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OIPMI PROVISIONAL REPORT

CHAPTER 6

FOOD DELIVERY

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INTRODUCTION

1. In this chapter, the Provisional Report focuses on food delivery for restaurants. There appears to be two leading and matured platforms providing food delivery services to different types of restaurants, namely Uber Eats and Mr D Food.

2. The first section of the Provisional Report provides the assessment of adoption, market delineation and dependency. The Inquiry found that there has been rapid adoption of food delivery and restaurants are dependent on established food delivery platforms and this dependency has been built over time through, *inter alia*, significant increase in order volumes (linked to funding and discounts). The degree of dependency is also reflected by the ability of established platforms to increase commission fees and business users (incl restaurant chains) continuing to use the platforms' services. The customer journey also plays an important part in determining whether other alternatives (e.g., take-away or home cooked meal) can be considered as capable of constraining food delivery platforms. The customer journey for each alternative differs (e.g., take-away is convenient for a consumer in a shopping area or on the way home). Evidence collated by the Inquiry suggests that other channels impose an insignificant competitive constraint on food delivery platforms.

3. The second section of the Provisional Report provides the assessment of competitive dynamics in the provision of food delivery services. Based on the Inquiry's analysis, Uber Eats and Mr D Food collectively hold more than 90% of the market share. In terms of the split between the two established platforms, their market share is not significantly far from each other with the 2021 market share reflecting that Mr D Food's share is slightly higher than Uber Eats'.

4. The Inquiry found that smaller food delivery platforms face barriers to expansion as they are unable to compete effectively for customers due to:
   3.1. Limited funds: e.g., inability to compete with established platforms' deep pockets and promotional offers, such as free delivery and eater promotions; and
   3.2. The inability to onboard large restaurants onto the platforms in order to acquire sufficient range and selection.

4. Other barriers to expansion faced by smaller platforms include network effects (where more users on the one side of the platform make the platform more valuable to the other

side), first-mover to scale which requires substantial financial resources, and substantial budgets to scale rapidly.

5. The third section of the Provisional Report provides the assessment of platform competition. Market features that impede, restrict or distort platform competition or undermine the purposes of the Act (which include the participation in the economy of SMEs and HDPs') can be broadly categorised and summarised as follows:

   5.1. Marketing and promotions: the established platforms' model and/ or strategy includes aggressive marketing tactics to grow and scale operations. These tactics are characterised by high degrees of subsidies on promotions and delivery. Furthermore, it appears that the established platforms have been loss making, in some cases falling into predation levels/territory. It appears that these platforms have substantial capital backing which enables them to fund the losses which support growth through customer acquisition. This customer acquisition strategy has led to the demise of some of the smaller platforms as they lack the ability to fund customer acquisition in this manner.

   5.2. Access to restaurant chains: established platforms aim to contract all the corporate restaurants within a restaurant chain and seem to incentivise chains to bring in their franchisees and delivery volumes for better commission fees. As a result, numerous restaurant chains have refused to support local delivery platforms for corporate-owned restaurants and prevented and/ or discourage franchisees from using any local delivery platform not approved by the chain so as to retain these benefits.

   5.3. Pricing parity clauses: some of the platforms have concluded contracts with wide parity clauses that prevent price competition. This removes an important competitive variable in the market. Evidence indicates that restaurants would menu price differently absent parity clauses. The clauses have also limited the possibility of customers multi-homing – especially if customers consistently find that the leading platform is never more expensive than the alternatives.

6. There has been exits[1] in the market and the players that have exited list some of the above competition issues as the main reasons for their demise. Market participants that have exited the market include OrderIn, Delivery Xtreme, Appetite and Dryvar. The Inquiry is concerned that some of the HDPs that have established new delivery markets in townships and underserviced area such as Hammanskraal (Delivery Ka Speed), Michelles Plain,

[1] The Inquiry notes that some players have suspended operations and/or re-launching with a focus no longer on food delivery platform operations.

Khayelitsha, Gugulethu, Langa (We Dash) may also exit in future. Currently, established platforms are not active in most of the areas serviced by these HDPs, however, they have signaled their intention to penetrate some of these areas. It appears that the prospects of these HDPs surviving once the established platforms enter these markets are limited.

7. The fourth section of the Provisional Report provides the assessment of business user competition. Market features that hinder competition amongst restaurants, undermine consumer choice and/or give rise to exploitative treatment of restaurants can be broadly categorised as follows:

7.1. Price discrimination: established platforms discriminate between restaurants (independent restaurants and restaurant chains). Independent restaurants pay anywhere from 30-60% higher commission fees than the largest restaurant chains on average. This impacts negatively on independent restaurants' ability to compete effectively on food delivery platforms they are forced to pass on commission fees in whole or part to consumers through higher menu prices. The high costs incurred by independent restaurants as a result of high commission fees imply that independent restaurants have less money to spend on value added services (promotions).

7.2. Visibility and discoverability: in terms of transparency, some platforms are not transparent on restaurants that have attained prominent ranking through the purchasing of ranking packages. This has a negative impact on, among other things, customer choice. In terms of participation in paid for or sponsored ranking, it appears that independent restaurants are not effectively participating and tapping into the opportunities and benefits associated with paid for or sponsored ranking. The high commission fees faced these restaurants seem to adversely affect their level of participation in these packages. Furthermore, there is a slight bias on platform-funded promotional spend towards international chains relative to independent restaurants.

1. MARKET DELINEATION AND DEPENDECY

1.1. Background on food delivery platforms

8. Online intermediate platforms in food delivery ("food delivery platforms") serve as marketplaces that facilitate the ordering of food between customers and restaurants. Customers place online orders on either: the food delivery platforms apps[2] or websites for on-demand delivery. There are several different transactions that can take place on the platforms:
   8.1. Customer places an order with a specific restaurant through the food delivery platform and also uses the food delivery services of the platform;
   8.2. Customer places an order with a specific restaurant through the food delivery platform and collects the order themselves; and
   8.3. Customer places an order with a specific restaurant through the food delivery platform and the restaurant uses its own delivery services to fulfil the order. This is the least common transaction.[3]

9. The most common transaction for food delivery platforms is when the customer places an order to be delivered by the platform (at the customers preferred location).[4] Food delivery platforms generate a significant portion of their order volume and revenue from this transaction.[5] The food delivery platforms provide the services to the restaurants and customers in return for a commission fee and delivery charge, respectively. Where the driver is the independent contractor working for the platform, a delivery fee is paid to the drivers that provide the transport service which is typically different to the delivery charge to the customer as that charge is invariably subsidised.

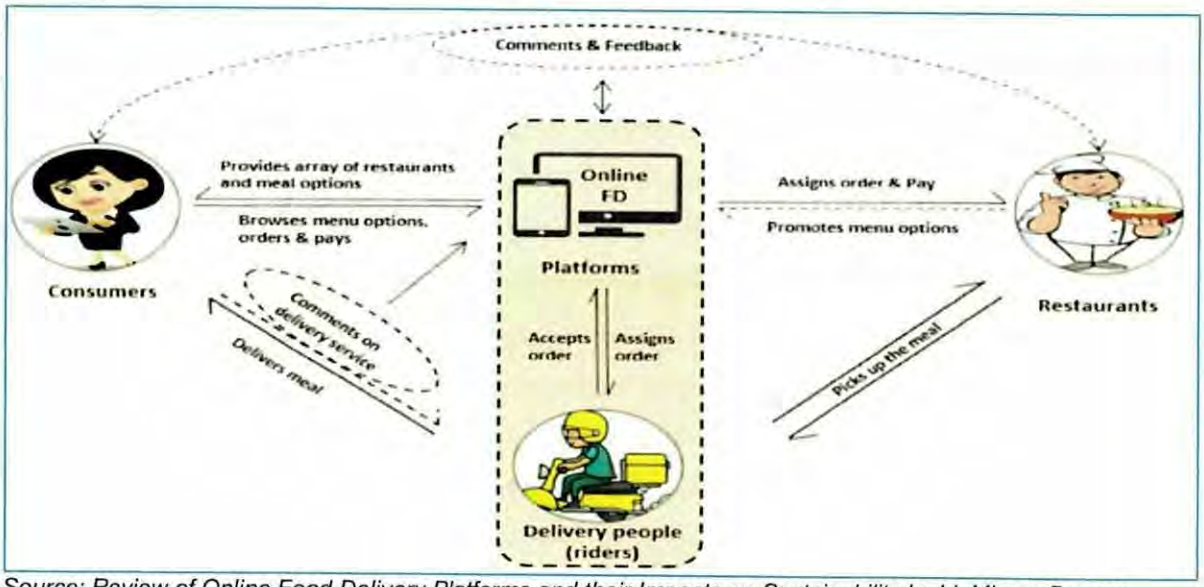
10. The food delivery platforms collect the payment for the food and delivery charge from the customer on behalf of the restaurant and driver respectively. Thereafter, the delivery platforms transfer the cost of the food (i.e., the value of the food) less the commission fee

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[2] The app can be downloaded by customers via Google's Android and Apple's iOS operating systems.
[3] From discussions with various platforms, only Uber Eats indicated that they are offering this option whereby customer places an order on the app (for delivery) and the restaurant has an option to either use the intermediate platform delivery services or their own delivery service.
[4] Platforms adopt different models for the drivers with some food delivery platforms contracting dedicated delivery drivers on a salaried basis, whilst other platforms will make use of transaction-based payments for successful deliveries by gig economy workers (drivers are independent contractors with service level agreements with the platform).
[5] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021.

to the restaurant and transfers a delivery fee to the driver – in the event the driver is independent. [redacted] Some food delivery platform further monitise by charging additional fees to the restaurants such as an activation fee (to be listed on the platform) or subscription fee (for the use of the technology or other services). Restaurant commission fees is by far the largest source of revenue for food delivery platforms. Various stages and functions of delivery platforms and customer order processing is depicted below.

Figure 1: The functions associated with online food delivery (FD) platforms



Source: Review of Online Food Delivery Platforms and their Impacts on Sustainability by Li, Mirosa Bremer (2020), Note: Arrows indicate movement of information or logistic; lines indicate necessary routes; dotted lines indicate optional routes.

11. The diagram above depicts various stages and functions of the platforms, order processing stages and interaction between customer, restaurants and the platform. The order processing involves the following stages:[7]
    11.1. Step 1: the customer places an order via the platform which is sent to the restaurant;
    11.2. Step 2: Order is accepted or rejected by the restaurant via the platform dashboard;
    11.3. Step 3: once the order is accepted, the order is automatically sent to the available drivers on the platform (usually a driver in close proximity);
    11.4. Step 4: once the driver accepts the order, they make their way to the restaurant as the food is being prepared;

[6] [redacted]

[7] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021 and We Dash Public Hearing Presentation dated 12 November 2021.

11.5. Step 5: driver collects food at the restaurant and travels to the customer's address to deliver the food; and

11.6. Step 6: Driver arrives at the customer, delivers the food and completes the task on his driver app.

1.2. Value proposition of food delivery platforms

12. Intermediate platforms value proposition to customers includes convenience and range. Convenience mainly refers to the speed and reliability of delivery (on-time delivery) whilst range relates to the multiple restaurants (with variety and good selection) available on the app, thus, offering customers variety and choice.[8]

13. The value proposition to restaurants mainly include access to a broader and new customer base which ultimately leads to additional revenue for restaurants. Factors such as the delivery platform's geographic reach, efficiency (delivery network, infrastructure and ability to deliver quick even during peak periods) also form a critical part of the platform's value proposition.[9] Mr D Food's website encouraging restaurants to *"become a partner"* also provides insights on delivery platforms value proposition to restaurants. The website lists the following benefits to restaurants [Mr D Food own emphasis]:[10]

13.1. *"Get your meals delivered fast and hot to **more** customers. We use our smart tech and broad reach to take your food to even **more** customers. Become one of our restaurant partners to access **more** hungry customers now.*

13.2. *Get free marketing! We are continuously marketing our app, and the restaurants on it, across social media, television, radio and more.*

13.3. *Reach more customers! We have over 1.5 million app downloads with active users all across the country. People want your food and we deliver it fast & hot".*

14. It is apparent from Mr D Food's own website that the main value preposition to restaurants is driving incremental revenue through access to more and broad customer base. Furthermore, Mr D Food's ability to continuously market the platform forms critical part of its value preposition.

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[8] See (i) Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021 and Uber Eats Public Hearing Presentation dated 11 November 2021.

[9] See Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021 and Uber Eats Public Hearing Presentation dated 11 November 2021 and Mr D Food Public Hearing Presentation dated 12 November 2021.

[10] Mr D Food website – link: https://www.mrdfood.com/become-a-restaurant-partner

1.3. Adoption and use of food delivery platforms

15. The Inquiry has considered adoption and use of food delivery platforms in two ways: (i) customer adoption and use prior to the Covid pandemic, and (ii) the effects of Covid pandemic on adoption and use.

Customer adoption and use prior to Covid pandemic (Pre-2020 period)

16. The adoption and use of food delivery platforms prior to Covid pandemic was on the material rise with food delivery platforms recording high levels of app downloads and order volume. By 2019 period, the established platforms had collectively achieved well-over 2 million app downloads and surpassed 20 million order volume.[11] In some periods prior to Covid pandemic, established platform recorded more than 70% and 100% increase in annual downloads and order volume, respectively. In recognising that a significant number of customers were using the food delivery platforms, more restaurants saw value in signing up with established delivery platforms.

17. The increase in adoption and value of food delivery platforms is also recognised by national restaurant chains ("restaurant chains").[12] One of the restaurant chains indicated that online delivery platform and ordering reaches new and existing consumers who are early adopters of online ordering and seek convenience through 'on demand' services.[13] This restaurant chain advised the Inquiry that since food delivery platforms somehow reaches new consumers that would potentially never have engaged with the brand or product before, it was crucial for the restaurant to be on the platform to contest for such customers and potential revenue.

18. There are several reasons that explain the rise in customer adoption before Covid pandemic, namely, the increase in access to the internet by South Africans, the demand for quick and convenient food options and customer purchase behaviour heavily influenced by aggressive promotions.[14]

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11 [redacted]

12 This refers to restaurants chains with largely national presence and/or available in various provinces with several stores – this can be international (e.g., KFC, McDonald's) and national restaurants (e.g., Romans Pizza, Nando's) – they are often referred to by the established platforms as "brands".

13 [redacted]

14 [redacted]

The Covid pandemic effects on adoption and use

19. The Covid pandemic, especially the higher levels of lockdown, had a positive impact on customer adoption and use of food delivery platforms as these platforms experienced significant increase in online food delivery orders. During this period, restaurants were prevented from doing sit down meals or only at half capacity, and consumers were more reticent to go out. Thus, the Covid pandemic worked in favour of food delivery platforms as it played a major role in accelerating adoption and use of platforms by customers. It also enhanced the awareness of food delivery platforms.[15] Mr D Food and Uber Eats accounted for most of the restaurant delivery through online platforms when measured by number of orders and food value, with both realising material growth over the period. However, during the same period, some delivery platforms discontinued operations despite market growth whilst others did not expand their reach materially during the pandemic.

1.4. Intermediate platforms interactions with other sales channels

20. This section considers intermediate platforms' interactions with other sales channels and whether such channels impose significant and meaningful competitive constraint on delivery platforms. Other sales channels include both online and non-online sales channels which encompass walk-ins, takeaways, restaurants' own online channels (websites or applications) and home cooked meals.

21. Established platforms such as Uber Eats and Mr D Food submit that they are constrained by various competitors including other intermediate food delivery platforms (e.g., Mr D Food and Uber Eats but also smaller local delivery platforms), other restaurants with own delivery services (e.g., restaurants chains such as McDonald's, KFC, Nando's, Steers) and firms in adjacent industries[16] (e.g., Netflorist, Pick n Pay Bottles).[17] These established platforms indicate that they are also constrained by the [redacted]

[15] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

[16] Mr D Food states that firms in adjacent markets are able to leverage on their existing infrastructure and customer base to establish national online delivery services with relative ease.

[17] See Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021 and Uber Eats Public Hearing Presentation dated 11 November 2021 and Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021 and Mr D Food Public Hearing Presentation dated 12 November 2021.

[18] [redacted]

22. Some of the smaller platforms consider platforms as offering restaurants an additional sales channel[19] and customers the benefit of variety and convenience which other alternative channels might not offer. For instance, one of the smaller platforms lists some of the factors that suggest that restaurant's own delivery service might not impose a significant competitive on food delivery platforms. According to this platform:[20]

22.1. Restaurants want to be on the food delivery platforms, especially platforms that have many customers or users;

22.2. Food delivery platforms offer customers range and choice. Customers prefer food delivery platforms with various restaurants; and

22.3. Food delivery platforms partner with restaurants to perform all their delivery orders even in circumstances where restaurants have own online presence.

23. [redacted] However, the Inquiry has reviewed a range of evidence from food delivery platforms to determine whether other channels are complementary to delivery platforms or impose a significant constraints on food delivery platforms.

1.4.1. The extent of restaurants dependency on food delivery platforms

24. In determining the extent of restaurant dependency on food delivery platforms, the Inquiry considered various factors including (i) factors that impact on the decision of restaurants to use a platform (ii) revenue generated from platforms vs other channels (iii) the extent to which sales generated via platform can be replaced (iv) a platform's large and broader customer database created by aggressive marketing and discounts (v) platform's increasing order volume and ability to raise commission fees.

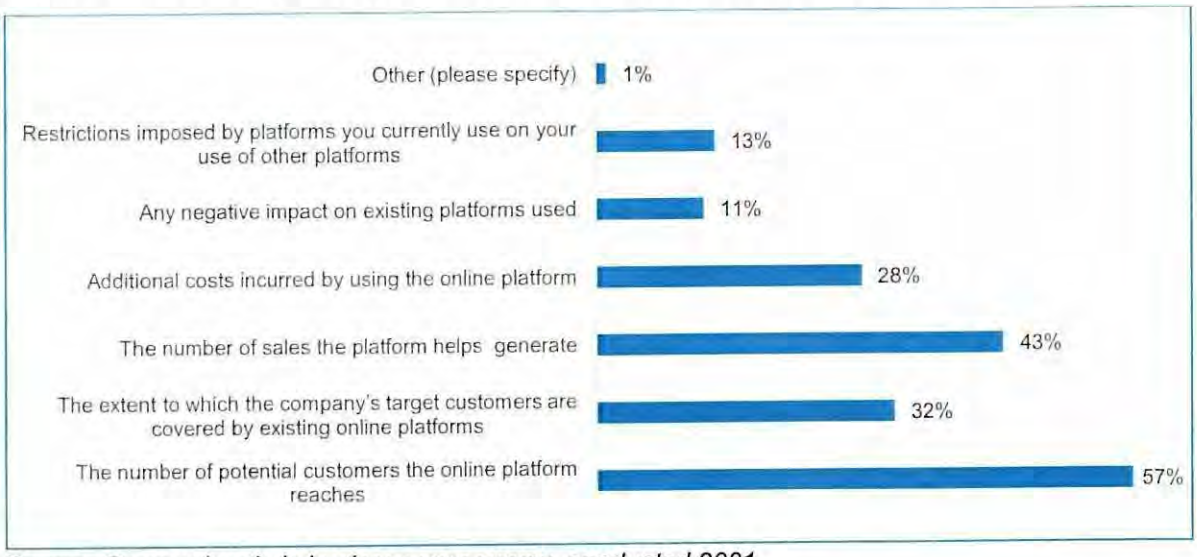
25. The main factors that influence the restaurant's use of the platform relate to a restaurant accessing more and broader customer base through the food delivery platform. This in turn increases the revenue of the restaurants and is consistent with the sales pitch of the food delivery platforms.

