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OIPMI PROVISIONAL REPORT

CHAPTER 3

E-COMMERCE

Table of contents

E-COMMERCE 1
1. Platform market delineation 2
1.1. Service and consumer need 2
1.1.1. Consumer proposition 2
1.1.2. Seller proposition 5
1.1.3. Benefits of the marketplace to e-commerce retailers 7
1.2. Adoption and use 8
1.3. Interaction with other sales channels and online channels 13
1.3.1. B&M versus online marketplaces 15
1.3.2. Online B&M (e.g. cottonon.com, builders.co.za) versus pure online platforms 23
1.3.3. Online resellers versus online marketplaces 27
1.3.4. Suppliers with an online channel 28
1.3.5. International platforms 28
1.4. Conclusion 31
2. Market structure and competitive dynamics 33
2.1. The factors upon which platforms compete for consumers and sellers 33
2.2. Features of e-commerce in South Africa 37
2.2.1. Cross-network effects 37
2.2.2. High returns to scale and scope 38
2.3. Barriers to entry and expansion 40
2.3.1. Capital constraints 41
2.3.2. B&M legacy problems 47
2.4. Multi-homing 48
2.5. Differentiation among e-commerce retailers 51
2.5.1. Specialist versus generalist e-commerce retailers 51
2.5.2. Niche e-commerce retailers 55
2.5.3. Consumer targets 56
2.6. Market structure 57
2.6.1. Current market structure 57
2.6.1.1. Consumer perspective 57
2.6.1.1.1. Structure by e-commerce by product category 62
2.6.1.1.2. Structure of the general merchandise segment 64
2.6.1.2. Seller perspective 65
2.6.2. Future market structure 68

3. Platform competition issues 72
3.1. Marketing spend and search prominence 72
3.1.1. Google's position in search and marketing 72
3.1.2. Paid advertising prices 73
3.1.3. Changes to the Google Search page over time 75
3.1.4. Ability of small e-commerce retailers to compete 79
3.1.5. Google suspensions 81
3.2. Narrow price parity 83
3.3. Below-cost pricing 91
3.4. Leveraging conglomerate benefits 93
3.4.1. Sharing delivery costs 93
3.4.2. Data sharing 94
3.4.3. Advertising benefits 95
3.5. Data usage 97
3.6. Limited online exclusivities 98
4. Seller competition and treatment 102
4.1. Free riding off seller risk taking 102
4.2. Self-preferencing platform own retail over sellers 107
4.2.1. Buy Box 109
4.2.1. Promotions 112
4.2.2. Search algorithm 115
4.2.3. Display advertising and brand stores 117
4.3. Pricing interference 118
4.4. Platform-specific exclusivities and product gating 121
4.5. Raising the costs of sellers 126
4.5.1. More and higher fees 127
4.5.2. Sponsored ranking 129
4.5.3. Imposing costs (e.g. penalty fees) outside sellers' control 132
4.5.4. Unresponsive service processes 136
4.6. Issues facing HDP and SMME sellers 139
4.6.1. Subscription fees 140
4.6.2. Onboarding 140
4.6.3. No support programmes geared towards HDPs and/or SME firms 142
5. Annexure 146

List of Figures

Figure 1: Monthly visits to e-commerce sites, Jan 2019 – Jan 2022 10
Figure 2: Date of entry into online retail in South Africa (1999-2021) 12
Figure 3: Retail landscape (excluding food retail) 14
Figure 4: Traffic and Engagement, monthly visits (all traffic), February 2019-February 2022 30
Figure 5: Top 10 share of e-commerce traffic, February 2019- February 2022 59
Figure 6: [redacted] 65
Figure 7: Google ad labels, 2000 to 2020 76
Figure 8: Traffic volumes to SA eCommerce sites by traffic source on Desktop only, March 2019-February 2022 77
Figure 9: [redacted] 80
Figure 10: Traffic of suspended website, January 2020-February 2022 82
Figure 11: Price parity survey results, 2021 86
Figure 12: Buy Box Example 110
Figure 13: In stock and lead time stock offers on the Buy Box 111
Figure 14 [redacted] 113
Figure 15:Sponsored product rankings example 132

List of Tables

Table 1: Net delivery income (revenue less costs of delivery), 2020 43
Table 2: Specialist and generalist e-commerce retailers 51
Table 3: Overlap among a selection of generalist and specialist apparel e-commerce sites, March 2021-February 2022 52
Table 4: Overlap among a selection of generalist and specialist in building and DIY retail, March 2021-February 2022 54
Table 5: Top 10 traffic quality, March 2021 - February 2022 59
Table 6: Percentage of visits that are direct, March 2019- February 2022 61
Table 7: Summary of the Takealot Group's shares per product segment, FY2019-21 62
[redacted] 64
Table 9: Search engine traffic shares between March-2019 and February-2022 73
Table 10: Price Parity across different platforms, 2022 84
Table 11: Amazon sales (USD millions) growth before and after the removal of Price Parity Clauses (Years ended December 2012-2020) 90

E-COMMERCE

2. The Inquiry's scope is limited to online intermediation platforms, which are digital platforms that facilitate transactions between business users and consumers. In the case of e-commerce, platforms or marketplaces (e.g. Takealot, Makro, Loot, BidorBuy, Zando, Leroy Merlin) intermediate between business users called sellers or merchants and consumers in relation to the sale of goods. Goods in this case exclude fresh groceries and ready-to-eat meals, which are instead intermediated by on-demand/food delivery platforms (see Chapter 6). Unlike classifieds such as Gumtree and Facebook Marketplace (see Chapter 5), e-commerce platforms allow transactions to be completed over the platform.

3. While the Inquiry is primarily focussed on e-commerce platforms or marketplaces, these platforms may compete at some level with a range of market participants that fall outside the scope of the Inquiry – retailers that do not intermediate between businesses and consumers. The Inquiry has thus considered the extent to which platforms are constrained by pure online resellers (e.g. Everyshop, Superbalist, Yuppiechef, OneDayOnly) including brand owner sites (e.g. Nike), brick-and-mortar ("B&M") stores (e.g. Woolworths, Builders Warehouse, etc.), their online channels (e.g. Woolworths online, Builders online, etc.), and own seller websites (e.g. Elite Shopper website). One or more of these may even add marketplaces to their offering in the future. The competitive interaction between the aforementioned retailers and e-commerce platforms will shape both the assessment and recommendations.

4. The Inquiry has focused on two broad areas of assessment as set out in the first Statement of Issues and Further Statement of Issues:

   4.1. Market features that may hinder competition amongst the platforms themselves; and

   4.2. Market features that may hinder competition amongst business users on the platforms, including discriminatory or exploitative treatment of business users especially SMEs and/or HDP firms.

5. Whilst the Inquiry will consider how consumer and business data advantages may shape competition, the Inquiry has excluded broader data privacy issues.

1. Platform market delineation

1.1. Service and consumer need

6. Online e-commerce platforms have become important in the digital economy, providing benefit to both consumers and businesses. Their benefits stem both from being online and from their role as an aggregator and intermediary.

1.1.1. Consumer proposition

7. Below, we separate the benefits to consumers from online retail versus the benefits they derive from marketplaces, or the ability to purchase from more than one seller. We discuss these separately below.

8. **Benefits from being online.** There are a number of benefits to consumers to shopping online, especially since the onset of the Covid-19 pandemic. In a report by KPMG International about online consumers, it was revealed that globally, the main reasons why consumers prefer to shop online include time flexibility (ability to shop 24/7), the ability to compare prices, cost savings, greater variety/selection of products and avoiding the negative experiences associated with going out to shops, including avoiding crowds and checkout lines.[1] Broadly, consumer benefits from e-commerce may be categorised into these four buckets:

   8.1. **Convenience.** Consumers can shop whenever they desire - they are not confined to shop during opening hours, their out-of-work hours, and/or the confluence of the two as they can order products from their homes or places of work.[2] Online shopping can save time; they do not need to travel to shop (high cost if distances are large)[3],nor do they need to take the time to physically search for items across stores or even in-store[4]

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1 KPMG International Cooperative, 2020, "The truth about online consumers", Available at: https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf [Accessed 2 February, 2021]

2 [redacted]

3

4 Lewis. R, 2014 "The great retail demassification: Part 1. Available at: https://www.forbes.com/sites/robinlewis/2014/03/24/the-great-retail-demassification-part-1/?sh=51a0ced5213f . [11 February 2022]

and can avoid queuing in favour of delivery.[5] They can also side step crowds, a desire that has been elevated since the start of the Covid-19 pandemic.

8.2. **Improved search and comparison.** Consumers can more easily compare different products and prices online. Consumers are in theory able to compare different products at different retailers at the click of a button.[6] Consumers can also more easily compare *identical* products on different online retail sites to ascertain the cheapest and fastest delivery offering available.[7] Online sites also typically present important product information on one page, which may be easier than searching for information on product packaging in-store.[8] Apart from product information, sites also provide information about store-wide warrantees and in the case of more established online retailers, consumer reviews.

8.3. **Wider range.** Online retailers can store their merchandise in large warehouses. As a result, online retailers are typically able to stock a larger range of products than B&M retailers do. They are not constrained as B&M stores are by shelf space[9], accessibility (floor-to-ceiling stacking is not practical)[10] and findability (consumers expect certain product ranges to be kept together even if this does not optimize the space constraints of the store) to consumers, as well as space for queuing and checkout.[11] This both gives consumers a wider range of options ("one-stop shop")[12] and the ability to compare more products over a single platform.[13]

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[5] [redacted]

[6] For example, a consumer can compare the price and characteristics of a Mr Price Home 16-piece silver cutlery set to a @Home 16-piece silver cutlery set without having to slog across or between shopping centres.

[7] For example, an online search for the Hisense 65" UHD Smart TV by title or even barcode reveals that HiFiCorp's offer was R950 (8%) cheaper than Takealot's offer with a slightly shorter delivery time HiFiCorp's offer was R10 999 for a 3-6 working day delivery time and Takealot's offer was R11 949 for a 5-7 working day delivery time as of 7 February 2022.

[8] Gupta, A., Bansal, R., Bansal, A, 2013, "Online Shopping: A Shining Future". *International Journal of Techno-Management Research 1(1):1-10.*

[9] [redacted]

[10] [redacted];Maat, K & Konings, R, "Accessibility or Innovation?: Store shopping trips versus Online shopping"; Transportation Research Records 2672(50):pp1-10

[11] Khan, A.G, 2016, "Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy", *Global Journal of Management and Business Research, 16(1): p19-p22*

[12] [redacted]

[13] It is true that there are some large format retail stores such as that like the distribution centres of e-commerce retailers are outside prime real estate areas. According to Massmart's 2021 Interim Results report, Makro had 260 171m^2 and since there were 22 Makro stores, the average store size was 11 826m^2. However, unlike distribution centres, the space of large format retail stores cannot be filled to the same degree for accessibility and findability reasons. [redacted]

8.4. **Lower prices.** Online retailers face lower costs than B&M retailers and so are in the position to offer lower prices to consumers. Warehousing is typically outside of prime real estate areas, and there is no need for shop fittings and consumer service personnel across all outlets.[14]

9. **Marketplace benefits.** Marketplaces also offer a number of benefits to consumers, which again may be summarised into four main categories.

9.1. **Broader product range**. Marketplaces benefit from the ingenuity of entrepreneurs to source and sell new and innovative products ("the long tail") over the platform, which serves to extend the platform's range even further. Consumers can then find and access even more options within a single platform. They can also do price and other comparisons over an even broader range of products using just one platform.[15]

9.2. **Choice of many sellers**. Consumers may benefit from being able to purchase from more than one seller, some of which sell identical products. Marketplaces typically provide information on sellers' service histories and other relevant information to help consumers choose sellers based on their preferences.[16] For example, a price-sensitive consumer may decide to purchase a product at a lower price point from a seller that typically takes longer to deliver products over a seller offering next day delivery at a higher price point.

9.3. **Ability to combine purchases to reach free delivery thresholds**. Marketplaces enable consumers to combine purchases from multiple sellers into a single basket, which can help them reach free delivery thresholds.[17]

9.4. **Accountability**. By setting seller terms and conditions, centralised call centres and email addresses for consumer complaints, and by monitoring seller activities to make sure sellers treat consumers in a fair and transparent manner, platforms ensure that sellers are held accountable to consumers.[18]

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[14] Pillemer, N, 2020, "10 Advantages of E-commerce for consumers and businesses". Available: https://www.become.co/blog/ecommerce-advantages-consumers-businesses/ [Accessed 11 February 2022].

[15] [redacted]

[16] [redacted]

[17] [redacted]

[18] [redacted]

1.1.2. Seller proposition

10. We have also distinguished between the benefits to businesses from being online (their own online channel) versus the benefits they derive from operating on marketplaces.

11. **Benefits from being online.** E-commerce has become an important distribution channel for retailers.

    11.1. **Market position retention**. As some South African consumers now either shop extensively online or compare prices of retailers online, South African retailers need to be online to retain their market share. This was raised by a number of market participants.[19]

    11.2. **Broadening of the consumer base**. Whereas B&M retailers typically have access to a consumer base situated close to their store(s), starting an online channel can help them reach a larger consumer base, which could be national or even international.[20] This is without the need for them to expand their store footprint and incur the costs associated therewith (rent, shop fittings, consumer service employees).[21] Going online may therefore afford businesses the opportunity to compete with retailers that have a national store footprint, without requiring the same level of investment and risk-taking.[22]

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[19] [redacted]

[20] Taher, G. (2021). E-Commerce: Advantages and Limitations. International Journal of Academic Research in Accounting Finance and Management Sciences, 11(1), 153-165; Telkom, 31 January 2022. "The importance of e-commerce and online marketplaces for SMME's". available at: https://www.thesmallbusinesssite.co.za/2022/01/31/the-importance-of-e-commerce-and-online-marketplaces-for-smmes/. [Accessed on 17 February 2022].

[21] Franco,C & Regi, B, 2016, "Advantages and Challenges of E-commerce Consumers and Businesses: In Indian Perspective, *International Journal of Research 4(3):p7-p13;* Telkom, 31 January 2022. The importance of e-commerce and online marketplaces for SMME's. available at: https://www.thesmallbusinesssite.co.za/2022/01/31/the-importance-of-e-commerce-and-online-marketplaces-for-smmes/. [Accessed on 17 February 2022].

[22] [redacted] Xtraspace,2021," E-commerce in South Africa: Growth and Challenges in 2021". Available: https://www.xtraspace.co.za/blog/articles/e-commerce-in-south-africa-growth-and-challenges-in-2021#:~:text=The%20rapid%20growth%20of%20e%2Dcommerce%20in%20South%20Africa&text=Business%20Insider%20cites%20FNB%20reporting,a%20128%25%20increase%20in%20sales [Accessed 17.02.2022]

11.3. **Easier consumer acquisition**. Targeting consumers online has become relatively easy with the advent of advertising on social media, search engines and comparison-shopping services (CSSs).[23]

12. **Marketplace benefits.** Businesses can further benefit from using online marketplaces as opposed to setting up their own online channel.

12.1. **Access to consumers**. Marketplaces offer businesses a way in which to reach new consumers. Their exposure to consumers and incremental sales will be greater the larger and more unique is the platform's consumer base.[24]

12.2. **Consumer trust.** Platforms can engender consumer trust, which retail businesses – especially small ones - may struggle to do using their own online channels. Marketplaces allow sellers to rely on the platform's reputation for honouring consumer orders without having to build up trust themselves. In addition, platforms typically use 'reputation systems' which gather and publish information about sellers' past behaviour on platforms, which also helps with developing consumer trust in often new small businesses.[25]

12.3. **Speed to market and reduced costs.** Marketplaces can save sellers time and money. They can start selling online without needing to set up the digital platform and its supporting functions. They can also avoid substantial investments into the technology and supply chain needed to establish an online channel.[26] [redacted][27]

12.4. **Last mile delivery solutions**. Marketplaces also offer essential logistics services to sellers, which are difficult for businesses to establish themselves. Last-mile fulfilment services are particularly expensive and complex for sellers, especially small businesses

[23] Johnson, O.J., 2018, "Adoption and use of E-commerce in the Mainstream Retail Grocery Sector in the Western Cape, South Africa, Available: http://etd.cput.ac.za/bitstream/20.500.11838/2826/1/214323765-Johnson-Olufemi-Jagunmolu-MTech-Information-Technology-FID-2019.pdf [Accessed 14 February 2022]

[24] [redacted]

[25] Saastamonen, J, 2011, "Competition in Comparison Shopping Services", *International Journal Online Marketing, 1(3): p1-p16.*

[26] [redacted]

[27] [redacted]

that often don't have the skills and ability to establish their own last-mile fulfilment operations. Marketplaces offer sellers access to proven, reliable delivery, including reverse logistics, without which many sellers (especially small) may not be able to offer an e-commerce solution. Furthermore, by aggregating last-mile delivery needs, marketplaces can lower the costs of last-mile fulfilment.[28]

12.5. **Consumer service**. Marketplaces may also provide some level of consumer service. Platforms typically deal with the first level of consumer service in which they address simple queries (e.g. how to order items, the delivery status of orders, etc). This can relieve sellers from staffing large consumer contact centres to answer queries. Instead, fewer consumer service personnel would be required as sellers would only need to address specific questions about their products.[29]

12.6. **Learning**. Marketplaces may also allow businesses to learn from one another as sellers can easily see other sellers' product listings and improve them (e.g. the product listing information to provide, types of photographs, etc.). They can also compare the offers of competitors and try match or beat them.[30]

1.1.3. Benefits of the marketplace to e-commerce retailers

13. Marketplaces confer a number of advantages to retailers over online resellers without a marketplace.

13.1. **Low risk expansion of product range**. Unlike traditional models, product ranges may expand into new and less well-known products and brands without e-commerce retailers having to bear the risk of selling new products.[31]

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[28] [redacted] Accenture, (no date), " How could last mile delivery evolve to meet to sustainably meet consumer expectation",available:https://www.accenture.com/_acnmedia/pdf-95/accenture-last-mile-delivery-meet-consumer-expectations.pdf . [Accessed 15 March 2021]

[29] [redacted]

[30] [redacted]

[31] Aghamirian, B., Dorri, B., & Aghamirian, B, 2015, " Consumer Knowledge Management Application in Gaining Organization's Competitive Advantage in Electronic Commerce, *Journal of theoretical and applied electronic commerce research, 10(11):p63-78.*

13.2. **Cost efficiencies**. The scale that marketplaces offer may serve to reduce unit costs as the fixed costs of online systems (e.g. booking systems) and back-end processes (e.g. warehouse & delivery) can be spread over a larger number of transactions. [32]

13.3. **Search benefits.** A longer tail of products from marketplaces may generate greater exposure via search and advertising efforts.[33] For example, consumers searching for Hape toys online, will realise that in addition to these products being sold on the Toy Kingdom site, they can also purchase these over the Takealot platform (where Toy Kingdom is the seller).

13.4. **Range benefits.** Consumers who would like to purchase items that are sold by different sellers will be attracted to platforms, especially where there are free delivery thresholds. For example, for a consumer that would like to purchase one Hape toy for R239 but cannot meet the Toy Kingdom threshold they may prefer to use the Takealot platform, on which they are more likely to find other items they need to meet Takealot's free delivery threshold.

13.5. **Data advantages**. Marketplaces have access to more data on consumer behaviour and needs, which provides valuable insights from which marketplaces can learn.[34]

1.2. Adoption and use

14. E-commerce is growing in popularity throughout the world as more people shop online, and businesses launch their own e-commerce sites.[35] Pre-2016, online shopping adoption in South Africa was muted, but has since grown, particularly since the start of the global Covid-19 pandemic (and associated regulatory measures) in March 2020, a change that is unlikely

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[32] Oxera, 2015, "Benefits of online Platforms", available: https://www.oxera.com/wp-content/uploads/2018/07/The-benefits-of-online-platforms-main-findings-October-2015.pdf.pdf [Accessed 14 February, 2022]

[33] Karakaya, F, 2012, "Business-to-Consumers eCommerce: How Companies Use the Internet in Marketing Products and Services to Consumers, *Service Science Research, Strategy and Innovation: Dynamic Knowledge Management Methods (pp. 227-244)*. IGI Global. https://doi.org/10.4018/978-1-4666-0077-5.ch014

[34] Molla, A & Heeks, R, 2007, "Exploring E-commerce Benefits for Businesses in a Developing country ", *The Information Society*, 23(2), p95--p108

[35] XstraSpace, 2021, Ecommerce in South Africa: Growth and Challenges in 2021, Available: https://www.xtraspace.co.za/blog/articles/e-commerce-in-south-africa-growth-and-challenges-in-2021#:~:text=The%20rapid%20growth%20of%20e%2Dcommerce%20in%20South%20Africa&text=Business%20Insider%20cites%20FNB%20reporting,a%20128%25%20increase%20in%20sales [Accessed 17 February 2022]

to be reversed in the future. Despite this, e-commerce penetration in South Africa is still low based on cross-country comparisons.

15. Before 2016, e-commerce penetration was low for a number of reasons. The main reasons were low internet penetration and high data costs, low credit card penetration, a high shopping centre per capita ratio, and high logistics costs due to a large geographic area of the country and a big rural population.[36]

16. South Africa has experienced considerable growth in e-commerce since then, especially since the start of the Covid-19 pandemic.[37] Based on submissions, the Inquiry notes that there was considerable growth in e-Commerce traffic in 2019. [redacted][38]

17. The Inquiry has access to SimilarWeb data from January 2019 until January 2022, which it has used to map site traffic over time (See Figure 1). After the dip in sales during the first hard lockdown in South Africa, visits to e-commerce sites were generally higher than in the 13 months pre-Covid. In fact, total visits per annum increased from 664 million to 714 million between the years ended February 2020 and February 2021, an increase of 7.6%.

36 [redacted]
37 [redacted]
38 [redacted]

Figure 1: Monthly visits to e-commerce sites, Jan 2019 – Jan 2022



Source: SimilarWeb Data

Notes: The Commission defined its own e-commerce segment based on the market participants These may not include all small e-commerce sites but are likely to provide a good overall view of the e-commerce industry.

18. [redacted]

19. [redacted]

39 [redacted]

40 [redacted]; EFSA, RSOI

41 [redacted]

[redacted][42]

20. The large growth of e-commerce in South Africa is confirmed by external research, such as by Mobicred, SA's largest digital credit facility. It found that there was an overall transaction growth of 40% and a 90% increase in Microbed applications among 60+ year olds, consumers who had traditionally been hesitant to shop online. The study also found that the average basket size and the frequency of transacting also grew (by more than 25% and 30% respectively). Accompanying this was a 50% monthly increase in the number of new online retailers signing up for the credit facility.[43]

21. [redacted][44]

22. There have been pure online retailers in the country as early as 1999. Kalahari was the first to launch followed by Bidorbuy and Take2 (Takealot's predecessor) in 2002 and Loot in 2003. B&M stores have been relatively late to enter online retail, with most launching their online channels after 2011. [redacted].[45]

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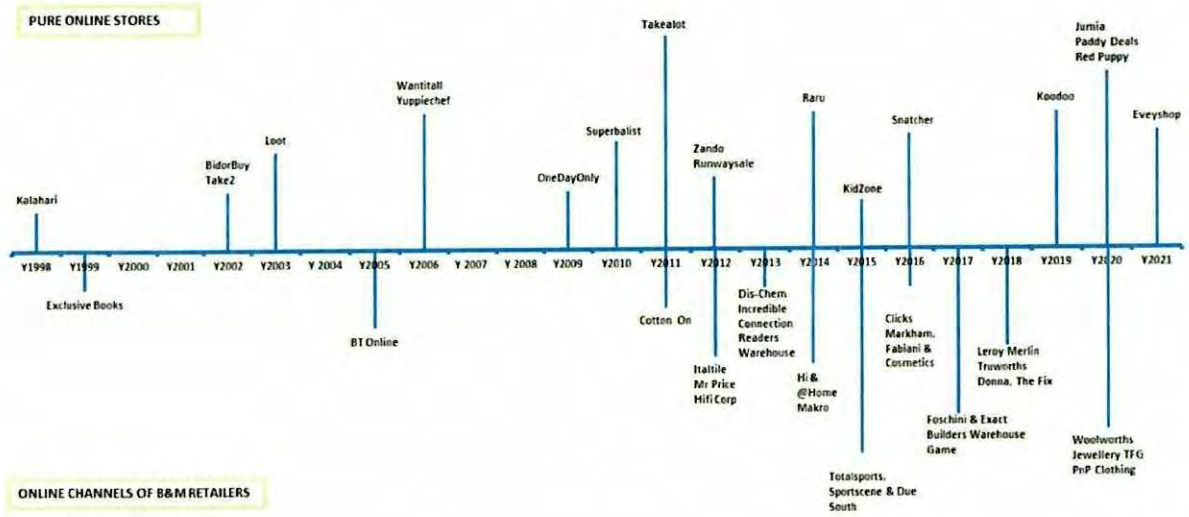
[42] [redacted]

[43] West, E. 2020, "2020 sees a boom for online shopping in SA", in *iol*, available at: https://www.iol.co.za/business-report/economy/2020-sees-boom-for-online-shopping-in-sa-5ac5ab33-c2aa-4e29-96f9-f939c8b4449c [Accessed 3 February 2022]

[44] [redacted]

[45] [redacted]

Figure 2: Date of entry into online retail in South Africa (1999-2021)



Source: [redacted] *(https://www.businessinsider.co.za/exclusive-books-turns-70-2021-8)* ; [redacted] *(https://techfinancials.co.za/2020/08/03/pick-n-pay-clothing-launches-an-online-shop/)* ; [redacted] *(https://mybroadband.co.za/news/business/56569-making-money-online.html)*; [redacted] *(https://www.businessinsider.co.za/meet-the-yuppiechef-founders-2021-3)*; [redacted] *(https://ventureburn.com/2021/06/how-onedayonly-grew-its-ecommerce-business/)*, [redacted] *(https://businesstech.co.za/news/internet/18662/mr-price-ready-to-launch-online-store/)*; [redacted] *(https://ventureburn.com/2014/06/ex-takealot-founders-launch-tech-ecommerce-site-raru/)* ; [redacted] *(https://businesstech.co.za/news/technology/474144/takealot-competitor-everyshop-launches-in-south-africa/)* ; [redacted] *(https://ecommercedb.com/en/store/makro.co.za)*; [redacted] *(https://ecommercedb.com/en/store/12unwaysale.co.za).*

23. Based on submissions, the Inquiry has estimated the penetration of e-commerce in eight product categories for the period 2019-2021. [redacted]

[redacted][46]

24. While the growth in e-commerce in the country accelerated as a result of the Covid-19 outbreak, it appears unlikely to lose its momentum, even after the Covid-19 pandemic is under control.[47] [redacted][50] Based on research by McKinsey and Rogerwilco, 42% and 25% of South African consumers respectively intend to increase their online shopping for non-grocery items post-Covid.[51] [redacted][52] Emerging markets sampled by Euromonitor showed a sustainable shift in e-commerce with the e-commerce share of total retail forecast to increase from 8% to 16% overall between 2020 and 2025.[53]

1.3. Interaction with other sales channels and online channels

25. A number of platforms have submitted that aside from other online platforms [redacted], pure-play e-commerce retailers [redacted], established B&M retailers and their online

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[46] [redacted]

[47] Xtraspace, 2021 "E-commerce in South Africa: Growth and Challenges in 2021", Available at:https://www.xtraspace.co.za/blog/articles/e-commerce-in-south-africa-growth-and-challenges-in-2021#:~:text=The%20rapid%20growth%20of%20e%2Dcommerce%20in%20South%20Africa&text=Business%20Insider%20cites%20FNB%20reporting,a%20128%25%20increase%20in%20sales: [Accessed 2 February 2021]

[48] [redacted]

[49] World Economic Forum (7 June 2021)," The *pandemic has changed consumer behaviour forever - and online shopping looks set to stay".* Available at: www.weforum.org/agenda/2021/07/global-consumer-behaviour-trends-online-shopping/. [Accessed on 14 February 2022]; [redacted]

[50] [redacted]

[51] Rogerwilco, 2020, "The 2020 South African digital customer experience report", Available: https://www.rogerwilco.co.za/sites/default/files/the-south-african-digital-customer-experience-report-2020.pdf .[Accessed 30 May 2022]; Mckinsey & Company, 2020, "A global view of how consumer behaviour is changing amid Covid". Available: https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/A%20global%20view%20of%20how%20consumer%20behavior%20is%20changing%20amid%20COVID%2019/20200707/covid-19-global-consumer-sentiment-20200707.pdf. [Accessed 30 May 2022].

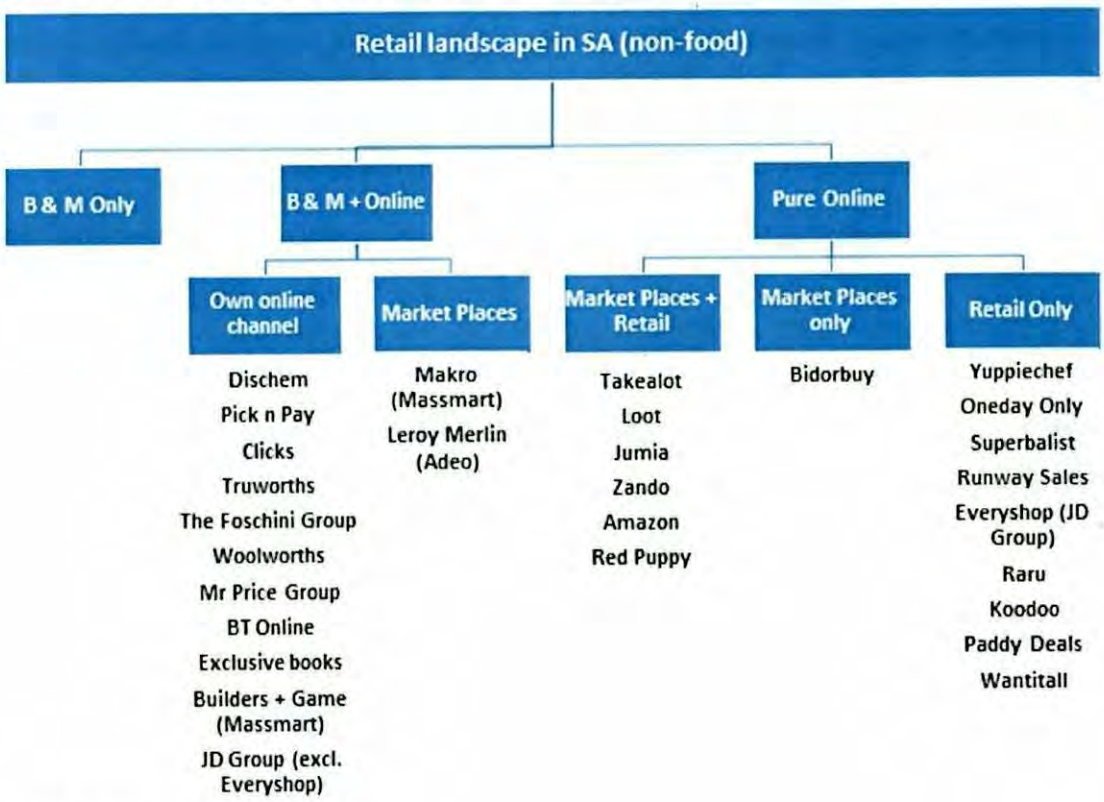
[52] [redacted]

[53] These markets include LatAm (Argentina, Brazil, Colombia, Chile, Mexico), Europe (Czech Republic, Poland, Romania, Ukraine, Hungary, Turkey), Middle East (UAE, Saudi Arabia) and Asia (Indonesia, Taiwan, Malaysia, Thailand, China, India).

channels [redacted], suppliers with online channels [redacted], international retailers [redacted] and small online retailers also constrain them.[54] We have considered these various propositions, both in terms of competition for consumers and competition for sellers.

