregating the supply layer, getting all these small activity guys on board for example or package companies on board. They get big enough to be interesting and then a large overseas player comes in that has the tech and goes

20 hm, well you look pretty juicy.

Then they land up coming in, acquiring them at a really nice inflated rate and boom, they have entered the market with full inventory and then it you know, but is that not really the nature of you know, it is kind of like big shark comes, little shark. It is part of you know, open economy.

So you cannot really prevent that, but I think what would be amazing is more investment and support into local tech and into you know, helping you know some of these big foundational tech companies to actually come from South Africa, and I think that is the part that we are very passionate about.

You know, we are also you know, we are trying to support as many start-ups and you know, providers as possible as Travelstart and we always have. So ja, but luckily Africa is still very complicated for a lot of the big guys. I think there is still a hell of a lot of opportunity but I
10 think we just need to protect you know, protect ourselves from these big guys coming in, gobbling stuff out and you know, because it does kill innovation and all sorts of things in a market.

But yes, the answer is yes, there is opportunity.

CHAIRPERSON: And just the... I mean just the strategy. We have got Safari now afterwards which is in the group and we will be chatting to them, but as a strategy [no sound 00:51:18]

MS KLOTZBUCHER: Hello? Okay, lagging a bit. James? I cannot hear you. James, James, James? Hello? I am just ...[intervenes]

CHAIRPERSON: I think I am ...[intervenes]

20 MS KLOTZBUCHER: Yes, I can hear you. I was just helping to share my colleague, Tom's number for the next session. I was calling your colleague to see if you guys are sorted. But yes, I am back and so are you and I missed anything you were saying in that space.

CHAIRPERSON: I just want to ask about your expansion in the sense of what the... that have you targeted the domestic travellers in those

markets or have you sought to follow almost South African travel links to identify these targets?

MS KLOTZBUCHER: Are we sourcing South African travellers? So do we target South Africans? Yes. So for example on Google we focus primarily on locally located, that is a terrible word. Locally located customers because obviously they are departing South Africa, so you know it would be point of commencement in South Africa, if we targeted someone in Zimbabwe it would not really make as much sense because they... our fares etcetera and our licence for IATA, is in South Africa.

10 So we require the ticket to be ticketed in South Africa which is in line with point of commencement which is also in South Africa. So yes, we focus predominantly for Travelstart for customers in South Africa. It will be different when Tom talks to you because of course he focusses predominantly on South Africans, but also on inbound to a lesser degree.

We focus on South Africans. Also inbound is pretty expensive.

CHAIRPERSON: Ja, no I was just thinking from the flights you have set up in Nigeria then presumably you are targeting the Nigerian market and you are trying to build a brand there.

20 MS KLOTZBUCHER: No, from Nigerian websites, we target Nigerians, locally in Nigeria with our Nigerian website and they have... we have our own budget in Nigeria and we target, so each market is kind of run independently.

CHAIRPERSON: Alright ja, that is what I would understand, so that at least from a flights perspective, the origin that is your market and your

brand, and you are using that for domestic flights and international flights.

MS KLOTZBUCHER: Yes, hundred percent. So there is other players that come into South Africa, that target South Africans, because they partner with consolidators. So for example in Middle East we do not have an IATA licence but we want to target the Middle East customer base.

So what we do is we partner with the consolidator who does have a licence, who provides the ticketing function but we can still sell.
10 We just use a local ticketing partner to help issue the flight. So the same way you get a lot of guys from Europe coming into South Africa, selling fares locally in South Africa because they are sourcing them from

If that makes sense. So these local IATA licences from local IATA consolidators, but they do the company that the customer interacts with is an international company that is advertising locally. That is why you see a lot of funny things that maybe you have not seen before in your life.

Who are these guys? I have never heard of them before. Like where are they even based? They have no phone number. They are
20 not even in South Africa, like where are they from and they are actually European or India nor Asian companies coming here and then just using local... they are licencing someone else's licence advertising here.

Often as a way to sniff, and see hm, how good is this market? If it is good enough and has high enough spread then they will settle and they will be like cool, we are going to apply for our own licence here and

then take it to the next step.

CHAIRPERSON: Alright. So it is just testing the market and then but you would need an IATA licence in order to actively sell and ticket, and invest in the market.

MS KLOTZBUCHER: For international flights. For domestic it is different. You do not need an IATA licence to issue a domestic flight. So the low cost carriers like Fly SAFair, etcetera you do not need an IATA licence. You can you know, you can work with those aggregators directly because you are not issuing through the BSB, etcetera.

10 So it is a different model there. But for working with the GDS etcetera, then of course yes, you do need an IATA licence.

CHAIRPERSON: Can I just ask about this sort of travel bundle, and we went there a bit earlier, but I just wanted to ask you. The, I suppose what seems to be the natural association is book a ticket and maybe get some car rental, as you put it insurance and a few ancillaries like that.