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19 [redacted] for instance [redacted] is of the view that intermediate platforms offer an additional sales channel to restaurants' existing channels rather than being a competitive constraint.

20 [redacted]

Figure 2: Factors impacting decision to use/not use online sale platform

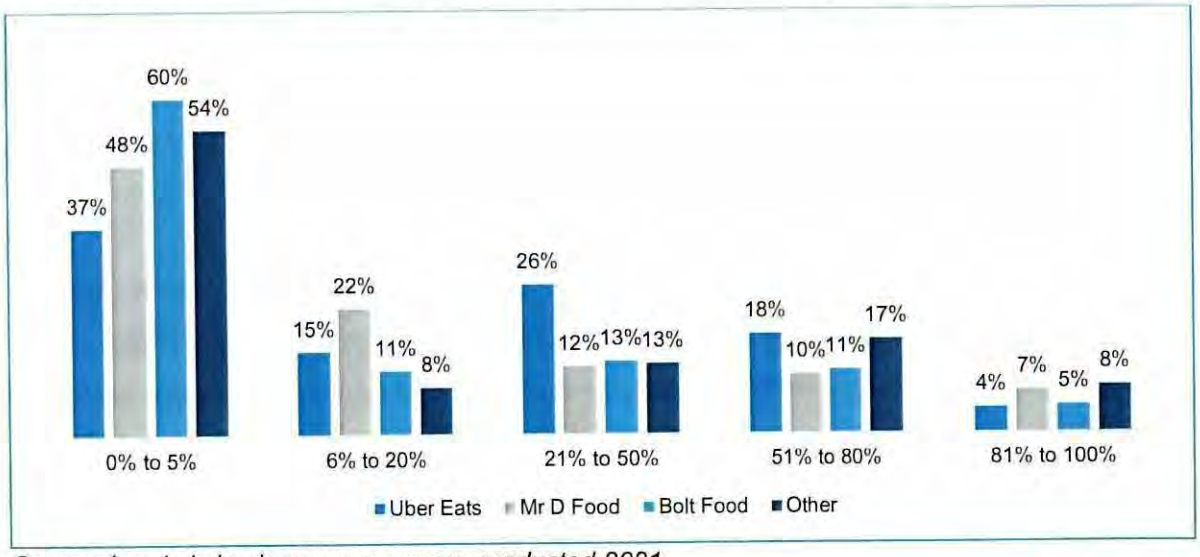


Source: *Source: Inquiry's business user survey, conducted 2021*

26. Based on the survey results, the main three reasons most restaurant use a food delivery platform are (i) the number of potential customers the online platform reaches (57%), (ii) the number of sales the platform helps a restaurant generate (43%) and (iii) the extent to which the restaurant targeted customers are covered by the existing platform (32%).

27. The business user survey revealed that food delivery platforms constitute a moderate to high revenue percentage towards the overall restaurant revenue.

Figure 3:Restaurant percentage of platform contribution to company revenue



Source: Inquiry's business user survey, conducted 2021

28. Based on the survey results, a sizeable portion of restaurants state it contributes 0-5% of company revenue but a surprising number state that it contributes more that 20% or more than 50%:

28.1. Uber Eats: 37% of the restaurants that participated in the survey indicated that Uber Eats contributes only 0-5% of the revenue. In contrast, 26% of the restaurants indicated that Uber Eats contributes 21-50% of the revenue whilst 22% of the restaurants state that Uber Eats contributes more than 50% of the revenue.

28.2. Mr D Food: 48% of the restaurants that participated in the survey indicated that Mr D Food contributes only 0-5% of the revenue. 12% of the restaurants indicated that Mr D Food contributes 21-50% of the revenue whilst 17% of the restaurants state that Mr D Food contributes more than 50% of the revenue.

[redacted]In terms of the restaurant chains overall sales channel (own website app/website, food delivery platforms, walk-in, takeaway, etc.) walk-in generates most of the revenue. [redacted][21]

However, in terms of the comparison of restaurant chains' overall online sale channel (own app/website *versus* food delivery platforms), restaurant chains generate most of their revenue and order volumes from food delivery platforms [redacted]

30. It appears that the aggressive marketing and discounts applied by Uber Eats and Mr D Food have resulted in restaurants being dependent on the established platforms. These platforms' business models have been to attract customers through various means such as aggressive meal discounts and free or below costs delivery fees.[23] This has resulted in customers being attracted to the established platforms. In turn, restaurants (including restaurant chains) have joined the established platforms as they recognise that large

[redacted]

[23] See the section dealing with established platforms marketing and promotions for detailed assessment and relevant references.

number of customers are shopping on these platforms. For instance, Famous Brand recognises that established platforms are drawing customers and customers are ordering on these platforms. Therefore, it is important for Famous Brand to be in these platforms to generate orders and potentially contests for orders against other restaurants that are on these platforms.[24]

31. [redacted] Analysis of the number of customer downloads for Mr D Food and Uber Eats revealed that these platforms have significantly increased customer downloads over time. Some of these customer downloads numbers have been reported publicly.[26]

31.1. Mr D Food total app downloads have increased from a range of 400 000 to 500 000 downloads in 2017 to a range of 3 000 000 to 3 200 000 downloads in 2020.[27] In terms of annual increase in downloads, Mr D Food has consistently enjoyed significant increases ranging from 70% to 120% over the period;[28]

31.2. Similarly, Uber Eats' downloads have also increased significantly over time from a range of 500 000 to 600 000 downloads in 2018 to a range of 1 000 000 to 1 100 000 in 2019.[29] Reuter reported Uber Eats downloads to be around 2 100 000 by January 2020. The figure grew further during the Covid pandemic. In terms of annual increase in downloads, Uber Eats has enjoyed a significant increase ranging from 85% to 100% over the period.[30]

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[24] Exchange between the Chairperson and Mr Boardman on why Famous Brands is using third party app given its own online app and capabilities. Famous Brand (Mr Boardman) Public Haring Transcript dated 15 November 2021.

[25] [redacted]

[26] See article by Reuters dated 2 January 2020 which reports that Uber Eats has recorded 2.1 million app downloads https://www.reuters.com/article/us-ubereats-safrica-idUSKBN1Z10BX & article by Business Tech dated 5 December 2019 reporting that Mr D Food has over 2million app downloads https://businesstech.co.za/news/mobile/360068/food-delivery-in-south-africa-is-huge-the-crazy-numbers-behind-mr-d-food/

[27] Note: downloads is the sum of Android (Google) and IOS (Apple) downloads. [redacted]

[29] [redacted]

[30] [redacted]

32. [redacted] The increase in the number of downloads has been accompanied by significant increase in order volume, thus, strengthening restaurants dependency on established platforms. [redacted].[31] The analysis of the established platforms' annual increase in order volumes over the period 2017 to 2019 (deliberately excluding the Covid period) revealed that these platforms have enjoyed an annual increase of well-over 100% over the period. The Covid period also shows a significant upward trend in order volume increases.[32]

33. One restaurant chain has observed that food delivery platforms are keen to offer lower commission rates in the beginning and as they start growing within the restaurant business, they increase the commission fees.[33] Furthermore, the restaurant chain indicates that the two major platforms have increased commission by a significant percentage amount.[34] This increase has placed them in a difficult position as they had to either accept the significant increase or leave the platform. Ultimately, the restaurant chain had to accept the increase as there was no guarantee that if it leaves the established platforms, customers would follow them or stop using Uber Eats and Mr D Food, even though the restaurant chain has its own online platforms. This is due to the level of loyalty, variety and promotions that make customers want to use these established platforms.[35]

34. Similarly, another restaurant chain (different from the one mentioned above) raised concerns with established platforms commission fees. This restaurant chain submits that the [redacted]

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31 [redacted]

32 Mr D Food and Uber Eats order volumes have increased significantly since 2017. [redacted]

33 [redacted]

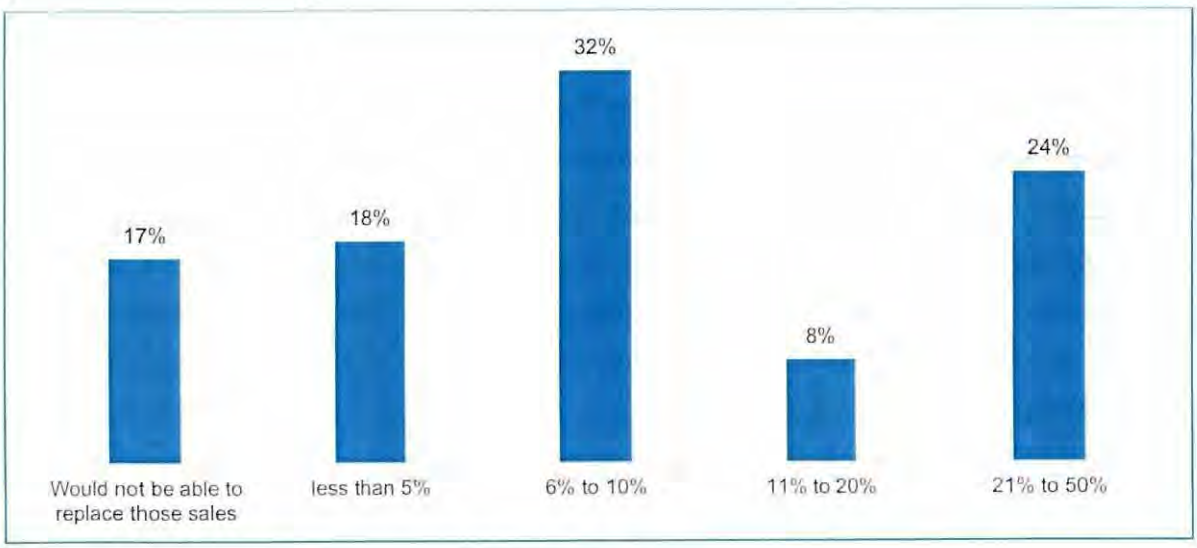
34 [redacted]

35 [redacted]

[redacted] To this end, restaurants chains that have raised concerns with commission fees continue to use established platforms. The unhappiness of some of the restaurants chains and their inability to negotiate and/or avert commission fee increases suggest that they are dependent on established platforms.

35. Some of the restaurant indicated that they will not be able to replace the majority of sales generated through online platforms if platforms were no longer in use.

Figure 4: Sales through online platforms that could be replaced by restaurants if platforms were no longer used



Source: Inquiry's business user survey, conducted 2021

36. Based on the survey results, 17% of the restaurants submit that they would not be able to replace sales generated through online platforms. A further 50% of the restaurants indicate that they could only replace less than 10% of the sales generated through online platforms, whilst a further 32% felt they could replace 11-50% of sales generated through online platforms. In the survey, restaurants were asked to rate their dependency on online platforms:[38]

    37.1. 20% of the restaurants indicated that they are very dependent on online platforms;

    37.2. 17% of the restaurants indicated that they are dependent on online platforms;

[36] [redacted]

[37] [redacted]

[38] See Inquiry's business user survey, conducted 2021

37.3. 20% of the restaurants indicated that they are moderately dependent on online platforms; and

37.4. 28% and 16% of the restaurants indicated that they are slightly and not dependent on online platforms, respectively.

38. The extent of dependency can also be measured by the timeframe required by the restaurants to replace the sales generated through online platforms with own online and non-online sales channels. Longer timeframes suggest that restaurants are dependent on online platforms and the costs of replacing such sales are prohibitive. In the survey, approximately (i) 24% of restaurants indicated that they will not be able (at all) to replace the online platform sales (ii) 60% indicated it will take them 6 months or less to replace online platform sales they identified they could replace and (iii) 17% indicated it will take them more than 6 month to replace online platform sales.[39]

[redacted]

40. The restaurant chains that submit that it would take more than a year to replace revenue or orders generated through food delivery platforms provide the following reasoning:

40.1. According to one restaurant chain this is largely due to not having a delivery network similar to the network that online platforms have and the costs associated with setting up such a network. Given this challenge, the restaurant chain is of the view that the best solution for restaurants chains may be to outsource the delivery component of the business to online platforms;[41]

40.2. [redacted]

[39] See Inquiry's business user survey, conducted 2021

[40] [redacted]

[41] [redacted]

[42] [redacted]

[redacted]

41. Restaurant chain that indicated that it is impossible to replace sales generated through food delivery platforms indicated that at best it can replace/recoup 25% to 50%[43] of these sales. The major barriers to recouping these sales include the following:[44]
    41.1. Consumers avoiding having multiple apps on their device, particularly Android;
    41.2. Moving consumers over would require heavy price discounts which are margin eroding; and
    41.3. Food delivery platform consumers enjoy having multiple brands on one website or app so that they browse through many menu items if they do not know what they want to eat.

42. Another restaurant chain indicated that it would not be able to quickly replace sales generated through food delivery platforms provided the following reasons:[45]

[redacted]

42.3. [redacted]

[redacted]

43 [redacted]
44 [redacted]
45 [redacted]

43. Evidence from various sources (as presented above) suggests that restaurants (including restaurants chains) are dependent on online platforms, particularly Mr D Food and Uber Eats. Dependency is driven by various factors, including (i) the restaurants' need to access the platforms' large and broader customer database created by, among other thins, aggressive marketing and discounts (ii) food delivery platforms' significant increase in order volume and some restaurants' inability to avert raising commission fees and (iii) the difficulties, challenges and the costs associated with replacing sales generated from food delivery platform with restaurants own online and non-online channels.

1.4.2. Various channels and options available to customers: are they a significant constraint to food delivery platforms?

44. According to the leading platforms, there are various channels and options available to customers in their journey. These include:
    44.1. Customer using food delivery platforms for food delivery;
    44.2. Customer using restaurant own delivery services;
    44.3. Customer placing an order directly with the restaurant and collecting the meal (takeaway option);
    44.4. Customer preparing home cooked meal; and
    44.5. Customer dinning at a restaurant.

45. The availability of the aforementioned options does not imply that they are substitutable from a customer perspective or other options and channels significantly constraint food delivery platforms. The extent of constraint imposed by other options and channels is dependent on various factors, such as customer journey in food delivery, food delivery customer behaviour and perceptions and the main constraints or closest competitors of food delivery platforms.

1.4.2.1. Customer journey in food delivery

46. [redacted] An insight into the customer journey revealed that a decision by the customer to use any channel or option at a point in time is heavily influenced by various factors including: the occasion (date night, friends, sports event),

[46] [redacted]

lifestyle and circumstances (customer busy, lazy, working, health conscious, etc.) and crave (cuisine from a specific restaurant or cuisine but not from a specific restaurant).



48. It is apparent from the above that customer journey is influenced by variety of factors. However, what is crucial in the journey is that convenience plays a role in the consumer

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journey and decision-making and the customer will select an option that is convenient at that point in time. It is also self-evident that home cooking is cheaper than delivery or dining out and therefore there are budget constraints that will impact on the selection. What the consumer journey research indicates is that where consumers have some discretionary income in a month, they may adopt delivery due to its convenience and selection driven by specific occasions. Naturally, where there is no budget for the service then it ceases to be a viable option. Wealthier consumers will clearly be in a position to order delivery more often than less wealthy consumers.

1.4.2.2. Customer behaviour and perceptions

[redacted]

50. [redacted]

[redacted]

51 [redacted]

52 [redacted]

53 [redacted]

54 [redacted]

55 [redacted]

56 [redacted]

[redacted]

51. In short, there is plenty of evidence that suggests that delivery customers prefer food delivery platforms due to various advantages associated with using food delivery platforms. Some of these key advantages of food delivery platforms includes: time saving, money saving, efforts saving, and offer variety. As already indicated, this will all be subject to a budget constraint.

1.4.2.3. Closeness of competition for food delivery platforms

52. [redacted]

[redacted]

57 [redacted]

58 [redacted]

- [redacted]

59 [redacted]

60 [redacted]

61 [redacted]

[redacted]

53. The above evidence is consistent with the Amazon/Deliveroo merger,[62] where the Competition and Markets Authority ("CMA") in concluding that vertically integrated food chains (that offer their own delivery such as Domino's, Papa John's and Pizza Hut) "*are not an effective competitive constraint on online restaurant platforms*" relied on, *inter alia*, internal documents of the food delivery platforms. In paragraph 5.67, CMA notes that "*Deliveroo, Just Eat and Uber Eats have been investing heavily in rapid growth. Internal documents show they see themselves as being in a race to achieve market leadership as the market matures. We consider that this dynamic is central to the business models of the platforms and, because of this, the primary competitive constraint they face is from one another*".

54. [redacted] A reasonable inference that can be drawn from this is that these platforms consider each other as main competitive constrain and/or competitor.

1.4.2.4. Competitive constraint imposed by restaurants own websites and apps on food delivery platforms

Independent restaurants

- [redacted]

[62] CMA, Amazon/ Deliveroo Final Report, 4 August 2020, paragraph 5.84 to 5.88.

[63] [redacted]

55. Most independent restaurants[64] do not have their own delivery service and it does not appear that the recent delivery growth has materially changed this situation. The management of own delivery is not a core activity to independent restaurants. As already indicated, delivery customers often want food delivered quickly and on time. Thus, order management, investment in fleets and drivers is crucial in meeting the demand of multiple customer orders. This is consistent with one of the smaller platforms assertion that restaurants do not want to be burdened with the concept of delivery as it is a tedious process and restaurants prefer to focus on food which is their core function. [redacted][65] The fact that most independent restaurants do not have their own delivery service is consistent with this point.