26. The broad landscape of the online and offline retail segment (excluding food retail) is summarised in the figure below. Missing from the figure is suppliers who have their own websites (e.g. mia.africa.com selling Xiaomi) and often also a brick-and-mortar presence (e.g. Apple, Samsung, Adidas, Nike, Puma).

Figure 3: Retail landscape (excluding food retail)



Source: Inquiry's own compilation.

27. The Inquiry has identified nine online marketplaces that fall within the scope of the OIPMI Inquiry, one of which is the international platform Amazon. Of these nine marketplaces in the

54 [redacted]

country, just two are specialist platforms (Zando, Leroy Merlin), just two have brick-and-mortar offerings (Makro and Leroy Merlin) and one does not have a retail segment (Bidorbuy).

28. In assessing competitive constraints in differentiated markets, the focus is typically on closeness of competition rather than necessarily delineating hard boundaries. Closer competitors will exert a stronger constraint on prices and quality than more distant ones, which may not permit a sufficient constraint to prevent price increases or quality degradation. Given the service and customer needs that online marketplaces address as outlined above, it is inevitable that other online marketplaces will be the closest competitors and the question is whether these other channels are capable of exerting a similar constraint or not. This question needs to also be asked for both sides of the market, consumers and sellers. As outlined below, B&M is unlikely to do so given the nature of customer journeys that move online for reasons of convenience, to such an extent that they are even identified to be in separate markets. For sellers even more so as own B&M offers limited geographic reach and getting listings on national chains is limited and difficult. The various online alternatives such as B&M online channels or pure platforms offer the online dimension, but will lack one or more of range, scale, efficient delivery and costs of marketplaces that combine with retail offerings. This means that they cannot replicate the constraints of similar marketplaces. For sellers, certainly online channels that lack a marketplace are simply not an alternative at all. This is discussed in the sub-sections that follow.

1.3.1. B&M versus online marketplaces

29. In 2021, the full retail market sales in South Africa amounted to approximately more than R900 billion.[55] However, this figure includes the sale of perishable food products, which e-commerce platforms do not sell online (these are instead usually sold through on-demand delivery platforms).

30. Further, most consumers in South Africa who are in the position to use e-commerce are high-income consumers. The rest of the country typically has irregular access to internet due to high mobile data costs, low credit card penetration rates[56] and often reside at informal

[55] Stats SA, 2022, "Statistical Release: Retail trade sales: March 2022", Available: https://www.statssa.gov.za/publications/P62421/P62421March2022.pdf. [Accessed 10 June 2022].

[56] Thenga, A, 2021 "E-commerce to be worth R225bn in SA in 5years as expectations change", Available: https://www.rmb.co.za/news/ecommerce-to-be-worth-r225bn-in-sa-in-5-years. [Accessed 10 June 2022]

addresses in the country's townships outside the country's major cities.[57] High-income consumers in South Africa make up around 16% of the population and approximately 50-60% of the country's consumption.

31. Among high-income technologically savvy consumers, a subset will never make online purchases. These consumers may not be technologically savvy, have low levels of trust in online sites[58], do not trust online payment[59] or just prefer the experience of shopping in-store.[60] While many of these consumers may browse online, pure-play retailers will never be an option for these consumers' final purchase decisions. Based on recent data by FNB, e-commerce only accounted 14% of the total card payments spent in the retail space at the end of 2021.[61] The inquiry's view is that the approximate retail market for which consumers are both willing and able to shop online could therefore, be significantly smaller than the full retail market.

32. Among consumers who can and are willing to shop online, there are a range of consumer journeys many of which do not involve a comparison between online and offline options. Lemon and Verhoef (2016) have defined customer journeys as the process a consumer goes through across all stages and touchpoints, forming the customer experience[62] and Herhausen at al. (2019) defined consumers journeys as consumers' usage of all online and offline touchpoints (search and purchase activity).[63] Customer journeys may be impacted by a number of factors, including but not limited to urgency, convenience, whether they are looking for a 'long-tail' item, their price sensitivity, and the importance of look-and-feel of the item. The Inquiry has broadly considered four customer journey segments, two of which do and two of which do not involve a comparison between online and offline offers.

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[57] .Johonson, O.J ,2018, "Adoption and use of e-commerce in the mainstream grocery sector in the Western Cape, South Africa", https://www.academia.edu/68749243/Adoption_and_use_of_E_commerce_in_the_mainstream_retail_grocery_sector_in_the_Western_Cape_South_Africa. [Accessed 10 June 2022]

[58] [redacted]; Why the majority of South Africans aren't shopping online. Available at: https://www.yuppiechef.com/spatula/why-south-africans-arent-yet-shopping-online/. [Accessed 14 February 2022];

[59] [redacted]

[60] [redacted]

[61] Bizzcommunity, 2022, " FNB records sharp e-commerce growth since 2019", Available: https://www.bizcommunity.com/PDF/PDF.aspx?l=196&c=394&ct=1&ci=225985. [Accessed 13 June 2022]

[62] Lemon, K. N., & Verhoef, P. C. (2016). "Understanding consumer experience throughout the customer journey". *Journal of Marketing*, 80, 69-96.

[63] Herhausen, D., Kleinlercher, K., Verhoef, P.C., Emrich, O. and Rudolph, T., (2019). "Loyalty formation for different customer journey segments". *Journal of Retailing*, *95*(3), pp.9-29.

32.1. **Offline only:** For consumers who do search and shop online at times, there will be certain circumstances under which they will start and end their customer journey in B&M stores without any consideration to online options.[64] Their reasons may be varied, including but not limited to the urgency with which they require products, the extent of price insensitivity, the in-store services they seek (e.g. advice from sales people, sports shoe fittings, advice from pharmacists), a desire to physically examine products,[65] the reluctance to pay for delivery fees and inability to meet free delivery thresholds,[66] [redacted][67]. This customer journey involves no interaction between online and B&M options. Given an e-commerce share of total retail of 0-5% in South Africa, the vast majority of customer journeys in the country are likely to be of this type.

32.2. **Online only:** [redacted][68], with consumers (especially time-constrained ones) being put off in-store shopping by the need to physically search for products in-store and stand in checkout queues, the need to travel to physical stores especially where large distances are involved, and/or the need to shop across different stores or physical locations (e.g. shopping centres) to obtain all the products required.[69] Again, this customer journey does not involve a comparison between online and offline options. The Covid-19 pandemic and associated lockdowns has further encouraged many consumers to shop online, in so doing avoiding crowds and limiting their exposure to the virus.[70]

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[64] This does not mean that they will not search for which B&M retailers stock products they want online before heading to those stores to make purchases. It just means they will never stock particular items they are looking for without ever considering purchasing these items from pure online retailers

[65] Yuppiechef, (no date) Why the majority of South Africans aren't shopping online. Available at: https://www.yuppiechef.com/spatula/why-south-africans-arent-yet-shopping-online/. Accessed [14/02/2022]; All Africa Wire. October 2021, "How Have Consumer Shopping Patterns Changed in South Africa Since the Pandemic?", available at: https://allafrica.com/stories/202110051126.html [Accessed 15 February 2022]

[66] Retail Wire, (2020). Consumers hate paying for shipping more than just about anything. Available at: https://retailwire.com/discussion/consumers-hate-paying-for-shipping-more-than-just-about-anything/. [Accessed 21 February 2022].

[67] [redacted]

[68] [redacted]

[69] US National Retail Federation, 2020, "Convenience and the Consumer", Available: https://cdn.nrf.com/sites/default/files/2020-01/cv8-convenience-final-jan-9-2020.pdf. [Accessed 23 March 2022]

[70] Alessa, A. *et al.* (2021) "Impact of COVID-19 on Entrepreneurship and Consumer Behaviour: A Case Study in Saudi Arabia," *The Journal of Asian Finance, Economics and Business.* Korea Distribution Science Association, 8(5), pp. 201–210. doi: 10.13106/JAFEB.2021.VOL8.NO5.0201

32.3. **Starts online and involves a comparison of online and offline options:** Consumers may use the internet for their initial search for products. Such a search could reveal only the offerings of pure online retailers (e.g. in the case of certain long-tail products) or make consumers aware of both online and offline offerings, which they can then compare. In this case, consumers will consider among other things the difference in prices, how long it will take to receive products, the reliability of e-commerce retailers, and the distance to the closest B&M store with available stock.[71]

32.4. **Starts offline and involves a comparison of online and offline options:** Consumers may also see products in B&M stores but depending on their price sensitivity and willingness to delay the purchase, search for other online and offline offers before determining where to purchase the item.[72] International research suggests that offline-to-online research shopping (showrooming) happens far less frequently than online-to-offline research shopping (webrooming).[73]

33. While there have been several consumer surveys that ask about how South Africans shop[74], [redacted][75] While consumers may have in the past shopped online and then purchased products in store, this does not provide information about how frequently they do so relative to solely shopping online or solely shopping in-store. Similarly, surveys rarely ask what the intention of consumers are when they search online. If they are only using online search to direct them to brick-and-mortar

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[71] Massmart, OS. p.26

[72] Adeo SA, OS, p.5&p.24; Massmart, OS, p.24-25

[73] Herhausen, D., Kleinlercher, K., Verhoef, P.C., Emrich, O. and Rudolph, T., (2019). "Loyalty formation for different customer journey segments". *Journal of Retailing, 95*(3), p.18 (for Austria, Germany and Switzerland in 2013 and 2016).

[74] Based on a consumer survey conducted in September 2020, 60% of consumers indicated they were reluctant to resume *"normal out-of-home activities"* Source: All Africa Wire. October 2021, "How Have Consumer Shopping Patterns Changed in South Africa Since the Pandemic?", available at: https://allafrica.com/stories/202110051126.html [Accessed 15 February 2022] Based on the results of a 2015 PWC consumer survey, 73% of respondents in South Africa indicated that they had browsed products online and then subsequently purchased them in-store. Of this group, 64% said this was done to see, touch and try on the merchandise, 62% to access the product immediately and 60% to avoid delivery charges. The survey also found that 53% of respondents in the country intentionally browsed products at a store but decided to purchase them online.] Source: PwC's annual consumer survey, *Total Retail: Retailers and the Age of Disruption*. February (2015). Available at: https://www.pwc.co.za/en/press-room/digit-retail.html. [Accessed 16 February 2022].

[75] [redacted]

offerings, they may never consider online offers as an option. Similarly, they may go into retail outlets just to get a sense of the touch-and-feel of the product and /or perhaps get advice from store staff but always intended to purchase products online.

34. [redacted][76] Online apparel shoppers were asked about how often they browse the internet and then visit a store to make a purchase. The results suggest that this is relatively infrequent with more than 60% of respondents saying they do this less than half of the time. In contrast, around 40-50% of online apparel shoppers said they browse the internet and then make a purchase online less than half of the time.

35. [redacted][77] Based on the factors considered above, the Inquiry concurs that eCommerce retail is much more likely to be in the range [redacted]. In particular, the actions of B&M retailers with an online presence as well as pure e-commerce retailers' internal documents suggest that market is likely to be closer to [redacted].

35.1. [redacted][78] [redacted][79] [redacted][80]

35.2. B&M retailers who responded to the Inquiry's question on whether their online sales are complementary to or substitutable with their B&M offerings, [redacted][81]

76 [redacted]
77 [redacted]
78 [redacted]
79 [redacted]
80 [redacted]
81 [redacted] Based on the public hearings,

[redacted][82]

[redacted][83]

[redacted][84]

[redacted][85]

35.3. Consumers tend to have different expectations of online stores versus brick-and-mortar stores, suggesting they are not compared in the same way. [redacted]

[redacted][86]

35.4. The Inquiry notes that the strategic presentations of the marketplace players tend to be focused on the online segment of the market. [redacted]

[redacted][87]

[redacted][88,89]

[redacted][90] suggesting that suppliers may still allow those products to be supplied in B&M retail outlets.

Massmart also tends to think of its online offering as complementary to its brick-and-mortar offering. Massmart, OS, p.12

[redacted]

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36. From a seller perspective, B&M retailers are typically not an option for sellers because this is simply not their business model. B&M would instead fill their finite retail floor space with products they have sourced directly from manufacturers and distributors. The Inquiry has considered two offline alternatives to sellers: (1) selling products as a supplier to B&M retailers, and (2) opening their own B&M stores.

36.1. *Distributing to B&M stores.* In the public hearings, Group CEO of Takealot, Mr Kim Reid indicated that "*we have created 5 500 marketplace sellers who are SME's and all provide additional employment benefits to the people who work for them*".[91] Inferring from this, one would expect that sellers are mostly not businesses that had previously supplied established B&M retailers in the country (because otherwise opportunities would not have been created). [redacted][92][redacted][93][redacted][94][redacted][95][redacted][96], [redacted].[97]

[91] Source: TAL, OS, p.5, para. 20. This was echoed in a previous interview by Mr Reid on TechCentral on 24 August 2021, he also indicated "*we enable [own emphasis] business, so we have 4,500 sellers on our platform today…and the ancillary jobs that come out of this thing is that you create a job for a seller and his business grows and he creates additional jobs as well*". Source: Tech Central interview, "Kim Reid reflects on 10 years as Takealot CEO", available at: https://www.youtube.com/watch?v=y8YeEVAC32Q [Accessed 14.2.2022].

[92] [redacted]

[93] [redacted]

[94] [redacted]

[95] [redacted] Supplier trade agreement, clause 8.2.1 Pick n Pay. Small Supplier Toolkit. Available at: https://www.pnp.co.za/pnpstorefront/peoplenplanet/supplier-toolkit. [Accessed on 15 February 2022]

[96] [redacted]

[97] [redacted]

36.2. *Establishing one's own B&M stores.* [redacted][98] Such heavy reliance on marketplaces may be attributable to a narrower geographic consumer base via retail stores and/or space constraints associated with offline retail. Launching a physical store requires larger upfront capital investments to reach a much smaller consumer base, something that sellers may not have the appetite for. The relatively low start-up risks associated with launching a seller account, makes it ripe for new entrepreneurs.[99]

37. The international case precedent on the question of whether B&M retailers are in the same relevant market as B&M retailers is mixed.[100] There is precedent for defining e-commerce retail and B&M retail in one market[101] and precedent for defining them separately.[102] It appears that more recently, competition authorities are putting them in separate relevant markets. The American House of Antitrust for example found in 2020 that although Amazon determined its market share relative to total retail share, this approach was *"inconsistent with evidence gathered by Subcommittee staff, conventional antitrust analysis of relevant product markets, and common sense".*[103]

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98 [redacted].

99 Telkom, 31 January 2022. The importance of e-commerce and online marketplaces for SMME's. available at: https://www.thesmallbusinesssite.co.za/2022/01/31/the-importance-of-e-commerce-and-online-marketplaces-for-smmes/. [Accessed on 17 February 2022].

100 The Competition Tribunal of South Africa has however considered the two to comprise part of the same relevant market. Sources: Competition Tribunal, 2 August 2017, *MIH Ecommerce Holdings (Pty) Ltd and Takealot Online (RF) (Pty) Ltd,* Case no: LM038May17, para 19; Competition Tribunal, 19 July 2021, *Mr Price Group Ltd and* K2018509367 (South Africa) (Pty) Ltd ("Yuppiechef"), Case no: LM014Apr21, para 8;

101 Competition Commission of India, February 2014, *Snap deal.com & SanDisk Corporation*, Case no: Case No. 17 of 2014, para.16; Swedish Competition Authority, 270/2013, Komplett/Webhallen merger, Decision on 2 August 2013; Swedish Competition Authority, 524/2009, Åhléns/Department & Stores, 1 October 2009; French Competition Authority, *Decision 16-DCC-11 regarding acquisition of Darty by Fnac, july 18 ,2016 ;* French Competition Authority, *Decision 20-D-04 of 16 March 2020 regarding practises in the Apple product distribution sector,* para.571;

102 OFT, ME/5085/11, Anticipated acquisition by Amazon.com Inc of the Book Depository International Limited, 26 October 2011; Competition Commission of India, 6 November 2018, *All India Online Vendors Association ("AIOVA") v. Flipkart India Private Limited*, Case no: 20 of 2018, para.25; Complaint at 4, In the Matter of Edgewell Personal Care Co.& Harry's Inc., No. 9390 (F.T.C., Feb. 2, 2020), available at: https://www.ftc.gov/system/files/documents/cases/public_p3_complaint_-_edgewell-harrys.pdf [Accessed 3.3.2022], para. 22; Subcommittee on Antitrust, Commercial and Administrative Law of the Committee on the Judiciary, 2020. Investigation of Competition in Digital Markets, p.255;

103 Subcommittee on Antitrust, Commercial and Administrative Law of the Committee on the Judiciary, 2020. Investigation of Competition in Digital Markets, p.255

38. On the consumer-side, the degree of competitive interaction between online retailers and B&M stores depends on the particular customer journey they are undertaking. What is apparent is that this will not be the closest competitor to online platforms given it is not even online. On the business user side, there is limited competitive interaction between online marketplaces and B&M retail, because (a) B&M retailers do not typically offer sellers the opportunity to sell their products in-store for a fee, (b) becoming a distributor for B&M retailers is unlikely given that outlets are constrained by shelf space, historical supply arrangements especially for private-label brands, and other onerous supply requirements, and (c) setting up one's own physical store is infrequently used by sellers potentially because it involves larger upfront investments and a smaller consumer base, a risk that many entrepreneurs may be unwilling to take. [source]

1.3.2. Online B&M (e.g. cottonon.com, builders.co.za) versus pure online platforms

39. The online channel of B&M retailers may pose a greater constraint on online platforms compared to the B&M arms of those retailers as they too are able to offer many of the benefits that e-commerce is known for. The online channels of B&M marketplaces [redacted] offer even more of the same benefits as pure online marketplaces but are currently nowhere near the same scale and range as that of the pure online marketplaces.

40. From a consumer perspective, there are many similarities between the online channels of B&M retailers and pure online platforms. They offer consumers improved search and to an extent, greater convenience. [redacted].[104] [redacted].[105]

41. [redacted][106] as B&M retailers are constrained by in-store pricing and so too, the costs associated with running physical retail

104 [redacted] (although a small portion can be collected by couriers); [redacted]

105 [redacted] (although courier collection may be at an added cost); [redacted]

106 [redacted]

outlets. [redacted][107]

[redacted][108]

[redacted][109]

[redacted][110]

42. [redacted][111] With the exception of Adeo which is both an online platform and a B&M retailer, marketplaces appear to have more product listings (75 000 – 19 mill) than the online channels of B&M retailers. [redacted][112]

[redacted][113]

[redacted][114]

43. The launch of the JD Group's Everyshop illustrates the idea that established B&M retailers are typically associated with particular product categories and even consumer target

[redacted]

markets.[115] [redacted][116]

44. Consumers' decisions on whether to use online channels of B&M stores or pure online retailers will to a large degree depend on the full basket of products they require. For those consumers who are seeking to make online purchases of items from just one B&M retailer, they may opt to use the own online channel of the B&M retailer. Consumers who would like to purchase different brands or products across a range of product categories, may instead choose pure online resellers or online platforms. While theoretically consumers could purchase items from the various online channels of each B&M retailer (e.g. low-cost private-label dustbin from Game and a baby carry bag from Woolworths), this would result in multiple delivery fees being incurred while purchasing all items from an online platform (such as Takealot or Makro) may be more cost-effective for consumers.[117]

45. Pre-Covid, the growth in the online channel of B&M stores was varied and rarely high. This changed after March 2020, when there was considerable growth in the online sales across most B&M stores. For example, [redacted] all experienced significant growth rates between 2019-2021.[118]

[115] Before the advent of e-commerce, focussing on product ranges or target audiences was necessary because of retail space constraints.

[116] [redacted]

[117] Oxera, 2015, "Benefits of online platforms", Available: https://www.oxera.com/wp-content/uploads/2018/07/The-benefits-of-online-platforms-main-findings-October-2015.pdf.pdf . [Accessed 15 March 2022]

[118] [redacted]

46. [redacted][119] The B&M retailers continue to predominantly serve consumers through their B&M outlets rather than their online channels, even post-Covid. [redacted][120]

47. There are a number of potential explanations why B&M sales are mostly still offline. Firstly, consumer awareness of online offerings may play a significant role in shaping consumer shopping patterns. [redacted][121] Secondly, past experiences of poor consumer service online has potentially deterred consumers from engaging with the online channels of B&M retailers today.[122]

48. [redacted][123] Since online channels typically mimic the product range of B&M stores' physical stores, most third-party sellers won't easily be able to become distributors to online channels of brick-and-mortar stores for many of the same reasons as those described above (e.g. own established suppliers, own brands and limited product ranges).

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119 [redacted]

120 [redacted]

121 [redacted]

122 The 2012 Global Consumer Service Barometer Survey also shows that news of bad customer services reaches twice as many ears as praise for good service (https://documents.pub/reader/full/american-express-2012-global-consumer-service-barometer)

123 [redacted]

1.3.3. Online resellers versus online marketplaces

49. [redacted][124]

50. [redacted][125] On the other hand, consumers may be aware of and be drawn to the wider range of products and brands available on marketplaces, which may differentiate platforms from pure online resellers.[126] [redacted][127] [redacted][128] In fashion e-commerce retail, Superbalist does not have a marketplace and only retails products it purchases from suppliers and resells them to consumers (including own private-label apparel and footwear manufactured by third parties).[129] Zando on the other hand has both a retail division and a marketplace.[130] [redacted][131]

51. From a seller perspective, pure online resellers obviously do not enable sellers to use their platform to sell products for a fee. They may instead be able to become a distributor to online resellers.

    51.1. *Distributor to pure online resellers.* [redacted][132] Small

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124 [redacted]

125 [redacted]

126 Oxera, 2015, "Benefits of online platform", Available: https://www.oxera.com/wp-content/uploads/2018/07/The-benefits-of-online-platforms-main-findings-October-2015.pdf.pdf .[Accessed 15 March 2022].

127 [redacted]

128 [redacted]

129 [redacted]

130 [redacted]

131 [redacted]

132 [redacted]

sellers (except hybrid seller-suppliers) on the other hand will unlikely be in the position to change their business model to start supplying pure online resellers. They could essentially be middlemen between pure online resellers and distributors and pure online resellers may favour purchasing directly from distributors at a lower price.

1.3.4. Suppliers with an online channel

52. There are a number of suppliers who also have their own online channels, which they use to sell directly to consumers. Unlike platforms and some pure online resellers, they only stock a limited range of brands, and in some cases just one (istore.co.za, samsung.com/za, adidas.co.za, nike.com/za). Most brands typically sell through online eCommerce platforms in addition to their own online presence and therefore must see those channels as reaching additional consumers to their own online store. Indeed, it is probably only the high value global brands that may be able to establish an online marketing presence on Google Search in order to attract consumers to their direct store. Furthermore, even for the large global brands, the online eCommerce platforms are likely to be more efficient distribution mechanisms than their own direct store due to scale in infrastructure including last mile delivery.

53. From a seller perspective, supplier sites are not marketplaces. The own websites of sellers are also unlikely to be able to constrain the online channels of suppliers given that they are typically not well known and typically cannot compete for visibility with suppliers' own websites in terms of ad spend.[133] Marketplaces in contrast provide the marketing clout to get online visibility.

1.3.5. International platforms

54. International e-commerce retailers such as Amazon, Wish, Alibaba, Shein, and Zaful also have a presence in South Africa. However, they are unlikely to pose a strong constraint on local e-commerce retailers for physical products, as many local e-commerce retailers can offer much faster delivery times, no customs duties, and cheaper and easier returns

[redacted]

[133] The exception is of course where sellers are also the official distributors,

processes than foreign platforms. The main proposition for using foreign platforms would be wider and/or different product ranges (ranges that are not available from local e-commerce retailers) and considerably lower prices for high-value items (e.g. laptops).[134]

55. [redacted][135] [136], [redacted][137]

56. The Inquiry does not agree with this reasoning as even these platforms accept that a global export option was "[redacted][138] [redacted][139] Some platforms like Shein even offer an SA storefront where products are priced in Rands.

57. However, for digital content international platforms may still be competitive or even leading eCommerce providers. [redacted][140] Amazon leads the e-books segment because non-Amazon e-books are not compatible with Kindle devices, one of the most popular e-readers in South Africa. They are locked into the Amazon ecosystem, making it difficult for competing retailers to compete for consumers.[141] The figure below shows that consumers looking for e-books in

[134] Wang, P, 2018, "On the development of cross-boarder e-commerce and the transformation of the foreign trade model", *Modern Economy 9(2018),pp1665-1671;* Castillo, D, 2021, "What is International e-commerce and why does it matter for your business", Available: https://www.sana-commerce.com/blog/what-is-global-ecommerce/.[Accessed 31 May 2022].

[135] The other in which Amazon is present include United States (Amazon.com), United Kingdom (Amazon.co.uk), Canada (Amazon.ca), Mexico (Amazon.co.mx), France (Amazon.fr), Spain (Amazon.es), Germany (Amazon.de), Japan (Amazon.co.jp), China (Amazon.cn), India (Amazon.in) and Australia (Amazon.com.au) amongst others.

[136] [redacted]

[137] [redacted]

[138] [redacted]

[139] [redacted]

[140] [redacted]

[141] European Commission, 2017," Case AT.40153 E-book MFNs and related matters (Amazon) ", Available: https://ec.europa.eu/competition/antitrust/cases/dec_docs/40153/40153_4392_3.pdf [Accessed 15 February 2022]

South Africa are primarily browsing the read.amazon.com, penguinrandomhouse.com and barnesandnoble.com websites, while traffic on the remaining two e-book sites are more than 5 times lower. The bounce rate of read.amazon.com (56.6%) is significantly lower than barnesandnoble.com (71.1%) and penguinrandomhouse.com (76.8%) over the February 2019-22 period, which shows that consumers are significantly less likely to leave the read.amazon.com website.

Figure 4: Traffic and Engagement, monthly visits (all traffic), February 2019-February 2022



Source: SimilarWeb data, extracted 21 March 2022

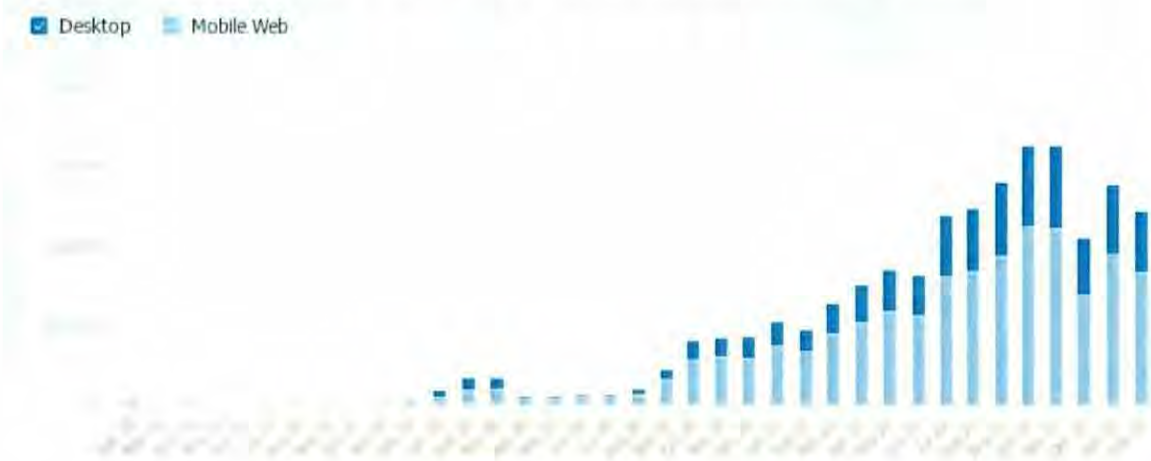
58. The Inquiry believes that the growth of local e-commerce market participants with local warehouses offering fast and cheap delivery, no additional taxes, and simple and inexpensive returns processes has dampened the demand for ordering physical products from international retailers. [redacted]142

59. It is worth noting however that there has been an increase in the number of international e-commerce retailers selling to consumers in the country (e.g. Shein and Zaful). Furthermore, based on the rapid growth in traffic on Shein from September 2020, there may be a future for international fast fashion in the country. This is despite relatively slow delivery, customs duties in Hong Kong, as well as expensive and burdensome returns processes,

142 [redacted]

considerations that are potentially being outweighed by very low prices and unique products. Shein, on other hand, has a storefront in South Africa and it prices its products in Rands even when it ships globally. Although it states 3 days shipment time for certain products, it shows more than a week to deliver on most products. Its prices are also seen as very low and collectively this may put them a little closer to local competitors for price sensitive consumer acquisition.

Figure 11: Shein Traffic and Engagement (February 2019- February 2022)



Source: SimilarWeb Data

1.4. Conclusion

60. With respect to the extent to which B&M retailers, their online channels and pure online resellers constrain online platforms, the Inquiry's view is that there may be interaction from a consumer perspective but little-to-no interaction from a seller perspective.

60.1. From a consumer perspective, there is likely to be interaction between B&M retailers and online e-commerce retailers for certain customer journeys. There are however consumer journeys for which there is no interaction with B&M retailers, where the competitor set is only pure online retailers and/or the online offer of B&M retailers. The online channels of B&M stores potentially offer a greater constraint on pure online platforms since they offer much of the same benefits of e-commerce to consumers (convenience). However, their primary role as a B&M retailer does place some constraints on their ability to match the benefits offered by e-commerce retailers such

as wide product ranges, low prices and single delivery fee. Consumers are unlikely to be able to distinguish between pure online resellers and platforms. However, what may set platforms apart from online resellers is the range of products sold on the platform.

60.2. From a sellers' perspective, B&M stores, their online channels as well as pure online resellers are unlikely to be alternatives for the majority of sellers. According to Takealot, platforms create opportunities for sellers, which suggests that those opportunities would not have otherwise been available to them. They cannot simply change their business model from a seller to a supplier. Firstly, established retailers already have other long-standing relationships with suppliers, many of which supply them with their own branded products. Secondly, suppliers often have more onerous requirements than do sellers. Thirdly, B&M stores are constrained by retail space and their online offerings typically mimic what they sell in-store. Finally, retailers would potentially prefer sourcing directly from suppliers rather than sourcing from a seller and cut out the middleman. Sellers also cannot replace marketplace sales through their own channels. B&M offerings require a large capital outlay, but their consumer bases are restricted geographically. Own e-commerce websites do not get the same exposure as platforms because they are unable to match the marketing spends of large platforms and are limited by price parity clauses.

61. The Inquiry believes that the development of local e-commerce platforms (with fast and cheap delivery, no added taxes, simple and inexpensive returns) has reduced the demand that consumers in South Africa have for ordering physical products from international platforms like Amazon. Fast fashion may be the exception.

2. Market structure and competitive dynamics

62. In this section, we discuss the factors upon which platforms compete to attract consumers and sellers, the features of e-commerce in South Africa, the extent to which both consumers and sellers multi-home, differentiation across e-commerce players and finally, the current and likely future structure of e-commerce in South Africa.