MS KLOTZBUCHER: Ja.

CHAIRPERSON: It seems many of the even the local airlines have tried to add a package for accommodation but it does not seem to take off.

20 MS KLOTZBUCHER: Ja.

CHAIRPERSON: On the other side you have got the big accommodation platforms, booking and others that have a flight element. But are many people going onto flights through that channel, because it does seem they are almost parallel eco systems, where accommodation tend to stick to their knitting their own flight similarly.

MS KLOTZBUCHER: It is because both, okay. So this is one of the big kind of misconceptions. Hotels and flights, even though we are in the same industry, run a completely different technology stack with a completely different model behind it. Different distribution and the amount of effort to build a flights platform is massive. The amount of technology that is needed to build a hotel platform, well because you can build a bad one pretty easy.

But well, is you know insane. So you are looking at two incredibly high investment verticals. So for someone to be awesome at
10 flights and also awesome at hotels, is pretty difficult. I mean, there is guys like you know seatrip.com, the Asian company that has obviously through acquisition been able to require multiple players to create a massive kind of hub, but again the cross-integration between these are very, very complicated.

In fact dynamic packaging is considered a little bit the Holy Grail in terms of travel where you can select your flight and then dynamically all the right hotel options pop up. With price discounts, specific to that you know, because if you book a flight and a hotel together, it could land up being cheaper than if you book a flight and a hotel.

20 That is why packages are sometimes cheaper than individual sales, for reasons that would require a very long conversation. Much longer than the rest of this afternoon. But happy to go into that in another talk, but basically it is one of those things that technically is just extremely complicated and one of the big problems with the travel industry is that people have amazing ideas.

But we deal with legacy tech, and the legacy tech unfortunately prevents us often from moving faster. You are dealing with airlines that have got really old fashioned systems and you have got some airlines which are cutting edge and as an intermediary you have to bridge both and be able to support both, and I guess that is kind of what I mean it is good that there is problems to solve, otherwise we would not exist.

You know, problems and complexity is opportunity but I do think that ja, it is one of those things that is very complicated which is why people are like why is it so difficult to sell a flight and a hotel and mash it
10 up together and why does it not take off. It is because actual packages still to a large degree, require a manual intervention.

Which is a good thing for our offline industry because they are really good at it, and hopefully what they need help with though is better distribution because they are really good at putting together the awesome packages but they are really bad at selling them online, and they are really bad and I think that is where a lot of investments should go into, to kind of like help them but it is totally separate to like flights and hotels.

There is flights, there is hotels. There is you know, hotel
20 availability management and then there is packages and there is activities and all of it is very separate texts and different problems and headaches and all of it.

CHAIRPERSON: Paulina, I do not want to keep you longer on a Friday afternoon when that glass of wine is calling. So is there anything else that we have not traversed that you think is important for the panel to

hear?

MS KLOTZBUCHER: I think you know, the thing is that ultimately we are in a position where and this is not just South Africa. I mean you guys know, this is a global issue where there are these massive tech giants and you know, it is not that I am against them, and as a consumer I am an active user of them just like any other consumer.

But it is really something that is almost, it is so difficult to reverse oneself out of, and the disintermediation of more and more products and solutions and technology will ultimately kill the consumer's experience because choice is going to be taken out of the equation. Comparisons are slowly going to come out of the equation because if you got one player providing... say now you have got one Metal company called Google, you do not have kayak and cheap flights and Mondo and all of them are going to provide different options.

You suddenly have you know, there are a kind of and the thing is when you are that big your horizons and your timelines are very different to you know small guys like us. You know, you are not looking at five years, ten years. You are looking at the next 20, 30, 40 years. You are looking at your timeline horizons which are very different.

You know, you can sit Google bought ITA like I think it was 2008, 2009 and they did not do anything with it, and they were just like you know, scrolling away in their little bits and pieces that comes out. It comes out more and more and then you know, suddenly you are like what the hell just happened.

I think that is the part where you know, one just really needs to

think five steps ahead which is pretty difficult. Also ja, good luck on your job. How you are planning to solve all this. So but ja, I am glad that you are doing something about it. So ja, but that is it. I have nothing else to say.

CHAIRPERSON: Great. Well, enjoy the rest of your afternoon and I am sure we will be in contact over the coming months to get ideas as well as to what should be done to solve it and also to interact with the other parts of your company. I think next we do have Rob. No, Tom sorry. Apologise.

10 Tom.

MS KLOTZBUCHER: Paulina will be able to tell you the hotel side in much detail.

CHAIRPERSON: So thank you very much Paulina and welcome Tom. I do not know if we can admit Tom to the session? Cheers.

SESSION ENDED

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