56. Furthermore, it becomes more challenging and expensive if an independent restaurant wants to operate an app or online based delivery system that makes ordering and delivery easier/accessible (i.e., it eliminates time taken to call the restaurants, costs of the call and enable the customer and the restaurants to track the driver and ensure that food is delivered fast and on time). It is also more costly to hire drivers if the volumes are inadequate or if more drivers are needed to cover a peak period. Established platforms have acknowledged that app or online food delivery requires investment in, *inter alia*: [redacted][66]

57. The above challenges and dynamics results in independent restaurants preferring to serve delivery customers through specialist delivery services such as food delivery platforms. This eliminates certain risks to independent restaurants (e.g., unavailability of drivers when the order is placed especially during the peak periods, the food arriving late and cold, thus, harming the independent restaurant brand). Moreover, food delivery

[64] Independent restaurants refers to mostly SMEs restaurants – thus by Independent restaurant the Inquiry refers to SMEs restaurants.

[65] [redacted]

[66] [redacted]

platforms also present certain benefits to independent restaurants such as incremental customers and sales. [67]

Restaurant chains own delivery network

58. With the growing levels of consumer adoption of online services, the presence of restaurant chains through their own apps or websites is an important feature in food delivery. The table below provides examples of restaurant chains with own delivery service. It is worth noting that all the restaurant chains with own delivery services continue to utilise the service of established food delivery platforms such as Uber Eats and Mr D Food.

Table 1: Examples of restaurant chains with own delivery service

Restaurant Group	Online Delivery Service	Uses Food Delivery Platforms
KFC	Yes	Yes
Mc Donald's	Yes	Yes
Nando's	Yes	Yes
Romans Pizza	Yes	Yes
Burger King	Yes	Yes
Spur Corporation (e.g., Spur, Rocomamas, Panarottis)	Yes	Yes
Simply Asia	Yes	Yes
Pizza Hut	Yes	Yes
Famous Brands (e.g., Wimpy, Debonairs, Steers, Fishaway)	Yes	Yes

Source: Compiled by the Inquiry using various evidence

59. Although the restaurant chains have their own food delivery services, they accept that it is difficult to operate and manage their own delivery service. Restaurants chains have highlighted the following challenges in operating and managing own delivery services:[68]

59.1. Capital investment requirements: Initial investment in the fully integrated software technology that can enable customers to initiate an order and ultimately have food delivered. Operating a delivery platform is costly and requires ongoing investment;

59.2. Delivery network and infrastructure: it is difficult for restaurant chains to build an efficient delivery network across various geographic areas. The following factors

[67] See Mr D Food and Uber Eats Presentations at the Public Hearings dated 11 and 12 November 2021 (respectively) highlighting some benefits of intermediary delivery platforms such as ability to serve more customers during peak periods, efficiencies and advantages from national footprint, logistics points of view (e.g., large driver network and delivery points), increased marketing through the exposure to the platform.

[68] [redacted]

makes it difficult: costs of setting up own delivery network, management of drivers, insurance etc;

59.3. Marketing and promotion: this relates to convincing customers (customer adoption) to order through the restaurant's own app/website. Restaurant chains require significant resources to run delivery awareness and advertising campaigns; and

59.4. Operational efficiency and customer expectations: this relates to the restaurant chain generating sufficient order volumes that sustain and maintain drivers (i.e., ensure drivers have keen interest in working for them). Customer expectation relates to speed of delivery, promotions, delivery fees, etc.

60. Evidence from some restaurant chains suggests that the business models of established food delivery platforms have contributed and/or exacerbated some of the challenges faced by the restaurant chains' own delivery channels. In this regard, the following factors have been highlighted by restaurant chains:[69]

[redacted]

60.2. Online customer purchase behaviour is heavily influenced by pricing promotions that are often offered by food delivery platforms (e.g. 20% to 50% off meal value and/or free delivery). According to restaurant chains, this makes it difficult for them to maintain margins and customers without resorting to discount strategies as employed by food delivery platforms; and[70]

60.3. [redacted] and (ii) customers expecting restaurants to match the food delivery platforms promotions (free delivery and meal discounts).

61. It is evident that the restaurant chains are lagging behind in matching the service offering of food delivery platforms in various facets. Given that food is their core function, these restaurant chains are unable to employ resources to match what food delivery platforms

69 [redacted]

70 [redacted]

offer in terms of marketing, promotions, delivery infrastructure and driver network and incentives. It will take years for these restaurant chains to catch or match the delivery capabilities and expertise of food delivery platforms – this is further aggravated by the aggressive business model of established platforms aimed at driving growing sales volumes. These factors explain why (i) restaurant chains continue to utilise food delivery platforms despite having own online presence and (ii) restaurant chains generate most of online revenue and order volumes from food delivery platforms with own online channel constituting a minor portion. Food delivery platforms remain a critical revenue stream for restaurant chains.

62. From the customer perspective, they benefit from convenience, promotions, range and variety offered by food delivery platforms. In terms of range and variety, food delivery platforms improve customer choice as they provide customers with the wide range of choices from restaurants chains and independent restaurants.[71] In contrast, restaurant chains apps/website do not provide the same range and choice as it is limited to its own brand. Therefore, customers using the restaurant chains apps/website are unable to compare between a wide range of cuisines and restaurants. This is one of the main reasons why customers gravitate towards food delivery platforms. The importance of range and variety is also highlighted by platforms. [redacted][72]

63. In the acquisition of Hungryhouse Holdings Limited by Just Eat Plc ("Just Eat/Hungryhouse") the CMA found that branded food chains that offer their own delivery (such as Domino's, Papa John's and Pizza Hut) should not be included in the same relevant market. The CMA noted that *"these chains [branded food chains] services differ fundamentally from the services that food ordering marketplaces offer, in that they <u>do not provide consumers a choice</u> of either restaurants or cuisines" (Own Emphases).* [73] The CMA highlighted the narrow range of food types available from chain restaurants as a limitation to imposing a significant constraint to delivery platform.

[71] Mr D Food and Uber Eats Presentations at the Public Hearings dated 11 and 12 November 2021, respectively.
[72] [redacted]
[73] Just Eat/Hungryhouse, Final Report, 16 November 2017, paragraph 4.27.

64. Furthermore, CMA indicated that while branded food chains accounted for *"a significant share of takeaway restaurant revenue"* evidence indicated that consumers *"[we]re unlikely to view these as sufficiently close substitutes to the restaurants and services offered by [food] ordering marketplaces"*. In particular, CMA highlighted the following:[74]

64.1. The results of the CMA's econometric analysis for Just Eat/Hungryhouse did not find evidence that Domino's (the largest of these chains by revenue and number of branches) exerted a discernible competitive constraint on Just Eat or Hungryhouse.

64.2. The responses to the CMA's consumer survey for Just Eat/Hungryhouse did not point towards these chains being close substitutes.

65. The Inquiry also notes that established food delivery platforms and restaurant chains have co-branding and marketing campaigns partnerships whereby they contribute towards advertising and marketing campaigns that promote and market both the platform and restaurant chains (e.g., National TV adverts for displaying customers ordering a national food chain food via a particular platform). This suggests that on the one hand, restaurants and platforms aim to work together and co-operate to enhance the performance of the platform – and subsequently the restaurant chains on the platform. These kinds of arrangements complicate the incentives of chain restaurants own online channel and raise the question of whether their own online channels are aimed and incentivised to compete aggressively with food delivery platforms.

66. Thus, the Inquiry finds from the above that restaurants own app/website and delivery services are unlikely to pose a meaningful competitive constraint upon food delivery platforms.

1.4.2.5. Competitive constraint imposed by walk-ins, take-away and home cooked on food delivery platforms

67. Takeaways, walk-ins and home cooked represent a different customer journey and do not seem to impose a significant competitive constraint on food delivery platforms. Convenience plays a role in the consumer journey and decision-making. For instance, take-away may be convenient for a consumer in a shopping area or where it is on the path home, but less so when the consumer is at home and would be required to travel and wait for food unlike the convenience of delivery.

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[74] Just Eat/Hungryhouse, Final Report, 16 November 2017, paragraph 4.27.

68. Moreover, some of the customers that prefer home cooked meal might view meal delivery services as expensive, not value for money and unhealthy. Furthermore, as discussed above, budget constraints are likely to drive most of the home cooking and hence why delivery is seen as expensive for some journeys. However, where there is some discretionary income available, then delivery may be preferred as a 'treat' or convenience or range. For these customers food delivery platforms might not be a preferred option most of the time. Established platforms internal documents do not identify these options as closest competitive constraint to platforms. This suggests that established food delivery platforms do not consider these options as imposing a significant competitive constraint to food delivery platforms.

1.4.2.6. Competitive constraint imposed by firms in adjacent markets on food delivery platforms

69. In their submissions to the Inquiry, Mr D Food and Uber Eats also identified grocery retailers (such as Pick 'n Pay and Checkers) and firms in adjacent markets (such as Checkers Sixty 60 and Woolies Dash) as their competitors. A review of both Mr D Food and Uber Eats' internal documents does not seem to support this assertion. As [redacted]. Whilst Uber Eats and Mr D Food have extended their service to grocery delivery and therefore compete with the national chains for grocery delivery, this is distinct from hot prepared meal delivery from restaurants.

70. Furthermore, dynamics in these other markets appear to be different from online food delivery. For example, grocery retail is characterised by vertically integrated platforms that only offer delivery services to their own retail stores and do not offer a service to third parties at all, let alone restaurants. Grocery outlets are also required to appoint instore pickers to collate orders for delivery, thus, making the grocery retail cost structure higher than that of hot food delivery. Generally, national chains in grocery retail do not offer their products on other delivery platforms. Further, the online service offered by national chains appears to have been designed specifically for those customers who prefer online delivery and this service constitutes a small part of their overall business. Accordingly, the Inquiry is of the view that grocery retailers and firms in adjacent markets are unlikely to pose a meaningful constraint on intermediate platforms for restaurant delivery.

1.4.2.7. Conclusion

71. From the above analysis of evidence, it is clear that food delivery platforms compete directly and exert a meaningful and significant constraint upon each other. While restaurant chains may provide alternative online channels, it appears that these channels do not exert a meaningful and significant constraint upon food delivery platforms. Conversely, evidence shows that restaurant chains are highly dependent on the services of food delivery platforms, thus any competitive constraint posed by restaurant chains on food delivery platforms is likely to be limited.

72. Most of the independent restaurants do not have their own delivery service and, just like restaurant chains, are highly dependent on food delivery platforms. It is unlikely that this group of restaurants can sufficiently constrain food delivery platforms. Similarly, home cooked meals, takeaways, grocery retailers and firms in adjacent markets are unlikely to meaningfully and significantly constraint food delivery platforms.

2. STRUCTURE AND COMPETITIVE DYNAMICS

2.1. Players in the market

73. The South African food delivery market is fragmented. The market consists of well-established national platforms, small platforms that recently entered the market, largely focusing on servicing niche local areas and an international platform that recently launched in South Africa with the initial focus on few cities. There have also been several platforms that have exited the market.

2.1.1. Established platforms with national footprint

74. Mr D Food and Uber Eats are the well-established national platforms in South Africa. Mr D Food was founded in 1992 as Mr Delivery. In 2016, it was rebranded as Mr D Food and re-engineered as a mobile app-based business.[75] Mr D Food is a wholly-owned subsidiary of Takealot. Uber Eats' South African operations are controlled by Uber Technologies Inc, a company duly listed on the New York Stock Exchange. Uber Eats was launched in South Africa in September 2016. Mr D Food and Uber Eats are active in various cities and metropoles such as Cape Town, Durban, Johannesburg, Bloemfontein, Port Elizabeth, East London, Rustenburg, etc. These platforms have also expanded into townships such as Mamelodi, Atteridgeville, Mitchell's Plain, Umlazi and Soweto.[76]

2.1.2. Recent entrants with local and/or regional footprint

75. Bolt Food, an Estonian international company, launched in Cape Town in 2020 and later expanded to Johannesburg, in 2021. There are also several small locally based online platforms that have launched in various geographic areas in the past three years. In this regard, the Inquiry has observed that these small platforms largely target areas that are not serviced by established platforms (i.e. Uber Eats and Mr D Food), especially townships, as their entry strategy. Evidence also shows that the entry of small platforms in some of the townships and underserviced areas is followed by the entry of established platforms. The platforms that have recently entered the market include the following:
    75.1. WeDash: WeDash was launched on 31 October 2020 after the firm's observation that the established platforms were not active in the surrounding township areas. WeDash services areas in the Western Cape, mainly Mitchells Plain, Khayelitsha,

[75] https://www.takealot.com/about/takealot-delivery-team.

[76] See Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021 and Uber Eats Public Hearing Presentation dated 11 November 2021 and Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021 and Mr D Food Public Hearing Presentation dated 12 November 2021.

Gugulethu, Langa and Athlone, and it appears that its current approach is servicing areas where Uber Eats and Mr D are not active;

75.2. Paarl Eats: Paarl Eats was established in June 2020 and operates a food delivery platform in Paarl and Wellington, in the Western Cape. The owners of the business identified a gap in the market during the lockdown period, when there were no food delivery services in their area. Like We Dash, Paarl Eats' current strategy is to focus on servicing areas that are not serviced by the established platforms;[77]and

75.3. Delivery Ka Speed: was first launched in Hammanskraal on 13 July 2021 to service the townships around the area. It initially did not operate an online app (it used whatsup for customers to place orders). In April 2022, Delivery Ka Speed launched its mobile online app.[78] Delivery Ka Speed elected to operate in the townships as the established platforms were not active in those areas.

76. Paarl Eats states that in certain residential areas, especially areas closer to town and where it is safer to operate, it competes with Uber Eats and Mr D Food. Furthermore, there are areas where Uber Eats and Mr D Food were not operational but have started servicing following the entry of Paarl Eats in those areas. This is consistent with WeDash's observation that it was the first platform to service the Mitchells Plain area and Uber Eats has since entered the same area.

76.1. Quench: Quench was launched in 2016 as a liquor delivery platform. In 2020, Quench expanded its delivery and platform portfolio to include groceries, pharmaceutical products and restaurants. The online food delivery operations of Quench service areas such as Cape Town, Stellenbosch, Paarl, Summerset West, Garden Route, in Western Cape, Durban and Ballito, in KwaZulu-Natal, and Sandton, Illovo, Rosebank, and Pretoria in Gauteng.[79] Quench's food delivery operations have been off to a slow start. At the public hearing Quench indicated that it does not offer promotions to attract customers and has not approached or contracted chain restaurants.[80] Currently no restaurants are listed on its app.

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[77] Meeting between the Inquiry and Paarl Eats – 08 October 2021. Paarl Eats states that these areas are considered to be off limits by other platforms due to amongst others high crime rates.

[78] See Business Insider article dated 1 April 2022: https://www.businessinsider.co.za/south-africa-township-delivery-launches-own-app-to-compete-with-uber-bolt-mr-d-2022-3 and Delivery Ka Speed interview with ENCA available on YouTube.

[79] Meeting between the Inquiry and Quench – 31 August 2021.

[80] Meeting between the Inquiry and Quench – 31 August 2021 and Quench (Ms Bester) Public Hearing Transcript dated 11 November 2022.

2.1.3. Exit, re-positioning and suspension of operations

77. There are various food delivery platforms that recently exited the market. Notably, these platforms exited the market around 2020/21, a period that coincides with the outbreak of COVID-19 and a considerable increase in consumer adoption of online food delivery, which ordinarily should have provided scope for more competitors, not less. A synopsis of the platforms that have either suspended or de-scaled operations, exited or re-modelled their operations is provided below:

77.1. Delivery Xtreme: Delivery Xtreme started operating in the food delivery space in 2005 before the era of digitisation. Prior to 2018 (at their peak), Delivery Xtreme had 23 franchises and branches that delivered significant volumes per month. Delivery Xtreme serviced several cities including Cape Town, Johannesburg, Durban and Pretoria. Delivery Xtreme's performance has significantly declined since 2018.[81] Delivery Xtreme attributes its challenges and barriers to expansion in the market to, *inter alia*, lack of funding and capital to match the financial resources of the established platforms and their inability to match the aggressive promotions run by established platforms on a consistent basis;

77.2. Appetite: Appetite entered the market in 2012 and serviced approximately 400 restaurants in areas such as Johannesburg, East Rand, Germiston, and a few areas in Pretoria. Appetite submits that despite charging significantly lower commission fees relative to Mr D Foods and Uber Eats, it could not increase sales levels. In 2020, Appetite exited the food delivery market. The challenges and barriers to expansion faced by Appetite are largely similar to those mentioned by Delivery Xtreme above. The other factor that had a negative impact on Appetite's business was the refusal by some restaurant chains to contract with the platform;[82]

77.3. Dryvar: Dryvar launched its food delivery platform in 2020. The platform was initially launched in KwaZulu-Natal targeting areas such as Durban, Ballito and Pinetown. Dryvar submits that it initially experienced material growth within the first 3 months of entry, but it subsequently faced various barriers in the market and, as a result, decided to put its operations on hold in Durban.[83] Dryvar submits that markets where the established platforms are active are characterised by barriers

81 [redacted]

82 [redacted]

83 [redacted]

to expansion. These barriers include (i) the poaching of smaller platforms' drivers by established platforms, (ii) aggressive marketing and promotions run by established platforms, (iii) substantial capital required to fund the platform business (with the possibility of running at a loss) and (iv) the refusal by restaurant chains to contract with smaller platforms;[84]and

77.4. OrderIn: OrderIn started operating in 2012 and launched their food on-demand delivery platform in 2015.[85] OrderIn's website provides insights into the platform and its subsequent shutdown of the food delivery platform. The website notes the following timelines:[86] (i) March 2017 completed 1 million plus deliveries (ii) December 2017 Grossed R100 million plus in annual sales and (iii) August 2020 consumer business (includes delivery platform) is officially shut down in order to focus on enterprise platform and logistics. OrderIn appears to have re-launched and adjusted their model as a B2B platform that helps bring delivery capabilities to other companies in the country.[87] OrderIn seems to have followed a similar trend as other platforms that have exited the food delivery market in that at some point in time it was enjoying high growth, but it ultimately had to shutdown operations in the face of aggressive marketing by the leading two platforms.