2.1. The factors upon which platforms compete for consumers and sellers

63. From a consumer perspective, consumers wishing to purchase their products online will typically look out for e-commerce retailers they are aware of and who they trust, which relies on e-commerce retailers aggressively advertising their products, but also developing a reputation for being trustworthy. E-commerce retailers will also try drawing in consumers via an easy and convenient shopping experience, reasonable prices, fast delivery, reassurance they can return products and be refunded appropriately, as well as consumer support.[143]

63.1. **Awareness**. Awareness of online shopping platforms and their attributes/offerings are paramount to e-commerce retailers, which requires strong marketing capabilities. Marketing is needed to identify, establish, and maintain relationships with consumers.[144] [redacted][145]

63.2. **Consumer trust and credibility.** [redacted][146] and others fear online theft of personal and financial information.[147] As such, e-commerce retailers must ensure a consistently secure and reliable e-commerce service over a long period to build

[143] Deloitte, 2021, "Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf .[Accessed 24 February 2021]

[144] Sempe, S.L, & Naong, M.N, 2021, " Exploring the impact of consumer awareness on custormer engagement in e-commerce: Moderating the effects of customer age & Gender", Journal of Contemporary Management 18(2), pp212-230.

[145] [redacted]

[146] [redacted]

[147] Daroch, B., Nagrath, G., &Gupta, A., 2021, "A study on factors limiting online shopping behaviour of consumers", *Rajagiri Management Journal*, 15(1): pp39-52.; [redacted]

consumer trust.[148] This in turn will lead to new consumers as well as returning consumers.[149]

63.3. **Shopping experience**: Consumers expect a frictionless end-to-end experience through the entire shopping journey when visiting an online store [150]. Site quality, website properties and navigation functionality, information about stock availability, shopping cart functions that are easy to use, the availability of different delivery options and effective payment alternatives are all part of an enjoyable online shopping experience.[151] [redacted][152]

63.4. **Prices:** Globally, price is generally another important factor for consumers when choosing where to buy online, and consumers are usually sensitive to uncompetitive prices.[153] For example, in a 2017 KPMG study, 57% of 18 430 online consumers from more than 50 countries reported that price was the most important factor for their online purchasing decisions.[154]

63.5. **Delivery:** Online shopping channels offer a variety of delivery options.[155] For example, services like "next day delivery" and "same day delivery" are increasingly being used in advanced digital markets such as the United States and China.[156] Consumers are also

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[148] Menoe, D., & Banard, B, " Online shopping: motivation, loyalty and process, *Expert Journal of Marketing*, 8(1),pp48-72.

[149] Santoso, A.S. & Nelloh, L.A.M, 2017, "User Satisfaction and Intention to Use Peer-to-Peer Online Transportation: A Replication Study", *Procedia Computer science* 124, pp379-387.

[150] Celik, H, "Influence of social norms, perceived playfulness and online shopping anxiety on consumer adoption of online retail shopping: An empirical study in the Turkish context", Journal

[151] Deloitte, 2021, "Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf.[Accessed 24 February 2021]; [redacted]

[152] [redacted]

[153] KPMG International, 2017, "The truth about online consumers", Available online: https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf [Accessed 24 February 2022]

[154] KPMG International, 2017, "The truth about online consumers", Available online: https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf [Accessed 24 February 2022]

[155] Nguyen, D. H., Leeuw,S., Dullaert, W., & Fourbert, P.J, 2019, " What Is the Right Delivery Option for You? Consumer Preferences for Delivery Attributes in Online Retailing, *Journal of Business Logistics*, 40(4): 299–321

[156] Deloitte, 2021, "Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf [Accessed 24 February 2021]

often reluctant to pay for delivery fees, which makes platforms that offer cheap or free delivery desirable.[157] Moreover, the ability to offer quick delivery is often seen as a differentiator among online retailers.[158] In areas where there are fewer formal home addresses or where nobody is at home to receive parcels, consumers may value the availability of pick-up points.[159]

63.6. **Returns and Refunds:** Reassurance about returns and refunds is another aspect that may be considered important by consumers when deciding from where to purchase items. For South Africa, 85% of respondents from a survey conducted by Deloitte indicated that a store's return and refund policy is an important factor when choosing an online store.[160] [redacted][161]

63.7. **Consumer support**: Having clear and open lines of communication with consumers at each stage of the purchasing journey is also important to many consumers.[162]

64. Marketplace sellers may also consider a variety of factors when choosing online platforms. [redacted][163]

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157 Roggio, A, 2015, "The many benefits of offering free shipping", Available: https://www.practicalecommerce.com/The-Many-Benefits-of-Offering-Free-Shipping . [Accessed 11 March 2022]. Online channels see free delivery as an opportunity to reduce cart abandonment and improve conversion rates, a research conducted by Shopify shows that free delivery influences the online purchasing decisions of about 75% of global shoppers Source: Shopify, "The Future of Commerce Trend Report 2022", available at: https://enterprise.plus.shopify.com/rs/932-KRM-548/images/FOC_PDF_FA.pdf [Accessed 18.3.2022]

158 Nguyen, D. H., Leeuw,S., Dullaert, W., & Fourbert, P.J, 2019, " What Is the Right Delivery Option for You? Consumer Preferences for Delivery Attributes in Online Retailing, Journal of Business Logistics, 40(4): 299–321.

159 IT Web, 2 Jun 2021, "Pargo extends pickup points throughout SA", available at: https://www.itweb.co.za/content/KzQenqjVaa1qZd2r [10/02/2022]

160 Deloitte, 2021," Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf [Accessed 24 February 2021]

161 [redacted]

162 Deloitte, 2021," Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf [Accessed 24 February 2021]

163 [redacted]

64.1. **Consumer reach and loyalty**: Marketplace sellers typically choose platforms that give them access to a larger consumer base or audience (often country-wide or even international) so that they may grow their revenues beyond what they currently can reach.[164] The literature suggests that sellers also consider website loyalty (visit duration, repeat visits) and click through rates ("CTR").[165] The Inquiry's survey of business users confirms this with 60% stating that the customer reach is a factor, unique customer reach for 29% and sales generated for 37%.[166]

64.2. **Advertising**: [redacted][168]

64.3. **Fees:** Sellers will also be attracted to platforms based on the fees charged by platforms. The lower the fees, the more likely they can turn a profit.[169] Sellers – especially small and new ones – will often also consider the structure of fees, especially high fixed fees like monthly subscription and storage fees.[170] However, if there are limited sales then fees matter less and only 29% of respondents to the Inquiry survey indicated that additional costs of using a platform are a factor in their decision.[171]

64.4. **Platform efficiency.** Platform efficiency and ease-of-use also attracts sellers. [redacted][172] It will also be impacted by the ability of the platform to ensure that selling over the platform is seamless for sellers, and is without frictions

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[164] Pillmer, N, "10 Advantages of E-Commerce for Consumers & Businesses",Available: https://www.become.co/blog/ecommerce-advantages-consumers-businesses/ [25 February 2022]; [redacted]

[165] Yuan, P., Liu, Y., Lui, W., & Li, X, 2015, "How to Measure The Operating Efficiency of Internet Group-Buying Platform", Procedia Computer Science 15: pp213-220

[166] RedFlank survey, eCommerce section

[167] [redacted]

[168] [redacted]

[169] DiSilvestro, A, 2017, " 7 things to consider when choosing an online platform", Available: https://www.searchenginewatch.com/2017/08/11/7-things-to-consider-when-choosing-an-ecommerce-platform/ .[Accessed 11 March 2022]

[170] Shelanski, H, Knox, A, & Dhila, A, " Network Effects and Efficiencies in Multisided Markets", *In OECD*, available: https://one.oecd.org/document/DAF/COMP/WD(2017)40/FINAL/en/pdf. [Accessed 01 March 2022]

[171] Redflank survey, eCommerce section

[172] [redacted]

such as warehouse stock management problems, slow and burdensome refunds processes for amounts owing to sellers and opaque and unfair dispute processes.

2.2. Features of e-commerce in South Africa

65. There are a number of features of e-commerce platforms which favour scaled incumbent platforms and raise barriers to entry and expansion for unscaled rivals. These are broadly cross-network effects and high returns to scale and scope.

2.2.1. Cross-network effects

66. The Inquiry received submissions confirming the presence of cross-network effects among e-commerce platforms in South Africa. Leading platforms also acknowledge that attracting enough consumers is "*crucial to render the platform valuable for marketplace sellers*".[173]

67. All but one[174] e-commerce platform in South Africa has a retail arm which buys products from suppliers and on-sells them to consumers alongside marketplace sellers who do the same. With the exception of Amazon [redacted], they typically account for [redacted] of the e-commerce platforms' GMV ("Gross Merchandise Value"). The strategy of building an online retail presence before opening a marketplace has proved highly successful relative to pure marketplaces as the platform is less reliant on attracting marketplace sellers and can drive the consumer acquisition through own retail without worrying about whether sellers are attracted to make that proposition for consumers. As such, the reliance on cross-network effects initially may be less that pure marketplaces.[175] However, once the retail proposition is established, these platforms typically use marketplaces to scale rapidly through the range that marketplace brings, and price competition. At this point the cross-network effects are important to growth.

68. Nine of ten of the marketplace sellers who responded to the Inquiry's question on what factors influence their decisions to use a platform listed [redacted]

[173] [redacted]
[174] The exception is Bidorbuy.
[175] Shelanski, H, Knox, A, & Dhila, A, " Network Effects and Efficiencies in Multisided Markets", *In OECD*, available: https://one.oecd.org/document/DAF/COMP/WD(2017)40/FINAL/en/pdf. [Accessed 01 March 2022]

[redacted][176] [redacted]

[redacted][177] Marketplace players also confirmed that e-commerce platforms in South Africa experience cross-network effects.[178]

69. The Redflank survey also confirmed the importance of cross-network effects. Asked about the factors impacting decisions to use/not use online sales platforms, 60% of the Redflank survey sample cited "the number of potential customers the online platform generates", 37% indicated that "the number of sales the platform helps generate", and 29% of the sample indicated that they consider whether target customers are already covered by existing online platforms.[179]

2.2.2. High returns to scale and scope

70. E-commerce businesses tend to exhibit economies of scale, which means that the cost of selling more products decreases as platforms grow. Economies of scale tend to occur when there are high fixed costs and low marginal costs. Economies of scale are especially pronounced for e-commerce platforms without a retail division that do not need to hold inventories. One could quadruple the number of platform users on such a platform without significantly raising its costs[180], thereby leading to lower costs per transaction. [redacted][181]

71. E-commerce retailers are typically faced with significant fixed costs, which makes expansion particularly important for reducing costs (the cost per order declines with scale). These fixed costs include (a) [redacted]

176 [redacted]
177 [redacted]
178 [redacted]
179 Redflank survey, slide 111
180 [redacted]
181 [redacted]

[redacted][182], [redacted][184], and (d) [redacted][185] Marketplace players submit that operating expenses per transaction declines significantly as orders grow and so may have a large impact on e-commerce platform profitability.[186]

72. The Inquiry recognises that marginal costs are higher than in some of the other digital platforms under the purview of the Inquiry (not food delivery) because e-commerce involves large positive distribution costs (delivery driver fees and/or fuel).[187] But these distribution costs are also subject to economies of scale. The more consumer orders platforms have in a particular area, the more likely that multiple orders may be delivered using a single round trip, thereby reducing the average cost of orders.[188, 189, 190]

182 [redacted]
183 [redacted]
184 [redacted]
185 [redacted]
186 [redacted]



187 This does not pertain to digital products like e-books.
188 [redacted] Gallo,P., Randazzo, F., & Gallo, A, 2017, "e-Fair: Aggregation in e-Commerce for Exploiting Economies of Scale", Available: https://arxiv.org/pdf/1711.02661.pdf . [Accessed 22 March 2022]
189 [redacted]



190 [redacted]

73. The literature also points to other potential benefits of scale in e-commerce besides cost such as delivery speed and reliability. E-commerce firms with just a few orders that are distributed across many regions may wait for a few orders to build up in each area before they can economically deliver products to consumers. Not only would this raise delivery times, but it would also reduce the reliability of the e-commerce retailer, making it less attractive to consumers.[191] Other costs such as warehousing & working capital costs also reduce with sales volumes, if stock turns are high. Also, higher costs may mean smaller players do not stock to the same extent, increasing delivery times.[192]

74. A wider scope also yields returns to e-commerce platforms as consumers can conveniently meet all their needs on one platform.[193] This may raise the barriers to expansion of retailers with smaller product ranges such as specialist retailers and generalist e-commerce resellers without marketplaces.[194]

75. Returns to scope may apply less to the clothing and footwear category where generalist e-commerce retailers lag behind the top specialist e-commerce retailers. [195]

2.3. Barriers to entry and expansion

76. Larger platforms have argued that barriers to entry and expansion in e-commerce in South Africa are low for the following reasons. Firstly, there are no statutory barriers to entry.[196] Secondly, online businesses only require *some* capital expenditure and technical knowledge and can start with smaller scale to enter and participate effectively in e-commerce retail.[197] Thirdly, many of the scale benefits associated with warehousing and distribution can be obtained from outsourcing these functions to logistics suppliers of which there are now many in South Africa.[198] Fourthly, technical expertise can be outsourced.[199] Finally, B&M retailers

[191] Adeo SA, OS, p.20; Elite Shopper, OS, p.6-7
[192] [redacted]
[193] UNACTAD, 2019, "Digital Economy Report 2019: Value creation and Capture", Available: https://unctad.org/system/files/official-document/der2019_en.pdf [Accessed 17 March 2022].
[194] [redacted]
[195] [redacted]
[196] TAL, WS1, para. 9.14
[197] TAL, WS1, para. 9.14.1
[198] TAL, WS1, para. 9.14.1
[199] [redacted]

need not spend as much on marketing because they already have an established consumer base.[200]

77. While the Inquiry agrees that there are many ways in which the barriers to entry have been lowered (i.e. higher levels of trust in e-commerce[201], more courier companies[202], sophisticated and relatively inexpensive software solutions)[203], it believes that there remain barriers to competitive entry and large barriers to expansion that have prevented other e-commerce firms from significantly penetrating the e-commerce market and becoming effective competitors.

78. This can largely be explained by features of the South African e-commerce landscape – cross-network effects and high returns to scale - which make it prone to tipping towards one or two e-commerce retailers. This tendency to tip has been found to make effective competition from others – even highly innovative ones – difficult[204] without access to substantial capital resources.[205]

2.3.1. Capital constraints

79. There is evidence to suggest that e-commerce growth is largely a function of e-commerce retailers' abilities to withstand large losses over time, something that requires lots of capital. High returns to scale, cross-network effects, low consumer trust, and the reluctance of consumers to pay high delivery fees are some of the reasons why e-commerce retailers are unprofitable for a sustained period. Furthermore, if one would like to build a competitive and large e-commerce offering, one needs to be able to offer relatively low prices, in-sourced delivery and in-house technical functions.[206]

80. E-commerce platforms and pure e-commerce resellers in South Africa have endured losses over most of their lifespans. Of the 18 market participants that made submissions to the Inquiry, both platforms and pure online players, 14 participants are still loss making, six of

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[200] TAL, WS1, para. 9.14.2

[201] Two participants indicated that later entrants are benefitting from the investments of first movers in generating trust. [redacted]

[202] [redacted]

[203] [redacted]

[204] Stigler Centre, 2019, Stigler Committee on Digital Platforms, p.35

[205] BiidorbuyWBS – Case Study from 2019, p.4, available: https://www.researchgate.net/publication/318226848_Bidorbuy_Bidding_for_First_Place ; According to Andy Higgens in 2008, the managing director and founder of bidorbuy, once a company reaches a *"certain level of wide-scale popularity"*, it is virtually impossible for a newcomer to compete.

[206] [redacted]

which have been financing their losses for 10-20 years. While two of these six expect to be profitable in 2022/3, they have already been sustaining losses for at least 10 years.[207] The remaining 4 do not envision becoming profitable in the next few years.[208] Only four market participants are profitable at present and 2 of these have taken more than 10 years to register their first profits and the other two have taken less at least 5 years to do so.

81. Many market participants submitted that capital requirements serve as a barrier to entry and expansion for smaller e-commerce retailers because [redacted][209] [redacted][210] [redacted][211]

82. Marketing is key to the growth of e-commerce retailers. In fact, aside from staff costs, marketing costs are one of the largest operational cost items on e-commerce retailers' income statements. This is even without accounting for the salaries of search engine optimisation ('SEO') specialists. [redacted][212]

83. There is huge variance in the marketing budgets of e-commerce market participants from as little as R1 million per annum to more than a billion Rand. This shows that larger e-commerce retailers are able to spend more than smaller e-commerce players on marketing. In the case of platforms, participants that can outspend others on marketing are able to provide greater value to sellers.

84. The larger the marketing budgets for spend on SEO and Google advertising, the more visible are e-commerce retailers to consumers. [redacted]

207 [redacted]
208 [redacted]
209 [redacted]
210 [redacted]
211 [redacted]
212 [redacted]

[redacted][213]

85. [redacted][214], which is why many e-commerce retailers subsidise delivery, set a free delivery threshold, beyond which delivery is free to consumers, or offer free delivery altogether. This can also have a significant impact on profits because last-mile delivery is a relatively large expense for e-commerce retailers. [redacted][215] Smaller e-commerce retailers have a limited ability to subsidise delivery, as one can see in the table below.

Table 1: Net delivery income (revenue less costs of delivery), 2020

Domain	Delivery policy
E-commerce platforms	
[redacted]	R450 threshold for free delivery and pick-up. R60 for delivery and R25 for pick-up otherwise.
[redacted]	
[redacted]	R450 free delivery threshold. Economy Courier - Orders Under R450, Main centres R40, regional R60.
[redacted]	R400 free delivery threshold. Otherwise R50. Additional R10 for cash on delivery
[redacted]	R550 free delivery threshold. Delivery fees vary based on weight, dimensions and delivery distance. Costs start at R55.
[redacted]	Standard R170 delivery fee.
Pure online resellers	

213 [redacted]

214 [redacted]

215 [redacted]

[redacted]	Shipping is calculated based on delivery address with major areas serviced regularly being cheaper than regional. If three or more items are included in one order, the shipping fee is waived.
[redacted]	Does not offer free delivery. shipping price is calculated based on address, and weight of the order. "Instead of hiding the shipping costs in the price of the product, we decided to be transparent and show it"
[redacted]	R450 threshold for free delivery and pick-up. R60 for delivery and R25 for pick-up otherwise.
[redacted]	R450 threshold for free delivery and pick-up from Postnet. R60 for delivery and R25 for pick-up from Postnet otherwise.
[redacted]	Standard delivery charge of R60.
[redacted]	Some items subject to free delivery. CourierIT: R69 to main cities, R139 to regional areas (except outside Cape Town- R119), an added R50 is charged for township delivery. Pargo pick-up: R69-R169 depending on the item size.
[redacted]	R450 free delivery threshold. Otherwise R70 excluding VAT.
[redacted]	R450 free delivery threshold (excludes heavy items which is R100-300). Otherwise R50.
[redacted]	R60 main regions, R100 regional areas (Limpopo, Northern Cape, North West). Heavy/Large Items (R150-R500).
[redacted]	R49 for main cities to R110 for outlying areas. Furniture or "Big" items delivery ranges between R120 to R180.

[redacted]

86. Building one's own distribution infrastructure, which requires large amounts of capital, is also key to reducing average order costs. It is true that many e-commerce operations in South Africa outsource their logistics to third-party logistics companies, which could combine orders from different e-commerce platforms to both reduce delivery costs but also improve delivery speed and reliability. This may be cheaper overall when the sales are limited but that changes once sales increase. [redacted]

[redacted][216][redacted]

[redacted][217][redacted]

[redacted]. [218]

87. The importance of having an in-sourced distribution system is exemplified by e-commerce retailers having purchased platforms with existing delivery capabilities. Takealot purchased the Mr D Food business in 2013, Massmart acquired OneCart in 2021 citing its fast and efficient country-wide delivery capability as key to the transaction.[219]

88. [redacted][220][redacted]

[redacted][221][redacted]

[redacted][222]

89. There are also now out-of-the-box software solutions[223], [redacted]

[redacted].[224] [redacted]

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216 [redacted] World Economic Forum, 2018, "Delivering Goods: E-commerce Logistics Transformation", Available at: https://www3.weforum.org/docs/WEF_Delivering_Goods_E_commerce_logistics_transformation_report_2018.pdf [Accessed 22 March 2022].;

217 [redacted]

218 [redacted]

219 Mashego, P, 2021, "Game owner Massmart finalises accquisation deal with One Cart", Available: https://www.news24.com/fin24/companies/retail/game-owner-massmart-finalises-acquisition-deal-with-onecart-20211006#:~:text=Makro%20and%20Game%20owner%20Massmart,negotiating%20the%20transaction%20in%20August [Accessed 01 March 2022]; [redacted]

220 [redacted]

221 [redacted]

222 [redacted]

223 Some of the service providers are Shopdirect, Shopify, BigCommerce, Wix.com and 1ShoppingCart.

224 [redacted]

[redacted][225]

[redacted][226]

90. [redacted][227] The importance of abundant capital in e-commerce may explain why some marketplace players have advantage over others.[228] [redacted][229]

91. [redacted][230] Furthermore, investors are often reluctant to pour money into firms whose competitors have access to deep pockets. During the public hearings, SAVCA submitted that their risk-return assessment places importance on the competitive environment as well as the likelihood that the business in question will be able to carve out market share for itself. [redacted][231] Importantly, the capital resources required by the first platform to invest substantially in scaling may be lower than those subsequently wanting to scale with an established scaled platform. This is because the cost of marketing increases

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225 [redacted]

226 [redacted]

227 [redacted]

228 Bidorbuy-WBS – CaseStudy from 2009,pp.2,8,9, available: https://www.researchgate.net/publication/318226848_Bidorbuy_Bidding_for_First_Place. In 2009, Andrew Higgens founder of Bidorbuy - at the time the largest e-commerce platform in the country - had been warned by Kalahari.net that it would compete directly with Bidorbuy as an online marketplace after a failed attempt to purchase Bidorbuy the previous year. Bidorbuy was rightly worried given that Kalahari.net was backed by Naspers "*a dynamic organisation with lots of financial muscle*". This fear was borne out, with Kalahari – and then Takealot - overtaking it as the largest e-commerce platform despite Bidorbuy historically having had a favourable market position.

229 [redacted]

230 [redacted]

231 [redacted]

(with higher bid prices for Google Adwords) and the fact that the scaled platform has existing sales and revenue to fund from retained earnings at least a portion of their marketing spend.

92. Certain competitors like many of the online channels of B&M retailers are also more reluctant to spend as much on their online channels as pure e-commerce retailers. During the public hearings, Makro, indicated that many retailers with their own online channel list on platforms because platforms have more resources and so too marketing budgets to attract online consumers. For this reason, these retailers' growth via intermediaries have often proved to be faster than on their own channels.[232]

93. The Inquiry's view based on the evidence before it is that capital constraints are a large barrier to expansion in e-commerce, and that a lack of sizeable capital resources is prohibitive to becoming an effective competition. While a few niche firms have managed to carve out loyal consumer bases and become profitable, these competitors are not in the position to effectively constrain large e-commerce retailers.

2.3.2. B&M legacy problems

94. The large e-commerce retailers in the country have argued that the online channels of B&M retailers face fewer barriers to entry and expansion than pure play e-commerce retailers. They have already built up a brand name (and so too consumer trust) and have an existing infrastructure of stores which they may use for deliveries and returns.[233] This means they require less capital for marketing and for building up a distribution infrastructure from scratch.

95. The Inquiry explicitly asked B&M retailers how their e-commerce channels have benefitted from already having a B&M presence in the country. [redacted][234]

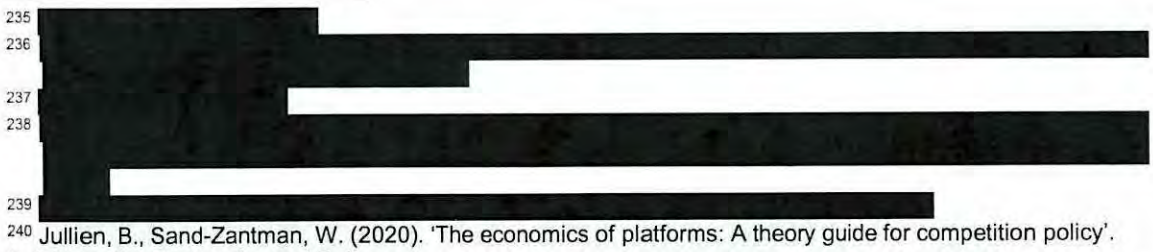
[232] Massmart, OS. p.19.
[233] TAL, WS1, p.23, para. 9.14.1
[234] [redacted]

96. 

2.4. Multi-homing

97. Multi-homing by both consumers and sellers typically serves to enhance market competition and support the entry of new platforms.[240] Consumers and sellers will tend to multi-home when advantages outweigh disadvantages of doing so for any particular transaction.

98. For consumers, multi-homing allows them to compare price points across similar products across multiple platforms, gather detailed product information from websites and consumer reviews, and/or compare many different options available across different e-commerce retailers.[241] On the other hand, consumers may be deterred from multi-homing due to non-



[240] Jullien, B., Sand-Zantman, W. (2020). 'The economics of platforms: A theory guide for competition policy'. in *Information Economics and Policy*.

[241] Egidijus Barcevičiu et al (2021), "Multi-homing: obstacles, opportunities, facilitating factors" in Office of the European Union, p.28

zero search costs[242], loyalty to the current e-commerce retailer they use and limited consumer awareness of[243], trust in, and bad experiences with alternative e-commerce retailers.[244] Multi-homing will also depend on consumer preferences at the time of their search.[245] Even for a consumer that trusts e-commerce more generally and is not loyal to any particular e-commerce platform, if they are more time-sensitive than price sensitive for a particular branded product they want, they may be less likely to multi-home. Finally, it is worth mentioning that comparison shopping services including the Google Shopping Unit and Property may help reduce the search costs associated with multi-homing.[246] However, Google Shopping is really another channel for Google advertising and so it remains dominated by the larger platforms in any event. Also, wide range of product offerings on a platform can make the platform look like a one stop shop, that may deter multi-homing across platforms.

99. For sellers, the advantages of multi-homing include the ability to extend their reach to different consumer segments and demographics and reduce their dependency on a single e-commerce platform. However, not all sellers are able and willing to multi-home, but also those that do will not necessarily invest has much in smaller platforms which offer fewer sales. Firstly, sellers require significant resources (person time and money) to use and manage multiple platforms. This may limit the investment in other platforms, such as providing stock in warehouse or investing in visibility through promotions. Secondly, transferring one's reputation from one platform to another is difficult, if not impossible, and building up a reputation across multiple platforms takes time (as it relies on completed transactions on the platform) and can be costly. Thirdly, the types of products that sellers offer may restrict them to selling on one platform rather than on many (e.g. apparel sellers would be restricted to Zando and a seller selling vintage stamps would be restricted to

[242] Jolivet, G & Turon, H, 2018, "Consumer search cost & preferences on the internet", Review of Economic Studies, 86(3):pp1258-1300;

[243] Sempe, S.L & Naong, M.N, 2021, "Exploring the impact of custormer awareness on custormer engagement in e-commerce: Moderating the effects of custormer age and gender", Journal of Contemporary Management 18(2);pp212-230; Koh, T.K & Fichman, M, 2014, "Multi-homing users preference for two sided exchange markets", Available : https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1635615. [Accessed 31 May 2022]

[244] Ibid ; Bylok, F, 2021, "Examining the impact of trust on the e-commerce purchase intentions of consumers in Poland", Journal of Internet Commerce, DOI: 10.1080/15332861.2021.1978194

[245] Deloitte, 2021, "Digital Commerce Acceleration: Increased Online Purchase Presents New Opportunities for Digital Ecommerce Players" page 27 Available: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za-Digital-Commerce-Acceleration-2021-Digital.pdf.[Accessed 15 March 2022]

[246] Bhavik K. Pathak (2012), "Comparison Shopping Agents and Online Price Dispersion: A Search Cost based Explanation" p.3 Available https://www.scielo.cl/pdf/jtaer/v7n1/art06.pdf [21 March 2022]

BidorBuy). Finally, the market dominance of one platform will impact on sellers' willingness to incur the costs of using other e-commerce platforms.[247] Sellers may not have incentive to invest on alternative platforms, in terms of promotions and stock-in-store, if the volumes are low. This eventually impacts the competitiveness of alternative platforms and their attractiveness. Also if sellers can reach most consumers using the dominant platform, there is little need to incur the costs of selling on other platforms.

100. Platforms tend to use strategies to encourage buyers and sellers to stay within their ecosystems. They invest in providing good user experiences, convenience and speed, they use their superior data to better target consumers, they may reward consumer loyalty via offering loyalty bonusses, discounts and service bundling (e.g. fulfilment), and they may leverage their market power to engage in exclusionary practices like exclusive contracts or price parity clauses. This of course further serves to dampen competition and also deter entry since entrants will struggle to gain a sufficient user base to benefit from network effects and economies of scale.[248]

101. Based on the literature, multi-homing on e-commerce platforms is typically relatively low among sellers while it may be medium-to-high among consumers.[249] The evidence before the Inquiry suggests that there is some multi-homing among consumers but numerous loyal customers. Based on a comparison of audience loyalty across five different e-commerce domains[250] between January and March 2021, more than half of visitors visited more than one e-commerce domain. However, multi-homing is not extensive. Most consumers have only visited two websites. [redacted][251]

102. [redacted]

[247] Egidijus Barcevičiu et al (2021), "Multi-homing: obstacles, opportunities, facilitating factors" in Office of the European Union, p.27

[248] Ibid, pp.28-29, 48-49, 43

[249] K.Francis Park et al (2018), "Multi-Homing and Platform Strategies" , Harvard Business School. Available: https://www.hbs.edu/ris/Publication%20Files/18-032_d71914fe-d56c-42ad-ae20-deb5b979fab9.pdf [Access: 16 March 2022]

[250] Similarweb only allows a comparison of five domains at a time.

[251] [redacted]

[redacted][252] [redacted]

[redacted][253]

103. [redacted][254] Many sellers who made submissions to the Inquiry have indicated that some platforms are must-have platforms where most of their revenue and traffic is generated.[255]

2.5. Differentiation among e-commerce retailers

104. There is considerable differentiation among e-commerce retailers based on product focus, whether it serves a niche market, and consumer targets. The Inquiry has briefly assessed whether differentiation determines the extent to which e-commerce retailers constrain one another.

2.5.1. Specialist versus generalist e-commerce retailers

105. In South Africa, there are both specialist marketplaces which list narrow product categories like Zando (apparel and homeware) and Adeo (Building, DIY and homeware), and generalist marketplaces which list a wide range of products like Takealot, Loot, Makro, Bidorbuy and Amazon (SeeTable 2). There are two generalist pure online resellers and just one generalist online channel of B&M retailers. Specialists drive traffic by being the best in a category whereas generalists attract traffic by being a convenient one-stop-shop.[256]

Table 2: Specialist and generalist e-commerce retailers

	Platforms (incl. Makro and Adeo)	Pure online resellers	Online channels of B&M
Generalists	Takealot, Loot, Makro, Bidorbuy, Amazon	Everyshop, Wantitall	Game
Specialists	Zando, Adeo	Yuppiechef, Superbalist,	Builders Warehouse, Cashbuild, CTM, Incredible Connection, Hifi

252 [redacted]
253 [redacted]
254 [redacted]
255 [redacted]
256 TAL, WS1, p.3

		Runwaysale, Koodoo, Kidzone, Raru, Paddy Deals, Wootware, Yuppiechef, HomeChoice	Corp, Dischem, Pick 'n Pay, Clicks, Truworths, TFG, Woolworths, Mr Price Group, BT Online, Exclusive Books, Reader's Warehouse, ToysRUs, Toy Kingdom, Hirsh, @Home, Mr Price Home, Cape Union Mart, Outdoor Warehouse, Sportsman's Warehouse, Totalsports, Apple, Samsung, Nike, Adidas

Source: Own Compilation

106. [redacted]

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258, 259

107. The table below presents the percentage of visitors that have used e-commerce sites (on the left) that also visited other e-commerce sites on the same day (on the right), as calculated by SimilarWeb. The first four e-commerce retailers are specialist apparel and homeware retailers whereas the latter four are generalist retailers. The table shows that with the exception of Takealot, a greater percentage of apparel specialists visit other apparel specialist retailers as opposed to generalist retailers and vice versa. This table is read down the columns, so for instance of those which searched on Superbalist, 38.9% also searched on Zando.