2.1.4. Other players

78. The Inquiry has observed that there are several potential market participants that do not necessarily operate food delivery platforms because of some barriers that exist. However, these players have knowledge of the market in terms of (i) competitive dynamics and (ii) challenges and barriers faced by small and emerging platforms:

78.1. Buzz Delivery: Buzz Delivery commenced its business operations in 2011 as part of a franchisee for one of the delivery platforms[88] and became independent in 2016. Buzz Delivery is not a delivery business, but rather connects small delivery businesses with restaurants. Through its software and knowledge of the industry, Buzz Delivery has assisted a number of small delivery businesses to fulfil orders for restaurants, especially independent restaurants. Buzz Delivery offers a full

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[84] See Dryvar submissions dated 04 October 2021 and Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

[85] See OrderIn website: https://orderin.co.za/about/our-story and article published on https://ventureburn.com/2021/08/south-africas-orderin-relaunches-as-delivery-as-a-service-platform/

[86] See OrderIn website: https://orderin.co.za/about/our-story and article published on https://ventureburn.com/2021/08/south-africas-orderin-relaunches-as-delivery-as-a-service-platform/

[87] article published on https://ventureburn.com/2021/08/south-africas-orderin-relaunches-as-delivery-as-a-service-platform/ OrderIn website also indicate that they have partnered with McDonald's to build their own Direct-to-Consumer platform, Scoot and they fulfil deliveries for McDonald's and Pick n Pay. See OrderIn home page https://orderin.co.za/

[88] [redacted]

development program which includes (i) access to its technology (web-based technology) (ii) the setting up of contracts with restaurants and (iii) coaching services for affiliate businesses. Buzz Delivery's affiliates include Go Deliver, Go Centurion, Curious Café, and the Food Drop. These affiliates have contracts with over 40 restaurants located mainly in Pretoria and Centurion;[89] and

78.2. Sisters On The Move: Sisters On The Move has a contract and/ or arrangement with one of the national chains in Kwa-Zulu Natal in terms of which it provides the outlet with delivery drivers for orders made through the restaurant's App. The drivers are contracted with Sisters On The Move as their permanent employees and solely focus on the restaurant's deliveries.[90] Sisters On The Move intended to develop its own app to operate a model similar to Mr D Food and Uber Eats' model, however, it experienced barriers to entry such as high capital costs. According to Sisters On The Move, it still wishes to operate as a food delivery platform and has identified opportunities in rural areas and townships of Kwa-Zulu Natal as such areas are not serviced by established platforms.

2.2. Market share assessment

79. The Inquiry considered two approaches of estimating market shares for food delivery platforms:

79.1. Market share estimates for all platforms which includes platforms with national footprint and local footprint (and those that exited the market); and

79.2. Market share estimate split between Uber Eats and Mr D Food.

2.2.1. Market share estimates for all platforms

80. Market share estimates for all platforms assist in determining the size of the established platforms relative to other market participants and the extent of constraint other (smaller) platforms might pose on Mr D Food and Uber Eats. Evidence before the Inquiry suggests that the share of other platforms in the overall market is relatively small. For instance, Bolt Food market share ranges between 0% to 5% in the online food delivery market in South Africa.[91] It is important to note that Bolt Food operates in few geographic regions and the estimated market share is based on its presence in those regions. The Inquiry

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[89] [redacted] Public Hearing Transcript of Buzz Delivery (Ms MR Veldhuis) dated 11 November 2021.

[90] Meeting between the Inquiry and Sister on the Move – 16 October 2021 and Public Hearing Transcript of Sisters on the Move (Ms Mchunu) dated 11 November 2021. Sisters on the Move also notes that Buzz Delivery is assisting them to navigate the market and they are currently using the Buzz Delivery database to approach restaurants in Kwa-Zulu Natal, offering them the same services as offered by Buzz Delivery in Gauteng.

[91] [redacted]

notes that various sources of evidence, including publicly available information, the smaller platforms' estimates and documents from established platforms suggest that Mr D Food and Uber Eats account for [80% to 90%] of the market. Other sources even suggest that they account for over 90% of the market.[92]

81. The following factors also support the assertion that Mr D Food and Uber Eats account for the significant portion of the market:

81.1. Several new entrants, such as WeDash, Delivery ka Speed and Paarl Eats have adopted a strategy of entering areas where Mr D and Uber Eats are not present, and operate in very small geographic areas. Thus, it appears that their intention was not to compete directly with and/or constrain established platforms; and

81.2. Other entrants that were active in the market prior to the outbreak of COVID-19 (e.g., Delivery Xtreme, OrderIn, Appetite, Dryvar) no longer impose any constraint to the established platforms due to exiting the market, suspending operations and/or re-launching with a focus no longer on food delivery platform operations.

2.2.2. Market share estimates between Uber Eats and Mr D Food

[redacted]Given that Uber Eats and Mr D Food constitute a significant portion of the food delivery market, it is useful to understand the balance of share between these two competitors. Evidence before the Inquiry suggests that the two national platforms that operate in South Africa are closest competitors and compete against each other across various key metropolitan areas. [redacted]

[92] See the following documents, articles and reports:

[redacted]

- WeDash public hearing presentation estimates Uber Eats and Mr D Food to have up to 80 – 90% market share of the food delivery market in South Africa.
- Publicly available articles: Reuters 2020 articles states that *"between them [Mr D and Uber Eats], the two companies have captured around 80%-90% of South Africa's food-hailing market, according to research firm Insight Surveys"*. https://www.reuters.com/article/us-ubereats-safrica-idUSKBN1Z10BX. The same statement is repeated in an article published by the Citizens https://www.pressreader.com/south-africa/the-citizen-kzn/20200103/282213717745993. An article by BizCommunity published in 2018 states that *"Market share information indicates that Naspers-backed Mr D Food and Uber Eats account for nearly 90% of the South African market"*. https://www.bizcommunity.com/Article/196/394/180149.html

[redacted]

83. In terms of the number of restaurants contracted, the two delivery platforms do not seem far apart. Both platforms have also grown the number of platforms at rates that are almost similar over the years. On this measure the two are similar in terms of reach.

Table 2: Food delivery platform's number of contracted restaurants[94]

Delivery Platforms	2016	2017	2018	2019	2020
Mr D Food	0 – 1 000	1000 – 2 000	2 100 – 3 100	4 000 – 5 000	Over 6 500
Uber Eats	0 – 1000	1 000 – 2 000	2 100 – 3 100	4 000 – 5 000	Over 6 500

Note: *Although the Inquiry has provided ranges, it notes that these platforms publicly report on the actual number of restaurants on their platform as it was also the case during the public hearings (see Uber Eats and Mr D Food presentations).*

84. Mr D Food and Uber Eats' market share estimates over the period 2017 to 2021 based on order volumes are presented below:

Table 3: Food delivery platform market shares [redacted], 2017 to 2021[95]

Delivery Platforms	2017	2018	2019	2020	2021 (Jan-Jun)
Mr D Food	40 – 50%	40 – 50%	40 – 50%	40 – 50%	50 – 60%
Uber Eats	50 – 60%	50 – 60%	50 – 60%	50 – 60%	40 – 50%

Source: Inquiry's compilation

85.

86. Table ***3*** shows that the market share between Uber Eats and Mr D Food have generally been close to each other with the differential not exceeding 10 percentage points. For the period 2017 to 2020, Uber Eats (50% to 60%) enjoyed a market share higher than Mr D Food (40% to 50%) [redacted]. By 2021 (January to June) Mr D Food had slightly higher market share than Uber Eats.

93 [redacted]

94 [redacted]

- [redacted]

95 [redacted]

- [redacted]

2.3. Competitive dynamics

87. The assessment of the competition dynamics considers various factors that underpin competition in the food delivery market. The analysis considers (i) the basis for competing on the two-sided market, (ii) local delivery services vs national delivery services and (iii) barriers to expansion that exist in the market (e.g., capital requirements, network effects, first-mover to scale).

2.3.1. Basis for competing on the consumers and restaurants side of the market

88. The success and sustainability of a food delivery platform depends on, amongst others, its ability to compete for customers and restaurants.

2.3.1.1. Competition for customers

89. The Inquiry has observed that food delivery platforms engage in various marketing strategies to attract consumers to their platforms. The success of the platform depends on, among other things, the number of consumers on the platform, the number of transactions they conduct, the frequency of transactions and the value of transactions.[96] Marketing takes the form of above the line (ATL) brand marketing and awareness, search advertising (Google Adwords and SEO) and eater promotions. Eater promotions encourage new and active consumers to place orders on the app by offering them meal price reductions, free spend coupons and free delivery. There is also an emphasis on targeting past customers through direct marketing (email, SMS, direct messaging, banner advertising) based on products previously purchased and attracting the customer through free spend and discounts. In this regard, there appears to be three critical components that define competition for customers with respect to marketing activities:

89.1. The ability to spend on the ATL brand marketing and brand awareness campaigns: this is for customers to be aware of the brand, to associate with the brand and to encourage the download and use of the app;

89.2. The ability to spend on eater promotions: this is to drive demand (increase order volumes) and encourage customer spending. For a new customer, the aim of promotions is to ensure that after downloading the app, the customer is incentivised to place an order, whilst the active customer is encouraged to repeatedly use the app; and

89.3. The ability to spend on Google Search: this is to secure any intent-based customers that start their journey on the search engine. This is particularly

[96] There is a consensus among most of the platforms that branding, and marketing are crucial to attract both customers and restaurants [redacted]

important in the early discovery stage for consumers until they become entrenched with one or another service.

90. Another factor that influences competition for customers is restaurant selection and range. For a food delivery platform to be sustainable in the market it must have sufficient range of restaurants on its platform as well as a good selection of restaurants, including restaurant chains and independent restaurants.[97] This is because consumers value both the number of restaurants on the platform and variety. Once a customer has joined the platform and is satisfied with the restaurant range, factors such as ease of use of the platform software (e.g., estimated delivery time feature, payment processing options etc.) and driver network (speedy delivery) become crucial for customer retention.

2.3.1.2. Competition for restaurants

91. The Inquiry has observed that food delivery platforms compete to attract restaurants to their platforms. The success of a platform is also dependent on the number and type of the restaurants on the platform. Dryvar submits that having prominent restaurant chains[98] is important for any platform's success as they drive volumes of food orders. Mr D Food states that it is important to sign-up reputable restaurant chains and as many small and independent restaurant in any locality.[99] As a result, food delivery platforms prefer to launch with this mix of restaurants on board.

92. On the restaurant side, competition between platforms takes place to sign-up restaurants. There are feedback effects within the category as the number of restaurants is important to consumers given that variety and convenience are amongst the important factors for consumers making use of delivery platforms. On the other hand, the platform's customer reach may influence whether restaurants sign up on a platform.[100] For independent restaurants and individual franchisees, the number of customers on the platform and orders in their local area will matter.

93. As it may notionally cost restaurants a limited amount to sign up, and then only pay fees when they receive an order, many restaurants are willing to sign up for delivery services that have the capacity to deliver. However, this also depends on the complexity of managing orders coming from different devices, as Point of Sale (PoS) integration is not prevalent currently in food delivery. For this reason, some restaurants may elect to limit

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[97] Mr D Food [Mr Reid] Public Hearing Transcript dated 12 November 2021 and Uber Eats [Mr Molewa] Public Hearing Transcript dated 11 November 2021.

[98] [redacted]

[99] See Mr D Food [Mr Reid] Public Hearing Presentation dated 12 November 2021.

[100] See business user customer survey results on why restaurant use delivery platforms.

the number of platforms on which they list. As platforms expand into new areas, their reputation and sales in other areas will play into the decision. Additionally, for restaurant chains, it appears that they largely consider the national footprint and national customer base as important in determining whether to onboard on the platforms.

94. Customer base is also linked to additional sales. Restaurants are incentivised to join a platform based on the additional sales the platform can generate. Therefore, it appears that restaurant competition depends on the ability of a platform to generate additional sales for the restaurant. As already indicated, the survey results revealed that restaurants use platforms for three main reasons (i) the number of potential customers the platform reach can reach (ii) the number of sales the platform helps generate and (iii) the extent to which the restaurant's target customers are covered by existing online platforms. Overall, is it evident that in competing for restaurants, platforms are required to show restaurants that joining the platform will generate additional customers and subsequently sales for the restaurant.

2.3.2. Local delivery services vs national delivery services

95. According to Mr D Food it is important to distinguish between national and local delivery services due to the difference in capital requirements and risk levels. In this regards, Mr D Food makes the following distinctions:[101]

95.1. National delivery services: these require more capital and present greater risk and complexity in terms of higher fixed overheads, more engineering complexity, employees and infrastructure; and

95.2. Local delivery services: these require less capital and present less risk and complexity in terms of lower fixed overheads, less engineering complexity, employees and infrastructure.

96. In light of the above distinction, established platforms argue that there are different barriers to entry and expansion for local, regional and national online delivery service provides. Uber Eats indicates that [redacted]. [102] Thus, established platforms state that barriers to entry and expansion in the market are relatively low, especially, for local delivery services.

[101] Mr D Food [Mr Reid] Public Hearing Transcript and presentation dated 12 November 2021.

[102] [redacted]

97. The Inquiry acknowledges the different capital and other requirements for local and national delivery services. Furthermore, it is true that a platform can launch in a local area and incrementally expand. However, this does not suggest that local delivery platforms, especially those that compete head-to-head with established platforms in that locality do not face barriers to expansion. For instance, some of the smaller platforms[103] launched their operations targeting few local areas and still faced significant barriers to expansion. The main barriers to expansion faced by these players include competing against aggressive marketing and promotional tactics employed by established platforms. This requires substantial capital to fund the smaller platform business (with the possibility of running at a loss for a sustain period).[104] It appears that self-funded smaller players with limited funding[105] in any locality will always struggle to compete against aggressive tactics employed by well-established platforms. The barriers to expansion for these smaller platforms are further exacerbated by the refusal of many restaurant chains to contract with SMEs platforms.[106]

98. For smaller platforms operating in local areas where established platforms are not active, lesser capital may be required to sustain business operations as promotions may not be a prominent feature in those areas. Evidence from WeDash and Paarl Eats suggest that over and above self-funding, additional funds may still be required to, among other things, initiate brand awareness campaigns, purchase motorbikes, hire drivers and scaling operations.[107] As established platforms expand and move into these markets using the same marketing and promotional tactics, the capital and funding required by smaller platforms to compete effectively will increase significantly. These smaller platforms will have to compete against well-funded established platforms with a sufficient mix of restaurants (i.e., combination of restaurant chains and independent restaurants) whilst smaller platforms with limited funds will have limited mix of restaurants (due to the refusal by many restaurant chains to contract).[108]

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103 [redacted]

104 [redacted] Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

105 The Inquiry notes that funding depends on who the platform competes with – for a platforms that competes against established and aggressive platforms with the backing of listed companies national and international companies, it might be difficult to secure significant funding.

106 [redacted]

107 WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 - their funding experience and Paarl Eats (Mr Petersen & Ms Erasmus) Public Hearing Transcript dated 22 November 2021 – explaining their loan type arrangement with YACO.

108 WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 and Paarl Eats (Mr Petersen & Ms Erasmus) Public Hearing Transcript dated 22 November 2021 – share their experience in attempting to contract with restaurants chains – only Burger King and Nando's appear to be willing to contract.

2.3.3. Challenges and barriers to expansion

99. The Inquiry provides a detailed account of the challenges and barriers to expansion faced by food delivery platforms. These are the barriers that new or existing platforms that wish to challenge the leadership position of the established platforms are faced with. These barriers are also applicable to smaller players operating in local areas with the hope and aspirations of expanding and scaling into other geographic markets.

2.3.3.1. Capital and funding requirements

100. Food delivery platforms require continuous and sustainable capital and/or funding. There are three main areas where capital and funding are required to ensure that a platform can enter the market, remain competitive and sustainable, and expand its operations. These areas are: (i) the development and maintenance of the platform, (ii) marketing and promotions to attract customers and restaurants and (iii) continuous funding to expand and reach sustainable profitable scale.

Development and maintenance of the platform

101. A starting point to entering the market is the development of a food delivery app which requires capital to either build the app in-house or outsource it to a third party service provider. There is also an option to license the app. However, the licensing option is risky and makes the business unattractive to potential investors.[109] Capital is required to develop, maintain, and improve the platform as the brand gains more traction in the market. There are divergent views between established platforms and local smaller platforms on the level of capital required to build the platform. Mr D Food submits [redacted][110] Uber Eats submits [redacted]. The same applies within South Africa where existing local and international platforms active in one region can expand to other regions with very limited additional capital costs incurred.

102. In contrast, Bolt Food submits that the technology-based services are inherently capital intensive due to the extent of innovation, research and development dedicated to

109 [redacted]
110 [redacted]

developing the product, testing it in the market and continuously maintaining the quality and standard of operations.[111] Bolt Food further states that app development and maintenance is not a once-off cost and customers are increasingly picky over their expectations. Therefore, it is important to constantly re-invest in the platform and offer additional features such as payments and additional search functionalities.[112] This view is consistent with the experience of several smaller players in the market. Delivery Ka Speed noted that apps are expensive and require time to build. Furthermore, apps require a dedicated team of developers to fix the bugs and maintain the system which further increases the required capital.

103. Given the high costs of developing the app locally, some of the smaller platforms resort to using international service providers and licensing the app internationally. Paarl Eats relies on international service providers for various aspects of the app it uses as the few local service providers charge higher prices compared to their international competitors. WeDash has licensed its app from an international company[113] at the license fee of over R100 000 per year.[114] Similarly, Delivery ka Speed has also licensed its app.[115] It is evident that the entry of smaller platforms into the market has been facilitated by the ability to license apps from international companies. However, licensing the app has its own disadvantages such as not owning the code and the app itself being more expensive in the long-run, and the inability to customize to the same extent.

Marketing expenditure and promotional discounts

104. Marketing expenditure is one of the major costs incurred by firms in food delivery to drive consumers to their platforms. Marketing expenditure includes brand marketing and awareness (TV, Radio, social media, billboards, etc.), search advertising (Google Adwords and SEO) and eater promotions. Eater promotions constitute a significant cost item within the marketing expenditure category. Platforms use these promotions to generate demand in the areas in which they are active. Promotions are generally designed to achieve various objectives such as:
    104.1. Increase the basket size of an order;
    104.2. Increase the frequency of orders; and
    104.3. Encourage someone to place their first order.

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[111] Submissions from Bolt Food (SOI) dated 25 June 2021.
[112] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.
[113] [redacted]
[114] The actual license fee is [redacted] per annum. [redacted]
[115] See Delivery Ka Speed interview with ENCA available on YouTube.

105. [redacted][116] The table below provides a description of different types of promotions generally applied by established platforms.

Table 4: Types of promotions generally applied by established platforms

Promotions Types	Description
Free Delivery	The full value of the delivery fee is discounted.
Rand value off on an order	A fixed Rand value is discounted on an order. This value can never exceed the total value of an order.
Percentage off on an order	A percentage of the total food value is discounted.
Item based discounts	Specific items in an order are eligible for a Rand value discount.
Meal Deals	This mechanism allows discounting specific items, while clearly indicating what the original price was.
Buy 1 get 1 free	This allows the sale of two items for the price of a single item.

Source: Compiled by the Inquiry using various sources. Note that promotions are also available on the platforms' apps and/ or via e-mails, if one is the platforms' customer.