Table 3: Overlap among a selection of generalist and specialist apparel e-commerce sites, March 2021-February 2022

	Superbalist	Zando	WW	Cotton On	Takealot	Makro	Game	Bidorbuy	Loot
Superbalist		9.9%	13.0%	10.0%	37.2%	6.7%	3.9%	3.5%	3.8%

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[redacted]

Zando	38.9%		15.8%	11.5%	40.6%	9.9%	7.8%	8.1%	8.6%
WW	13.1%	4.2%		6.1%	28.0%	8.0%	4.2%	2.8%	3.9%
Cotton On	25.8%	7.9%	15.5%		29.5%	6.8%	5.7%	5.0%	5.7%
Takealot	3.9%	1%	2.9%	1.2%		9.4%	4.6%	5.5%	5.6%
Makro	3.6%	1.4%	4.3%	1.4%	48.4%		17.8%	6.3%	7.0%
Game	4.4%	2.4%	4.6%	2.5%	49.2%	37.1%		6.5%	6.6%
Bidorbuy	2.7%	1.7%	2.2%	1.5%	39.4%	8.9%	4.4%		7.8%
Loot	4.2%	2.5%	4.3%	2.5%	59.2%	14.3%	6.5%	11.3%	

Source: Similarweb, accessed on 19 March 2022

108. Generalist and specialist apparel e-commerce retailers may interact less vigorously because apparel specialists attract consumers who intend to search through a wide selection of products in one or two product categories, and ranges which may be more limited in generalist marketplaces.[260] [redacted] [261]

109. [redacted] [262] [redacted] [263]

[260] Hartman, D, 2019, "Advantages and Disadvantages of Speciality Store", Available : https://smallbusiness.chron.com/advantages-disadvantages-specialty-store-22760.html [21 February 2022]

[261] [redacted] [262] [263]

110. [redacted][264] [redacted][265] The table below shows the overlap of visitors between generalist and building specialists retailers. It shows that comparable percentages of building specialists (and not just Takealot) visit other building specialist retailers compared with generalist retailers. However, the opposite does not appear to be the case. A higher percentage of generalists visit other generalists than building specialist retailers (with the exception of Builders Warehouse). Once again the table should be read down the columns, so of those searching on Builders, 40.4% also searched on Leroy Merlin.

Table 4: Overlap among a selection of generalist and specialist in building and DIY retail, March 2021-February 2022

	Builders	Leroy Merlin	CTM	Cashbuild	Takealot	Makro	Game
Builders		18.1%	4.5%	3.0%	38.4%	19.1%	9.5%
Leroy Merlin	40.4%		6.4%	4.1%	40.7%	18.0%	8.2%
CTM	38.2%	23.9%		10.2%	27.2%	16.6%	11.5%
Cashbuild	59.1%	36.2%	20.4%		36.6%	15.5%	10.8%
Takealot	5.2%	2.5%	-	-		9.4%	4.6%
Makro	13.3%	5.7%	-	-	48.4%		17.8%
Game	13.7%	5.4%	-	-	49.2%	37.1%	

Source: SimilarWeb data, extracted on 21 March 2022

111. From a sellers' perspective, not all sellers in generalist marketplaces are able to sell on specialist platforms where sellers' products are limited to certain product categories. [redacted]

[redacted]

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265

[redacted][266]

2.5.2. Niche e-commerce retailers

112. There are a number of niche e-commerce retailers in South Africa which provide an offering that sets them apart from others. Among platforms, Bidorbuy may be considered niche and among pure online resellers OneDayOnly and Wantitall may be considered niche.

112.1. Unlike the other platforms in the country, Bidorbuy does not have a retail arm.[267] It also allows consumers to bid on the product or generate a sales based on a guaranteed purchase price.

112.2. [redacted][268]

112.3. Local online reseller Wantitall's business is focussed on importing *"hard to find products"*[269] locally from Amazon in the United States, where it has a small warehouse. Wantitall essentially helps consumers to import Amazon products hassle free and with *"no hidden costs"* (e.g. customs duties, state taxes).[270]

113. Based on SimilarWeb data, more than 53% of traffic on Bidorbuy and more than 78% of traffic on OneDayOnly was from direct traffic over the years ended February 2020-22 period, giving them a lead over Takealot (around 50% of its traffic was direct). Direct traffic to these sites has also shown a gradual improvement over the three-year period. Wantitall has far fewer consumers who go directly to its site and this has declined from 22.4% in the year ended February 2021 to 12.5% the following year.[271]

114. [redacted][272]

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266 [redacted]

267 BidorBuy, WS1, Background and business activities p.2. Bid or Buy is also different because in addition to fixed price formats, it also uses an auction format, allowing sellers to set a minimum price for opening bids and even a reserve price.

268 [redacted]

269 Wantitall website, available at: https://www.wantitall.co.za/ [Accessed 17.February.2021]

270 Wantitall website, available at: https://www.wantitall.co.za/payments [Accessed 17.February.2021]

271

272 [redacted]

[redacted][273]

[redacted][274]

[redacted]

2.5.3. Consumer targets

115. [redacted][275] The evidence confirms that with a few exceptions e-commerce mostly seems to be targeted at high-income consumers[276] in metropolitan areas which are less expensive to deliver to. This may change in the future with the proliferation of smart mobile devices, which has made it easier to reach a broader spectrum of the population in South Africa.

115.1. [redacted][278] [redacted][279] Others such as Paddy Deals target medium-to-high LSM consumers and Raru did not stipulate their target consumer, they both offer low-end electronic goods brands such as Skyworth, Hisense, Sinotec and Aero brands.[280]

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273 [redacted]

274 [redacted]

275 [redacted]

276 Goga, S.Paelo, A, Nyamwena, J. 2019. "Online retailing in South Africa: An overview", available at: https://static1.squarespace.com/static/52246331e4b0a46e5f1b8ce5/t/5ccff76e7817f75cd38ebca6/1557133174695/IDTT+2+eCommerce+1+Working+Paper+2.pdf [Accessed 16 March 2022]

277 [redacted]

278 [redacted]

279 [redacted]

280 Paddy Deal website: https://paddydeals.com/ [Accessed 22 March 2022]; Raru website: https://raru.co.za/ [Accessed 22 March 2022]

115.2. The majority of B&M stores with own online channels tend to be those B&M retailers that are geared towards consumers in higher LSMs.[281] Typically, B&M retailers geared towards lower LSMs consumers that do not have an online presence as yet (e.g. Pep and Jet, with BUCO offering a small subset of items online).[282] Some exceptions include Cashbuild and Ackermans which target low-to-medium LSM consumers, although these have been relatively late to set up an online store (2021).[283]

115.3. [redacted][284][redacted][285]

2.6. Market structure

116. The Inquiry has considered both the current market structure as well as the likely future structure of the e-commerce segment in South Africa.

2.6.1. Current market structure

2.6.1.1. Consumer perspective

117. There is no doubt that Takealot is the leading and dominant e-commerce retailer in South Africa and there are no serious contenders at present. Not only is this the impression the Inquiry has gotten from the submissions of most of Takealot's competitors, it is also what is reflected in Takealot's own documents, its own estimates of Takealot's share of e-commerce,

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[281] These large B&M stores with online channels include Cape Union Mart, Old Khaki, Poetry, Outdoor Warehouse and Zara amongst others

[282] For example, Ackermans, Pep, Pep Home, Boxer, Build-it, Jet have not yet set up online channels.

[283] Business Day, 2 March 2022, "Cashbuild reports bid fall in profit as DIY boom tails off" available at: https://www.businesslive.co.za/bd/companies/industrials/2022-03-02-cashbuild-reports-big-fall-in-profit-as-diy-boom-tails-off/ [Accessed 19.3.2022]; My Broadband, 17 March 2021, "Ackermans launches new online store with cellphones starting at R159, available at: https://mybroadband.co.za/news/it-services/389758-ackermans-launches-new-online-store-with-cellphones-starting-at-r159.html [Accessed 19 March 2022]

[284] [redacted]

[285] [redacted].

and the published annual reports of Naspers and Takealot. The Inquiry's own estimates of Takealot's share of e-commerce overall and in different product categories confirms this view.

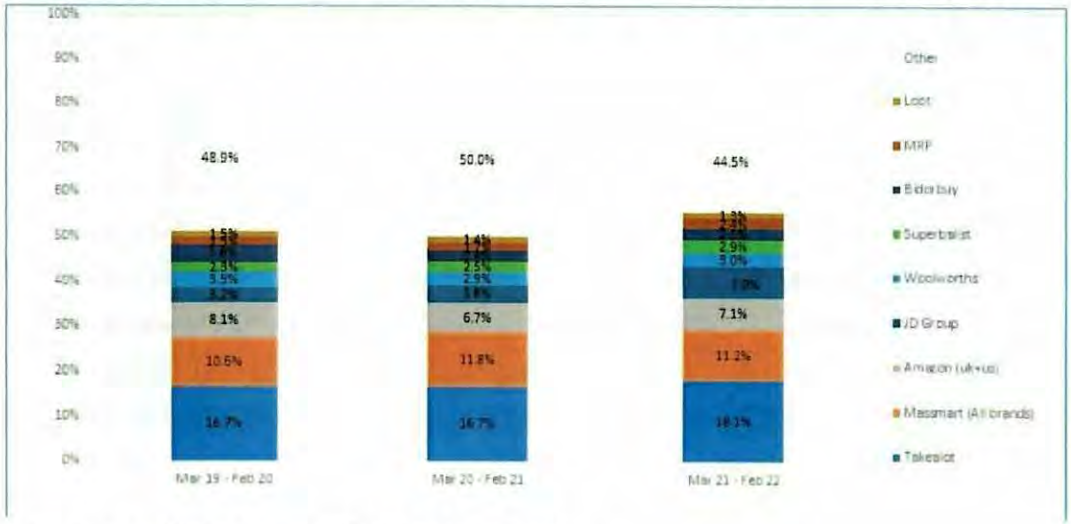
118. Below, the Inquiry presents the traffic shares of ten e-commerce sites that are prominent in South Africa for March 2019 to February 2022 based on Similarweb data. The data shows that together Takealot and Superbalist accounted for 21.0% of total e-commerce traffic in South Africa in the year ended February 2022, an increase from 19.0% in the year ended February 2020. Massmart brands together account for the second largest share of online traffic (11.2%). Furthermore, it experienced a 3-percentage point decline in traffic from the previous year. Amazon has the next largest share of traffic in South Africa although it too has experienced a falling share, in this case from the year ended February 2020. Following Amazon is the JD Group with a combined traffic share of 7.0% in the year ended February 2022, increasing from 3.8% in the year ended February 2021. The remaining market participants on the figure all have traffic shares of at most 3.0%.

119. [redacted][286], including a R200 sign-up bonus and periodic free delivery.[287]

[286] [redacted]

[287] Mybroadband, 10 September 2021, "Everyshop, South Africa's most exciting eCommerce platform is recruiting", available at: https://mybroadband.co.za/news/industrynews/413342-everyshop-south-africas-most-exciting-ecommerce-platform-is-recruiting.html [18 March 2022]

Figure 5: Top 10 share of e-commerce traffic, February 2019- February 2022



Source: SimilarWeb data, extracted on 23 March 2022.

Note: JD Group comprise, Everyshop, HiFiCorp, Incredible Connection, Rusells, Bradlows, Rochester and Sleepmasters

120. The quality of Takealot's traffic is higher than its largest competitors as is shown in the table below. Takealot had the highest visit duration and lowest bounce rate.[288] It also has the second highest pages per visit after Bidorbuy. In contrast, Makro, Builders and Amazon have bounce rates that are at least double that of Takealot. The pages per visit and visit duration on all three Massmart websites are also more than half that of Takealot.

Table 5: Top 10 traffic quality, March 2021 - February 2022

	Visit duration	Pages per visit	Bounce rate
Takealot	00:08:16	9.05	25.0%
Amazon	00:05:10	5.41	49.6%
Makro	00:03:13	3.38	60.3%
Builders	00:03:44	3.51	51.9%
Woolworths	00:04:45	5.84	39.9%
Superbalist	00:06:36	8.85	35.1%
Bidorbuy	00:07:36	10.83	34.5%
MRP	00:06:54	6.52	30.6%
Game	00:03:41	3.98	44.0%
Loot	00:03:16	3.35	53.2%
EveryShop	00:02:38	2.82	58.7%
Incredible Connection	00:03:21	3.08	51.9%
Hifi Corp	00:02:45	2.63	62.0%

Source: SimilarWeb data, extracted on 17 March 2022

[288] The percentage of visitors that view only one page on the website before leaving for the selected period.

121. [redacted][290][redacted][291]

122. [redacted][292][redacted][293][redacted]

289 [redacted]

290 [redacted]

291 [redacted]

292 There are likely to be many hundreds more smaller e-commerce retailers in the country than what has been captured by Takealot.

293 [redacted]

123. [redacted][295] [redacted][296] or the largest e-commerce retailer in the country.[297]

124. Takealot's dominance is further demonstrated by Similarweb data on the number of daily active Android users on e-commerce apps, as well as the number of clicks derived from consumers going directly to e-commerce sites or via their email database.The inquiry's view is that in these cases, consumers may be less alive to alternative options as opposed to searching for a product using a search engine when more than one e-commerce retailer's products may be presented.

125. Relatively high shares of traffic going to Takealot and Superbalist is direct (49.9% and 46.8% respectively) compared to all but one of its closer competitors (Bidorbuy) for the period Mar 2021-Feb 2022.

Table 6: Percentage of visits that are direct, March 2019- February 2022

	Mar 19 -Feb 20	Mar 20 -Feb 21	Mar 21 -Feb 22
Takealot	47.2%	51.0%	49.9%
Amazon	36.3%	34.7%	35.4%
Makro	31.1%	17.2%	14.4%
Builders	20.4%	21.2%	18.0%

[redacted]

294 [redacted]

295 [redacted]

296 [redacted]

297 Takealot. More About Our Journey. Available at: https://www.takealot.com/about/our-journey. Accessed on [23/03/2022].

Woolworths	44.2%	46.1%	41.2%
Superbalist	52.7%	50.9%	46.8%
Bidorbuy	53.6%	54.6%	55.7%
MRP	37.1%	33.0%	34.8%
Game	22.0%	31.7%	37.8%
Loot	49.6%	40.0%	31.6%
EveryShop	-	90.5%	24.4%

Source: SimilarWeb data, extracted on 18 March 2022

2.6.1.1.1. Structure by e-commerce by product category

126. The Inquiry has also estimated the market shares of the e-commerce product segments in South Africa based both on Takealot data estimating the shares of domestic and international specialists combined with the sales of generalists and other specialists of products in those product categories. Takealot's share has been summarised in Table 6 below. These are broader than competition markets and provide a cursory view into whether the picture looks different at a slightly narrower level.

127. The table shows that with the exception of apparel (clothing, footwear and accessories), the Takealot Group (and even Takealot.com alone) is the market leader and also meets the threshold for dominance in each product category shown in the table. [redacted] Furthermore, the GMV of the entire TFG, MRP, Truworths groups (also for Zando) have been included in the calculation of the total GMV in the apparel market whereas the Inquiry has been able to isolate the online apparel sales for those e-commerce retailers.[298]

Table 7: Summary of the Takealot Group's shares per product segment, FY2019-21

	FY2019	FY2020	FY2021
Apparel	30-40%	30-40%	30-40%
- **Takealot**	0-5%	5-10%	5-10%
- **Superbalist**	20-30%	20-30%	20-30%

298 [redacted]

Electronic & appliances	50-60%	60-70%	60-70%
Home & garden	40-50%	50-60%	50-60%
- **Takealot**	40-50%	50-60%	50-60%
- **Superbalist**	0-5%	0-5%	0-5%
Health & beauty	50-60%	50-60%	50-60%
- **Takealot**	40-50%	40-50%	40-50%
- **Superbalist**	5-10%	5-10%	0-5%
Sports	30-40%	40-50%	40-50%
Media	50-60%	50-60%	60-70%
Stationery	50-60%	40-50%	70-80%
Toys	70-80%	80-90%	80-90%
Babies			70-80%

[redacted]

128. The next table summarises the shares of the Takealot Group's top 4 competitors in each product segment. Based on this information, Takealot's share is between 2 - 21 times larger than its next largest competitor in the e-commerce product sub-segments. No online retailer has yet been able to match its size in any of the product categories shown.

129. The Takealot Group's competitors in Apparel and Health and Beauty have shares that are closer to that of the Takealot Group compared to in the other product categories. In the case of apparel, B&M retailers like TFG, Woolworths and Mr Price have grown their shares of the e-commerce apparel segment since FY2019. Unlike in many of the other product categories, these B&M retailers have their own private-label brands that are well-known and in demand

by South African consumers. In the case of Health & Beauty, pharmacies also have developed their own private-label brands which again may be sought by consumers online.



2.6.1.1.2. Structure of the general merchandise segment

130. The Inquiry has also examined the market structure among general merchandise e-commerce retailers as they are likely to pose stronger constraints on one another compared to the constraint posed by specialist e-commerce retailers. It has used Takealot estimates of market shares along with some of its own data on market participants' sales to estimate the GMV shares of both local and international general merchandisers (See Figure 6). Based on these calculations, Takealot accounts for 60-70% of the general merchandise e-commerce

segment and this has grown over time. Excluding international e-commerce retailers, Takealot would account for an even higher share of GMV (70-80%). [redacted]

Figure 66: [redacted]

[redacted]

2.6.1.2. Seller perspective

131. The number of sellers on the Bidorbuy platform, which has a relatively easy onboarding process[299], [redacted][300] Unfortunately, we cannot determine the number of sellers that are common across platforms because they do not always trade under the same name.

132. [redacted][301] The average GMV of South African-based sellers using the Amazon marketplace has increased in both dollar and ZAR terms, suggesting that the change was not simply due to changes in the exchange rate (although it did weaken between 2018 and 2020).

[299] BidorBuy website: https://support.bidorbuy.co.za/Knowledgebase/Article/View/26/28/become-a-verified-user--building-trust-and-security [28 April 2022]

[300] [redacted]

[301] [redacted]

133. [redacted][303] Furthermore, only a small percentage of sellers on the Takealot platform used other marketplaces in the country in 2019.[304]

134. The Inquiry survey conducted by Redflank also indicates that only 17% of the business users are not dependent, and the remaining are dependent on the current platform they are using in varied proportion in terms of very dependent (15%), dependent (19%), moderately dependent (24%) and slightly dependent (25%). If they were to stop using the platforms, they won't be able to replace those sales fully. Around 15% view that they cannot replace the sales, 29% view they can replace 0-5% of the sales, 24% view they can replace 6-10% sales, 9% view they can replace 11-20% sales and 23% view they can replace 21-50% sales.[305]

135. Altogether, the Inquiry received 12 written submissions from sellers outside of the Redflank seller survey.[306] An additional two sellers participated in the Inquiry's public hearings in November 2021 (the third made both a written and oral submission). Of the sellers who made written submissions, 7 were among the ten largest sellers on platforms (4 were among Takealot's largest, 2 were among Adeo's largest and one was among Loot's largest marketplace sellers), 2 had not been onboarded (Adeo), one left a platform (Adeo) and 3 made submissions without having been sent RFIs. Altogether, 6 of 7 sellers who ranked their dependence said they were dependent (4) or highly dependent (5) on Takealot. The remaining seller is also a supplier and ranked itself as being 'moderately dependent' (3) on Takealot. Five of the 7 sellers also use other marketplaces. However, they were always considered to only be 'slightly dependent' (2) or 'not dependent' (1) on these platforms. All 7 sellers plus one other said they would not be able to replace their sales over Takealot with

302 [redacted]
303
304

305 Redflank survey, slides 118-119.

306 The Inquiry also approached four groups of sellers including the largest sellers of various platforms (69 in total) and smallest marketplace sellers (76 in total) as well as ten sellers who most recently 'left' the platform – 52 in total - (on their own voilation or because they were expelled by the platform) and 10 sellers who had most recently investigated joining the platform but ultimately did not become a marketplace seller (52 in total). In addition to this, the Inquiry also published its business user survey on its website and accepted submissions on an ad hoc basis.

sales over other platforms. The submissions also show that sales through competing marketplaces are considerably lower than sales through Takealot.

136. News articles about Takealot have reported that while the platform is a valuable source of sales, its dominance "places them at Takealot's mercy". Even for merchants who operate on multiple platforms, sales through Takealot "dwarf other channels". One seller interviewed in this article said that the platform made up 95% of its turnover and that for every 30-40 orders on Takealot, only one occurs on their own website.[307]

137. The Inquiry has also considered whether the own online sales channels of sellers are a significant constraint on [redacted][308] [redacted][309] Nonetheless, the technical barriers to entry have been lowered somewhat by platforms such as Shop direct, Shopify, BigCommerce, Wix.com and 1ShoppingCart, which allow firms without software development expertise to set up e-commerce sites by providing them with access to integrated software systems, Google advertising integrations and automated connections to couriers to fulfil their orders.[310]

138. While it is possible that for more well-known retailers (e.g. established B&M retailers), own e-commerce sites may be able to replace the sales they derive from online marketplaces, the own online channels of most sellers however - typically SMMEs – cannot. Based on 9 submissions from marketplace sellers, sales through Takealot outstrip sales through sellers' own websites. One seller did not have their own online sales channel and one seller sold more through its own website than through Takealot (but not less than sales through all platforms). [redacted][311] and marketplace

[307] Vermeulen, 5 August 2020, "Insider reveal how Takealot dominates online shopping in South Africa", available at: https://mybroadband.co.za/news/business/362548-insiders-reveal-how-takealot-dominates-online-shopping-in-south-africa.html [Accessed 19 May 2022]

[308] [redacted]

[309] [redacted]

[310] [redacted]

[311] [redacted]

price parity restrictions[312] which prevent sellers from offering better prices over their own sales channels.

2.6.2. Future market structure

139. [redacted]

140. Massmart's online sales have been small to date and their share of total e-commerce sales have even stagnated over the last 3 years. It has however been taking many important steps to grow in the online space. Firstly, the business recruited Sylvester John, the previous vice president of Walmart's "last mile delivery" services in North America, to lead its e-commerce operations in South Africa.[316] Secondly, it created a centralised e-commerce structure for the Massmart group, enabling it to better leverage Walmart's experience (there would just be one point of engagement). Thirdly, it plans to revamp all three of its online user interfaces to improve search and a better and more intuitive consumer experience. Fourthly, it has been working on improving its fulfilment capabilities including improving click-and-collect experiences in store, launching a "ship to home" capability from distribution centres to complement store fulfilment and improving delivery speed including same-day delivery.[317]

[312] Romtech, OS

[redacted]

[316] Business Insider, October 2020, "Walmart sends exec from US to boost Makro, Game online selling, available at: https://www.businessinsider.co.za/massmart-makes-walmart-appointment-2020-10 [Accessed 18 March 2022]

[317] This included starting to use global logistic platform Far Eye to improve its last-mile operations and centralise all consumer deliveries onto a single platform. Thukwana, N, "Makro, Builders to launch on Vodacom's super app - as Massmart rockets 20% in a single day", Available : https://www.businessinsider.co.za/massmart-to-launch-on-vodacoms-super-app-as-it-speeds-up-e-commerce-growth-2021-3. [Accessed 22 March 2022]

Fifthly, it purchased One Cart, a food delivery platform, which will help it to accelerate e-commerce growth and improve its last-mile delivery capability.[318] Aside from OneCart, Massmart also lists products on Uber Eats (grocery and fitness items only) and is the anchor tenant on the new Vodapay Super App.[319]

141. In addition to these actions to grow e-commerce, Makro also has brand equity as a long-standing generalist B&M retailer and is able to draw on the expertise of Massmart's parent company Walmart. In oral submission before the panel, Mr John noted that the success of B&M retailers in e-commerce depends on efficiency and how well they are able to grow over time. This in turn entails overcoming legacy systems, building scale without passing too much of the cost onto consumers and a strong focus on serving consumers.[320] Despite Takealot's strong lead, Mr John also believes that sellers may be attracted to platforms they think they can grow with, which is not always necessarily the largest.[321] On the other hand, it is worth noting that as of October 2021, Walmart accounted for just 6.6% of online sales in the United States while Amazon accounted for 41%.[322] Furthermore, Massmart suffered a R2.2 billion loss in the year ended December 2021, following the KZN riots and alcohol sales bans.[323] This followed years of losses and a R4 billion loan (later converted into a perpetual bond) from Walmart in 2020.[324] Massmart may not have the financial resources or focus currently to invest as heavily in e-commerce growth as it would like. Further, the Inquiry is of the view that, given the losses over last couple of years, it is unclear if Massmart will be able to invest at the speed required in building its omnichannel and to grow timely to pose a material constraint on Takealot.

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[318] Massmart Press Release, 2021, "Massmart in talks to acquire OneCart", available at: https://www.massmart.co.za/massmart-in-talks-to-acquire-onecart/ [Accessed 18 March 2022]

[319] Tukwana, N, 2021, "Makro, Builders to launch on Vodacom's super app - as Massmart rockets 20% in a single day", Available: https://www.businessinsider.co.za/massmart-to-launch-on-vodacoms-super-app-as-it-speeds-up-e-commerce-growth-2021-3 .[Accessed 02 March 2021].

[320] Massmart, OS, p.9

[321] Massmart, OS, p.16

[322] Statista, 2021, "Leading retail online companies in the U.S. 2021, by market share", Available: https://www.statista.com/statistics/274255/market-share-of-the-leading-retailers-in-us-e-commerce/#:~:text=As%20of%20October%202021%2C%20Amazon,by%20eBay%2C%20with%204.2%20percent. , [Accessed 18 March 2022]

[323] Sasha Planting 7 March 2022, "Massmart puts on a brave front in the face of a 2021 financial misfortune", available at: https://www.dailymaverick.co.za/article/2022-03-07-massmart-puts-on-a-brave-front-in-the-face-of-2021-financial-misfortune/ [Accessed on 8 May 2022]

[324] Katharine Child, 24 June 2021, "Walmart throws Massmart another lifeline", in *Business Day*, available at: https://www.businesslive.co.za/bd/companies/retail-and-consumer/2021-06-24-walmart-throws-massmart-another-lifeline/ [Accessed 8 May 2022]

142. While the JD Group's Everyshop is still relatively new to the e-commerce scene, it is currently willing to invest in Everyshop's growth. Some market participants believe that, given that the JD Group is a trusted and well-known company, overcoming consumer distrust and weariness of new e-commerce retailers may be less burdensome for Everyshop relative to new e-commerce retailers.[325] However, it is still early days in Everyshop's development and it remains to be seen whether it can sustain funding growth. Everyshop also has no marketplace functionality at present, the Inquiry is of the view that there is uncertainty around Everyshop's ability to successfully launch a marketplace that can materially constrain the likes of Takealot in the near future.

143. Amazon has a strong brand and already features highly on traffic but for as long as it does not have warehousing and distribution capacity in South Africa, its share of e-commerce will further decline as consumers in the country continue to choose e-commerce retailers offering convenience and delivery speed. Even if that were to change, it would take a considerable period to build capacity and roll out, and is still unlikely to dislodge the current leader. This is evident from many markets where Amazon was a relative late-comer unlike the US.

144. The Inquiry's view is that the remaining e-commerce market participants are unlikely to gain significant traction in e-commerce. This is for three main reasons.

144.1. Many e-commerce retailers have no aspirations to become large generalist e-commerce retailers with a wide product category that can rival the likes of Takealot.[326]

144.2. Even if they wanted to, most pure e-commerce retailers don't have access to sufficient capital to grow their presence.[327]

144.3. Most B&M retailers with an online channel may not have the appetite to sustain losses over a long period and are constrained by B&M legacy systems. Each of their online channel's websites are also likely to continue to focus on a narrow range of products and brands that reflect their on-shelf offerings. Even where there has been recent growth in the e-commerce shares of certain B&M retailers[328] , they are unlikely able to

[325] TAL, WS1, p.28, para.10.24

[326] [redacted]

[327] Bidorbuy and Loot are likely to continue to struggle to grow without additional capital to invest in marketing as well as a more extensive distribution infrastructure (warehousing, delivery, and pickup facilities).

[328] e.g., Woolworths, the Mr Price Group, and the Foschini Group.

provide a one-stop shop with a product range, making them a more distant competitor(s) to the likes of Takealot.

145. The Inquiry's view is that Takealot will continue to dominate e-commerce in South Africa given the large barriers associated with overcoming cross-network effects and scale advantages.

3. Platform competition issues

146. The Inquiry has been presented with broadly six platform-competition issues. The first relates to the monopoly position of Google in search engine services and comparison-shopping services ("CSSs"), which both likely pushes up the bidding price of advertising, raising costs generally for SA platforms, but also to the exclusion of retail businesses with smaller marketing budgets and gives it the power to substantially harm retail businesses when it suspends business accounts. The second issue we have been presented with is narrow price-parity, which is when platform sellers are prevented from charging a lower price on their own websites. The third platform-competition issue the Inquiry has explored is below-cost pricing, which may have the effect of excluding e-commerce retailers without access to vast sums of capital. The fourth and fifth issues relate to whether platforms have leveraged conglomerate benefits and consumer data to such an extent that competitors cannot compete fairly. The final issue is with respect of online brand exclusivities from suppliers such that other platforms may not be able to compete.

3.1. Marketing spend and search prominence

147. Search engine marketing (SEM) is a digital marketing strategy used to increase the visibility of a website in search engine results pages (SERPs). Search advertising is a marketing technique that involves placing digital advertisements inside search engine results. Companies that run search advertising campaigns pay a small fee each time it appears and/or someone clicks on one of their ads.

148. While display ads can show up on sites across the Internet, search ads only appear in search engine results. Advertisers select a list of keywords that are relevant to their company or products, and can bid to have their ad show when someone searches for those words or phrases. The number of ads that appear differs depending on the exact search term and other factors such as whether users are shopping on desktop or mobile.

3.1.1. Google's position in search and marketing

149. There are two ways in which to find products and services online. The first is intent-based search, which is important for e-commerce.[329] With intent-based search, the consumer

[329] PriceCheck, OS, p. 8

knows what they want and searches for that product, potentially comparing various options online. Consumers have a desire to purchase something and may be needing guidance on where to buy.[330] [redacted].[331] Discovery-based search is predominant on social media, whereas CSSs and Google are heavily geared towards serving intent-based traffic.[332] Accordingly, intent-based marketing is predominantly done on search engines and CSSs and discovery-based marketing is largely channeled through Facebook, Instagram, Twitter and other social media platforms.[333]

150. Based on the submissions, most pure e-commerce retailers spend a considerable percentage of their online marketing spending on Google (Search, Shopping, YouTube) and it is in the range of 10-55% for the year 2021. In particular, the percentage of advertising spend on Google are above 45% for all the generalist platforms and for some it is above 98%.

151. Google is the main search engine in South Africa. While Bing.com is used more frequently in other jurisdictions, there is barely any traffic through the site in South Africa. The table below shows total desktop traffic for five search engines in South Africa. Over the last three years, Google had a traffic share of between 94.0% to 96.0% with other search engines attracting negligeable shares. Other search engines attracted limited traffic in South Africa. This makes Google a crucial intent-based marketing channel for advertisers.

Table 9: Search engine traffic shares between March-2019 and February-2022

FY	Google.com	Bing	Ask.com	Duckduckgo	Yahoo
2019 – 2020	94.0%	0.4%	0.6%	0.5%	4.5%
2020 – 2021	94.9%	0.4%	0.3%	0.5%	3.9%
2021 – 2022	96.0%	0.7%	0.1%	0.7%	2.5%

Source: SimilarWeb data, extracted on 31 March 2022.

3.1.2. Paid advertising prices

152. Google assigns each ad that is likely to be relevant to the users query a score, known internally as an "Ad Score" or "Long-term Value ("LTV") Score". The higher the combination of bid price, quality, and

[330] PriceCheck, OS, p.8; [redacted]
[331] [redacted]
[332] PriceCheck, OS, p.8.
[333] PriceCheck, OS, p.8.

relevance, the higher the LTV Score. The LTV score is based on expected revenue and expected costs, and the expected revenue is the bid price multiplied by the expected click through rate. Ads with sufficiently high LTV Scores are eligible to appear on the SERP and, assuming all other eligibility conditions are also met[334], [redacted][335]

153. For ads that are less relevant to a query or have a lower quality (the ad itself and the landing page), a higher bid is required to outbid more relevant and higher quality ads. [redacted][336]

154. Advertisers only pay Google once their adverts are clicked on – they pay a Cost per Click ("CPC"). They do not pay a CPC equal to their own bid as Google runs a second-price auction such that the first placed ad only needs to pay the second-highest bid Second-price auctions mean that the first-placed ad only needs to bid enough to out-rank the second-placed advertiser.

155. We understand that the more competition there is for ad words, the higher will be the bidding price. As Google is the main supplier of advertising inventory online, there is lots of competition among advertisers for space on Google, which may drive up prices and so too the revenue that Google receives from advertisements. The increase in cost per impression and revenue for Google since 2016 is documented in the travel & accommodation chapter. That is not repeated here.

156. Evidence from market participants suggest that bidding prices have increased recently. [redacted][337]

[334] These include, for example, ad rank thresholds which Google sets to help ensure that the Text Ads users see and the price advertisers pay reflect the quality of the user experience, advertiser bids, and the value advertisers place on users' engagement with their ads.

[335] [redacted]

[336] [redacted]

[337] [redacted]

[redacted][338] [redacted]

[redacted][339] Therefore, the greater the competition for particular Google ad words, the less likely it is that competitors with fewer financial resources can compete for visibility using Google adverts. The recent increases are consistent with the changes to the SERP page over time which have provided paid search and Google properties with more prominence whilst denigrating the position and prominence of organic search. This is documented in detail in the travel & accommodation chapter. It is noted that at times where Google expands the number of advertising positions then bid prices may decline but that is only due to increased inventory.

3.1.3. Changes to the Google Search page over time

157. There have been many changes to the Google Search page which is well documented in the travel & accommodation section. Firstly, more of the page is dedicated to Google content (Google Shopping, text ads, Google Maps, Google Questions) and most organic rankings are being relegated to below the fold further down on the first page or on later pages.[340] Secondly, advertisements are less obviously denoted as such. Whereas they were previously highlighted in light blue, they are now the same colour as organic ads with "Ad' rather than 'Sponsored' annotated to the design (see the figure below).[341] Thirdly, Google introduced rich format ads within the Google Shopping Unit which is displayed prominently at the top or side of the page (previously there were just text ads).

338 [redacted]
339
340 Fowler, J.A. How does Google's monopoly hurt you? Try these searches, available at: https://www.washingtonpost.com/technology/2020/10/19/google-search-results-monopoly/ [29.10.2021]
341 Google ad labels from 2000 to 2020

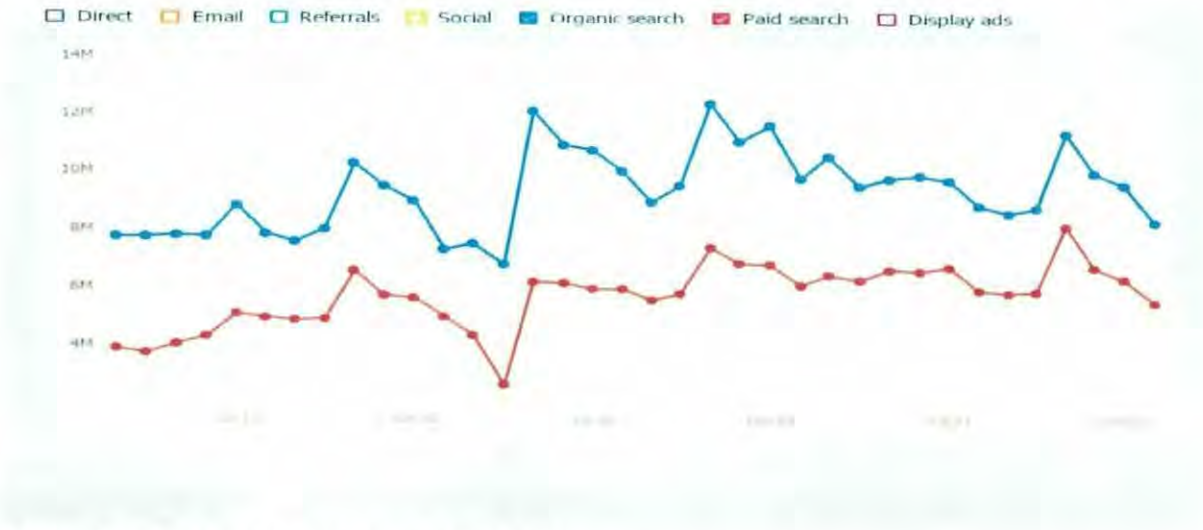
Figure 77: Google ad labels, 2000 to 2020



Source: The Washington post 2020. How does Google's monopoly hurt you? Try these searches. Available at: https://www.washingtonpost.com/technology/2020/10/19/google-search-results-monopoly/. Accessed [29/04/2022].

158. As outlined in the travel & accommodation section, changes in 2018 did reduce the volume of organic search results and considerably bolster paid search. In respect of eCommerce sites, it does not appear that there have been wholesale decreases in organic traffic or increases in paid traffic in the more recent years of 2019-2022, as is shown in Figure 9 below. It is however worth noting that there was an increase in paid traffic prior to the Covid-19 pandemic at a time that organic traffic was relatively stable. Post-Covid, both organic traffic and paid traffic to e-commerce sites increased after the pandemic started in the country, although the gap between paid and organic traffic does appear to have declined with paid traffic accounting increasing from 37.2% of the sum of paid and organic traffic in the year ended February 2019 to around 40.0% in the year ended February 2022).

Figure 88: Traffic volumes to SA eCommerce sites by traffic source on Desktop only, March 2019-February 2022



Source: SimilarWeb data, extracted on 30 March 2022.

159. A further change to the SERP was the introduction of Google Shopping Unit in 2017. While in other many countries CSSs may also be an option for advertisers targeting intent-based search, they are rarely used in South Africa since the proliferation of the Google Shopping Unit. [redacted].[342] The top of the SERP is the prime spot as it receives the most click throughs by consumers as it is presumed to be the most relevant to their search. In addition, the Shopping Unit has graphics of the products on offer and provides a selection to the consumer and so it is more attractive than even the text ads that lie below it. This prominent positioning is what has entrenched it as the dominant specialist search or CSS for eCommerce relative to other CSSs. [redacted]

342 [redacted]

[redacted][343]

160. Prior to the proliferation of the Google Shopping Unit, more traffic from retailers came from the main CSS at the time, PriceCheck. Since 2018, the Google Shopping Unit within Google Search has become the main way for e-commerce retailers to advertise using intent-based marketing methods in South Africa. Between text ads on general search and the shopping unit, Google is the effective monopoly provider of intent-based marketing in South Africa for e-commerce firms. Unlike travel where Google's travel unit faces well established metasearch engines, the Shopping Unit has eliminated what competition there was and clearly makes successful new entry extremely difficult, and probably imposes insurmountable barriers to expansion to become an effective competitor.

161. [redacted]

162. [redacted][344]

[redacted]

[343] [redacted]

[344] Google's Quality Score ("QScore") is a diagnostic tool that provides a sense of how well the ad quality of an advertiser compares to others in terms of relevance, on a scale of 1-10.

[345] [346] This is consistent with the concerns raised by CSSs in the EU which argued that not only did the Shopping Unit take prominence on the SERP, but also they were demoted in organic search results following algorithm changes to the Google SERP.

163. The self-preferencing of Google to place the Shopping Unit at the top of the SERP for eCommerce queries has entrenched Google as the monopoly provider of intent-based marketing and customer acquisition in SA, as with many other markets. That monopoly has allowed Google to extract much higher revenue through a combination of bid prices, CTRs and revenue generating impressions, raising the cost of marketing for online platforms which also disadvantages smaller platforms that lack the capital to compete for those valuable SERP ad positions.

3.1.4. Ability of small e-commerce retailers to compete

164. [347, 348]

165. Smaller e-commerce participants are not always in the position to afford SEO specialists to help them boost their free organic rankings.[349] [350]

345 Google ads, optimize performance, about Quality Score. Available at: https://support.google.com/google-ads/answer/6167118?hl=en. Accessed on [31 March 2022].
346
347
348
349 PriceCheck OS.
350

166. As was discussed above, the largest spenders on the Google Shopping Unit and Shopping property earn the vast majority of impressions [redacted] and clicks [redacted] on average between 2017 and 2021. The main beneficiaries of Google Shopping ads are those with the deepest pockets, which may have the effect of limiting the extent to which smaller competitors can gain visibility on Google.

167. Google presented the Inquiry with the following figure which plots the percentage of traffic in South Africa for each of the relevant domains coming from Google ads (versus organic traffic) against total traffic in South Africa for the same domain over the October 2018 – September 2021 period. In the figure, each dot represents a domain. [redacted][351] [redacted].[352] The same figure can however also be interpreted as showing that small domains are required to rely more heavily on paid search for visibility because they cannot rely on receiving organic traffic, in large part because it is pushed down on the SERP.

Figure 99: [redacted]

[redacted]

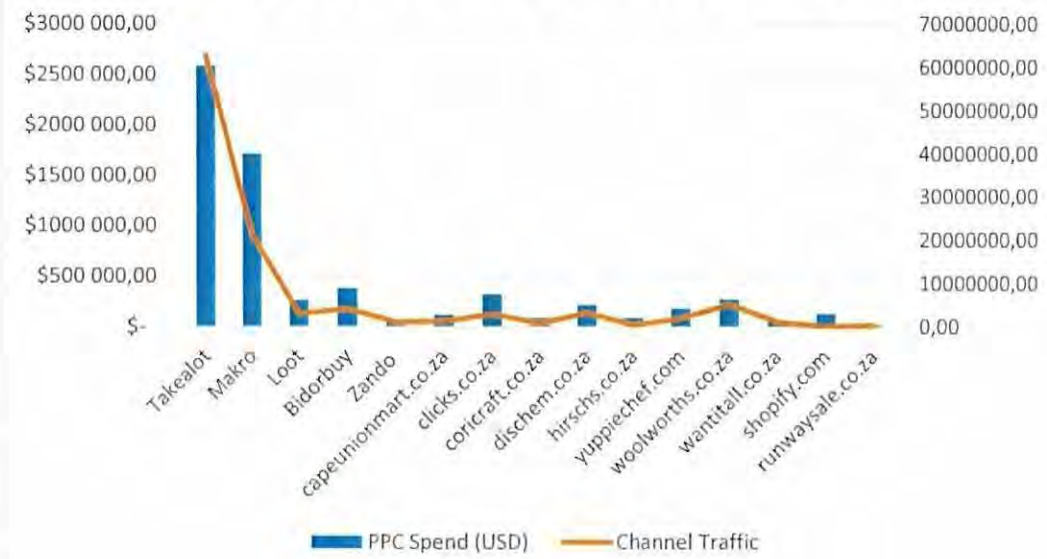
168. [redacted].[353] However, in absolute number the paid ads do increase over time even if the percentage of traffic does not. The rise in organic search is frequently navigational search to the actual website and not organic search discovery. This is confirmed by Similarweb analysis.

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[351] Domains with a smaller volume of overall traffic.
[352] [redacted]
[353] [redacted]

169. CPC Spend and Channel traffic from paid search show a significant correlation in the movement in that larger platform with higher spend budgets on Google ads are able to draw direct benefit from paid search. In addressing Googles submission, the Inquiry notes that based on SimilarWeb data smaller players have lesser ad spend budgets and in turn receive lower channelled traffic from paid search or ads as it would be expected.

Figure 9: CPC Spend (USD) and Channel Traffic (Paid Search), April 2019 – March 2022



Source: SimilarWeb data

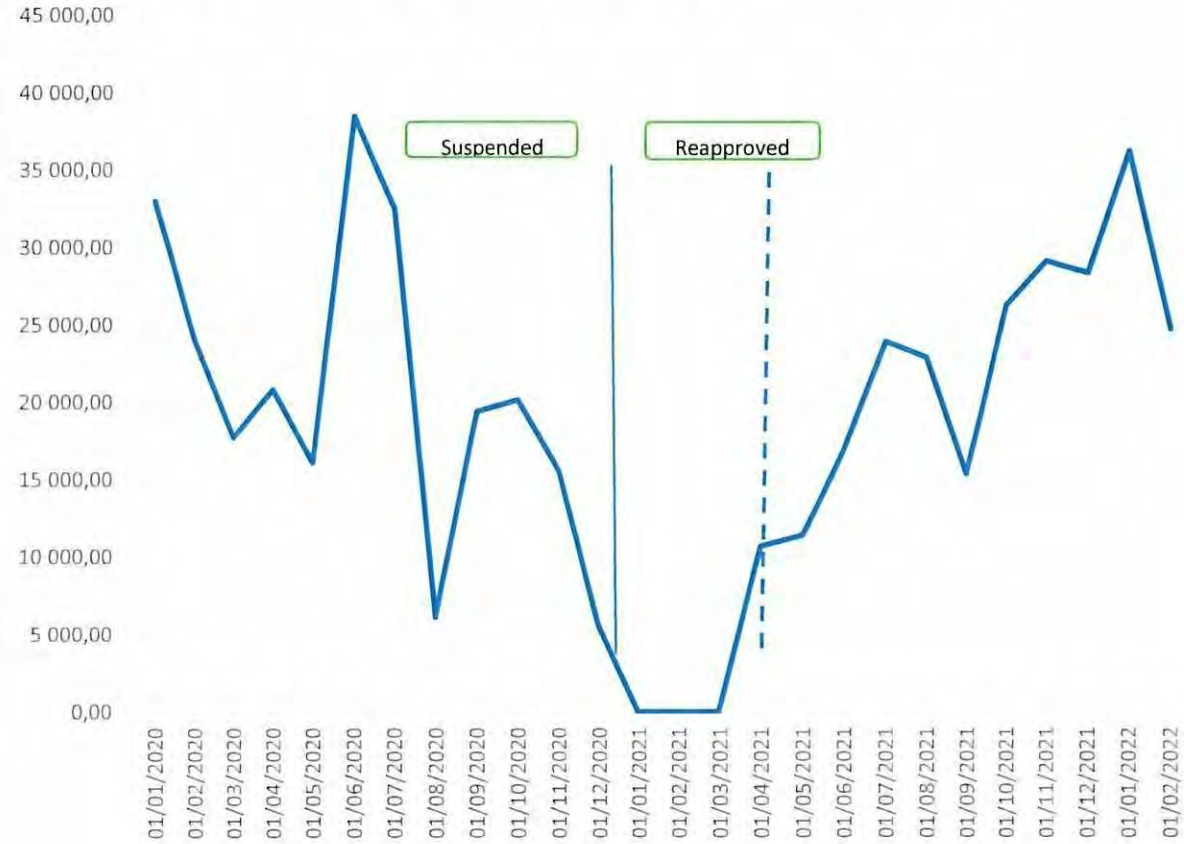
3.1.5. Google suspensions

170. As an indispensable marketing channel, Google currently holds the position of being able to determine the fate of e-commerce retailers. [354]

171. The figure below shows the traffic to one of the eCommerce websites that was suspended on Google Shopping Unit and later re-approved by Google.[355] It was suspended on 04 November 2020 and re-approved on 03 April 2021. The figure below shows a drastic change in traffic over the suspension period and a quick recovery after the suspension was lifted.

[354] Google, OS,. pp. 80-81.
[355] [redacted]

Figure 1010: Traffic of suspended website, January 2020-February 2022



Source: Own computation using Similarweb data.

Note: Similaweb does not provide number for traffic <5000. While the graph might indicate that traffic and engagements were nil during the suspension period, it is important to note that they were <5000 albeit the actual figure is unknown.

172. [redacted][356] The Google process is largely automated and these patterns may be a result of increased usage of Google Shopping.

356 [redacted]

173. [redacted][357]

174. [redacted][358][redacted][359][redacted][360]

175. E-commerce firms also have little to no recourse to reverse suspensions for misrepresentation and struggle to get hold of Google personnel to assist them. [redacted][361].

3.2. Narrow price parity

176. There has been considerable enforcement action against broad price parity in relation to travel platforms. There is more disagreement about narrow parity and its impact on competition. The German competition authority (The Bundeskartellamt) has been one of a few competition authorities that has also outlawed narrow parity. It found that narrow parity affects competition because it restricts the extent and frequency of price differentiation by

357 [redacted]
358
359
360
361

platforms' varying commission fees and distribution costs. It also limits online sales strategies amongst rivals.[362] The decision was revoked on appeal and then subsequently confirmed.[363]

177. There is some theoretical and empirical research to suggest that if the use of narrow parity is widespread, it may have the effect of wide parity and so impact on platform competition.[364] Even if it does not impact on platform competition, it may limit the degree to which sellers with their own e-commerce sites are able to effectively compete with and constrain platforms. As they are not subject to platform fees, these third-party sites should in theory be able to charge a lower price for products they sell through their own e-commerce sites absent such clauses. Narrow parity is likely to stifle the development of the direct online channels for the third party sellers on platforms, increasing their dependency and removing any potential countervailing power from having credible alternatives to distribute their products. Narrow parity need not be widespread to have this effect, especially if the leading platforms impose narrow parity.

178. Only Takealot appears to have a narrow price parity and Loot has a wide price parity clause, with consequences for breaches.[365] Many platforms do however prohibit sellers from contacting consumers outside of a few specific circumstances with some allowing greater leeway for seller-consumer communication where sellers are responsible for order fulfilment. It is worth noting that Makro used to have a narrow price parity clause but has since removed it (its wide service parity remains). Takealot used to have a wide price parity and replaced it with a narrow price parity around 2015. However, some platforms such as BidorBuy do not have formal price parity conditions but do strongly encourage price parity behaviour.

Table 10: Price Parity across different platforms, 2022

	Parity arrangement (Wide/Narrow/None)	Consequences for breach	Seller-consumer Communication (Y/N)

[362] Bundeskartellamt (2020), "The effects of narrow price parity clauses on online sales – Investigation results from the Bundeskartellamt's Booking proceeding Series of Bundeskartellamt papers", on *Competition and Consumer Protection in the Digital Economy*. Available at: Schriftenreihe Digitales VII.pdf (bundeskartellamt.de) [Accessed 24 March 2022]

[363] Press Release No 099/2021 published by the Bundesgerichtshof (Federal Court of Justice) on 18.05.2021 provided by the Bundeskartellamt. Available at: 18_05_2021_BGH_KVR_54-20_Booking.com.pdf (bundeskartellamt.de) [Accessed 24 March 2022]

[364] Mantovani A, Piga C & Reggiani C (2019), *"Much ado about nothing? Online platform price parity clauses and the EU Booking.com case*".

[365] Some platforms submitted that they do not monitor breaches.

Takealot	Narrow price parity	Require sellers to compensate affected consumers	Y – Return disputes, other product complaints and queries
Makro	No price parity. Wide service and content parity.	Termination	Y – Return disputes
Loot	Wide price parity	3 warnings then suspension	Y – Performance or product complaints and disputes
Bidorbuy	None	None	Y – Returns
Amazon.com	None	None	N
Zando	None	None	N
Leroy Merlin	None	None	N
Jumia	None	None	N

Sources: [redacted] Makro website [https://www.makromarketplace.co.za/views/Landing/makro_marketplace_seller_agreement_03.pdf] Clauses 9.2.4 and 10; [redacted] Bidorbuy Terms and Conditions [https://www.bidorbuy.co.za/help/441/Terms_And_Conditions_of_This_Site]; [redacted]; Zando.co.za [https://www.zando.co.za/sp-terms-of-use/#16];Leroy Merlin website [https://leroymerlin.co.za/terms-and-conditions]; Jumia website [https://www.jumia.co.za/sp-terms-and-conditions-marketplace/].

Notes: TAL and Makro parity only applies to seller sales channels online. Although BidorBuy has no clauses on parity in place, it does encourage it. Amazon.com removed its price parity arrangements in 2019.

179. In the Inquiry-initiated survey conducted by RedFlank, sellers were asked what they would do in the absence of restrictions of pricing on other platforms. The results, which are presented in the figure below, suggest that 37% sellers would lower prices on their own website, 19% of sellers would offer lower prices on other platforms, 29% stated that they would maintain the same price across all online platforms and 16% were unaware of price parity restrictions.

Figure 1111: Price parity survey results, 2021



Source: RedFlank CCSA Business User Survey- final report 25022022, slide 130.

180. There does however appear to be some evidence to suggest that sellers are being restricted from offering a lower price on their own platforms. Based on the Inquiry's survey results, 37% of sellers would price at a lower level on their own website absent price parity clauses.[366] A few sellers have explicitly raised Takealot's price parity policy as being an unfair constraint in that it makes it difficult for sellers to attract consumers to their own site. Sellers have also submitted that price parity clauses restrict their ability to factor commission fees charged by platforms into the price of products they have listed on marketplaces.[367] Over and above the other barriers to entry they face for their direct channel (e.g. limited marketing spend), sellers cannot sell their own products at a discount to larger platforms, which is often how smaller e-commerce retailers gain a foothold in the market.[368] This may have the effect of limiting the own sales of sellers, many of which are SMMEs, in so doing raising their dependency on platforms.

[366] RedFlank CCSA Business User Survey- final report 25022022, slide 130.
[367] Romtech, OS presentation slides.16, 8 November 2021; Romtech, OS, p 9. Para 10; [redacted]
[368] New competitors in the retail market find it difficult to compete with established larger platforms, particularly those that offer general merchandise (generalist), especially given barriers to advertising on search platforms, scale economies in logistics, capital investment and expectation of capital appreciation rather than profits which have led to lower profit expectation. This, therefore, leads to mostly large platforms being able to offer lower prices, furthering their market position/power. Further increasing spending on R&D, marketing, data analysis and payment systems. However, those that focus on a clear niche offering have shown extensive growth using online channels. Available at: Goga S & Paelo A (2020), " An e-commerce revolution in retail?" Available here: https://www.competition.org.za/ccred-blog-digital-industrial-policy/2020/4/21/an-e-commerce-revolution-in-retail [Accessed : 1 April 2022]

181. The Inquiry explored what the motivation for narrow price parity was during the public hearings. Kim Reid of Takealot indicated that the Takealot platform was built *"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 free ride on our platform"*.[369] Bidorbuy also stated that it discourages sellers from offering higher prices on its platform as that would give the buyer a reason to not shop on its platform. This is the very reason Bidorbuy encourages price parity even if it does not have a formal condition on parity, although it does make allowances, for example, for merchants with very low margins, especially in the tech industry.[370]

182. The Inquiry has some doubts about whether most own online channels of sellers are a substantial threat to platforms, especially Takealot which not only offers excellent consumer service but also is able to spend large sums on marketing its platform to consumers. When asked about evidence on free riding during the public hearings, Takealot admitted it had not gathered evidence to make that determination.[371] There are a number of reasons why the Inquiry believes that the own websites of most marketplace sellers do not pose a large threat to sellers.

182.1. The platforms with price parity clauses also mostly prohibit sellers from contacting consumers (See Table 10) except under limited circumstances like disputes when consumers may already have a negative impression of sellers. Therefore, based on current rules of platforms with narrow price parity, sellers have little recourse to even attempt to attract the platform's consumers to their own sites through direct communication.

182.2. Given the amount of marketing spend needed to be visible to consumers online, consumers may not even be aware of the sellers' own sales channels. [redacted].[372] [redacted]

[369] TAL, OS, p.82, para 20.
[370] Bidorbuy OS, p.39, para 15.
[371] TAL, OS, p84. Para 8.
[372] [redacted]

[redacted][373]

182.3. Even if consumers are aware of seller sites, it would take some effort to first find sellers' websites, [redacted][374] and then search for the relevant product item there, after which consumers would have to fill in their transaction details, when platforms may already have this information saved. These factors may well serve as a deterrent to search on these sites.[375]

182.4. [redacted][376] [redacted][377] The same applies to Loot, which is also a generalist online retailer. [redacted][378]

182.5. [redacted][379] [redacted][380] while the performance of the own sales channels of sellers are unknown. An Internet User Study conducted by Jarvenpaa and Tractinsky (1999) on consumer trust of e-commerce stores found that perceived size, perceived reputation, trust and risk perception of an

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373 [redacted]

374 [redacted]

375 Johnson, et al. 2004. "On the depth and dynamics of online search behaviour", Management Science, Vol. 50, No.3

376 [redacted]

377 [redacted]

378 [redacted]

379 [redacted]

380 [redacted]

online seller has a significant effect on the consumer use and willingness to conclude online transactions.[381]

183. [redacted].[382] It has not been made clear why there is an expectation from consumers that they can get the cheapest price from Takealot without shopping around and comparing prices on other sites. Takealot does not even have a specific consumer policy under which it will offer consumers a refund if they find another platform is offering a lower price.[383]

184. In 2013, following investigations by various European competition authorities, Amazon removed its price parity clause in totality across Europe. Again, after some attention from politicians in the United States[384] in 2019, it removed its price parity clauses there. The Inquiry's interpretation of this is that free riding was not a large enough concern for Amazon to fight the issue in European and American courts or even to test whether narrow price parity clauses would be acceptable to competition authorities.[385] The table below presents the growth in Amazon's net sales before and after price parity clauses were removed. In the US, Amazon's sales have shown a steady year-on-year growth and a slight drop in growth in

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[381] Javernpaa S., L. & Tractinsky, N. (1999) "Consumer trusts in an Internet store: a cross-cultural validation", Journal of Computer Mediated Communication. Available on http://www.ascusc.org.jcmc/vol5/issue2/jarvenpaa.htm.
Mohd Sazili S., Juwahir A & Muhamad Khairulnizam Z. (2011)" Elements of Trust in E-Commerce Interaction" Available on https://www.researchgate.net/publication/269670295_Elements_of_Trust_in_E-Commerce_Interaction

[382] TAL, WS1, p.18, par. 7.7.2 (B)

[383] Takealot Consumer T&Cs. Available at: https://www.takealot.com/help/terms-and-conditions

[384] United States Senators Richard Blumenthal and Elizabeth Warren raised concerns that price parity provisions undercut competition and artificially inflate prices for consumers both in the short term and long term, further as obstruct the emergence of more efficient online marketplace that may offer consumers lower prices. Senator Warren has advocated for the breaking up of Amazon as well as other Big Tech companies such as Google and Facebook as these companies have grown powerful and use this power and their resources to control markets and squash small businesses and innovation.[https://www.axios.com/2019/03/11/amazon-price-practice-antitrust-elizabeth-warren]

[385] There has been some research on the complete removal of price parity clauses by Amazon, suggesting that it lowered prices. A recent study by Yu Song (2019) on Amazon's removal of both wide and narrow price parity clauses in the US in March 2019 appears to have been associated with increased platform competition between Amazon and eBay and reduced product prices. Another study by De los Santos et al (2020) found that the restitution of PPCs would raise consumer prices by about 3% and non-fiction book prices by up to 9%. Sources: (a) Yu Song(2019), " *Price Parity Clauses and Product Prices: Evidence from Amazon and eBay*", University of Michigan, Available at: http://questromworld.bu.edu/platformstrategy/files/2021/07/Price-Parity-Clauses-and-Product-Prices.pdf [Accessed on 25 March 2022]; De los Santos B, O'Brien DP, Wildenbeest, MR (2020), *"Agency pricing and bargaining: Evidence from the e-book market"*, Research Paper 18-90, Kelley School of Business.

2019 when the price parity provision was removed compared to previous years, however, Amazon's GMV continued to grow. The high year-on-year growth in 2020 was a result of high growth resulting from the pandemic e-commerce spending boost. The high increase in 2020 was offset by a drop in growth in 2021. The same trend in growth is seen in Germany with drops in growth are experienced when price parity was removed 2013 and 2019.

Table 11: Amazon sales (USD millions) growth before and after the removal of Price Parity Clauses (Years ended December 2012-2020)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
United States										
Net sales	-	43,959	54,717	70,537	90.349	120,486	160,146	193,636	263,520	314,006
Year-on-year growth			25%	29%	28%	33%	33%	21%	36%	19%
Germany										
Net sales	8,732	10,535	11,919	11,816	14,148	16,951	19,881	22,232	29,565	37,326
Year-on-year growth	21%	21%	13%	(0.9%)	20%	20%	17.3%	12%	33%	26.3%

Sources: Amazon.com Annual Reports for the year ended 31 December 2011-2020. Available at: https://ir.aboutamazon.com/annual-reports-proxies-and-shareholder-letters/default.aspx [Accessed 28 March 2022]

185. The Inquiry also assessed whether there are parity agreements in standard supplier contracts of platforms with Retail divisions. The Inquiry found that none of the supplier contracts it received had any supplier parity clauses.[386] Suppliers of leading branded products to Takealot Retail are likely to have more bargaining power than individual marketplace sellers and the lack of parity clauses in the supplier agreements may be a result of this.

386 [redacted]

186. The inquiry finds that parity clauses do limit competition, even if only from a marketplace seller's own direct channel. In so doing, they have the additional effect of increasing dependency on the marketplaces, which in turn enable leading platforms to impose unfair or exploitative conditions on the marketplace sellers. Wide parity clauses have the additional effect of restricting platform competition whether these are imposed by a leading platform or not.

3.3. Below-cost pricing

187. The Inquiry has considered whether e-commerce platforms have used below-cost pricing methods to exclude rivals. This is difficult to prove conclusively and is even more difficult in the case of platform markets, where the features of platforms may encourage sustained losses over a period to rapidly scale and benefit from being the leading platform, without there ever having been an intention to exclude specific rivals.

188. The notion that profits are sacrificed for growth has according to Lina Khan been borne out in the trajectory of Amazon.com in the United States. Even though Amazon clocked staggering growth, it continued to generate subdued profits, choosing to price below-cost and expand widely instead. The pursuit of growth over profits was rewarded by investors who expected this strategy to pay off in the long-term once Amazon won the e-commerce market.[387]

189. As only Takealot has market power among e-commerce platforms in the country and so has the ability to exclude competitors, the Inquiry has only considered whether it has been engaged in pricing below cost.