106. For established platforms, the funding model for promotions varies with some promotions fully funded by the platform whilst others are co-funded (platform and restaurants) or fully funded by the restaurant.[117] For some restaurants chains[118] the established platforms may include a marketing fee in contractual agreements which is equivalent to a percentage of the total revenue generated by the restaurant group on the platform. The marketing fee value is then committed and spent on the platform's marketing initiatives that promote the restaurant brand, but which are typically traded for a reduction in the commission fee so that overall costs do not escalate for the restaurant.

107. As indicated above, the Inquiry has observed that online food delivery is characterised by aggressive customer acquisition and promotion strategies employed by established platforms and more recently Bolt Food, presumably funded by its parent company. These strategies largely require substantial capital and continuous funding. The aggressive nature of promotions employed by established platforms and Bolt Food is [redacted] in detail in the next chapter. The Inquiry has observed that [redacted], established platforms pay attention to the

116 [redacted]

117 The Inquiry notes that where restaurants fund the promotions (largely restaurant chains) appear to be incentivised from funding these promotions through, *inter alia*, lower commission fees.

118 [redacted]

aggression with which their competitors use promotions as a tool to compete and acquire market share.[119] The Inquiry has also observed that delivery costs constitute a major cost item in online food delivery running into hundreds of millions of rands. Furthermore, it appears that delivery services are heavily subsidised by established platforms to the extent where costs of delivery far exceed the revenue generated from delivery.

108. Smaller platforms submit that it is impossible to compete against aggressive marketing and promotional strategies employed by established platforms, along with delivery subsidies. According to one small platform, it attempted to adopt the same approach used by established platforms of engaging in aggressive marketing and promotions. However, it was unable to sustain the strategy and was eventually forced to exit the market. This small platform is of the view that this model is unstainable without large capital funding.[120] Smaller platforms submit that established platforms are able to sustain and maintain these aggressive promotions as they are funded and supported by well-resourced parent companies.[121]

109. Buzz Delivery has observed that established platforms are cutting their profits to maximise market share in competition with each other through aggressive marketing tactics and this has eventually made it difficult for small platforms to compete in the same space.[122] In raising concerns about the established platforms promotions, another smaller platform states that [redacted][123] In short, smaller platforms are of the view that the level of marketing and promotions in the market presents an insurmountable barrier to growth and expansion.

110. In an attempt to avoid competing against capital intensive promotions that are offered by established platforms, some of the smaller platforms have resorted to targeting underserviced areas, especially townships, where Uber Eats and Mr D Food have limited or no presence at all. In this regard, the Inquiry has observed that platforms such as WeDash, Delivery Ka Speed and Paarl Eats operate largely in underserviced areas. These platforms generally share the sentiment that it makes economic sense to spend

[redacted]

120 [redacted]

121 [redacted]

122 See Public Hearing Transcript of Buzz Delivery (Ms MR Veldhuis) dated 11 November 2021.

123 [redacted]

resources in neglected areas where there is scope to develop and grow a brand without undue pressure from established platforms. While smaller platforms acknowledge the possibility that established platforms may eventually expand to neglected areas, they are hopeful that when such expansion occurs, they would have built value, brand awareness and loyalty in the market.[124] This optimism remains to be tested in the face of large promotions that are employed by established platforms.

Scaling and sustainability

111. A significant amount of on-going capital is required to support a food delivery platform until it reaches critical mass given the current business models in food delivery. Whilst local food delivery may require less capital, it is also local in reach. Attempting to expand rapidly and acquire a national critical mass under current business models means the need to invest heavily upfront. Reaching this critical mass also requires capital to, amongst others, (i) expand operations into other geographic areas and (ii) acquire more consumers whilst ensuring repeated use by customers already on the app. However, importantly, this is based on the current models that seek to secure the market by the time it matures. There are alternative business models that may be less capital intensive but are unlikely to survive when faced with operations that are based on current business models. As such, this becomes the prevalent business model which others now need to respond to if they are to compete effectively.

112. One smaller platform notes that as a start-up it is important to have on-going capital to keep on attracting customers to use the app for orders.[125] To attract and retain customers in markets where established platforms are active, it is imperative to offer on-going discounts which require significant funding. However, smaller platforms do not have significant on-going capital to sustain and scale their operations in this manner. Moreover, self-funded platforms with no additional funding cannot afford to fund large losses that are associated with implementing aggressive marketing and promotions tactics in a frequent and continuous manner.[126] This, in turn, impedes their ability to expand. On the other hand, it appears that established platforms can afford to run at a loss as they seem to have funding through their parent companies. Some of the smaller

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124 [redacted]

125 [redacted]

126 [redacted] Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

platforms (e.g., Dryvar) submit that established platforms have large marketing budgets and can afford to run at a loss as their funding will cover these losses.[127]

113. It appears that, ultimately, the established platforms aim to fund consumer promotions and discounted delivery through higher commission fees to restaurants. Established platforms have been able to gradually build a consumer base and increase order volume and revenue for restaurants over time. In turn, it appears that this has allowed them to facilitate commission fee increases without losing restaurants, and even discriminate heavily against the smaller restaurants that are more dependent on them. Thus, the customer base building process is all about funding marketing spend from the shareholders – this is the main barrier to expansion for other platforms.

2.3.3.2. Access to restaurants chains

114. For an online food delivery platform to be sustainable in the market, it must have enough restaurants on its platform as well as a good selection of restaurants. Good restaurant selection and mix attracts customers to the platform. This, in turn, drives food order volume and platform revenue.

115. In the restaurant selection, representation of restaurant chains and independent restaurants is crucial for customer attraction. Independent restaurants provide the necessary mix in terms of, among other things, cuisine. Also, as pointed out by Uber Eats, some independent restaurants are prominent in their locality (sometimes referred to as 'local heroes') and their value mirrors that of restaurant chains in that local area.[128] Restaurant chains hold a prominent position in the fast-food industry nationally and give credibility to the platform.[129] A good restaurant selection and mix refers to signing-up both independents and chains. To succeed in the market, a platform requires both types of restaurants. Independent restaurants seem more willing to sign up with platforms in their area. The evidence before the Inquiry shows that smaller platforms are generally able to on-board independent restaurants, however, they struggle to on-board the restaurant chains.

116. Dryvar indicates that although it had signed independent restaurants, it would have preferred to launch the app with restaurants chains on-board as well. Dryvar argues that for a delivery platform to be successful it must contract with the major franchise

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[127] [redacted] Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

[128] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021.

[129] Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021.

restaurants as they account for a large share of customer orders. Dryvar submits that it has approached some of the prominent restaurant chains to join its platform, however, these restaurants refused to join on the basis that they are already using Uber Eats and Mr D Food.[130] Submissions by Dryvar on the refusal by restaurant chains to contract with smaller platforms is consistent with the experiences of all smaller platforms contacted by the Inquiry.[131] For instance, during the public hearings platforms such as WeDash and Paarl Eats indicated that they have also experienced difficulties contracting with restaurant chains even in areas where Uber Eats and Mr D Food are not active.[132] The Inquiry established that Burger King and Nando's (i.e., franchise stores) are the only restaurant chains willing to contract with smaller platforms.

117. Given the above challenges, smaller platforms launch their platforms to the market with skewed and insufficient mix and selection of restaurants. Lack of restaurant chains adversely affect smaller restaurant performance as customers who want meals from these restaurant chains cannot use smaller platforms. In turn, this affects their ability to grow and expand their operations.

2.3.3.3. First-mover to scale

118. In this chapter, the Inquiry has already discussed some aspects of scale challenges faced by smaller platforms. In terms of first-mover to scale within the food delivery platform, the following are worth noting:
    118.1. First-mover to scale holds in food delivery platforms in the sense that first-to-scale may not necessarily be the first in the market. OrderIn timelines show that it launched its food on-demand delivery platform in 2015, a year prior to the launch of Mr D Food and Uber Eats mobile delivery apps. This suggests that within the South African context OrderIn may have been one of the early pioneers and first-movers that lacked the capital backing of the same magnitude as established platforms to scale its operations. The same can be said with Delivery Xtreme and Appetite; and
    118.2. It appears that the existence of scaled/scaling platforms relying on funding to acquire customers and sustain losses pose significant barriers to expansion for new and late entrants. This is in part because the leading platforms have scale efficiencies, higher commissions (from holding more customers) and revenue

[130] Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

[131] [redacted]

[132] See We Dash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 and Paarl Eats (Mr Petersen & Ms Erasmus) Public Hearing Transcript dated 22 November 2021.

streams to fund marketing, and prominent brands. This means that new platforms effectively have to outspend in order to attract consumers away unless they offer something substantially different, which they do not. This is also reflected by the difficulties that Bolt Food, an international company with brand equity, has experienced in tackling the leading platforms. Bolt Food attempts to challenge the market position of established platforms in few areas have to-date been a costly exercise characterised by aggressive promotions, low commission fees across restaurants segments and loss making. Even Bolt Food's own estimated market share suggests that despite making substantial upfront capital investment their market share is still relatively low. Furthermore, the established platforms are expected to respond aggressively to Bolt Food's entry strategy.

2.3.3.4. Network effects

119. Online intermediation platforms are two-sided markets and are also subject to network effects, where more users on the one side of the platform make the platform more valuable to the other side. In food delivery, consumers value a platform that has a variety of restaurants available as this provides them with different food choices. For the same reason, restaurants value a platform more if it can attract a lot of consumers because this increases the number of potential buyers on the platform. Since the demand on one side of the market depends on the demand on the other side, it is important for platforms to invest and have sufficient customer and restaurant base. One of the major challenges faced by new and emerging platforms with limited capital and funding is attracting sufficient critical mass on both sides of the platform to be sustainable:

119.1. Consumer-side: On the consumer side, platforms require funding and on-going capital requirements to spend on marketing activities. It appears that the common approach adopted by established platforms in their initial years of operations is that of pursuing growth while sacrificing profits, conduct that may reinforce network effects. This approach results in platforms (i) engaging in aggressive marketing and promotional tactics to attract and retain customers and (ii) channelling more funding towards expanding their footprint to reach the required critical mass. Platforms also subsidise the consumer-side at different points in time in order to get critical mass (e.g., through initiatives such as free or low delivery fees that are not reflective of the actual delivery costs incurred). As already indicated, it appears that in the long run these discounts on food and delivery need to be funded from higher commission rates charged to restaurants, which can only happen once a delivery platform has become prominent. In the meantime, platforms need to have

the capital to fund those discounts themselves. In all, smaller platforms struggle to compete against established platforms on the consumer-side of the market due to this profit sacrifice strategy; and

119.2. Restaurant-side: On the restaurant side, restaurants prefer to contract with the platforms that are well known (e.g., able to advertise on national TV, Radio, etc.) and established in the market. Most of the restaurant chains contract only with Mr D Food and Uber Eats while some of the franchises (particularly Nando's and Burger King) may contract with the smaller platforms. Another important consideration for restaurants is the size of the platform and its geographic reach. As indicated above, restaurants prefer platforms that have a national presence as this increases their number of potential customers. There is also reluctance by restaurant chains to list on many platforms, conduct which often affects smaller platforms. Interestingly, even Bolt Foods has battled to on-board some of the restaurant chains. Thus, a smaller platform faced with these challenges often struggles to attract sufficient mass.

120. Therefore, it appears that the network effects in the online food delivery market makes it difficult for players without substantial financial resources to be competitive and sustainable. In fact, these network effects increase barriers to entry and expansion in the market. However, as discussed in the next section, strategies by the leading platforms serve to reinforce these network effects and tip them in their own favour.

2.3.3.5. Multihoming

Consumer-side

121. The Inquiry notes that evidence on multihoming and it's extent is generally mixed – however, have similar implications for established platforms. For instance:

121.1. Some evidence points to the fact that many customers are loyal to a single service and do not multi-home, whilst consumers who are open to multi-homing across platforms tend to switch between the two established platforms;[133]and

121.2. Other additional evidence before the Inquiry suggests that multi-homing is common amongst customers with almost all consumers who multi-home using Uber Eats and Mr D Food.[134]

[redacted]

122. In light of the above, it is evident that, to the extent that multi-homing occurs, it is only limited to the established platforms' apps. Moreover, multi-homing behaviour amongst customers appears to be largely driven by promotions.[135] This kind of behaviour as driven by promotions favours established platforms. Furthermore, the wide parity clauses contained in some of the established platforms' contracts encourages customers to multi-home less, especially if they consistently find that the leading platform is never more expensive than the alternatives that exist in the market. Naturally, consumers will make use of local delivery platforms where the leading platforms are not active, but this does not mean consumer multi-home to smaller platforms in large numbers where the leading platforms are active.

Restaurants-side

123. On the restaurant-side, it appears that many restaurant chains prefer to use only two platforms (Uber Eats and Mr D Food) thus multi-homing is limited to these platforms. The smaller online platforms are not typically used by the larger chain restaurants. The level of effort, cost and other frictions from using multiple platforms can also result in business users not supporting more than a few platforms, to the detriment of smaller platforms as users will list first on the scaled provider of the most customer volume. However, as discussed in the next section, the contracting with the restaurant chains often rewards them bringing more volumes and restaurants to the established platforms such that they may be incentivised not to use alternatives (less they divert volumes and hence lose the ability to negotiate lower commission fees). Some restaurant franchisees are also given no choice where the franchisor actively prevents franchisees from contracting on their own with platforms not approved by the franchisor. These practices create additional friction for multi-homing by restaurants that may otherwise be greater than they currently are.

124. It appears that the fact that business users and customers are less willing to multi-home away from the established platforms raises barriers to entry and expansion for smaller platforms.

135 [redacted]

2.4. Conclusion

125. While there may not be insurmountable barriers to entry in food deliver, there appears to be barriers that inhibit the ability of platforms to expand successfully and compete effectively with established platforms. Smaller platforms particularly face barriers to expansion as they are unable to compete effectively for customers due to:
    125.1. Limited funds (e.g., inability to compete effectively with established platforms' deep pockets for marketing and promotions); and
    125.2. Inability to onboard restaurants chains onto the platforms to acquire sufficient range and selection.

126. Other barriers that inhabit the expansion of smaller platforms and late-entrants include the existence of network effects, first-mover to scale and limitations to multi-homing.

3. PLATFORM COMPETITION ISSUES

127. In this section, the Inquiry assesses features which impede, restrict or distort competition in the food delivery platform market in South Africa. In identifying these features, the Inquiry has been guided by submissions and engagements with various stakeholders.

3.1. Marketing and promotions

128. The Inquiry considers various factors, such as the business models of the established platforms and how marketing/promotions fit into these models, profitability and/or losses generated, the nature of costs covered by revenue generated. For instance, in the event of losses, whether such losses fall into predation territory. The Inquiry also considers evidence from smaller platforms (e.g., exits or growth in the market) to assess whether any conduct or feature of the market impedes, restricts or distorts competition. As a starting point, the Inquiry re-visits the issues raised by various platforms (it should be noted that some of these issues have been highlighted in the market structure and competition dynamics section).

3.1.1. Issued raised by various platforms

129. According to smaller platforms, it is impossible to compete against aggressive marketing strategies employed by established platforms. Smaller platforms further argue that the established platforms are able to employ aggressive marketing tactics as they are funded and supported by well-resourced parent companies.[136] Some of the smaller platforms also submit that the level of marketing in the market has (i) impeded their ability to grow and expand and (ii) has played a major role on their decision to exit the market.[137] Some of the main concerns highlighted are:

129.1. Aggressiveness of promotions: meal discounts that are as high as 50% off orders and free delivery (or significantly low delivery fee);

129.2. Frequency of promotions: promotions are aggressive, consistent and continuous (e.g., weekly promos, peak periods promos, Friday promos and month end promos); and

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136 [redacted] Public Hearing Transcript of Buzz Delivery (Ms MR Veldhuis) dated 11 November 2021 and Dryvar (Ms Naidoo) dated 22 November 2021.

137 [redacted] Public Hearing Transcript of Dryvar (Ms Naidoo) dated 22 November 2021.

129.3. Deep pockets and funding: to be sustainable and compete successfully against establish platforms requires deep pockets and funding.

130. Established platforms state that marketing is part of a customer acquisition strategy for all delivery platforms across the globe. These platforms further state that their marketing spending is in line with global norms and standards of delivery platforms. It is also submitted that the Inquiry should also take into account the fact that delivery platform markets are still maturing.

3.1.2. The business model of established platforms

131. The Inquiry assessed the business models of established platforms with the focus on understanding how the established platforms grow and scale their operations. The assessment includes insights into:
   131.1. Established platforms' customer acquisition and scaling strategies;
   131.2. Established platforms' profitability and the effects of acquisition and scaling strategy on profitability; and
   131.3. The role of funding on the implementation of the acquisition and scaling strategy.

3.1.2.1. The business model is characterised by aggressive marketing

132. As explained in the previous chapter, it appears that the strategy adopted by established platforms is to use marketing, particularly promotions, to grow and scale their operations, along with delivery subsidies. Currently, the market is characterised by aggressive marketing by three players: Uber Eats, Mr D Food and Bolt Food. It is worth noting that Bolt Food is a recent entrant and prior to its entry in the market, Uber Eats and Mr D Food were already employing aggressive marketing tactics. Buzz Delivery characterises the aggressive marketing between Uber Eats and Mr D Food as *"competition for market shares"* and *"cutting profits to maximise market share in competition with each other"*.[138]

[redacted]The internal documents of established platforms provide insights into factors that influence their business models and how these firms intend to grow, scale and compete in future. [redacted]

[138] Public Hearing Transcript of Buzz Delivery (Ms MR Veldhuis) dated 11 November 2021.

[redacted]

134. Overall, the Inquiry's analysis revealed that the established platforms' business models are characterised by aggressive marketing underpinned by high marketing spend and the offering of substantially low delivery fees.

3.1.3. Insights into Bolt Food business model as a late entrant

135. As a new entrant, Bolt Food has also employed aggressive marketing and promotional strategy to scale its operations. In launching in Cape Town and Johannesburg, Bolt Food has publicly indicated that it will offer customers several promotional offers. These offers include launch period offers whereby food delivery is free where the distance between the food outlet and the delivery destination is less than 4.5km. Bolt also offer discounts of up to 50% on food orders from selected restaurants.[140]

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[139] [redacted]

[140] See various news articles e.g., (i) Businesstech article released on Bolt Food that also touched on its promotional strategy when entering Johannesburg: https://businesstech.co.za/news/trending/530804/bolt-food-delivery-service-comes-to-joburg/ (ii) Myboradband article released on Bolt Food that touch on its promotional strategy when entering Johannesburg: https://mybroadband.co.za/news/it-services/419144-bolt-food-launches-in-johannesburg.html

136. Bolt Food argues that as a late entrant in a market with incumbents, it is important to introduce a price that is going to *"get customers to move from what they know to something new and try something different".* [141] Thus, Bolt Food argues that the value proposition to the customer as a late entrant is price. This explains why Bolt Food has introduced promotions such as free delivery and 50% of the menu price promotions to compete with established incumbents. Bolt Food also indicates that its promotions are weekly driven campaigns aimed at showing value to customers.[142] The expectation is that the established platforms will respond aggressively to Bolt Food's entry strategy. However, Bolt Food's strategy may have limitations insofar as restaurants chains are concerned. Established platforms have onboarded restaurant chains, thus for customers that crave for cuisines from these chains, established platforms may not be under pressure to discount aggressively as the customer will still purchase the meal from them.