190. At an overall platform level, Takealot has been making material losses for most of its existence, focused on growth over profits. This is not unlike most of the eCommerce platforms that struggle to cover some of the common overhead and fixed costs despite making a positive margin on the variable costs associated with the individual product sales.

191. However, the Inquiry has also examined the narrower issue of whether Takealot makes losses on the individual product categories from a variable cost perspective, which would be considered predatory conduct ordinarily. The Inquiry has not asked Takealot for margins at

[387] Khan, L.M., 2016. Amazon's antitrust paradox. *Yale IJ*, *126*, p.710

a product level but rather at an overall and category level. The Inquiry has also asked what percentage of GMV was sold below product and variable costs. As Takealot mainly has control over the costs of its Retail business, the Inquiry has focused on gross profit margins and operating profit margins pertaining to the Retail business.

192. In the appendix we present the gross profit margins (price – item cost) and operating profit margins before fixed and common costs (price less item cost, stock losses, net distribution cost, transaction fees, and packaging) of Takealot Retail over the 2017-2021 period. It shows that both [redacted]

It is apparent from this analysis that Takealot does engage in pricing below variable cost, and this was far more pronounced historically. Whilst there may be some stock that is not moving and requires low pricing to move it out of the warehouse, the scale of historic below variable cost pricing was substantial even if it has now been reduced.

193. While gross profit margins and operating profits before fixed and common costs might be positive overall, Takealot may still have been pricing below cost in certain product categories. The Inquiry has therefore assessed Takealot Retail's gross profit margins and operating profit margins across 5 broad and 31 narrow product categories. A summary of information in relation to Takealot's 5 broad product categories (Consumables, Electronics, Home, Lifestyle and Media) shows that on average gross profit margins and operating profit margins were positive and have been increasing over time. [redacted][388].

194. However, high percentages of GMV were associated with negative operating profit margins in 2017 across all the five broad categories and these all increased in 2018. In 2019 the percentages of GMV associated with negative operating profit margins dropped significantly, continuing until 2021. However, the GMV associated with consumables sold at negative operating profit margins has remained relatively high [redacted]

388 [redacted]

compared to the other broad product categories shown. Again, the more granular analysis shows quite extensive product level below variable cost pricing by Takealot.

195. The main contribution to Takealot's cost of sales (retail and marketplace) following the cost price of products from its Retail business are distribution costs. These costs are subsidised by the business as revenue from delivery charges do not cover total distribution costs. In fact, Takealot has only ever recovered a small percentage of its distribution costs (although this has improved) and in FY21, it had recovered [redacted] of total distribution costs. However, as reflected above, these costs are often covered by the gross margin on the product.

196. It is apparent that Takealot has used below variable cost pricing quite extensively in building its platform and that this has now decreased. The extent was far greater than simply redundant stock being moved, and indicates a deliberate strategy of below cost pricing for a sizeable number of products, with more extensive below cost pricing in certain product categories relative to others. The relevant question is whether this should be considered predatory conduct that has harmed rivals or a necessary element to building consumer acceptance of the platform and eCommerce. For instance, the Inquiry has received allegations that Superbalist, which lies within the Takealot group, has been using predatory pricing methods which is harming its direct online rivals. The Inquiry considers that some below-cost pricing may be required in the preliminary growth period but Takealot now has built a critical mass and can no longer claim that below-cost pricing is essential for its growth and development, and this conduct now needs to be considered predatory in nature if it continues to occur.

3.4. Leveraging conglomerate benefits

197. The Inquiry has explored three ways in which e-commerce platforms may be leveraging benefits from the conglomerate to which they form part. These are sharing delivery costs, information sharing and potential preferential arrangements with affiliated media channels.

3.4.1. Sharing delivery costs

198. Sharing the delivery infrastructure across many e-commerce businesses is an important conglomerate benefit. It can both reduce the delivery cost of each platform but also enables the better utilisation of delivery personnel. [redacted]

[redacted][389][redacted][390] Whilst this undoubtedly reduces costs for the Takealot group and provides an advantage to its business, this is efficiency driven on balance.

3.4.2. Data sharing

199. Most of the large e-commerce retailers in the country share consumer data with other businesses in their corporate family. These include Takealot, Loot, Zando, Makro and Everyshop.[391] Furthermore, there are no options for consumers to opt out of these arrangements as consumers are simply informed of the data sharing and it is made a condition of using their platform.

199.1. The Takealot Group has indicated that it currently does not monetise consumer data or share any consumer data with any other firms that are part of the Naspers Group. Similarly, other companies in Naspers are not able to share data with the TAL Group. [redacted][392] but based on the privacy policy this is just a once-off opt-in direct marketing communication.[393]

199.2. Based on Loot's Privacy Policy, information may be shared within the group of companies to which it belongs to "*provide joint content and services (e.g. registration), for transactions and customer support, to help detect and prevent potentially illegal acts and violations of our policies, and to guide decisions about our products, services, and communications (they will only use this information to send you marketing communications if you have requested their goods or services).*[394]

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389 [redacted]

390 [redacted]

391 See Loot, Terms & Conditions, Available: https://www.loot.co.za/content/terms-conditions ;Everyshop privacy policy, Available: https://www.everyshop.co.za/privacy-policy ; Zando Privacy policy:Available: https://www.zando.co.za/sp-privacy-policy; Makro consumer privacy policy: https://www.massmart.co.za/wp-content/uploads/2021/06/Consumer-Privacy-Policy_Final-V2.pdf ; Takealot Privacy Policy, Available: https://www.takealot.com/help/privacy-policy [Accessed 5 April 2022]

392 [redacted]

393 Takealot privacy policy, Available: https://www.takealot.com/help/privacy-policy. [Accessed 11 May 2022]

394 Loot, Terms & Conditions, Available: https://www.loot.co.za/content/terms-conditions [Accessed 24 March 2022]

199.3. While Makro also does not monetise consumer data, it may share it with other companies within the Massmart group for business purposes.[395]

199.4. Everyshop's privacy policy stipulates that it may *"disclose your personal information to Everyshop's affiliates"*, where personal information refers to the passive collection of information. It also stipulates that any third-party who acquires Everyshop, its affiliates and/or website is also entitled to this information,[396] suggesting this data is already shared within the broader JD Group.

199.5. The Zando and Jumia privacy policies stipulate that consumer data may be transferred along with other business assets in commercial transactions where it acquires or sells other businesses.[397] As with Everyshop, this suggests that its data is already shared within the broader Jade Group.

200. While there may be sharing of information among retailer groups, there were no submissions suggesting that leveraging consumer data for groups was making it difficult for competitors to compete effectively. However, consumer data is likely to provide an initial advantage for other businesses in the respective groups at least to target consumers in any growth plans.

3.4.3. Advertising benefits

201. There has been a concern that certain e-commerce platforms (Takealot and Loot) have benefited from their parent company's media subsidiaries. In particular, Takealot may benefit from preferential deals with Media24 and previously MultiChoice and Loot from Sekanjalo-owned radio[398], television[399], newspaper[400] and magazine[401] [redacted][402]

202. [redacted]

[395] Makro consumer privacy policy: https://www.massmart.co.za/wp-content/uploads/2021/06/Consumer-Privacy-Policy_Final-V2.pdf [Accessed 26/04/2022]
[396] Everyshop privacy policy, Available at: https://www.everyshop.co.za/privacy-policy [Accessed 26/04/2022]
[397] Zando Privacy policy, Available at: https://www.zando.co.za/sp-privacy-policy [Accessed 26/04/2022]; Jumia privacy policy, available at: https://www.jumia.co.za/sp-privacy/ [Accessed 26/04/2022]
[398] Magic929 FM
[399] African News Agency
[400] Independent Media South Africa
[401] Insights Publishing, CondeNast South Africa
[402] [redacted]

[redacted]

203. [redacted]

204. [redacted] However, given that Loot is a small platform relative to Takealot, the incremental benefits may be pro-competitive rather than anti-competitive.

205. It appears that there are advertising benefits within certain conglomerate groups where the eCommerce platforms enjoy discounts or access to unsold inventory. The size of the benefit depends on the media involved. As indicated above, the primary means of intent-based marketing is Google and no eCommerce platform has preferential rates with them. However, brand advertising is also an important element to building an eCommerce platform and ensuring it is top of mind for consumers engaged in online shopping. In that regard, DSTV is an important brand advertising channel and would have benefited Takealot in its growth and may continue to provide benefits along with Media24.

[redacted]

3.5. Data usage

206. Some platforms do appear to make data collection and usage an automatic part of using the platform. This may impact on competition if some platforms have considerably more data than others. The more data that platforms and other e-commerce retailers have, the more likely they are to be able to personalise services and target advertising to consumers, which may give them a competitive edge over their competitors.

207. There has been a body of research on the use of consumer data in e-commerce, with more recent studies focusing on the business value of big data to e-commerce retailers (eg. Akter & Wamba, 2016; Alrumia & Hadwan; 2021). E-commerce businesses may use data to determine which product, price and advertising method can maximise their profits.[409]

208. All the eCommerce platforms do make use of consumer data collected on their platform in order to personalise their service and target consumers for repeat business. The platforms tend to make this the default for consumers and there is no option to opt out except to unsubscribe from email newsletters.

209. [redacted] [410] [redacted] [411] While consumers can opt out of the newsletters, they would need to unsubscribe from emails. Consumers also have to accept that Takealot processes some of consumers' personal information when they use the platform, regardless of whether or not they are a registered user. Such personal information may be about (a) how, when and for how long the platform is used including the content viewed and search queries submitted, (b) the type of device, browser or operating system as well as internet protocol address, (c) the geographic location where the platform was accessed, and (d) other information from third parties such as social media.[412] Platform use also automatically involves consent for cookie use, which Takealot uses to (i) personalise and tailor services to consumer interests and needs and enable them to work on consumers' devices, (ii) provide relevant advertising, limit too many advertisement repetitions, and

[409] Akter, S & Wamba, S.F, 2016, "Big data analytics in E-commerce: a systematic review and agenda for future research", *Electron Markets*, 26:173-194; Alrumia, S & Hadwan, M, 2021, "Implementing Big Data Analytics in E-Commerce: Vendor and Consumer View", in *IEE* 9(2021)

[410] [redacted]

[411] [redacted]

[412] Takealot's privacy policy, available at: https://www.takealot.com/help/privacy-policy [Accessed on 23/07/2021]

measure ad effectiveness based on Takealot information about consumers and other online activities consumers engage in (i.e. websites, apps, content), and (iii) send opt-in marketing communication to unregistered user.[413]

210. Similarly, other major platforms such as Loot, Makro, Everyshop, Zando and Bidorbuy also collect some personal information automatically from web browsers when a consumer visits their site. This may include device and internet usage information such as IP addresses, the type of mobile device used, browsing habits, search engine keywords, click pattern, content and pages the visitor has accessed.[414] Furthermore, these platforms also employ first party and third-party technologies such as cookies, web beacons and mobile identifiers to collect consumer information on their website. Amongst the main reasons offered by platforms for using these tools include:(i) providing personalized consumer experiences, (ii) granting access to restricted content, (iii) improving website functionality, (iv) allowing third party service providers to provide services on their website, and (v) improving consumer marketing and analytics efforts.[415]

211. It has become more common for websites broadly to provide options for consumers to personalise what data is collected and how it is used beyond uses that are essential for allowing search and concluding transactions.

3.6. Limited online exclusivities

212. In respect of marketplace sellers, based on submissions made to the Inquiry, there does not appear to be outright exclusive agreements whereby sellers are prohibited or induced not to

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[413] Takealot's privacy policy, available at: https://www.takealot.com/help/privacy-policy [Accessed on 23/07/2021]

[414] Loot, Terms and Conditions, Available: https://www.loot.co.za/content/terms-conditions ; Makro consumer privacy policy, Available: https://www.massmart.co.za/wp-content/uploads/2021/06/Consumer-Privacy-Policy_Final-V2.pdf ; Everyshop privacy policy, Available: https://www.everyshop.co.za/privacy-policy ; Zando privacy policy, Available: :(https://www.zando.co.za/sp-privacy-policy/ ;Bidorbuy Privacy Statment, Available: https://www.bidorbuy.co.za/help/446/Privacy_Statement [Accessed 29 March 2022].

[415] Loot, Terms and Conditions, Available: https://www.loot.co.za/content/terms-conditions ; Makro consumer privacy policy, Available: https://www.massmart.co.za/wp-content/uploads/2021/06/Consumer-Privacy-Policy_Final-V2.pdf; Everyshop privacy policy, Available: https://www.everyshop.co.za/privacy-policy; Zando privacy policy, Available: https://www.zando.co.za/sp-privacy-policy/; Bidorbuy Privacy Statment, Available: https://www.bidorbuy.co.za/help/446/Privacy_Statement

sell products or brands on other platforms.[416][417] This was confirmed by the responses to RFIs of 7 marketplace sellers[418], [redacted][419]

213. The Inquiry also assessed whether e-commerce platforms are preventing or inducing their retail suppliers not to deal with their competitors. Retail suppliers are important to building a credible eCommerce platform as they typically constitute the most prominent brands demanded by consumers. eCommerce platform's own retail arm ensures that all the category leader's products are available on the platform and there are no gaps in the category offering that may be left by marketplace sellers. For this reason, branded supplier support is essential for an eCommerce platform's success.

214. It also does not appear that e-commerce retailers are inducing suppliers to completely refrain from selling their brands to other e-commerce retailers (outside marketplaces). There is evidence that some suppliers elect to only distribute their products to certain e-commerce retailers. [redacted][420], which has the effect of limiting the number of eligible e-commerce retailers. [redacted][421] To the extent that this limits their product and brand range, this may serve to limit their abilities to effectively constrain other e-commerce retailers.

215. The Inquiry also asked a subset of suppliers to offer some of the key factors that they consider when determining whether or not to supply e-commerce retailers. Those that responded identified the following factors amongst other things: (i) [redacted][422], (ii) [redacted]

416 [redacted]

417 [redacted]

418 The remaining sellers did not provide insight on this particular question.

419 [redacted]

420 [redacted]

421 [redacted]

422 [redacted]

[redacted][423] (iii) [redacted]
[redacted][424] (iv) [redacted]
[redacted][425] (vi) [redacted]
[redacted][426] The Inquiry was also interested in the willingness of these suppliers to supply new retailers. [redacted]
[redacted][427] However, those minimum standards as outlined above effectively mean that new online platforms are going to battle to get support from the leading brands, as identified by the smaller platforms.

216. There are also exclusivities between suppliers and e-commerce retailers that are less restrictive in their scope. [redacted]
[redacted][428] for a short period after which it will become available to all retailers. [redacted]
[redacted][429] [redacted]
[redacted][430] [redacted]
[redacted][431] [redacted]
[redacted][433]. [redacted]
[redacted].[434]

423 [redacted]
424 [redacted]
425 [redacted]
426 [redacted]
427 [redacted]
428 [redacted]
429 [redacted]
430 [redacted]
431 [redacted]
432 [redacted]
433 [redacted]
434 [redacted]

217. Exclusivity on product launches or even specific prominent brands can be used by challenger platforms to attract consumers and build trial and adoption in the process. However, in the hands of leading platforms, such arrangements simply entrench their position and make it more difficult for challengers to build a credible consumer offering if they are missing brands. Already it seems that challengers struggle to attract the most prominent brands given the lengthy criteria applied to whether to support a particular platform or not. This is a feature of retail more broadly and one which continues to favour the largest players.

4. Seller competition and treatment

218. A few concerns have been raised regarding the conflict of interest that has arisen between Takealot's Retail business and marketplace sellers. These accusations include free riding off seller risk taking, self-preferencing of its Retail business over sellers, pricing interference via suppliers and finally platform-specific exclusivities (which is sometimes referred to as gating). In addition, the Inquiry has also received submissions about platforms raising the costs of sellers unnecessarily, which may serve to make doing business on these platforms difficult or even impossible. Finally, the Inquiry has assessed the extent to which HDP and SMME firms are able to participate and compete in marketplaces.

219. Whilst many of these concerns are targeted at Takealot, this is primarily because of its size and importance in the domestic eCommerce landscape and the degree of marketplace seller dependency on the platform for sales. That dependency provides greater bargaining power to Takealot and the ability to impose conditions that marketplace sellers deem unfair and yet the marketplace sellers will continue to sell on the platform due to its importance for sales. If such conditions are imposed by smaller platforms on which marketplace sellers are not dependent, then there may be more scope for those sellers to cease using the platform which may discipline its conduct, or the impact on sellers is much less pronounced and so they simply do not care, or invest less in building sales on that platform. However, the analysis undertaken in this section would apply to any leading platform (including future leading platforms if they emerge over time) and some of the concerns may also apply to all platform categories, not just eCommerce, such as the identification of sponsored ranking.

4.1. Free riding off seller risk taking

220. eCommerce platforms that have their own retail typically start by procuring leading brands around which to develop a product category. Once these brands have been identified, the platform will conclude supply agreements with suppliers and stock enough of these brands to establish credibility in that product category. [redacted][435] However, marketplace sellers are typically used to create a far broader product selection within a category and provide consumers with the 'long tail' of products.[436] [redacted]

[435] [redacted]
[436] TAL, OS, p.38

[redacted][437] Ultimately this ensures that the platform has a structured and complete product offering in a category.

221. There have been some allegations of Takealot Retail free riding off seller risk-taking by mining Takealot seller data for the top-selling items of marketplace sellers and subsequently going directly to the suppliers of best-selling products, or launching their own brand in these product lines. These allegations are in relation to both branded and private-label products. This conduct is unlikely to occur in some of the B&M retailer led marketplaces because they frequently prevent marketplace sellers from listing products that the B&M retailer already provides and the marketplace is purely there to extend their range.[438] It is also a situation that does not arise in pure online marketplaces as the platform itself does not have a retail division. However, this conduct could be occurring in other eCommerce platforms which have a retail and marketplace, but that no specific complaints have been received.

222. Mr Zietsman, who is the CEO of Takealot.com, noted in the public hearings that "*buyers can look at the platform and see what trades. Yes, correct*".[439] In relation to private-label products, in responding to a question on whether Takealot enters a product area on the basis of seller data of top-selling products in particular product categories, [redacted][440] In essence, Takealot confirmed in the public hearing that its buyers have access to marketplace seller data in order to advance their own retail business and that management does not restrict such access.

223. While Takealot Heads of Departments and Retail buyers are not given commissions for sales[441], they are incentivised to use seller data to their advantage because they have strong incentives to purchase products that are likely to sell. Firstly, inventory management is both a direct and indirect factor upon which the performance of heads of departments and buyers

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437 [redacted]

438 For instance, Makro and Leroy Marlin have policies which prevent overlaps between own retail and marketplace seller products. [redacted]

439 TAL, OS, p.48

440 [redacted]

441 TAL, OS, p.48

are evaluated. [redacted][442] Products that do not sell have to be sold at reduced margins or otherwise they will be taking up valuable warehousing space, which can be better allocated to new stock that can be sold at higher margins (see a quote from Mr Reid at the Public Hearings below).[443] [redacted][444]

"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 ...[intervenes] MR REID: Correct.

CHAIRPERSON: ...as you have said, if you have got dead stock 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"[445]

224. Another way that Takealot Retail department heads and buyers are incentivised to purchasing items that will sell is that the better they are at choosing products that will sell, the more budget they will be allocated, and conversely the worse they are at choosing the right products, the lower the budget they are allocated.[446]

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[442] Weights in the performance plan are as follows [redacted] Also see TAL, OS, p.33

[443] [redacted]

[444] [redacted]

[445] TAL, OS, p.50

[446] *"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." Source:* TAL, OS, p.46

225. [redacted].[447] [redacted]

226. [redacted].[450] There may be a number of reasons why Takealot Retail is able to undercut the prices of marketplace sellers including access to data on price trends, greater bargaining power against suppliers compared to marketplace sellers and the fact that it is not subject to the various fees faced by marketplace sellers.

227. The EC and US competition authorities are currently investigating the issue of free riding from seller risk taking in relation to Amazon. In April 2020, based on one current and twenty former employees of Amazon, a Wallstreet Journal article concluded that Amazon is not only

447 [redacted]
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able to identify hot trends but it also uses these trends to price their own products competitively. One example identified in this article is where "the maker of a popular car trunk organiser, found that Amazon launched a very similar product as part of its private label offering".[451] On 10 November 2020, the EC initiated an investigation of this practice, stating that "Amazon systematically relies on non-public business data of independent sellers who sell on its marketplace, to the benefit of Amazon's own retail business, which directly competes with those third party sellers".[452] A recent (November 2021) article by Reuters, suggests that Amazon has engaged in preliminary settlement discussions with the EC, where they offered concessions to address the EC concerns. The settlement discussions are expected to take months to conclude and there is still no certainty as to whether the two parties will reach an agreement.[453]

228. In 2020, the US House Judiciary Committee's antitrust panel released a report summarizing the findings of its investigation into Big Tech companies, concluding that Amazon (alongside Apple, Facebook, and Google) has monopoly power due in part to their control of data. The Judiciary Committee's investigation included testimony from marketplace sellers who indicated that their businesses were negatively affected by Amazon launching of private-label products competing with their products. One retired third-party seller for example had been forced to exit his seller business when his products were allegedly copied by Amazon. While Amazon acknowledged that it might use "aggregated" seller data, it denied using "individual" third party seller data to build its private labels brands, claiming that this would be a violation of its internal policies.[454] The Judiciary Committee has since accused Amazon of lying during its testimony by claiming it did not use third-party seller data to advance its own private-label products, when in actual fact they do. A letter dated 9 March 2022 to the US Justice Department explained how Amazon gave false evidence on the use of seller data and asked the Auditor General to investigate Amazon and some of its senior executives for potential criminal conduct. In particular, it was alleged that Amazon turns a blind eye to

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[451] Mattioli, D, 2020, " Amazon scooped up data from its own sellers to launch competing products", Available : https://www.wsj.com/articles/amazon-scooped-up-data-from-its-own-sellers-to-launch-competing-products-11587650015 .[Accessed 08/04/ 2022].

[452] EC Press Release, available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2077 [Accessed 28/04/2022]

[453] Reuters, 2021, Exclusive Amazon seeking to settle antitrust investigation: source says", Available: https://www.reuters.com/business/retail-consumer/exclusive-amazon-seeking-settle-eu-antitrust-investigations-sources-say-2021-11-09/. [Accessed 06/04/2022]

[454] Palmer, A, 2020, "What EU's investigation of Amazon means for US probe, Available: https://www.cnbc.com/2020/11/11/eu-investigates-amazon-what-it-means-for-us-antitrust-probes.html. [Accessed 08 April 2022]

repeated violations of the policy. It is not just a matter of rogue employees ignoring Amazon's policy but that "Amazon employees regularly violated the Seller Data Protection Policy, and senior officials knew about this practice".[455]

229. The Inquiry has similar concerns, especially in respect of products which fall outside of the main branded items in a category that are sold. Marketplace sellers do innovate, invest and bear risk in bringing new products to an eCommerce platform. This would involve research identifying products that may be attractive to SA consumers, sourcing those products, investing in stock and the promotion of the products on the platform (and potentially elsewhere) to build awareness, interest and demand. There is risk that some or many of the products do not gain traction and the seller is left with the sunk investment in bringing the product to the marketplace along with the costs of holding stock for a long period or writing off stock altogether. In the event that the platform's own retail division uses seller data to pick off the successful products and then replicate those to compete with the marketplace seller, then the retail division effectively is free-riding off the investment and risk taken by marketplace sellers. It is also uniquely positioned to do so because it has preferential access to seller transactional data by the retail buyers. Furthermore, as the Amazon allegations demonstrate, there will always be an incentive for the platform's retail arm buyers to use this data in furthering their own success and financial rewards regardless of the corporate policy on seller data access. This is not to say that competition for successful products should be prohibited completely, but rather that highly targeted engagement by the retail arm through privileged access to data constitutes unfair competition that may undermine innovation and risk taking by marketplace sellers. This is reinforced by the fact that the platform also has the means to self-preference its product as is discussed next, providing it with an unfair advantage in contesting with the seller that innovated.

4.2. Self-preferencing platform own retail over sellers

230. The Inquiry has considered whether platforms can and does favour its own retail division over the marketplace sellers. This issue is primarily relevant to pure online platforms that contain their own retail division alongside marketplace sellers (e.g. Takealot, Zando, Jumia). The issue does not arise with pure marketplaces as there is no own product sales, and is

[455] Fung, B, 2022, " Amazon may face criminal liability for lying to Congress, House lawmakers allege", Available: https://edition.cnn.com/2022/03/09/tech/amazon-house-panel-justice-department/index.html .[Accessed 06 April 2022].

unlikely to arise in the case of B&M online channels that open marketplaces because they typically do not allow marketplaces to compete on the same product brand item (e.g. Makro). However, it is possible that self-preferencing could occur at a product rather than specific brand level. Most submissions in this regard focus on Takealot as the largest platform, and so much of the analysis considers their conduct. However, the Inquiry remains interested in whether such conduct is more widespread or could occur in future.

231. [redacted][457]

232. The Inquiry disagrees with the notion that Takealot does not have an incentive to preference [redacted]

232.1. [redacted].

232.2. As Makro for example a has submitted, there is a tension when both the Retail division and the marketplace sell the same product items, which is why most of them decided against allowing it. In particular, the tension occurs because Retail businesses take on stock risk and competing with marketplace sellers risks the Retail's business not being able to sell products quickly and incurring storage costs, or being forced to sell them at discounted prices.[458] [redacted]

456 [redacted]
457
458 [redacted] Massmart, OS, pp. 26-27.

[redacted]

232.3. For the same reasons as those outlined above, staff in the Retail division of Takealot have a strong incentive to move the products they have decided to purchase for on-sale (it both factors into their performance management contracts and determines the budget they are allocated). Where they compete with marketplace sellers, this may translate into an incentive to promote their own offers over their competitors.

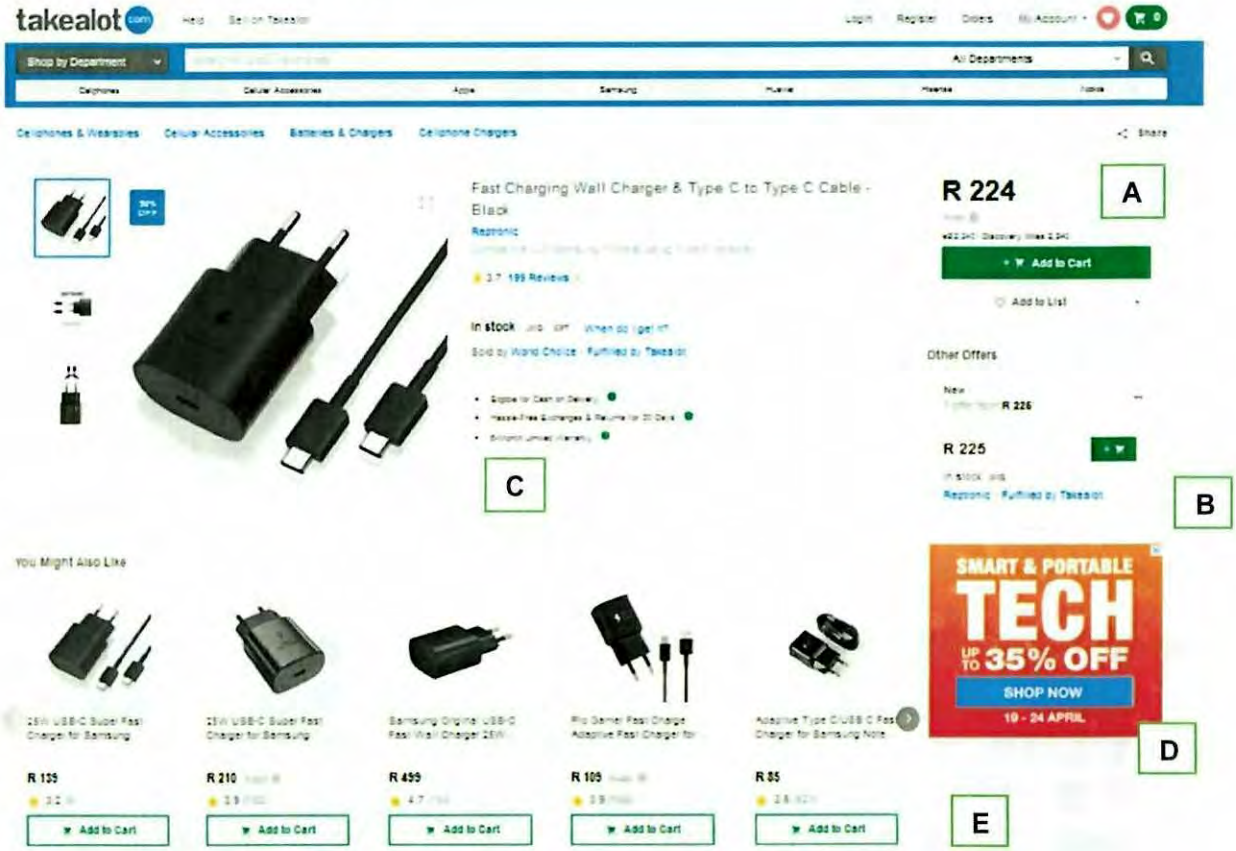
233. The Inquiry has explored four ways in which Takealot may preference itself over sellers on the platform, namely the Buy Box, the search algorithm and sponsored ranking, promotions, and display advertising. We note that some of the self-preferencing may be incidental and not deliberate.

4.2.1. Buy Box

234. [redacted][459] [redacted][460] The figure below presents an example of a Buy Box. Panel C, which is front and centre, provides information about the product as well as who the winning seller of the product is ("Sold by"), who it is fulfilled by, whether it is in stock (and where) and the estimated time to delivery if the products are sold on lead-time.[461] Panel A, which is on the top right of the screen, is where consumers are presented with the price of the Buy Box winner's offer and it is also where they may make a purchase of this offer. Panel B, which sits below panel A, presents other offers for the identical product, including their price, availability, and estimated time to delivery if it is sold on lead-time. It takes up significantly less space than the winning offer and is less prominent. The "Add to Cart" button for example is significantly smaller than in Panel A.

459 [redacted]
460 [redacted]
461 If Takealot Retail has won the Buy Box, there would not be a "sold by" statement in panel C.

Figure 12: Buy Box Example



Source: Takealot website, 20/04/2022.

Notes: Panel **D** is an example of Display Advertisement. Panel **E** are other related products that customers might also like.

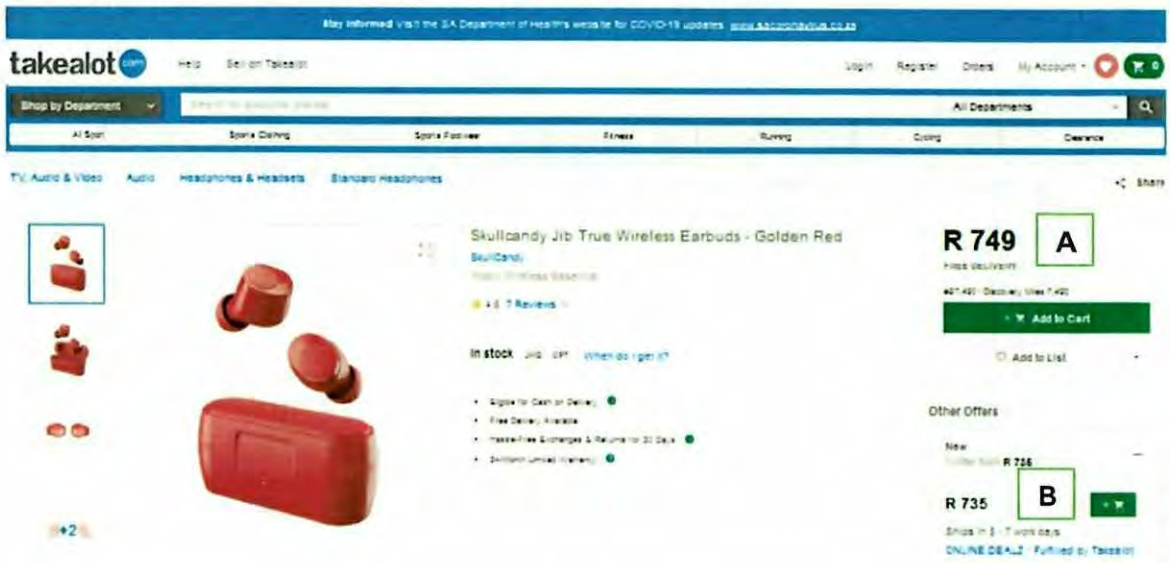
235. [redacted] 462

236. [redacted] The figure below

462 [redacted]

shows an example of Takealot Retail winning the Buy Box by virtue of having products in-stock even though it is not the cheapest offer (albeit by a small amount). [redacted]463

Figure 13: In stock and lead time stock offers on the Buy Box



Source: Capture on Takealot website, 20/04/2022.

Notes: "Shipping in 5-7 work days" means the product in question is not kept in Takealot warehouse.

237. While prioritising in-stock products improves delivery times, and so too the consumer experience, it also tends to favour Takealot Retail's offers over sellers. [redacted]464 [redacted]. This is potentially as a result of the costs that sellers face if they store products in the warehouse such as

463 [redacted]
464

storage fees (including escalated storage fees), automatic inter-branch transfer fees, and stock removal order charges.[465]

238. [redacted].[466]

239. The Buy Box system may effectively raise prices on the Takealot platform to some extent because consumers rarely click on offers that have not won the Buy Box (and may not even be aware of these alternatives). Consumers may be presented with a more expensive product even where they have a preference for lower prices over fast delivery times.

240. It is important to be aware that in the vast majority of cases that Takealot Retail [redacted] and Marketplace sellers [redacted] win the Buy Box, they have both the lowest in-stock price and the lowest overall price. In other words, any benefit that Takealot Retail gets from the Buy Box prioritising in-stock sales is currently relatively small.

241. In conclusion, the fact that the algorithm selects the winning seller based on the cheapest in-stock offer, and not necessarily the cheapest offer if it is on lead time may appear rational, but essentially assumes that consumers value lead time over price, which may be the case for some consumers but not necessarily all. As a result, presenting prominently the two alternatives where the cheapest overall is on lead time does not occur. The practice has self-preferencing outcomes visible in the data because almost all Takealot stock sits in its warehouses whereas this is not the case for marketplace sellers, which may explain why the alternative presentation option is not used.

4.2.1. Promotions

242. There are a number of different promotion campaigns that Takealot Retail and sellers may use to promote their products such as Daily Deals, the Blue Dot sale, etc. Takealot has indicated that "the opportunity to participate in any Takealot.com promotional campaign is open to any brand suppliers and marketplace sellers on the same terms as Takealot.com".[467]

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[465] TAL, WS1, para.6.14; TAL OS, p.54

[466] [redacted]

[467] TAL, WS1, p. 12. Para 6.12

243. Promotions are valuable in that they improve discoverability, improves pageviews and conversion rate, they have knock-on effect on organic sales, and they also build brand awareness. In essence, promotions help to get eyeballs especially in a platform that has wide range of product listings, make it easier for customers to find the promoted product and increase page views in the process.[468] [redacted].[469] The graph below indicates that sellers that do participate in promotions benefit within the long-term in their business in terms of GMV growth.

Figure 14 [redacted]

244. [redacted].[470] Daily Deals have a larger list of requirements for marketplace sellers and Takealot Retail. Their requirements are identical except for one, which is marketplace sellers can only be featured in Daily Deals once every 3 weeks whereas Takealot Retail can be featured once every 7 days. [redacted].[471]

245. [redacted].[472]

[468] Increase on page views allows your product to sell at a faster rate, this in turn can increase the overall rating of the product listing.

[469] [redacted]

[470] [redacted]

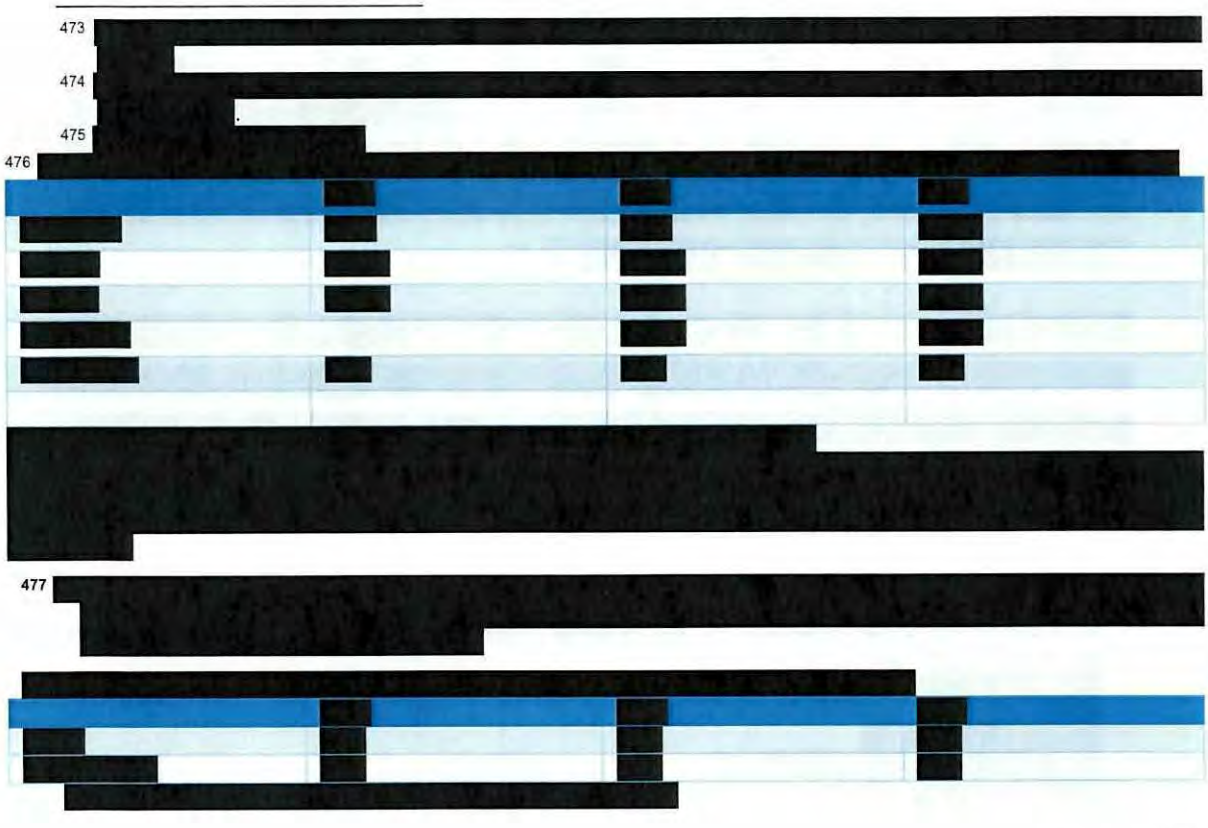
[471] [redacted]

[472] [redacted]

246. While not all the various promotional campaigns were available to marketplace sellers in the past, most are available to them today. For example, Daily Deals only became available to marketplace sellers in 2020. [redacted][473] [redacted][474]) [redacted].[475] Analysis on the percentage of marketplace applications for promotions that were accepted and resulted in a sale over a three-year period shows that [redacted][476].

247. [redacted][477]

248. An analysis of the most frequent formal reasons provided for why marketplace sellers applications for promotion are rejected appear to be relatively benign. The most cited



reasons for rejected applications include the deal no longer being available, the stock or revenue threshold not being met, and the product being inactive. It is difficult to determine whether the difference is genuinely as a result of sellers applying where they do not qualify or not, and therefore whether Takealot has incentives to provide preferential access to its own retail division.

4.2.2. Search algorithm

249. [redacted].[478]

250. eCommerce platforms, like all intermediation platforms, have an incentive to ensure the consumer finds what they are looking for, but this still provides scope to promote one product over another as long as all products are responsive to the consumer search request. All platforms have some incentive to sell sponsored positions as it provides an additional revenue stream, but eCommerce platforms that have a retail division competing with a marketplace may also have an incentive to self-preference.

251. According to Takealot, it's search function does not explicitly favour Takealot Retail products over Marketplace products.[479] [redacted][480] The Inquiry is however also interested in the extent to which self-preferencing may implicitly occur via other factors which Takealot Retail performs better on than marketplace sellers, rather than explicit self-preferencing.

    251.1. The search algorithm takes into account stock availability, which may serve to favour Takealot Retail since its stock takes up the majority of Takealot's warehousing space.

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478 [redacted]

479 TAL, WS1. P. 10. Para 6.5. TAL search function works in three steps, retrieval, filtering, and ranking.

480 [redacted]

251.2. Secondly, given that average discounts are also considered by the search algorithm, promoted products, which have to be discounted in order to qualify, may inadvertently be favoured by the search algorithm. This may be further exacerbated by the fact that (a) the ranking of products depends on previous interactions with product categories, brands and individual products (product views and cart conversions) and (b) that the search algorithm takes into account historical views.[481] The search algorithm, like most platforms, is also designed to maximise search conversions and will naturally render listings with the most historic conversions.[482] If promoted products typically receive more product views and conversions, the design of the search algorithm may favour promoted products (which Takealot Retail has primarily benefited from).

252. The Inquiry's requests for data on ranking has been unanswered to date and so it has been unable to definitely determine whether Takealot Retail has inadvertently been advantaged by Takealot's search algorithm.[483] The inquiry is generally reluctant to start dictating how search and ranking is designed on a platform as their incentives to assist consumers to identify the best products in order to secure a sale on the platform. However, where ranking incorporates clear biases, including self-preferencing, paid or sponsored positioning or large branded suppliers, then the inquiry is more minded to act.

253. Sponsored ranking is currently not a prominent feature of eCommerce platforms relative to travel & accommodation or online classifieds. Sponsored ranking does impact on consumer choice because it alters the order in which the platform's algorithm would otherwise place products before the consumer. Whilst sponsored ranking is currently not prominent, it is likely that leading platforms will in future engage in more and more sponsored ranking.[484] This is evident from patterns across intermediation platforms locally and in eCommerce platforms globally, but also budget forecasts of eCommerce platforms. In essence, once a platform becomes important enough as an online channel to consumers, then visibility on that platform becomes important and the platform is able to extract more and more sponsored ranking. Small platforms may also sell positions on the results page but are unlikely to alter

[481] TAL, WS1. p.10. para. 6.5.
[482] TAL, WS1, para 6.6
[483] [redacted]
[484] [redacted]

consumer choice to the same extent given their size and less ability to sell as much sponsored positions. When this occurs, it will raise the same issues of an increasing distortion of consumer choice and competition, typically to the benefit of deeper pocketed rivals over SMEs and HDP businesses. Pre-emptive rules may be required to ensure this outcome does not materialise.

4.2.3. Display advertising and brand stores

254. All intermediation platforms typically have display advertising space, especially on the desktop website where space is less of an issue. Platforms may use this display advertising space in a number of ways including drawing consumer's attention to special sales or product categories on their site, selling it to business users to promote their products, selling inventory to complementary services to those products on the site (e.g. insurance or finance) or simply selling the inventory through an online advertising company such as Google. In the case of eCommerce platforms which have a retail division competing with a marketplace, the question arises as to whether there is a degree of self-preferencing in respect of access to that inventory which may impact on product competition.

255. [redacted].[485]

255.1. Display advertising gives sellers and suppliers the opportunity to display their brands or promotions on various display slots on the platform, including the Takealot homepage (homepage carousel, right hand banner, front section product catalogues and the featured brand logos, department fly-out and homepage pop-up), product display page banner, search listings top banner, department landing page carousel and front section, and cart and wish list banners.[486] These options are available at different prices.[487]

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[485] [redacted]

[486] TAL, WS1, p. 11, para 6.8.1.

[487] Standard packages of display advertising slots are available to all advertisers for prices ranging between [redacted]. However, the advertiser can purchase a customised advertising package for a minimum spend of [redacted].

255.2. Brand stores allow advertisers to create a single destination for a consumer to browse the full range of products for a brand.[488]

256. [redacted]

257. [redacted]

4.3. Pricing interference

258. There have been allegations of price interference by Takealot staff where sellers are winning the Buy Box against Takealot Retail(Source). The Inquiry is in possession of communications from suppliers in which they have asked sellers to adjust their prices in line with that of Takealot Retail. [redacted]

259. [redacted]

[488] TAL, WS1, p.11, para 6.8.1.

[redacted]

260. In one of the communications between a supplier and seller about adjusting the latter's prices, the seller asked why the reverse does not occur i.e. Takealot Retail being asked to raise prices when sellers notice that Takealot Retail has dropped prices to below recommended levels. The supplier's response was that the Takealot relationship is paramount and without cooperation from sellers on prices, the supplier would be forced by Takealot to allocate products to different sellers (i.e. exclusivity over particular products)[494].

261. When asked about the practice of suppliers contacting marketplace sellers to raise their prices, Group Chairman Kim Reid admitted that Takealot Retail buyers do approach suppliers regarding prices offered to marketplace sellers especially where sellers are beating them on the Buy Box:

"Kim Reid: We evaluate our retail division on 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 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.[495]

262. Mr Reid argued that it is a standard retail practice for buyers to approach suppliers who appear to be offering other retailers a better price. *"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."* [496] The Inquiry's view is that these are not equivalent situations. Firstly, Takealot is better able to assess the costs facing sellers than they are for a company like Massmart, for whom they do not have a view over costs. Secondly, suppliers will find it difficult to strong arm retailers like Massmart into raising their prices to meet the prices of Takealot. Finally, unlike in the case of the Takealot platform,

[494] [redacted]
[495] TAL, OS, p.65
[496] TAL, OS, p.67

Takealot Retail having a higher price than Makro Online is not going to virtually eliminate the sales of Takealot Retail in the same way that a seller losing the Buy Box will.

263. Further, Mr Reid has absolved Takealot Retail buyers of price fixing, insinuating that the decision is completely up to suppliers and "*really has got nothing to do with us*". However, when pressed on whether he is privy to the conversations between suppliers and sellers he also conceded that *"I certainly do not know what they (Takealot buyers) are saying to suppliers"*. As noted above, Takealot buyers certainly have a strong incentive to turn products in the warehouse. To the extent that marketplace sellers are winning the Buy Box, there is a risk that they won't be able to sell items and will be forced to heavily discount prices and so erode margins.

264. The Inquiry has also been told that some suppliers have raised their prices to marketplace sellers in response to pressure from Takealot buyers rather than simply requesting that the sellers raise their platform prices. [source]

265. From the evidence the Inquiry has seen, Takealot buyers do engage in pressuring suppliers and suppliers have responded to pressure by requiring that marketplace sellers raise their prices on the Takealot platform which sellers have done to avoid suppliers from cutting off supply, or by raising the price to these marketplace sellers themselves. Whilst the Inquiry is currently not privy to the precise discussions that occur between the two groups, if suppliers are seeking to resolve complaints from Takealot buyers in this manner then it is most likely that the form of resolution has formed part of the discussion and the Takealot buyers are aware of the consequences of their pressure. Either way, the outcome is clearly anti-competitive and directly adverse to consumers, and may be considered a form of hub and spoke cartel. It seems Takealot top management have elected to turn a blind eye to the conduct of their buyers, even encouraging them to be more robust with suppliers in the interests of securing lower prices. However, this has clearly emboldened buyers to engage in supplier pressure that most likely crosses clear boundaries because there are no consequences for their actions. This makes management complicit in the conduct.

266. The Inquiry therefore finds that Takealot does abuse its position as the retail arm of their own platform in order to provide it with advantages over marketplace sellers and dampen price competition from those sellers on the platform to the detriment of consumers.

4.4. Platform-specific exclusivities and product gating

267. In responding to the Inquiry's initial questions on products and brands that are required to be sold exclusively on Takealot to the exclusion of other platforms, Takealot indicated that it has no such arrangements (in July 2021). However, it did stipulate that it has what it calls 'platform exclusivities' in place. Platform exclusivities was defined to mean when Takealot Retail was allowed by suppliers to sell certain products on the Takealot.com platform to the exclusion of marketplace sellers.[497] [redacted][498] [redacted][499]

268. Takealot has provided contradictory accounts about who initiates platform-exclusivities. In Takealot's 11 October 2021 submission, [redacted][500] which was echoed in the public hearings in relation to brand gating, where Mr Reid indicated that *"I think it is very important to understand this is a supplier requirement not Takealot requirement"*[501] and that the *"the power does not sit with us"*[502]

269. In contrast, in its submission to the Inquiry on 2 July 2021, platform-exclusive agreements were described as when suppliers allow Takealot's retail business the exclusive right to retail.[503] [redacted][504]

270. Following the public hearings, when Takealot insisted that the arrangement is imposed on Takealot Retail, the Inquiry asked Takealot to provide evidence that arrangements are in fact initiated by suppliers. It also requested the contact details of suppliers in order to verify this account with suppliers themselves. [redacted]

[497] TAL, WS1,p.35, para. 38
[498] [redacted]
[499] [redacted]
[500] [redacted]
[501] TAL, OS, p.70
[502] TAL, OS, p.69
[503] TAL, WS1, Para. 38
[504] [redacted]

[redacted] 505 [redacted]

[redacted]

[redacted]

[redacted] 506

270.1. [redacted]

[redacted]

[redacted]

[redacted]

[redacted] 507

270.2. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] 509

270.3. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] 510

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505 [redacted]

[redacted]

506 [redacted]

507 [redacted]

508 [redacted]

509 [redacted]

510 [redacted]

270.4. [redacted][511].

271. In contrast, the evidence before the Inquiry is that, contrary to Takealot's account of gating, there may both be gating arrangements that are initiated by suppliers and others where Takealot Retail initiates or puts pressure on suppliers to gate brands and/or products. [redacted][512][513][514]

271.1. **Some suppliers may independently initiate gating.** Only one supplier the Inquiry communicated with consistently acknowledged that gating was initiated by it rather than Takealot Retail. While Takealot does have a grey goods policy in which sellers are required to disclose the manufacturers' warranties and after-sales support (it also prohibits counterfeit goods)[515], the particular supplier had been inundated with requests for after-sales services (e.g. repair) for grey and counterfeit goods, which causes damage to its brand. It would not be enough to authorise particular marketplace sellers to sell over the Takealot platform as this supplier had found that some marketplace sellers have in the past purchased some products from the authorised distributor and the rest as grey products. Another reason why suppliers initiate gating arrangements is because they want "the right people on the platform", which includes factors such as

511 [redacted]
512 [redacted]
513 [redacted]
514 [redacted]
515 [redacted] TAL MP Seller Compliance Requirements, par 1.2.1; https://docs.google.com/document/d/e/2PACX-1vTksOSRUeEtDqQjmIe0q-FnvQi9U9wXVBqCkMw_Lq8-wJ25bP1bqjDKUqEJDCILxI26hY6aQQndhqvL/pub; [redacted]

meeting minimum order quantities, no lead-time purchasing, have sufficient other inventory of the same product types, and will commit to investing and marketing supplier brands. Finally, it may also consider whether the area in which resellers would like to trade is not overtraded.[516]

271.2. **Some suppliers initiate gating to "protect" their relationship with Takealot Retail and ensure their own seller account is not undercut.** Communication between a supplier and a seller regarding the gating of its brand in the possession of the Inquiry, the supplier communicated that this is in the *"best interest for both parties"*, prevents *"price wars"*, and avoids *"problems with Takealot retail businesses"*.[517] In a later meeting between the Inquiry and this supplier, [redacted][518] [redacted][519]

271.3. **Some suppliers are not aware of gating arrangements, despite these having been communicated to sellers**. The Inquiry is in possession of emails [source] that were sent by Takealot staff to sellers communicating that particular brands have been 'gated' and so not available for sale by those marketplace sellers. One of these emails was sent to Romtech, who made submissions during the public hearings in respect of the Xiaomi brand.[520] In these cases, suppliers indicated that they do not have any such gating arrangements[521] and that any sellers with whom they have a relationship are free to sell their products over the Takealot platform. Therefore, it is unlikely that suppliers have initiated some of the brand gating that Takealot is currently enforcing. It is also worth mentioning that there are also other arrangements between suppliers and brands that were listed as being platform exclusive but who responded to the Inquiry

516 [redacted]
517 [redacted]
518 [redacted]
519 [redacted]
520 Romtech OS, p.6
521 [redacted]

stipulating that they are not aware of a brand gating or platform exclusive arrangement with Takealot.[522]

272. The Inquiry believes Takealot itself has in the past initiated product gating and may have also pressured suppliers into introducing such an arrangement. Unlike in the case of suppliers initiating such arrangements, this mainly appears to be about increasing profits by eliminating competition on in the marketplace.

273. While selective distribution arrangements may be initiated by suppliers and are typically justified on the basis of brand image and after-sales obligations[523], this may not be a complete picture. The Core Group for example, which is one of four official distributors of Apple products in the country (the others being Vodacom, MTN and Telkom) only sells to Apple Authorised Resellers ("AARs"). To be authorised, sellers must meet a host of requirements including having an appropriate brand image, meeting a particular revenue threshold and being able to meet the after-sales obligations of the brand. [redacted][524]

It is not entirely clear to the Inquiry why Shop and Ship does not sell the full Apple product range on Takealot.com. The implication is that Takealot Retail is in practice the exclusive retailer of many of the core Apple products on the Takealot website (e.g. Macbook) even though in theory Shop and Ship has been authorised to also sell these products online.

274. The Inquiry therefore finds that Takealot has engaged in product gating to benefit its own retail division without the consent of the suppliers or has pressured the suppliers to gate products in their favour. This conduct will reduce competition and lacks an efficiency rationale where it is not initiated by the supplier themselves.

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[522] This includes suppliers of Samsung products and suppliers of Xbox games.

[523] The question of whether suppliers that are not vertically integrated may selectively or exclusively distribute their products to one or just a few retailers has not yet been settled in South African case law. Such a case would be brought under s5(1) of the Competition Act. Heather Irvine, 2019. "Vertical Agreements in South Africa" in *Lexicology*, available at: https://www.lexology.com/library/detail.aspx?g=edfbe85f-b1ed-4abe-9793-877588f984ef [08/04/2022]

[524] [redacted]

4.5. Raising the costs of sellers

275. Raising-rival's-costs arguments are based on the simple fact that it is easier to compete with less efficient firms. If a firm's production or distribution costs are raised, it will reduce output and increase price, and the other firms in the market will benefit from this as they can increase their prices without fear of losing share. In the context of eCommerce, a platform with a retail wing and that competes with sellers on its marketplace, has the ability to raise costs to rivals on the platform and may also have the incentive when it is dominant and sellers are dependent on it, and therefore more willing to overlook adverse conduct in the interests of generating sales on the platform.

276. [redacted][525] Below, the Inquiry presents four ways in which Takealot has raised the costs of doing business over the Takealot platform. The first is via raising fees and introducing new fees although this does not appear to bother the majority of sellers. The second is via sponsored ranking, which is relatively new but is likely to grow in the future. The third is in relation to applying penalties and punishing sellers for actions outside their control. The fourth is the costs borne by sellers where delays in services or dispute resolution occur. The latter two ways of increasing costs have been raised as a problem by many seller businesses who have also indicated they are powerless against Takealot as they have no other option for online sales and so they are either required to accept the status quo, which they consider to be unfair, or stop selling online altogether.

277. The Inquiry has not received complaints from sellers against any other platforms. However, this may be an artefact of sellers selling much less on other platforms for them to be aware of seller conditions that raise their costs. Alternatively, the percentage of total sales that are affected may not be significant enough for it to have any discernible impact on them and they can leave those platforms if they are unhappy over the terms or service given that they may only account for a small volume of sales. It is also the case that the smaller platforms are more strongly incentivised to provide lower commissions or more balanced terms in order to keep sellers on their platforms given the lack of bargaining power.

525 [redacted]

4.5.1. More and higher fees

278. The marketplace was established in July 2014 when the first seller started selling over the platform.[526] At that point, there was a relatively simple success fee structure (7% for electronics and 10% for all other categories), a R150 monthly subscription fee, a monthly storage fee (depending on fees and stock), and flat fulfilment fees (which did not depend on volumetric attributes). Since then, Takealot has raised existing fees, added additional fees and differentiated its fee structure to better reflect the complexity of cost drivers.

278.1. *Additional fees*. In July 2019, escalated storage fees were introduced, which are fees that apply during the peak Christmas period to encourage sellers to use Takealot warehousing efficiently. Later that year (October 2019), order cancellation fees (where orders are cancelled by sellers) were introduced at R20 per order and R50 over the peak Christmas period. In March 2020, Takealot introduced a removal order charge, which is incurred when sellers request items to be removed from Takealot's warehouses (R2.50 per item). Then in August 2020, Takealot introduced a fee for when Takealot is required to transfer seller stock between Takealot warehouses called automatic inter-branch transfer fees. These depend on size and weight and vary between R5 and R75.

278.2. *Raised fees*. The subscription fee doubled in May 2018, from R150 to R300. There was also an increase in storage fees over the peak Christmas period during 2019 and 2020. In May 2022, Fulfilment Fees were increased on each item size and weight category between R 18-R340.[527]

278.3. *Differentiated fees*. Many fees have become more differentiated over time, including success, fulfilment and storage fees.

278.3.1. [redacted]

526 [redacted]
527

[redacted][528]

279. Prior to 2017, fulfilment fees were charged at R 24 (excl. VAT). Takealot has both raised existing fees and added additional fees to its seller fee structure.

279.1.1. R24 (excl. VAT) for products less or equal to R250 (selling price) and R29 (excl. VAT) for products above R250, which was capped at R56 per order. In 2017, Takealot introduced a variable fee structure that ranged between R30 and R69 which it based on item size and weight. In July 2018, the light, standard category was differentiated into category specific charges to accommodate small items, which reduced fees from R30 to R24 for the light standard category.

279.1.2. In May 2019, Takealot expanded its marketplace charging model – fulfilment fees were extended to include a bulky item fee bracket to accommodate the growing product selection. Around March 2020, Drop-shipping with drop ship specific charges was added as a new fulfilment method.

279.1.3. Storage fees also became more differentiated. At the beginning, the standard storage fee was R 7.89 (excl. VAT) per item and was also dependent on sales over a 60-day period and the quantity stored. In May 2018, a variable charge was introduced based on item dimensions, ranging from R3 to R150. Then, in July 2019, the weight bracket expanded further such that it ranged between R3 and R450.

280. Takealot's actions with respect to marketplace fees has resulted in an increase of the take rate, which is all the revenue received from marketplace sellers divided by marketplace GMV.[529]

281. [redacted]

528 [redacted]

529 [redacted]

[redacted][530][redacted][531]

282. Despite this, based on the Inquiry's seller survey, sellers mostly do not seem to think that seller fees are too high. Just 9% of 75 sellers said that fees and commissions were unfair, with 35% indicating they are somewhat fair and 47% indicating they are fair. The picture does not look different among just SME sellers.[532]

283. Fees are however one of the main reasons why sellers leave the platform. Based on the submissions, the Inquiry notes various reasons given by sellers for discontinuing their use of the Takealot platform and fees have been the second highest reason for leaving the Takealot platform and this has seen to be marginally increasing each year. Therefore, while fee increases do not appear to bother most sellers, it is a prominent reason for those that left the platform. This may be because those sellers are less successful and so the costs outweigh the benefits from sales on the platform.

284. The Inquiry appreciates that it is likely Takealot may have under-recovered its costs of servicing marketplace sellers initially until it built traction with the marketplace and then increased fees to recover its costs as the documents suggests. Given the lack of complaints currently there does not seem a strong case that Takealot is over-recovering now. The Inquiry finds that there is an insufficient basis to conclude that the current fees being charged by Takealot are exploitative at this point in time.

4.5.2. Sponsored ranking

285. The ranking of listings is important for seller discoverability. [redacted]

530 [redacted]
531
532 Redflank business user survey, slide 113-114.

[redacted][533]

[redacted][534]

286. [redacted][535]

[redacted][536]

287. There was a large increase in the number of sponsored product impressions and clicks in the eight-month period between August 2020 and March 2021 and the four-month period between April 2021 and July 2021. In fact, impressions increased by 12.2 times, clicks increased by 16 times, and revenue increased by 16 times despite the latter period comprising just four months. [redacted][537]

[redacted][538]

[redacted][539].

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533 [redacted]

534 [redacted]

535 [redacted]

536 [redacted]

537 [redacted]

538 [redacted]

539 [redacted]

288. [redacted][540]

289. Platforms differ in the maximum number of possible positions for sponsored ads.[541] Under the auction-based model for example, the maximum number of positions is limited a certain percentage (e.g 25%) of the total number of results on a search page and differ per device (mobile vs desktop)[542]. These not only have the potential to reduce the relevance of product listings (because less relevant ads may be placed above organic rankings based on relevance), but also displace many organic listings. As there are fewer and fewer positions available for organic listings, especially among the top-ranking positions, sellers may feel pressure to also use sponsored products ads.

290. In its 2021 study on sponsored rankings and consumer welfare, the ACM notes that "if all other factors that affect seller ranking are held constant, then an extra payment to the platform may be needed to improve sellers rank position".[543] Platforms surveyed as part of the ACM study also confirmed that a large majority of the clicks and sales takes place at the top results in the ranking, indicating a positive relationship between sponsored ads and seller clicks/sales.[544]A relevant previous study by Agarwal and Hosanagar (2015) concluded that

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[540] [redacted]

[541] ACM, 2021, "Sponsored Rankings: An exploration of its effect on consumer welfare", Available: https://www.acm.nl/sites/default/files/documents/sponsored-ranking-study-acm.pdf. [Accessed 03 June 2022].

[542] ACM, 2021, "Sponsored Rankings: An exploration of its effect on consumer welfare", Available: https://www.acm.nl/sites/default/files/documents/sponsored-ranking-study-acm.pdf. [Accessed 03 June 2022].