3.1.4. Delivery cost absorption and subsidisation

137. Delivery platforms provide delivery services to customers. In turn, customers have to pay for the costs of these delivery services. In most instances, the delivery fee charged to customers is not a reflection of the actual cost of delivery services (i.e., the delivery fee charged is below the actual costs of the delivery services). As already indicated, in some circumstances customers do not pay for the delivery services as these services are offered for free. Thus, it appears that established platforms absorb a significant portion of delivery costs. Mr D Food has acknowledged that the delivery fee is absorbed within the business and that it is a large cost item.[143]

138. A review of various sources, including submissions from platforms and restaurant chains, show that the actual cost of delivery per order ranges between R30 to R35 with R35 appearing to be the common figure for delivery costs.[144] Established platforms have been charging customers significantly lower delivery charges/fees, ranging between R5 to

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[141] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.
[142] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.
[143] Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021. "***Chairperson***:.. *that differential [delivery fee charged to customer and actual cost of delivery] is absorbed by the business, yes.* ***Mr Reid****: Part of, look I actually have not got the exact percentage in mind, but you know a part of the fix over is the delivery fee is the amount that we absorb is a cost within our business and it is a large cost within our business, yes".*
[144] For instance see (i) Quench (Ms Bester) Public Hearing Transcript dated 11 November 2022 indicating that R35 which is the delivery cost goes to the driver. [redacted]

R15, and, as indicated above, in some instances no fee at all.[145] Thus, the extent of costs absorption on per order basis varies depending on the delivery charge/fee.

Table 5: Illustration of the extent of delivery cost absorption or subsidy per order for the established platforms

Delivery Fee / Charge	Cost Absorbed at R30 Delivery Cost	Cost Absorbed at R35 Delivery Cost	Cost Absorbed as % of R30 Delivery Cost	Cost Absorbed as % of R35 Delivery Cost
R0	R30	R35	100%	100%
R5	R25	R30	83%	86%
R10	R20	R25	67%	71%
R15	R15	R20	50%	57%

Source: Inquiry calculations – cost absorbed is given by delivery costs minus delivery fee/charge. Cost absorbed as a % of delivery cost is given by cost absorbed divide by delivery costs.

139. In essence, the table above shows the percentage of the cost absorbed by the established platform on per order basis. At a R0 delivery fee, the platform absorbs 100% of the delivery cost and the customer pays 0% - thus the customer is fully subsidised by the platform. At R10 delivery fee, the platform absorbs 67% to 71% of the delivery costs whilst the customer pays 29% to 33% of the delivery costs. Overall, the extent of cost absorption and/or subsidy by established platforms ranges from 50% to 100% per order depending on the applicable delivery fee.

140. The extent of delivery fee costs absorption is also significant when considering the total delivery costs absorbed within the established platform's operations – only a well-funded platform with capital backing can manage this level of cost absorption over a long period of time on a consistent basis. The established platforms' extent of delivery costs absorbed has increased significantly over time in Rands. For example, at one point in time, one of the established platforms used to absorb delivery costs in tens of millions of rands in a year and the extent has increased to hundreds of millions of rands.[146] The significant

[145] The delivery fee charged by customers are of public knowledge (if one has downloaded the app and utilises it) they are able to know such promotions and charges. It is also apparent that delivery fees can also vary from location to location - depending on the dynamics of the areas in question and the objective a platform wishes to achieve. Also see (i) Mybroadband article: https://mybroadband.co.za/news/it-services/366084-uber-eats-vs-mr-d-food-the-cheapest-food-delivery-app-in-south-africa.html titled *"Uber Eats vs Mr D Food – The cheapest food delivery app in South Africa"* September 2020 which reports delivery fees in some Johannesburg areas to range from R3 to R6 for established platforms.

[146] [redacted]

- [redacted]

increase in delivery costs absorbed appears to be consistent with the platform's model and aggressive approach described above.

141. Moreover, for the capital-backed platforms, the cost of promotions and delivery subsidies alone can constitute 40% to 70% of platform's revenue from commissions, subscriptions and delivery charges. This is before other platform variable costs such as transaction processing, maps licensing and food loss, and fixed costs such as staff and technology. This explains in part the reason why established platforms are making losses currently. In numerous instances, the losses fall into the abusive predation levels at a local area, restaurant chains (getting favourable commission fees) or point in time nationally.

3.1.5. Spending on marketing activities

142. The marketing spend by established platforms has been increasing considerably on a year-by-year basis (in some years increasing by more than 100%). The marketing spend for leading platforms used to be in tens of millions of rands per annum and have increased to hundreds of millions of rands (noting that this still excludes ongoing eater promotions rather than new eater acquisition and ATL marketing). Marketing as a percentage of revenue for established platforms can fall within any of these ranges (i) 15% to 25% and (ii) 25% to 35% (and much more if ongoing eater promotions are included).[147] With the established platforms' growth strategy still in place and Bolt Food's entry into the market, the established platforms are expected to significantly increase funds channeled towards marketing. The Inquiry also notes that in terms of the marketing breakdown, eater promotions constitutes a substantial part of marketing spending.[148]

143. Bolt Food as a late entrant has spent more on targeted campaigns (promotions). In an attempt to compete against the established platforms, [redacted]

147 [redacted]

148 [redacted]

[redacted] The Inquiry observes that it is only when Bolt Food started to introduce and significantly increase spending on promotions that it started to make inroads into the market (in terms of increasing order volumes and revenue). [redacted] This trajectory showed that Bolt was unable to get traction unless it adopted the same strategies.

3.1.6. Profitability of the established platforms

144. Evidence before the Inquiry shows that established platforms are loss making. These platforms have not turned profitable since their inception as online delivery platforms. Despite incurring losses, the platforms continue to employ aggressive growth tactics that require more marketing spending and a high degree of delivery fee costs absorption. Over the period 2017 to 2021 (Jan-Jun) established platforms incurred cumulative losses in hundreds of millions of rands.[149] Similarly, Bolt Food has also incurred losses since entry into the market. The analysis of Bolt Food's losses quarterly shows that Bolt Food losses have increased significantly [redacted].[150] It appears that these losses have been driven largely by Bolt Food's attempts to compete effectively with established platforms by introducing aggressive marketing campaigns (e.g., free delivery and 50% discounts).

145. Moreover, the Inquiry has observed that some of the platforms are loss making at variable costs level at least for certain restaurant chains that get favourable commissions.[151] This

[redacted]

149 T[redacted]

150 [redacted]

151 [redacted]

suggests that even after a considerable number of years of scaling and growing operations in the market, some platforms still fail to recoup their variable costs (including delivery, transactional, platform funded discounts and food losses) in respect of local area markets or specific restaurant chains.[152] These kinds of losses generally fall into the abusive predation levels and contribute materially to the exit of competitors and inhabit new entry and expansion. This also suggests that other restaurants (in particular independents) or local markets might be subsidising the variable loss-making local areas or restaurant chains.

3.1.7. Effects of aggressive growth strategy on established platform profitability

146. As already indicated, established platforms absorb a significant portion of delivery fees/ costs within their operations. Furthermore, marketing constitutes a moderate and reasonable percentage of revenue towards the established platforms' operations. [redacted] The Inquiry has observed that this growth strategy, as opposed to a more conservative growth strategy that may still result in losses, can results in EBITDA losses increasing by tens of millions of Rands and suppress gross profits by more than 5%.[153]

[redacted]

152 [redacted]

As such, platforms actively determine how much growth they want to achieve, and to grow faster they will need to fund more. They have actively sought to grow faster.

3.1.8. Funding to scale operations and sustain losses

147. It appears that the established platforms are able to continue adopting aggressive competitive strategies whilst making losses due to their deep pockets and financial backing from their holding companies. Without funding and financial backing it is unlikely that established platforms would be able to sustain losses whilst also increasing marketing spending and absorbing more delivery costs. Thus, funding is central to helping these established platforms to scale operations and compete aggressively.

148. The importance of funding is also reflected in Bolt Food's ability to secure funds globally to enter and scale its restaurant and grocery operations. South Africa was one of Bolt Food's first wave markets into its vertical operations (restaurants and grocery) entry.[154] It has been widely reported that Bolt Food's parent company has secured funds to grow its vertical business:

148.1. 02 August 2021 - Bolt published an article on its website[155] titled *"Bolt closes €600M funding round"*: The article states that *"We're very happy to announce that we've closed a €600M funding round, increasing Bolt's valuation to more than €4B"...."the funds will be used to boost our new grocery delivery service, Bolt Market, and accelerate our expansion of existing mobility and delivery products*".

148.2. Additional funds secured in January 2022: various media outlets report that Bolt has raised €628 million, at a valuation of €7.4 billion. The funds will be used to continue expanding to new geographies and to bring more consumers and newer business lines, such as grocery delivery option.[156][157]

3.1.9. Long term profitability and sustainability for leading platforms

149. The current losses generated by established platforms are unsustainable in the long run. Moreover, as it is normal with any business operations, at some point the platforms have to break-even and start generating profits for the shareholders. The Inquiry considered how these platforms envisaged achieving long-term profitability and sustainability.

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[154] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

[155] https://blog.bolt.eu/en/bolt-closes-a-600m-funding-round/ also see the same news reported on https://www.cnbc.com/2021/08/02/uber-rival-bolt-valued-at-4point75-billion-in-new-funding-round.html

[156] https://techcrunch.com/2022/01/10/bolt-raises-709m-at-an-8-4b-valuation-to-expand-its-transportation-and-food-delivery-super-app/

[157] https://ain.capital/2022/01/11/estonian-bolt-raises-709m/

150. The obvious path to sustainability is to increase unit revenues and to decrease unit costs to the point where the platform makes money. It seems that within this business model there is no intention to stop subsidising the consumer with below cost delivery fees and eater promotions, but rather to ensure this can be done profitability through increasing the food basket size and restaurant commission fees on the one hand, and reducing the extent of subsidisation through slightly higher delivery fees and maintaining absolute marketing levels (i.e. not increasing with eater numbers). In other words, restaurants will subsidise consumers on the platform, and even some restaurants will subsidise others as discussed under discrimination.

150.1. Increase in commission fee and food baskets: the platforms have increased the commission fees over time to all types of restaurants, including the global chains. This is achievable because of the increased dependency of the restaurants for the business. Whilst there may be limits to that, those limits are mainly determined by the platform's results in increasing order volume and revenue for restaurants. This dependency can be exploited to facilitate an increase in commission fees.[158] Food basket is part of the process of incentivizing consumers to spend more, but also natural food inflation; and

150.2. Reductions in subsidisation / marketing but not their elimination: established platforms make losses due to the delivery subsidies and marketing costs. It seems that delivery costs will likely increase over time as inflation will impact on these and there are few scale benefits left. Platforms seem reticent to make consumers pay the full costs, but they can try pass on more of it, especially if there are fewer competitors left and this business model wins out.[159] On marketing, the same

158 [redacted]

159 [redacted]

applies as platforms will seek to reduce the spend per order by flatlining the absolute spend whilst the platform grows. This is also possible if competitors are eliminated along the way.

151. Based on the above, it appears that the long term profitability and sustainability model of established platforms involve (i) continuing to subsidise the consumer-side of the market, but, at a slightly lower level, and (ii) pay for this customer acquisition from higher commissions from restaurants. In essence, the deep capital backing of established platforms enables the platforms to fund the losses which support growth through customer acquisition. It appears that the promotion and delivery subsidy spend will eventually be supported through extracting higher and higher commissions from restaurants as the platforms become essential avenues to reach online food delivery customers. What is interesting to the Inquiry is that there are also not many scale benefits to be achieved by the leading platforms insofar as unit cost decreases are mainly from reducing subsidies rather than scale benefits.
152. Already, the established platforms charge higher commission fees than local delivery platforms to fund customer acquisition, and these have gradually increased by 1% or more per annum. Established platforms are in some cases charging 50% higher commissions on average relative to local delivery platforms. However, this strategy of customer acquisition does result in the demise of alternative business models based on localised delivery by SMEs which lack the ability to fund customer acquisition in this manner. Thus, the substantial marketing budgets by established platforms ultimately result in the exclusion of smaller platforms, and the ongoing nature of such spend, funded by more business user revenue, is to erect a permanent barrier to entry. Illustrative of this, Bolt Food which has globally backing is essentially needing to spend more on promotions and delivery subsidies [redacted].
153. For local delivery platforms in South Africa without capital backing, there is simply no way to match the marketing spend at all. It is for this reason that local platforms have exited in large numbers (as discussed below), with the surviving ones focusing on servicing areas where the established platforms have limited or no presence at all. However, that may not last very long.
154. Whilst the platforms argue that this is required in order to scale the model, the Inquiry is sceptical as to how much this can explain the rationale for the business model, especially moving forward. Frome the Inquiry's observation, it does not appear that there are many

[redacted]

scale benefits left given their current size. Delivery is an inherently local exercise, and it is interesting that the cost for delivery does not seem to differ much between the local and national platforms. This suggests limited scale benefits for that important component. It seems that there may be scale benefits to brand marketing at a national level and the use of the technology, other costs seem to vary with volumes.

155. In the alternative, it is quite plausible that the current business model is a form of predation strategy insofar as current losses both eliminate rivals but also build restaurant dependency such that higher commissions can be extracted from them. The higher commissions enable the platforms to continue to subsidise the consumer in the long run as outlined above, which creates an insurmountable barrier to newer entrants, or at least a strong deterrent, given that they cannot demand the same commission fees. This means that the leading platforms will be in a position to recoup in future, with a barrier to entry erected.

3.1.10. Impact of established platforms business model on smaller platforms

156. The Inquiry had the benefit of consulting with several market participants with experience of competing head-to-head with established platforms. What follows is the assessment of these market participants' experiences competing against the established platforms' aggressive marketing tactics.

3.1.10.1. Smaller platforms strategies and responses

157. The Inquiry has observed that smaller platforms charge commission fees that are lower than the established platforms. With respect to customer acquisition, lower commission fees might enable the smaller platforms to have lower menu pricing relative to established platforms (this might be negated by restaurants self-enforcement of wide parity clauses).[160] However, it appears that lower commission fees are not sufficient when competing against the established platforms. Several platforms acknowledge that over and above lower commission fees, it is important to offer various promotions to compete effectively against the established platforms.[161] In that case, lower commission fees ultimately make competing harder, but the smaller platforms cannot charge more.

158. For instance, when Dryvar launched its platform in Kwa-Zulu Natal and Cape Town, it offered free delivery and meals.[162] Dryvar absorbed these costs in an attempt to compete

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[160] See discussions on wide parity clauses under its platform competition section.

[161] [redacted]

[162] [redacted] Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021.

with established platforms. Similarly, in Johannesburg and Pretoria, another smaller platform [Platform A] attempted to adopt the same approach used by established platforms of engaging in aggressive marketing and promotions.[163] As already indicated, Bolt Food has also adopted aggressive marketing techniques in an attempt to compete effectively with established platforms. Thus, several platforms' initial strategy in competing against the established platforms' aggressive marketing is to also offer aggressive promotions. However, some of these platforms have cautioned against the sustainability of this model, with Dryvar indicating that it did not have enough funds to continue subsidising the promotions, whilst Platform A argues that the model was not sustainable without large capital funding.

3.1.10.2. Smaller platforms a collateral damage: ultimate exit in the market

159. Over time, smaller platforms realise that it is impossible to sustain their business operations whilst frequently offering promotions similar to those offered by established platforms, as it requires continuous funding.

160. Dryvar submits that large marketing budgets make it difficult for self-funded platforms with limited budget to compete effectively. According to Dryvar, established platforms have large marketing budgets and can afford to run at a loss as their funding will cover these losses.[164] A start-up platform cannot compete with established platforms' promotional offers that are as high as 30% off meal on weekly basis as this would affect the platform's profitability and margins. Apart from meal discounts, Dryvar also submits that it cannot compete with free delivery on a consistent and frequent basis.[165] Dryvar ultimately discontinued its Kwa-Zulu Natal and Cape Town operations due to its inability to continuously engage in aggressive marketing tactics, amongst other things.[166] The same sentiments are shared by other smaller platforms [e.g., Platform A and Platform

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163 [redacted]

164 [redacted] Also see Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021. For instance, Ms Naidoo states that *"...I want also to speak to is the deep discounting. So, Uber Eats and Mr D are backed by some of the biggest funders being Naspers and Uber International... So, we know that they have very deep pockets"... "depends on their [established platforms] marketing strategy and if they are happy to run at a loss – you know with the conglomerate, if one division runs at a loss it is fine".*

165 Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021. Ms Naidoo also explained in detail that the frequency of the promotions was aggressive and difficult to compete with. In some extracts Ms Naidoo argues *"How are we going to be sustainable? But also, if they keep discounting and offering 20% of your KFC every second day, that is also not sustainable"..."It is either Spur that it is 20% off or KFC or McDonald's or get free delivery and that is, you know, the whole weekend would go by"..."it is just the frequency of it and we cannot compete with free delivery that is being offered on a constant basis and consistent slashing our prices".*

166 In a form of continuous promotions (meal discounts and delivery fees). See Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021.

B][167] as they were also unable to sustain the aggressive competitive strategy deployed by established platforms and were eventually forced to exit the market.[168]

161. It is worthwhile to highlight the experience of Platform B in the market. This platform had managed to establish its footprint across key cities.[169] At some point in time it delivered more than 40 000 orders per month.[170] Around August 2021, Platform B's performance had significantly declined to less than 10 000 orders per month.[171] In correspondence to the Inquiry, Platform B described the impact of extensive marketing and promotions by established platforms and, most recently, Bolt Food on its business operations. Platform B attributes its declining business performance and ultimate exit to, *inter alia*, substantial financial resources of the established platforms and their ability to run aggressive promotions on a consistent basis.[172]

162. Evidence suggests that localised platforms and those that over time had expanded footprint (such as Platform B) have been caught in the middle of aggressive marketing war between the established platforms. These platforms are a collateral damage in this war as demonstrated by their exit after many years of providing customers with delivery services. It appears that they start by significantly reducing the frequency of promotions and extent, losing order volumes, customer spend and ultimately revenue.

3.1.10.3. The availability of funding for smaller platforms to sustain the model

163. It is apparent that the model adopted by smaller platforms becomes unstainable over time, as witnessed by their inability to compete against the well-funded established platforms. Dryvar indicated that it has taken a decision to put its operations on hold until

167 [redacted]
168 [redacted]
169 [redacted]
170 [redacted]
171 [redacted]
172 [redacted]

it raises funding to support the business in re-launching.[173] Dryvar indicated that it had not been successful in raising funds to relaunch and part of the challenges encountered include:

163.1. Lack of programme and/or public grants available to support SMEs or start-ups in the digital space;[174]

163.2. Venture capitalist funding criteria that focuses on the performance of the company and actual revenue generated with little focus on the local competitive dynamics;[175]and

163.3. Venture capitalists scepticism to funding firms that are competing against established platforms with deep pockets.[176]

3.1.11. Conclusions and findings on marketing and promotions

164. As demonstrated by evidence, the established food delivery platforms have over time employed aggressive competitive strategies, characterised largely by substantial meal discounting and the provision of large discounts on delivery fees. In some instances, the established platforms have offered free delivery services to consumers despite the costs incurred for rendering such services. Evidence further shows that the established platforms have over the years made substantial loses (even at a variable costs level), which are largely attributable to the aggressive competitive strategies which they employ. It is apparent from evidence that the established platforms incur significantly high costs because of these strategies and, as a result, are not profit making. The Inquiry observes that the established platforms will still channel money into discounted meals and low delivery fees, *albeit* potentially at a lower level, and will try fund this through higher commission fees.

165. The Inquiry has also observed that the aggressive competitive strategies employed by established platforms have resulted in some of the players in the food delivery market,

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[173] Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021.

[174] Dryvar (Ms Naidoo) state that they did come across a Tech Support Programme funded by DTI. However, it did not fit into their spec as for instance it wanted to support app in the process of being developed not been developed. Thus, the programme is for up and coming apps not app already established.

[175] Dryvar (Ms Naidoo) puts it that venture capitalists want to see traction and often when the company has taken a dip they are not going to understand all of the local factors that are come into play. They are just concerned about bottom line and top revenue numbers.

[176] Dryvar (Ms Naidoo) state that the fact that they are competing against companies that are backed and funded by internationally listed companies has also been a deterrent in obtaining funding from venture capitalists. In explaining their interaction with venture capitalist on this issue Ms Naidoo state that *"A lot of the conversation comes around how they are heavily capitalised [Uber Easts and Mr D Food] over us. So the VC [Venture Capitalists] understands that they are going to have to put a lot of money into the marketing efforts of the company alone just to try and compete. So that has also been a deterrent because they know who is backing the two main competitors"*.

which are largely small and with no ability to match the heavy discounts offered by established platforms, being forced to discontinue services in certain geographic areas, while others have been forced to completely exit the market.

166. The Inquiry takes a preliminary view that the competitive strategies employed by established platforms drive them to engage in conduct that appears to be predatory pricing. This predatory conduct, whereby established platforms fail to recoup their variable costs (including delivery, transactional, platform funded discounts and food losses) in respect of specific geographic areas or specific restaurant chains, has materially contributed to the exit of competitors and inhibits new entry and expansion.

3.2. Access to restaurants chains

167. In this section, the Inquiry considered the contractual arrangements and negotiations between established platforms and restaurant chains to determine whether established platforms incentivise the chains to focus their support on these platforms, including bringing in their franchise restaurants. The Inquiry also considered factors that may influence restaurant chains to refuse to contract with smaller platforms. The Inquiry further highlights the importance of restaurant mix and range – to show why it is necessary for platforms to onboard both independents and restaurant chains. Evidence on how smaller platforms are impacted due to having a skewed range of restaurants on the platform is also discussed.

3.2.1. Issues raised

168. According to smaller platforms, another factor that makes it difficult to compete effectively with established platforms and to sustain (e.g., grow) the platform is the inability to onboard a varied selection of restaurants. In this regard smaller platforms submit that onboarding local restaurants and restaurants chains is crucial for platform success. However, these platforms have experienced difficulties in onboarding restaurant chains as the majority of these restaurants refuse to join their platforms. In turn, this:[177]
    168.1. Makes it difficult for smaller platforms to successfully launch without prominent restaurant chains onboard; and
    168.2. Adversely affects their ability to generate more order volume and revenue (to expand) as some customers want meals from restaurant chains and cannot access such meals via smaller platforms.

[177] For instance, see Public hearing Transcripts from various platforms such as Dryvar, WeDash and Paarl Eats. A detailed account of their evidence is provided in this section.

3.2.2. Contractual arrangements and negotiations between established platforms and restaurant chains

3.2.2.1. Contracting corporate and franchise stores

169. The relationship between the established platforms and restaurants chains is generally governed by a contract that typically stipulates the terms and conditions that form the basis of the contract. Most of the provisions in the contract are standard across restaurants except for the commission fee, activation fee and monthly subscription fee; these fees are negotiated between the platform and the restaurant chains at least and differ among the restaurants. An additional difference to the contracts is that some contracts incorporate co-marketing and branding campaigns. Co-marketing requires a restaurant to spend a particular percentage of its food value generated on the platform towards marketing related activities which are generally aimed at benefiting both the restaurant concerned and the platform.

170. The restaurant chains typically have corporate stores which are owned by the company and franchises which are owned by third parties. It appears that platforms are generally eager to sign-up all the stores (corporate and franchise) of a restaurant chain as this attracts customers and enables platforms to service a wider range of customers and areas. Contracts between national chain restaurants and delivery platforms are concluded at a national level, and it is at this level that the negotiations for commission fees and marketing commitments take place. In terms of corporate stores, the platform generally has a contract that covers many or all corporate owned stores. With regards to franchise restaurants, the platform can enter into a separate agreement with each franchisee – however, as indicated, the terms and conditions that bind the franchisee are negotiated at national or head-office level.[178]

171. The Inquiry has observed that most of the restaurant chains only approve the use of established platforms – this implies that franchisees that want delivery services may be forced to use and onboard with only established platforms. Thus, ultimately restaurant chains onboard both corporate and franchise stores with established platforms whilst

178 [redacted]

smaller platforms are excluded from signing-up both corporate and franchise stores, even where the leading platforms are not present.

3.2.2.2. Incentivising restaurants chains to onboard all stores: rewarding numbers and volume

172. Established platforms consider various factors during the contract negotiations and discussions on commission fee to charge restaurant chains. Some of the factors considered include:[179] [redacted]. Clearly if the chain cannot commit to the numbers of restaurants on the platform then these factors will be discounted, and so the numbers of stores that a restaurant brings to the established platforms does influence the commercial terms in a positive manner. The more stores the restaurant chains onboard, the better position the chain will be in terms of negotiating favourable commercial terms such as lower commission fees [redacted].

173. There is also a reward for volume (which can also be linked to number of restaurants). [redacted][180] Thus, restaurant chains bringing more order volume are viewed in positive light – this observation is supported by the fact that established platforms that reward top performing restaurants consider, *inter alia*, order volume generated by the restaurant. The reward associated with top performing restaurants include increased/greater visibility on the platform and potentially increased sales.[181] Thus, any restaurant would want to tap into these benefits.

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[179] Uber Eats submission dated 11 December 2020 and Mr D Food submissions dated 25 November 2020.

[180] [redacted]

[181] [redacted] See Uber Eats website on Top Eats: https://help.uber.com/merchants-and-restaurants/article/top-eats---faq-?nodeId=013a9446-d124-42d4-886a-18c5d346cb2d and Your Guide to Top Eats available on the link: https://help.uber.com/merchants-and-restaurants/article/top-eats---faq-?nodeId=013a9446-d124-42d4-886a-18c5d346cb2dhttps://uber.app.box.com/s/egmklkwl90xl7ypo54u1f9ep65hrtpxy

174. Reward to restaurant numbers and volumes by established platforms has the potential of incentivising the restaurant chains to focus their support on these platforms, and to bring in their corporate and franchisee restaurants. This is because the leading platforms are already the source of the most eater orders in the market and allowing their corporate or franchisee restaurants to support competing platforms would dilute order volumes and potentially reduce restaurant numbers (if the franchisee elected to only support a limited number of platforms), leaving them more vulnerable to commission fee increases.

175. This results in a lack of support for competing national and local food delivery platforms by restaurant chains. The lack of support for competing platforms emanating from these incentives can also be illustrated by way of this example:

    175.1. There are three competing delivery platforms in a local area: established platform A and B and smaller platform C;
    175.2. Franchise restaurant A wants to use two platforms in their locality;
    175.3. Franchise restaurant A decides that most value will be derived from using established platform A and smaller platform C;
    175.4. By deciding not to use the other established platform, Platform B, this essentially affects the number of restaurants that the restaurant chain at national level can bring to Platform B; and
    175.5. If franchisees are at liberty to take these kinds of decisions in greater numbers across areas, then the restaurant chain at national level may not be able to commit to bring the large number of restaurants in negotiations and may accordingly fail to reap the associated rewards.
    175.6. Alternatively, the franchisee makes use of all 3 platforms but this means the orders through platform B are reduced as some go to platform C. This too results in loss in bargaining power by the head office.

176. It appears that it is these kinds of incentives that explain why numerous restaurant chains (i) refuse to support local delivery platforms for corporate-owned restaurants and (ii) may be actively preventing franchisees from contracting with competing national or local delivery platforms that are not approved, limiting them to the established platforms only. These incentives ensure that franchise stores are not able to choose smaller platforms over established ones. It may also explain why franchisees are not allowed to contract with smaller platforms even in areas where established platforms are not active – if a franchise store contracts with a smaller platform, it creates the possibility that the

franchise store might be satisfied with the services of the smaller platform and see no initial value in contracting with the established platform when it enters into that area.

177. This scenario will impact on another negotiation factor considered by the established platform and results in potentially unfavourable commercial terms. In other words, if the restaurant chain opens more stores and/or expand and such expansion is not covered by the contract with established platforms (or alternatively established platforms do not service such stores), such instances might potentially result in unfavourable commercial terms for restaurant chains.

178. Other factors that further influence and/ or incentivize restaurant chains to work with and/ or contract with established platforms instead of smaller platforms include:

178.1. Established platforms funded promotional campaigns: Some of the restaurant chains have indicated that promotional campaigns are important in driving sales for online platforms. [redacted] Restaurants chains also highlight that the ability of a platform to be visible and spend on channels such as national TV and Radio is crucial in deciding whether to use a platform. In contrast, smaller platforms do not have substantial financial resources to offer such incentives and to engage in such marketing and promotions. Moreover, it appears that the value that a local delivery platform offers franchise stores is often neglected and not considered by restaurant chains at national office level; and

178.2. Co-marketing and branding: restaurants chains have advertising and co-branding with established platforms that are aimed at ensuring that both brands are promoted, and customers are encouraged to order restaurant chains' meals via the established delivery platforms. One smaller platform submits that these arrangements imply that restaurant chains and established platforms are endorsing each other's offering and, as a result, it becomes difficult for such restaurant chains to consider alternatives[184]. Because of the capital investment made by restaurant

182 [redacted]
183 [redacted]
184 [redacted]

chains in these marketing activities, it becomes difficult for restaurant chains to switch or consider using smaller competing platforms – as their primary interest is on their restaurant performing well on the established platform's app.

3.2.3. Challenges and difficulties in onboarding restaurant chains

3.2.3.1. Smaller platforms' experiences and challenges

179. In an attempt to contract with restaurants chains, smaller platforms usually approach franchise stores in their areas or operation and, where possible, their head office. Franchise stores typically advise smaller platforms that show interest in doing business with them that they require approval from head office. In most instances, franchise stores indicate to smaller platforms that head office has only approved Uber Eats and Mr D Food and does not consider onboarding additional delivery platforms.[185] While some of the franchise stores may be interested in partnering with non-approved delivery platforms, it appears that they are generally reluctant to do so as this may compromise their relationship with head office or the franchisor.

180. The Inquiry has also established that it is generally difficult for smaller platforms to secure meetings with the head office of franchise stores to explore possible partnerships and/or obtain the required approval to partner with franchise stores.[186] Where smaller platforms have been able to get an audience from head office, the major challenge is persuading the latter to agree to do business with these platforms. For example, WeDash's evidence is that it has tried to obtained approval from head offices of several brands, however, its attempts were unsuccessful because of its presence being limited to specific geographic areas.[187]

181. Delivery platforms that operate in areas where Mr D Food and Uber Eats are not active have also experienced difficulties contracting with the restaurant chains.[188] According to these delivery platforms, restaurant chains have refused to onboard even after platforms

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[185] See (i) Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021 – Dryvar has highlighted that it has approached national restaurant chains such as KFC, McDonald, Famous Brand and Pizza Hunt to join its platform, however, they have refused to join [redacted]

[186] [redacted]

[187] See WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021.

[188] WeDash notes that it services Burger King and Nando's (franchises) in the area. The agreement are at store level not head office level (See WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021).

committing to (i) add an additional customer base and revenue and (ii) providing evidence that there are no delivery platforms and/or services in those areas.[189]

182. Bolt Food acknowledges that there are some difficulties onboarding some of the restaurant chains and it understands their scepticism in partnering with a relatively small platform. Bolt Food's main objective is to expand across South Africa and show these chains the incremental value that can be achieved from the partnership. Importantly, Bolt Food indicated that *"we are starting a trial with some of the bigger names in the next kind of four to six months...depending on that increment or value that we say we can bring they will then move into a wider partnership"*.[190] Thus, Bolt Food appears to have made some inroads into onboarding restaurant chains. Unlike the other smaller platforms, it should be noted that Bolt Food is a global reputable player and there are regional and global relationships that already exist between Bolt Food and some of the restaurant chains (e.g., KFC and McDonald's).[191]

183. It appears that Nando's and Burger King are the only two national restaurant chains that are willing to partner with smaller platforms. In this regard, a smaller platform stated that Nando's and Burger King's head offices do allow franchise stores to contract with smaller platforms in specific geographic locations.[192] The partnership between smaller platforms and franchise store is at store level and not at head office and/or corporate stores level.[193] The advantage of national head office and corporate approval is that it makes the process of onboarding additional stores in different areas easy as smaller platforms expand.

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[189] See (i) WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 [redacted] Paarl Eats (Mr Petersen & Ms Erasmus) Public Hearing Transcript dated 22 November 2021 - Paarl Eats submits that it does not have the majority of national restaurant chains on its platform. The only national chains on Paarl Eats' platform are Burger King and certain Nando's franchises. [redacted]

[190] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

[191] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

[192] For instance, see Paarl Eats (Mr Petersen & Ms Erasmus) Public Hearing Transcript dated 22 November 2021. The evidence is consistent across several smaller platforms that engaged with the Inquiry. [redacted]

[193] We Dash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 – WeDash is only allowed to contract with Nando's franchise store in a specific area. It does not have the approval of contracting with Nando's corporate stores.

184. According to smaller platforms, the main reasons provided by restaurant chains for their refusal to onboard include: (i) restaurant chains already have delivery platforms in the form of Uber Eats and Mr D Food where some indicate that they have capped the number of platforms to these established platforms and (ii) smaller platforms do not have national footprint and traction – limited to a specific area. However, smaller platforms submit that these justifications are unfair and unreasonable. For instance, Dryvar points out that Mochachos contracted with it despite having Mr D Food and Uber Eats.[194] This illustrates that a restaurant chain can manage the logistics of using multiple platforms and contracting a player without national footprint. Similarly, Burger King has been able to use several smaller platforms and to support them even in areas where Uber Eats and Mr D Food are active. Evidence also indicates that Nando's has also been able to onboard Bolt Food in Cape Town where it also has Mr D Food and Uber Eats.

185. Some platforms are also of the view that the reasons provided are unfair given that they operate in some areas where (i) Uber Eats and Mr D Food are not active and (ii) the restaurant chains do not have online delivery as a sales channel in those areas. According to these platforms, it is clear that in such areas the partnership with restaurant chains would increase the restaurant's sales channels and provide incremental sales.

3.2.3.2. The perspective of the restaurant chains

186. Restaurant chains confirmed that they mainly use Uber Eats and Mr D Food.[195] The criteria used to determine which online platform to use is largely similar across restaurant chains. The following factors are considered important by some chains: (i) promotions funded by the platform to drive sales for brands (ii) visibility of the platform via marketing channels such as TV, Radio and social media (iii) size of the platform and geographic reach: presence in most of the major metros and across South Africa and (iv) commission fee charged. Another factor considered is how an association with a delivery platform impacts on the brand of the restaurant chains.

3.2.3.3. The role of head office

187. As indicated above, head office approves the platforms that the franchise and corporate stores must use. Thus, the process of approving delivery platforms is managed centrally by the restaurant chains. The reasons for managing the process centrally include chains

[194] Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021.

[195] Some national restaurant chains indicated that they only use two platforms, Mr D Food and Uber Eats whilst other restaurant chains advised that they mainly use Mr D Food and Uber Eats with smaller platforms used by franchise stores in areas where Uber Eats and Mr D Food do not have presence.

ensuring, *inter alia*, operational best-practice, food safety, and that customer service and complaint management is aligned to best practice KPIs.

188. It appears that individual franchise stores can use or choose not to use any delivery platforms which has been approved by the restaurant chain's head office. However, evidence indicates that no store may list on non-approved delivery platform without the permission of the head office. The use of non-approved delivery platforms by any franchise and corporate store is considered a breach of contract in line with the rules and regulations that govern the franchisee and franchisor relationship. Thus, the use of non-approved delivery platforms without permission from head office may have serious ramifications for franchise stores. If some of the restaurant chains consider this conduct as breach of contract, this means that a franchise store that engages in the conduct could potentially lose its business or possibly face a sanction or penalty.

3.2.3.4. The limited power of the franchise stores

189. During public hearings, Famous Brands indicated that franchise stores' powers to decide which platform to use are not limited given that these types of decisions are taken at the National Franchise Council level. All decisions that impact on Famous Brand's business model and bottom line are discussed at this level and input is obtained from various representatives. Famous Brand states that negotiations are almost agreed with the National Franchise Forum around the principles of how they manage the delivery platforms, and the franchise partners are involved in the journey.[196]

190. Notwithstanding Famous Brand's assertions, the criteria employed by restaurant chains to appoint a delivery platform appears to be skewed towards platforms with national footprint and financial resources. At the head office level, the criteria employed might make it easy to work with and manage the only two established platforms with national footprint. However, there is evidence (discussed above) that shows that it is possible for restaurant chains to work with more than the two established platforms. Moreover, the criteria adopted by restaurant chains also appear to be unfair and limiting to the growth potential of some franchise stores.