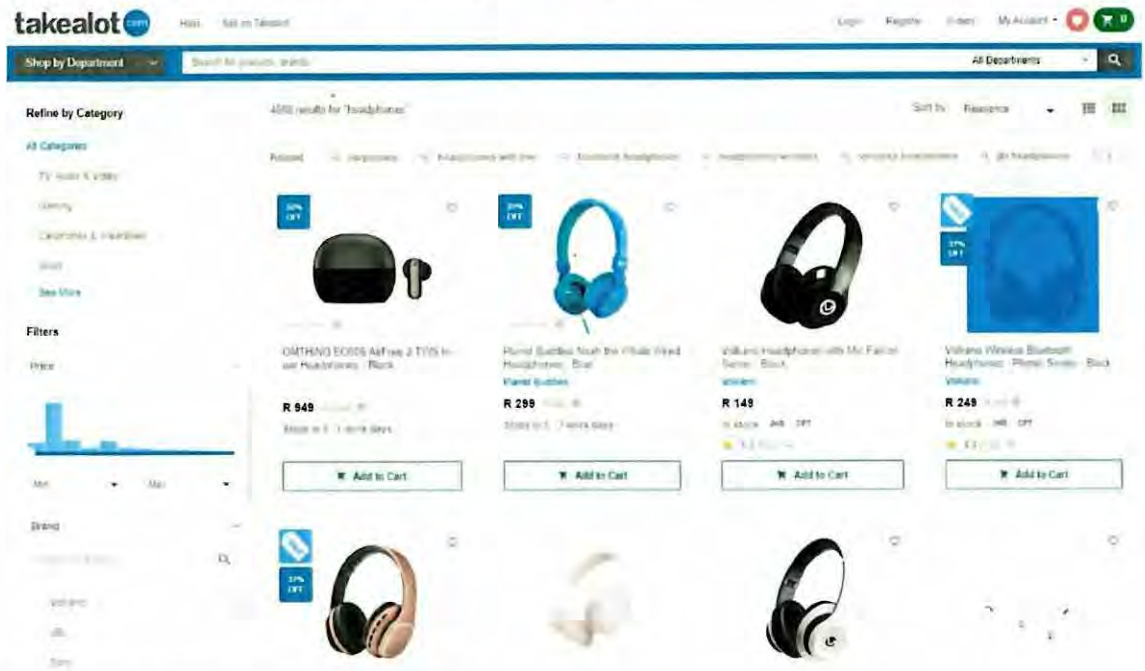
[543] ACM, 2021, "Sponsored Rankings: An exploration of its effect on consumer welfare", Available: https://www.acm.nl/sites/default/files/documents/sponsored-ranking-study-acm.pdf. [Accessed 03 June 2022].

[544] ACM, 2021, "Sponsored Rankings: An exploration of its effect on consumer welfare", Available: https://www.acm.nl/sites/default/files/documents/sponsored-ranking-study-acm.pdf. [Accessed 03 June 2022].

an increase in organic competition decreases the click performance of sponsored advertisements but helps conversion performance of sponsored advertisements.[545]

291. Consumers may not be able to easily distinguish between product ads and organic rankings. While sponsored products and recommendations are marked "Sponsored", this is in light grey and it is not immediately obvious to the consumer that products are ranked in that position because they are a product ad (See the screenshot in Figure 15 below). The Inquiry finds that not only is the ads not sufficiently transparent, but also the rise in intended use indicates that in future there is likely to be a proliferation of sponsored ranking which is likely to distort competition.

Figure 15:Sponsored product rankings example



Source: Screenshot from Takealot website (Desktop)

4.5.3. Imposing costs (e.g. penalty fees) outside sellers' control

292. Takealot has a service level agreement (SLA) with sellers in order to encourage a consistently high level of consumer service covering new seller probation, deliveries and stock management, sales and customer interaction, returns and product information quality,

[545] Agarwal, A & Hosanagar, K, 2015, " Do organic results help or hurt sponsored performance", Available: https://repository.upenn.edu/cgi/viewcontent.cgi?article=1316&context=fnce_papers . [Accessed 03 June 2022].

lead time and risk management, lead time performance thresholds, suspension and reactivation conduct and disputing compliance and penalties. If sellers fail to meet these SLAs, they are subject to penalty fees and may even have their accounts suspended for a week or more (or indefinitely). [redacted][546] Below we have listed some rules which stand out as being ones that sellers cannot control and where a breach leads to suspensions and/or added other costs.

292.1. If return rates for reasons other than "Not what I ordered" or "Changed my mind" are beyond the category-specific average return rate for product returns and beyond 6% for seller accounts as a whole (evaluated on a weekly basis), sellers may have their product listings disabled in the case of product returns breaches and in the case of account breaches, have their accounts suspended or terminated.[547] While the SLA is supposed to be limited to quality concerns, [redacted].[548]

292.2. Takealot previously had a stock balancing rule which required that for products to be in-stock, stock had to be available in both the Johannesburg and Cape Town distribution centres ("DCs") on a 65%/35% basis. If there was limited stock in warehouses, and sellers sold more at one warehouse such that their stock is unbalanced, inter-branch transfer fees may apply. In September 2021, the stock balancing rule changed and was introduced in a staggered fashion with full implementation in January 2022. Under the new rule, 60% of all in-stock offers must be available in both DCs. This means that if there are 10 offers available to customers as in-stock, any 6 of those offers must be consistently available in both the Johannesburg and Cape Town DCs. A seller may have up to 4 in-stock offers available in one DC

[546] Romtech, OS. Presentation, slide 7-8,12-13. [redacted]
[547] Takealot Marketplace Service Level Agreement (SLA Guide), available at: https://gdoc.pub/doc/e/2PACX-1vTxCI-Bn6RTNZK3bzhoMH310SFiyBDZEJYwjdwIlOzlUFlLYZg8MloufzpGOyL31etZm_FMjm6gr2ES [Accessed 5 May 2022]
[548] [redacted]

only.[549] [redacted] [550] It is not clear whether the new stock replenishment rule reduces the likelihood of incurring fees and facing suspension.

292.3. [redacted] [551]

292.4. [redacted] [552]

293. The Inquiry's view is that e-commerce retailers may require a more lenient returns policy than brick-and-mortar retail since consumers are unable to examine products before purchase. This is reflected in the Consumer Protection Act ("CPA") and the Electronic Communications and Transactions Act ("ECT"). The CPA states that consumers may return goods for a full refund if "*the consumer did not have an opportunity to examine before delivery*"[553] the type and quality to ensure it reasonably conforms with the agreement. Furthermore, based on Section 44 of the ECT, when goods bought online do not fit the sample description when delivered, the consumer has the right to return goods without reason within 7 days of receipt of the goods (outside of e-commerce, the cooling off period is 5 days).[554]

294. Takealot is known for its particularly lenient returns policy, which undoubtedly attracts consumers to the platform, which also benefits sellers. However, Takealot's returns policy

[549] Takealot Marketplace Service Level Agreement (SLA Guide), available at: https://gdoc.pub/doc/e/2PACX-1vTxCI-Bn6RTNZK3bzhoMH310SFiyBDZEJYwjdwllOzIUFlLYZg8MloufzpGOyL31etZm_FMjm6gr2ES [Accessed 13 April 2022]

[550] [redacted]

[551] [redacted]

[552] [redacted]

[553] Consumer Protection Act, No. 68 of 2008, 20(2)(b).

[554] Consumer Protection Act, No. 68 of 2008; Electronic Communications and Transactions Act, No. 25 of 2002.

also imposes costs on sellers, many of which are small. Small sellers may struggle to bear the costs of returns over a sustained period without passing these costs to consumers, which they cannot do if they face fierce competition on the platform.

295. Takealot's particularly lenient returns policy is reflected in its seller agreement, which appears in some respects to go beyond the CPA and ECT. For example, sellers must accept that if Takealot accepts a return contrary to the Returns Policy and the return was not caused by it, the seller will bear the costs of the return and with providing a repair, replacement, or refund (whatever the consumer chooses).[555] Secondly, consumers may return unwanted, undamaged and unused products within 30-days with some exceptions whereas the ECT only seems to provide a 7-day cooling off period.[556] [557] while the CPA stipulates that the right to return goods to suppliers and receive a full discount does not apply for reasons of public health.[558]

296. Takealot does not appear to discriminate between the returns policy of its Retail division and sellers as it follows the same supply chain processes for stock management for both divisions. However, unlike sellers, it is in a better position to absorb the costs of returns over time. [559] [560]

297. The Inquiry does not want to dictate the returns policy of a particular platform. However, that returns policy must then be administered in a manner that does not transfer costs or risks to sellers which are beyond their control.

555
556 ; Electronic Communications and Transactions Act, No. 25 of 2002.
557
558 Consumer Protection Act, No. 68 of 2008, p.120.
559
560

4.5.4. Unresponsive service processes

298. [redacted][561] [redacted][562] [redacted][563] [redacted][564]

299. Below, we have summarised the main issues raised by Takealot marketplace sellers.

299.1. Based on Takealot's SLA with sellers, when more than 1% of seller orders are cancelled by sellers (specifically on Leadtime Order Cancellation) due to not having any stock or are cancelled by Takealot because a seller missed a delivery due date, this may result in the disabling of sellers' lead time capacity and/or account suspension and a further penalty of R50 (excl. VAT) per unit that is out-of-stock or late. The suspension period is longer each time a seller is in breach of this SLA (1 week for the first breach, 2 weeks for the second and one month for the third). [redacted][565] After it was raised during the Public Hearings of the Inquiry, Takealot acknowledged that this was a mistake.[566] However, this was only after a number of sellers had already raised the issue on multiple occasions, without

[561] Romtech, OS Presentation, slide 10-11; [redacted]

[562] Takealot's marketplace diagnostic is an internal strategic process taken by TAL which looks at seller performance using various metrics, seller surveys, and other internal processes. These are then benchmarked for best practice with the likes of Amazon and E-bay etc.

[563] [redacted]

[564] [redacted]

[565] Romtech OS Presentation, slide 18; [redacted]

[566] TAL, OS, p.88, para.17.

the issue being addressed and with repeated serious consequences for seller businesses.[567]

299.2. There are often cases in which Takealot accepts returns and refunds consumers when they ought not to have. In these cases, sellers accounts are automatically debited, and they need to object formally to start a process of review. The Inquiry has heard of situations in which sellers were sent products where the serial number of the tablets was completely different to the item that was sold[568] [redacted] [569] The Inquiry has also heard of sellers being given other sellers' stock instead of their own return stock.[570]

299.3. Sellers have raised issues around warehousing including (a) difficulties getting stock from Takealot's warehouses, which results in them having to pay storage and escalated storage fees that are automatically debited from their accounts,[571] (b) difficulties getting returned products from warehouses for suppliers to inspect products and their eligibility for returns under supplier warrantee policies[572], (c) stock reflecting as having been returned to sellers when they have not[573], and (d) stock incorrectly reflecting as being 'partially received' and sellers being unable to rectify the issue via requests for information and photographs.[574]

300. There has been a general sense that Takealot's service levels have worsened over time, a trend that has been borne out in Takealot's data. [redacted] .[575] Not

[567] Romtech, OS Presentation, slide 7.
[568] Next Buy, OS, p.13, para 1.
[569] Next Buy, OS, p.8, para 7; [redacted]
[570] Next Buy, OS, p.8, para 14.
[571] Romtech, OS Presentation, slide 6.
[572] Romtech, OS Presentation, slide 6.
[573] Romtech, OS Presentation, slide 6; Next Buy, OS, p.6, para.17.
[574] Romtech, OS Presentation, slide 13.

[575] [redacted]



only does deteriorating service levels lead to suspensions, added penalties, and other expenses (e.g. additional courier fees), sellers also face a huge administrative burden in terms of the person-hours needed to query penalties and account suspensions and try resolve the issue of outstanding stock and returns disputes.

301. Resolving returns disputes is a particularly sore issue for sellers, [redacted][576] Sellers have complained that resolution times are long even where the requisite documents have been provided by sellers. Not only are sellers not reimbursed until the issue is fully resolved, but their stock is often still sitting at Takealot's distribution centres at the same time. Therefore, long resolution periods can have a large impact on seller business sustainability. The Inquiry's view is that as Takealot automatically deducts return amounts from seller accounts, it may have little incentive to address those issues swiftly. There is also no Takealot-facing SLA which holds Takealot to particular performance standards with respect to marketplace sellers.

302. [redacted]

576 [redacted]

[redacted]

[redacted].[578]

303. Takealot has presented service problems as a teething problem that was partly caused by the ballooning of its marketplace following the Covid pandemic. It will endeavour to resolve these issues in time.[579] It is true that the marketplace grew significantly following the start of the Covid pandemic (the number of sellers more than doubled between 2019 and 2020) and Takealot had to quickly adjust. While this was difficult in the pandemic year, Takealot did manage to improve its seller to seller support personal ratio in 2021.

304. However, while sellers face a range of penalties for not meeting Takealot's SLAs, Takealot does not have any contractual obligations towards sellers. It has also structured its reimbursement mechanisms such that monies are automatically deducted from payments to sellers prior to issues and tickets being resolved. By its own design, Takealot is neither required to resolve complaints swiftly nor will it forfeit monies in disputes if it does not. Platform goals set by the head of group supply chain and logistics do not appear to be about resolving marketplace seller concerns or towards improving performance for sellers but mainly in relation to Takealot's delivery efficiencies and stock availability.

4.6. Issues facing HDP and SMME sellers

305. The issues described in Section 4.5 are likely to have a particularly large impact on SMMEs, HDPs, and new firms who typically have fewer financial resources to (a) advertise using sponsored ranking, (b) meet the host of service-level standards that Takealot expects from sellers (c) withstand the added costs from Takealot's service levels. [redacted]

[redacted]

[redacted]

[redacted]

[579] TAL, OS, p.102, para 14-19.

[redacted][580] Over and above this, sellers also face a number of other barriers including subscription fees, problems onboarding and the lack of support programmes for SMME and HDP firms which face barriers to expansion.

4.6.1. Subscription fees

306. [redacted][581] Bidorbuy sellers can list their products without any subscription fee (although it does charge a once off (non-refundable) registration fee).[582]

307. Amazon for example has two plans to cater for small and large sellers. The individual plan is only $0.99 per sale, which is geared towards smaller sellers, and the professional plan is at $39.99 per month regardless of the number of items sold.[583] .

4.6.2. Onboarding

308. The Inquiry is aware that [redacted] prioritise larger and more established sellers (including brand distributors) over smaller sellers for onboarding.

308.1. [redacted].[584]

308.2. [redacted]

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580 [redacted].

581 [redacted] See: https://www.zando.co.za/sp-sell-online/ [Accessed 27 April 2022]

582 BidorBuy website: https://support.bidorbuy.co.za/Knowledgebase/Article/View/26/28/become-a-verified-user--building-trust-and-security [28 April 2022]

583 See: https://sellercentral.amazon.com/gp/help/external/G200399460?language=en_US. [Accessed 12 July 2022]

584 [redacted]

[redacted].[585]

[redacted].[586]

308.3. [redacted].[587] This suggests that the platform is not currently open to those without an online channel of their own, which may favour larger more established e-commerce retailers or suppliers of branded products.

309. Other major platforms in the country do not appear to prioritise larger sellers over smaller sellers for onboarding.

309.1. [redacted].[588]

[redacted].[589]

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589

309.2. [redacted][590]

309.3. [redacted][591][redacted][592].

310. Even if the aforementioned platforms are not specifically prioritising large sellers over SMME and/or HDP sellers, there may still be barriers facing the latter groups of sellers from participating in marketplaces. According to Mr Sylvester John from Makro, smaller sellers may be overwhelmed by the platform onboarding process and this may require intervention by platforms to both provide the necessary clarity on requirements as well as to reduce the burden of onboarding for small sellers.[593] The only platform that submitted it offers human assistance for all sellers (not just prioritised large established sellers) who would like to trade on the platform but require assistance is [redacted] who offers a call-back mechanism. This is likely to be particularly helpful for SME and/or HDP sellers. [source]

311. It is worth noting that with the exception of [redacted], no platforms submitted that they aim to attract HDP firms, never mind offering them tailored onboarding support.

4.6.3. No support programmes geared towards HDPs and/or SME firms

312. [redacted][594] It is unsurprising then that few have support programmes targeted at these groups. In the Inquiry's public hearings, Mr John from Massmart highlighted a few ways in which SMME and HDP sellers may struggle to compete effectively on platforms including educational training and development, capital, digital seller tools and expertise.[595] Platforms can support these sellers by not only

590 [redacted]
591 [redacted]
592 [redacted]
593 Massmart, OS, p. 51-53.
594 [redacted]
595 Massmart, OS, p.36-37.

offering video tutorials but also physical human interaction and support programmes that aid seller discoverability.[596]

313. None of the platforms in South Africa currently have particular programmes targeted at barriers faced by HDP and/or SMEs in the country. Instead, support programmes or policies tend to be more general, targeted at all sellers, which platforms have argued assists SMEs as small sellers make up the majority of sellers.

313.1. [redacted][597][redacted][598]

313.2. Loot, through a joint venture with AYO Technology Solutions AND Volt Africa, formed a partnership with the intent to create an online marketplace for SMMEs to gain access to the digital retail sector in Africa.[599] This new marketplace is said to be on the Loot Retail platform where SMMEs can showcase their products and services (there has not been any progress made since the initial launch in March 2020). [600]

[redacted][601][redacted]

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[596] Massmart, OS, p. 51-53.
[597] [redacted]
[598] [redacted]
[599] https://www.iol.co.za/technology/fintech/ayo-lootcoza-voltafrica-in-joint-venture-to-create-online-marketplace-for-smmes-44014285
[600] [redacted]
[601] [redacted]

313.4. [redacted]

[redacted].[602]

314. Amazon, Massmart and Shopify have provided the Inquiry with considerable insight into the types of supportive programmes they offer in other countries. Broadly, they offer support programmes focused on education, capital, and onboarding support.

314.1. [redacted]

[redacted][603]

[redacted].[604]

314.2. During the public hearings, Mr John indicated that in the US and Asian country stores (especially China), small sellers are growing significantly. This is as a result of training and capacity building mechanisms in place. The easy and "hands on" support provided in the onboarding process also plays a crucial role in the success of SME and HDPs.[605]

314.3. [redacted]

[redacted].[606]

602 [redacted]
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315. In assessing the submissions from various platforms engaged in the Inquiry, South African platforms are doing little to promote HDPs and SMEs participation and effective competition online relative to how other platforms in other countries are. It is understood that even in the digital economy, policy must employ direct tools such as funding or indirect tools such as tax rebates and investment into non-financial tools (e.g., skills development) to ensure that domestic SMEs can participate effectively online. In a paper on Digital strategy, the Commission highlighted the importance of industry-led partnerships with state organs (mainly the DTIC) to develop an investment strategy to facilitate various investments in (i) digital infrastructure, (ii) skills development, (iii) key sectors in the digital economy and (iv) participation by SMEs. This will ensure that the digital regulatory framework undertakes measures that ensure the establishment of technology or innovation hubs and incubators, building or improving e-government services, supporting innovative financing approaches and instituting skill-building programmes.[607]

[607] Competition Commission of South Africa,7 September 2020. Competition in the Digital Economy, Version 2. Available at: Digital-Markets-Paper-2021-002-1.pdf (compcom.co.za) [Accessed; 7 April 2022].

5. Annexure

Submission made by	Stakeholder type	Submission full name	Submission date	Report shorthand Reference
Adeo SA	Platform	Response to RFI	15-Jun-21	Adeo SA, WS1
Adeo SA	Platform	Response to Follow-up RFI	19-Jul-21	Adeo SA, WS1.1
Adeo SA	Platform	Response to 2nd round of RFI Tranche 1	17-Sep-21	Adeo SA, WS2a
Adeo SA	Platform	Response to 2nd round of RFI Tranche 2	28-Sep-21	Adeo SA , WS2b
Adidas	Largest Supplier	Response to RFI	30-Sep-21	Adidas, WS1
Amazon	Platform	Response to RFI	18-Jun-21	Amazon, WS1
Amazon	Platform	Response to additional RFI	9-Jul-21	Amazon, WS1.1
Amazon	Platform	1st Response	24-Sep-21	Amazon, WS2
Amazon	Platform	Supplementary Amazon response to the SA commission	15-Oct-21	Amazon, WS2.1
Amazon	Platform	4th Round of RFIs	7-May-22	Amazon, WS4
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
BidorBuy	Platform	Response to RFI	18-Jun-21	BidorBuy, WS1
BidorBuy	Platform	Response to Follow-up RFI	10-Sep-21	BidorBuy, WS1.1
BidorBuy	Platform	Response to 2nd round of RFIs	27-Sep-21	BidorBuy, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Core Computers	Largest Supplier	Response to RFI	17-Sep-21	Core, WS2
Core Computers	Supplier	3rd Round of RFIs	9-May-22	Core, WS3
Elite Shopper	Largest Seller	Response to RFI	15-Sep-21	Elite Shopper, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EveryShop	Pure online seller	Response to RFI	18-Jun-21	EveryShop, WS1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Everyshop- JD Group	Pure Online Retailer	Response to RFI	23-Sep-21	EveryShop and JD Group, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Google	Search engine and Shopping	Tranche 1	10-Sep-21	Google, WS2a
Google	Search engine and Shopping	Tranche 2	24-Sep-21	Google, WS2b
Google	Search engine and Shopping	Tranche 3	1-Oct-21	Google, WS2c
Google	Search engine and Shopping	Tranche 4	8-Oct-21	Google, WS2d
Google	Search engine and Shopping	Tranche 1	17-Jan-22	Google, WS3a
Google	Search engine and Shopping	Tranche 2	26-Jan-22	Google, WS3b
Google	Search engine and Shopping	Tranche 3	4-Feb-22	Google, WS3c
Google	Search engine and Shopping	Tranche 4	18-Feb-22	Google, WS3d
Google	Search engine and Shopping	Tranche 5	8-Mar-22	Google, WS3f
Google	Search engine and Shopping	Search and Shopping RFI 4, Tranche 1	4-May-22	Google, WS4a
Google	Search engine and Shopping	Search and Shopping RFI 4, Tranche 2	13-May-22	Google, WS4b
Google	Search engine and Shopping	Search and Shopping RFI 4, Tranche 3	17-May-22	Google, WS4c
Google	Search engine and Shopping	Search and Shopping RFI 4, Tranche 4	10-Jun-22	Google, WS4d

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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Jade -E service T/A Zando	Platform	Response to Commission's RFI	25-Jun-21	Zando, WS1
Jade -E service T/A Zando	Platform	Follow-Up on response To RFI	16-Jul-21	Zando, WS1.1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Kidzone	Pure Online Retailer	Response to RFI	22-Sep-21	Kidzone, WS2
Koodoo	Pure online seller	Response to RFI	11-Jun-21	Koodoo, WS1
Koodoo	Pure online seller	Response to Follow-up RFI	5-Jul-21	Koodoo, WS1.1
Loot	Platform	Response to RFI	9-Jul-21	Loot, WS1
Loot	Platform	Response to Follow-up RFI	19-Aug-21	Loot, WS1.1
Loot	Platform	Response to RFI	7-Sep-21	Loot, E1
Loot	Platform	2nd submission September	27-Sep-21	Loot, WS2
Loot	Platform	Response to 3rd round RFI	18-Jan-22	Loot, WS3
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
OneCart	Shop & Delivery	Response to meeting and correspondance RFI	10-Jul-21	OneCart, E1
OneDayOnly	Pure online seller	Response to RFI	18-Jun-21	OneDayOnly, WS1

OneDayOnly	Pure online seller	Response to Follow-up RFI	16-Jul-21	OneDayOnly, WS1.1
OneDayOnly	Pure Online Retailer	Response to RFI	15-Sep-21	OneDayOnly, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
PriceCheck	CSS	Response to RFI	5-Oct-21	Price Check, WS1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Raru	Pure Online Retailer	Response to RFI	3-Sep-21	Raru, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
RunwaySale	Pure Online Retailer	Response to RFI	17-Sep-21	RunwaySale, WS2
RunwaySales (Pty) Ltd	Online seller	Response to RFI	18-Jun-21	RunwaySale, WS1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Shopify	Platform	Response to RFI	18-Jun-21	Shopify, WS1
Shopify	Platform	Response to follow-up RFI	21-Jul-21	Shopify, WS1.1
Shopify	Pure Online Retailer	Response to RFI	15-Sep-21	Shopify, WS2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Sumsung	Largest Supplier	Response to RFI	22-Sep-21	Sumsung, WS2
Superbalist	Online seller	Response to RFI	2-Jul-21	Superbalist, WS1
Superbalist	Online seller	Response to RFI	6-Aug-21	Superbalist, WS1.1
Superbalist	Pure Online Retailer	SUP 2nd RFI Response Final	17-Sep-21	Superbalist, WS2
Takealot	Platform	Response to RFI	2-Jul-21	TAL, WS1
Takealot	Platform	Response to Follow-up RFI Tranche 1	2-Aug-21	TAL, WS1.1a
Takealot	Platform	Response to Follow-up RFI Tranche 2	6-Aug-21	TAL, WS1.1b
Takealot	Platform	2nd round of RFI Tranche 1	13-Sep-21	TAL, WS2a
Takealot	Platform	Response to Follow up dated 17 August 2021	4-Oct-21	TAL, WS2.1

Takealot	Platform	2nd round of RFI Tranche 2	11-Oct-21	TAL, WS2b
Takealot	Platform	Response to 3rd round RFI Tranche 1	18-Jan-22	TAL, WS3a
Takealot	Platform	OMI - 2nd Tranche TAL RFI Response [31012022]	31-Jan-22	TAL, WS3b
Takealot	Platform	OMI - 3rd Tranche TAL RFI Response Final (Clean) [11022022]	11-Feb-22	TAL, WS3c
Takealot	Platform	OMI - 4th Tranche Response [04032022]	4-Mar-22	TAL, WS3d
Takealot	Platform	Response to 4th round RFI (Dated 31 March 2022)	3-May-22	TAL, WS4a
Takealot	Platform	Response to 4th round RFI (Dated 31 March 2022)	6-May-22	TAL, WS4b
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Yebo Fresh	Online seller	Response to meeting RFI	6-Jul-21	Yebo Fresh, E1
YuppieChef	Pure online seller	Response to RFI	11-Jun-21	YuppieChef, WS1
YuppieChef	Pure online seller	Response to Follow-up RFI	8-Jul-21	YuppieChef, WS1.1
YuppieChef	B&M and Online Retailer	Response to RFI	21-Sep-21	YuppieChef, WS2
Zando	Platform	Response to 2nd round of RFI Tranche 1	10-Sep-21	Zando, WS2a
Zando	Platform	Response to 2nd round of RFI Tranche 2	24-Sep-21	Zando, WS2b
Zando and Jumia	Platform	Response to 2nd round of RFIs	24-Sep-21	Zando, WS1 (Jumia)
Massmart	Platform	Response to 2nd round of RFIs	2-Sep-21	Massmart, WS2
Massmart	Platform	Response to 2nd round of RFIs	13-Sep-21	Massmart, WS2.1
Massmart	Platform	Response to 3rd round of RFIs	31-Jan-22	Massmart, WS3
Massmart	Platform	Response to 3rd round of RFIs	11-May-22	Massmart, WS3.1
Mr Price Group	Online Brick and Mortar	Response to 2nd round of RFIs	13-Sep-21	Mr Price Group, WS2
Clicks Group	Online Brick and Mortar	Response to 2nd round of RFIs	9-Sep-21	Clicks, WS2

Pick and Pay	Online Brick and Mortar	Response to 2nd round of RFIs	23-Sep-21	PnP, WS2
Dischem	Online Brick and Mortar	Response to 2nd round of RFIs	10-Sep-21	Dischem, WS2
Woolworths	Online Brick and Mortar	Response to 2nd round of RFIs	21-Sep-21	Woolworths , WS2
TFG	Online Brick and Mortar	Response to 2nd round of RFIs	17-Sep-21	TFG, WS2
Truworths	Online Brick and Mortar	Response to 2nd round of RFIs	15-Sep-21	Truworths, WS2
Exclusive Books	Online Brick and Mortar	Response to 2nd round of RFIs	9-Sep-21	Exclusive Books, WS2
Italtile	Online Brick and Mortar	Response to 2nd round of RFIs	6-Sep-21	Italtile, WS2
CottonOn Group	Online Brick and Mortar	Response to 2nd round of RFIs	16-Sep-21	CottonOn Group, WS2
BT Online	Online Brick and Mortar	Response to 2nd round of RFIs	13-Sep-21	BT Online, WS2
OneCart	Shop and delivery	Meeting with OIPMI Team	29-Jun-21	OneCart, VM1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Google	Search and Shopping	Meeting with OIPMI Team	5-Jul-21	Google Shopping, VM1
Yebo Fresh	Platform	Meeting with OIPMI Team	5-Jul-21	Yebo Fresh, VM1
RunwaySale	Pure online seller	Meeting with OIPMI Team	13-Jul-21	RunwaySale, VM1
EveryShop	Pure online seller	Meeting with OIPMI Team	26-Aug-21	EveyShop, VM1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Price Check	CSS	Meeting with OIPMI Team	2-Sep-21	Price Check, VM1
Loot	Platform	Meeting with OIPMI Team	3-Sep-21	Loot, VM1
Loot	Platform	Meeting with OIPMI Team	9-Sep-21	Loot, VM2
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Raru	Pure online seller	Meeting with OIPMI Team	10-Sep-21	Raru, VM1
EU and CCSA	Regulator	Meeting with OIPMI Team	6-Oct-21	EU Commission, VM1
UK and CCSA	Regulator	Meeting with OIPMI Team	11-Oct-21	UK Commission, VM1
UK and CCSA	Regulator	Meeting with OIPMI Team	13-Oct-21	UK Commission, VM2
RomTech	Business user	Meeting with OIPMI Team	15-Nov-21	RomTech VM1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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Google	App store	Public Hearing	3-Nov-21	Google Play, OS
E-Commerce Forum SA	Industry Body	Public Hearing	3-Nov-21	EFSA, OS
Naspers and Naspers Foundry	Foundry and Holding group	Public Hearing	3-Nov-21	Naspers and Naspers Foundry, OS
Google	Search, Travel and Shopping	Public Hearing	4-Nov-21	Google Search, Shopping and Travel, OS
RomTech	Seller	Public Hearing	9-Nov-21	Rom Tech, OS
Adeo	Platform	Public Hearing	9-Nov-21	Adeo SA, OS
Bid or Buy	Platform	Public Hearing	9-Nov-21	BidorBuy, OS
Elite Shopper	Seller	Public Hearing	9-Nov-21	Elite Shopper, OS
Massmart	Platform	Public Hearing	9-Nov-21	Makro, OS
Next Buy	seller	Public Hearing	9-Nov-21	Next Buy, OS
Red Puppy	Platform	Public Hearing	19-Nov-21	Red Puppy, OS
Takealot	Platform	Public Hearing	29-Nov-21	Takealot, OS
DTIC	Government Department, Stakeholder	Public Hearing	29-Nov-21	DTIC, OS
TAL	Plartform	In-Camera Hearing	3-Mar-22	TAL, In-Cam OS.
Google	Search, Travel and Shopping	In-Camera Hearing	2-Mar-22	Google, In-Cam OS.
Amazon	Plartform	In-Camera Hearing	29-Mar-22	Amazon, In-Cam OS.
Naspers	Foundry and Holding group	Response to SOI	30-Jun-21	Naspers, RSOI
ICASA	Regulator	Response to SOI	24-Jun-21	ICASA, RSOI
American Bar Association	NGA	Response to SOI	16-Jul-21	ABA, RSOI
CCRED	Research / University	Response to SOI	30-Jun-21	CCRED, RSOI
Google	Search and Shopping	Response to SOI	25-Jun-21	Google, RSOI
EFSA	NGA	Response to SOI	18-Jun-21	EFSA, RSOI

BER	Research / University	Response to SOI	15-Jun-21	BER, RSOI
CCLE	Research / University	Response to SOI	18-Jun-21	CCLE, RSOI
Naspers	Foundry and Holding group	Response to FSOI	6-Oct-21	Naspers, RFSOI
Google	Search and Shopping	Response to FSOI	30-Sep-21	Google, RFSOI
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Takealot	Platform	Economic expert report	9-Feb-22	TAL, EER