191. Local platforms might be well-known and successful in building relationships in the local market where they are active. They may make out a strong case and present solid evidence to the franchise store in that area that demonstrates that partnering with them

[196] Famous Brand (Mr Boardman) Public Hearing Transcript dated 15 November 2021.

will lead to incremental sales. Based on such evidence, a franchise store might want to partner with this local platform. However, based on the current model and the criteria adopted by most of the restaurant chains, such a local platform is unlikely to be approved at the head office level, especially if Uber Eats and Mr D Food are already active in the area. Thus, the model and criteria used by most of the restaurant chains does not only stifle competition between the established platforms and smaller platforms but also denies franchise stores the opportunity to increase sales and generate more revenue.

192. The undesirable and unintended consequences of the selection criteria used by some of the restaurant chains are also visible in underserviced areas and township markets where Uber Eats and Mr D Food are not active. In these areas, smaller platforms have established and developed the food delivery market and therefore there are clear benefits and incentives that may make franchise stores to want to partner with local platforms. For example, a partnership between franchise stores and smaller platforms in townships and underserviced areas where the established platforms have no presence would certainly assist franchise stores to achieve incremental sales. However, the criteria adopted by some of the national restaurant chains still prohibit these franchise stores from onboarding in these areas regardless of whether established platforms are present or not.

193. The Inquiry is also of the view that franchisees are likely to protect the KPIs around food safety and brand image. This is partly because they would already be held to those and therefore if they contracted with a poor local delivery option then there may be sanctions under other means for the franchisor. More importantly, the franchisee is invested in the franchise and therefore has every incentive in their local catchment area to ensure the brand is not damaged or the customer experience undermined. So franchisees are themselves incentivized to ensure a good local partner. Furthermore, the fact that Nandos and Burger King are willing to do so, as top local and global brands, approving only on menu pricing suggests that the outright ban on local delivery partnerships is unnecessary. After all, franchisee management are most likely to be in the best position to assess the quality of the local delivery option.

3.2.4. The impact of restaurant chains' refusal to onboard on smaller platforms

194. For an online food delivery platform to be sustainable in the market it must have sufficient variety of restaurants on its platform as well as a good selection of restaurants. Good restaurant selection and variety attracts customers to the platform. This in turn, drives

food order volume and platform revenue.[197] Ideally, food delivery platforms would want to launch their platform with the mix of restaurant chains and independent restaurants. In terms of restaurant chains, it is also generally accepted by delivery platforms that they play an important role for any platform's success as they bring in order volumes and revenue. The Inquiry discusses the impact of restaurant chains' refusal to onboard on smaller platforms.

3.2.4.1. Lack of varied selection of restaurants impact on attractiveness of the platform and its ability to compete effectively

195. In food delivery, good restaurant selection and variety refers to a platform's ability to have a combination of restaurant chains and small independent restaurants that are locally based and popular in their locality. The refusal by restaurant chains to contract with smaller platforms, whether deliberately or inadvertently, is a major barrier to entry and expansion for local start-ups. Without reasonable access to restaurant chains, smaller platforms cannot compete on equal footing with established platforms as their customer offering is skewed, insufficient and unattractive to customers.[198]

196. Mr D Food highlights that it is critical for any platform to attract customers to the platform to generate orders. One way of attracting customers is through variety. Mr D Food [Mr Reid] explains that customers usually go where there is variety and *"the moment you [platform] slip up or do not have the variety or the moment somebody else has a restaurant or an outlet that you do not have, off [customers] they go"*.[199] Mr Reid [Mr D Food] further explains that *"the more variety there is on the platform, the more it satisfies its users"*[200] as they can find different options and ultimately initiate an order. Variety comes from restaurant chains and independent restaurants. Thus, for any platform to be competitive and sustainable in the market it requires the mix of these restaurants. As Mr Reid puts it *"signing reputable brands and small independent outlets is vital to the existence of the platform"*.[201] This view is consistent with Mr D Food's internal documents.[202]

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[197] See submissions from various platforms such as (i) Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021 (ii) We Dash (Mr Zondi) Public Hearing Transcript dated 12 November 2021 and (iii) See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

[198] [redacted]

[199] Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021

[200] Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021

[201] Mr D Food (Mr Reid) Public Hearing Transcript dated 12 November 2021

[202] [redacted]

197. Importantly, this view has also been echoed by WeDash and Bolt Food. Explaining the importance of variety to customers, WeDash argues *"who wants to get onto a platform that caters to a specific part of your cravings and your favourites, but does not cover all of them? Who wants to walk into a retail store and only have one choice of bread?"*. WeDash argues that it is paramount for a platform to have variety of restaurant chains and local independents that offer different types of cuisine (e.g., Shisanyama and Sephatlho in a township) as this makes the platform more credible and offers customers variety options they are looking for.[203] Similarly, Bolt Food state that customers are attracted to choice and *"consumers will end up going to the platform that has...the best selection of restaurants and the best value"*.[204] Thus, lack of access to restaurant chains has adverse effects on the smaller platforms' attractiveness and, by extension, affects their ability to participate and compete effectively in the market. This in turn, affects their revenue generation capacity and growth potential.

3.2.4.2. Potential loss of order volume and revenue

198. Restaurant chains are prominent and well-known in South Africa, and therefore establish credibility with customers with a choice of delivery service. Bolt Food submits that there are about three or four negotiations or agreements with restaurants chains that it expects to cover a vast proportion (about 30 to 50%) of the total spend on the platforms[205] whilst Dryvar states that being blocked from onboarding some of the three biggest brands that get orders off the platform (Pizza Hut, KFC and McDonald) has *"hurt its revenue"*.[206] WeDash is also of the view that not having restaurant brands has resulted in a loss of customers and that having *"big national chains"* would *"help us [We Dash] grow sales"*.[207]

199. Paarl Eats submits that in some instances, customers query a lack of popular national brands on its app.[208] Thus, customers who want meals from these chain restaurants cannot use smaller platforms. In turn, this affects their ability to grow and expand their operations.

200. It is difficult to equate and measure the revenue lost by smaller platforms in Rand value – however, by observing the number of orders and food value generated by established platforms from restaurant chains, it is evident that not having these chains has a

[203] We Dash (Mr Zondi) Public Hearing Transcript dated 12 November 2021
[204] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.
[205] See Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.
[206] Dryvar (Ms Naidoo) Public Hearing Transcript dated 22 November 2021.
[207] WeDash (Mr Zondi) Public Hearing Transcript dated 12 November 2021.
[208] [redacted]

significant adverse effects on the revenue and order generating capabilities of small platforms. If scale is important, as the leading platforms argue, then eliminating more than half the potential orders inevitably will harm revenue and scale.

3.2.5. Conclusions and findings on access to restaurant chains

201. Evidence shows that partnerships with and/ or access to restaurant chains is important for any platform that competes in the food delivery market, including established platforms and smaller platforms. Thus, any conduct, whether deliberate or inadvertent, that renders it unreasonably difficult for any platform to gain access to restaurant chains is likely to raise competition concerns. The Inquiry makes the following findings:
    201.1. The contracting of restaurant chains by the leading platforms incentivises the chains to focus their support on these platforms, and to bring in their franchisee restaurants, by rewarding restaurant numbers and volumes. This results in a lack of support for competing national and local food delivery platforms by restaurant chains, impeding their ability to enter, expand and compete; and
    201.2. Either as a result of the contract incentives, or otherwise, numerous national restaurant chains actively prevent franchisees from contracting with competing national or local delivery platforms that are not approved, limiting them to the leading platforms only.

202. What worsens the situation is that smaller platforms are prevented from accessing restaurant chains even in geographic areas where the established platforms have no presence. This is due to the model and criteria used by restaurant chains that does not only stifle competition between established platforms and smaller platforms but also denies franchise stores the opportunity to increase sales and generate more revenue.

3.3. Price parity clauses

203. In the section that follows, the Inquiry considered competition issues relating to price parity clauses between platforms and restaurants, including the enforceability of these clauses and their impact on platform competition. Potential benefits arising from pricing parity clauses are also considered.

3.3.1. Competition issues pertaining to price parity clauses

204. In relation to the online food delivery platform, price parity refers to the clauses that form part of the agreement between the online food delivery platform and restaurant that typically prevents the latter from pricing lower on (i) other competing food delivery platforms and the (ii) restaurant own's platform, website and in-house. There are

generally two types of price parity clauses, wide and narrow, but in online food delivery there appears to be some differences:[209]

204.1. Wide, with narrow, price parity clauses: occur if online food delivery platforms restrict the ability of restaurants to offer better terms on other sale channels (e.g., other competing platforms) and their own sales channels (e.g., in-house and online app or website).

204.2. Wide only price parity clause: occur if online food delivery platforms prevent restaurants from offering better menu pricing through other delivery platforms.

205. The reason for this difference is that many restaurants indicate that they cannot absorb the high commission fees and therefore want to charge higher menu prices than in-restaurant or takeaway where these costs are not present. Therefore, unlike in other areas/ sectors such as eCommerce, the narrow aspects are often dropped.

206. In essence, parity pricing clauses limit price competition as they allow platforms on whose favour the clauses apply to extract high fees without fear that competing platforms could offer lower prices to consumers. Parity pricing clauses also have the potential to deter platform entry and expansion to the extent that they prevent new entrants from offering lower prices and attracting customers.[210] In absence of price parity clauses, platforms can compete on a variety of factors, such as lower commission fees. Absent pricing parity clauses, platforms might be incentivised to compete on the commission fee rates, thus, offering lower rates to the restaurants. In turn, restaurants can pass-on the lower rates to customers in a form of menu pricing, and this can assist them to capture higher sales levels.

207. On the other hand, literature suggests that price parity clauses can generate efficiencies, such as allowing a platform to recoup its investment and protect it from free riding. The Inquiry is of the view that such efficiencies should be considered if (i) there is evidence of the existence of such efficiencies (ii) are measurable and quantifiable and (iii) there is evidence on how firms pass-on such efficiencies to consumers, and (iv) these outweigh the competition effects. The Inquiry has also observed that the usual rationale or argument used by platforms to justify parity pricing clauses appears not to hold any value

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209 https://globalcompetitionreview.com/guide/e-commerce-competition-enforcement-guide/e-commerce-competition-enforcement-guide/article/european-union-e-commerce-most-favoured-nation-clauses. Date Accessed 14 January 2022.

210 Calzada, Manna and Mantovani, 2019, ""Platform Price Parity Clauses and Segmentation, available at: https://www.researchgate.net/publication/331239704_Platform_Price_Parity_Clauses_and_Segmentation [Accessed 8 June 2021]

in food delivery. For instance, in travel, platforms argue that parity pricing clauses are necessary as they engage in the marketing (marketing costs) and want to avoid free-riding. In the case of food delivery, there is no option of free-riding if the majority of restaurants do not have their own delivery. In addition, marketing is primarily promotions which can only be accessed on the food delivery platforms. Thus, there is no compelling free-riding argument in food delivery. This suggests that there may not be compelling reasons to have price parity in food delivery except to limit competition.

3.3.2. The nature of pricing parity clauses between platforms and restaurants

208. The Inquiry has established that there are two platforms that include pricing parity clauses in their contracts with restaurants, namely Uber Eats and Bolt Food. These platforms' contracts with restaurants contain wide parity pricing clauses. The essence of these clauses is that they seek to ensure that meals sold through the Uber Eats and Bolt Food platforms are not priced higher than similar meals (i) sold directly by the restaurants themselves (or through the restaurant's app/website) and (ii) sold by or through other food delivery platforms.

3.3.2.1. Review of Uber Eats pricing parity clauses

209. Historically, certain Uber Eats contracts with restaurants contained a clause (Clause 3a of the Marketplace Addendum) which states:

> *"you agree that you will not make a Meal available under this Addendum at a price higher than (i) the amount you are charging for similar Meals when sold by you in your Restaurant; or (ii) the amount you are charging for similar Meals when sold by you through food delivery applications or food delivery services".*[211]

210. [redacted][212] In 2018, Uber Eats (South Africa) conducted a comprehensive review of the agreements pertaining to the business and found that it was not necessary to have such clauses. In October 2019, Uber Eats changed the template it used for its contract and the new template adopted did not contain price parity clauses. Therefore, the current contracts (concluded post-October 2019) that Uber Eats enters into with restaurants do not have pricing parity clauses.[213]

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[211] Uber Eats (Ms Vundla) Public Hearing Transcript dated 11 November 2021.

[212] [redacted]

[213] Uber Eats (Ms Vundla) Public Hearing Transcript dated 11 November 2021.

211. The key question that the Inquiry sought to answer is whether the terms of the new contracts that do not contain pricing parity clauses are applicable to those restaurants that concluded their contracts with Uber Eats prior to October 2019 in terms of the old template of the contract. The Inquiry notes that the evidence before it on this issue is contradictory:

211.1. Based on the template generally used by Uber Eats, which is publicly available, it is apparent that contracts between restaurants and Uber Eats are annual contracts and are automatically renewed (under the same terms) unless otherwise agreed between the parties.[214]Thus, it follows from this template that any contract concluded between Uber Eats and restaurants prior to October 2019 would be renewed automatically (under the same terms) unless otherwise agreed to and/or communicated by Uber Eats;[215]and

211.2. However, Uber Eats seem to disagree with the Inquiry's above observation. Recent evidence presented by Uber Eats (during the Public Hearings) suggests that there was no rollover of historic contracts. According to Uber Eats, when historic contracts came up for review, they formed part of the new contracts. Ms Vundla [Uber Eats] explained that Uber Eats *"did a specific review of the historic contracts to say these historic contracts with that clause [parity pricing] will no longer be in effect and new contracts will come into effect"*.

212. If the Inquiry considers recent evidence as presented by Uber Eats during the public hearing, it can be deduced that currently the parity pricing clauses are not applicable and/or contained in all Uber Eats contracts. However, Uber Eats did not communicated directly with the restaurants, particularly those that concluded the contract prior to October 2019, that the parity pricing clauses are no longer applicable and/or enforceable. Thus, restaurants may not be aware that the pricing parity clauses are no longer applicable.

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[214] For instance see Uber Eats website on standard terms and conditions with restaurants available on its website: https://www.uber.com/legal/nl/document/?country=united-states&lang=en&name=uber-eats-merchant-terms-and-conditions. Clause 15 states that *"This Agreement will commence on the Effective Date and, unless earlier terminated as provided below, will continue for a period of one (1) year from the Effective Date ("Initial Term") and will automatically renew for successive one (1) year periods (each, a "Renewal Term" and together with the Initial Term, the "Term").*

[215] [redacted]

3.3.2.2. Review of Bolt Food price parity clauses

213. Bolt Food standard contracts with restaurants contain a price parity clause stipulating that meals on Bolt Food's platform should not be priced higher than those sold at restaurants and platforms. [redacted]

214. [redacted][219]

3.3.3. Enforceability of the pricing parity clauses and deterrence

215. While the previous contracts (pre-October 2019) did contain wide price parity clause, Uber Eats submits that it did not enforce the clause in South Africa. [redacted][220] Uber Eats notes that if it became aware of a restaurant pricing its menu on the Uber Eats platform above either (i) its in-store menu, or (ii) its menu on another food delivery app: [redacted]

216 [redacted]
217 [redacted]
218 [redacted]
219 [redacted]
220 [redacted]

[redacted]

216. [redacted][221] Similarly, Bolt Food argues that it does not actively monitor, measure or enforce the pricing parity clause. This is due to Bolt Food not being able to track or measure adherence to the clause as it does not have the technology or the resources to see or track changes in pricing of other platforms.[222] Notably, Bolt Food accepted that although the clause is not enforced, it certainly appreciates that it might be self-enforced and, as such, it will reconsider the inclusion of the clause in the contract based on its engagement with the Inquiry.[223]

217. Whilst the platforms have argued that they do not enforce or are not able to monitor in order to enforce, this does not mean that there is non-compliance amongst all restaurants, especially in respect of parity of platform pricing. As long as those clauses remain in the contract and the restaurant is dependent on the business from that platform, it is likely that the restaurant will not risk non-compliance lest it is removed from the platform. Furthermore, the Inquiry has found that some large restaurant chains have insisted on having the wording changed rather than leave the price parity clauses in the contracts and rely on some unspoken understanding around non-enforcement.[224]

218. Smaller independent restaurants with higher levels of dependency are even more likely to self-censure and comply unless the terms are removed. Whilst the platforms have pointed to some non-compliance in the form of pricing above the in-restaurant menu prices, there has been no evidence of non-compliance on different pricing across food delivery platforms which would impact on platform competition. Indeed, the unwillingness of Uber Eats to remove the offensive term from their historic contracts and communicate

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221 [redacted]

222 Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

223 Bolt Food (Mr Townsend-Rose) Public Hearing Transcript dated 18 November 2021.

224 [redacted]

with every restaurant that the clause has been removed, indicates to the Inquiry that Uber Eats is relying on restaurants to self-enforce the term to its benefit, especially the no worse pricing than other platforms.[225]

3.3.4. Effects of the pricing parity clauses and engagements with platforms

219. Pricing parity clauses have been found to be problematic in other jurisdictions and the Inquiry similarly finds that wide price parity clauses result in harm to platform competition and the alleged benefits of protecting platform investment from free-riding are unsubstantiated and without substance, especially, in food delivery. Wide parity clauses in essence prevent competing platforms from under-cutting pricing on the leading platform, removing an important competitive variable that may be used by challengers. Removing this dimension of competition is also likely to condition consumers to multi-home less if they consistently find that the leading platform is also never more expensive than the alternatives.

220. In terms of Uber Eats, the Inquiry notes the following consequences of these clauses:
    220.1. Uber Eats, a leading platform in South African, entered the market with pricing parity clause/s in place. In essence, this clause limited price competition between Uber Eats and the other established platform, Mr D Food. It also limited price competition between Uber Eats and smaller platforms. It appears that the pricing parity clauses ensured that restaurants do not charge higher menu price for meals on Uber Eats' platform relative to other competing platforms regardless of the commission fees Uber Eats charges relative to other platforms. In other words, smaller platforms that wanted to penetrate the market by charging lower commission fees (relative to Uber Eats) with the aim that restaurants will pass-on lower commission fees to consumers by way of lower menu pricing were prevented from using this strategy to compete effectively for customer attraction;
    220.2. This is because even if a smaller platform offered a restaurant a significantly lower commission fee, the clause effectively prevented the restaurant from offering this smaller platform better menu pricing than Uber Eats. At best, the restaurant can offer a smaller platform a uniform menu pricing to Uber Eats. This hampers competition significantly as smaller platforms have indicated that one of the key strategies they employ when competing against the established platforms is to offer

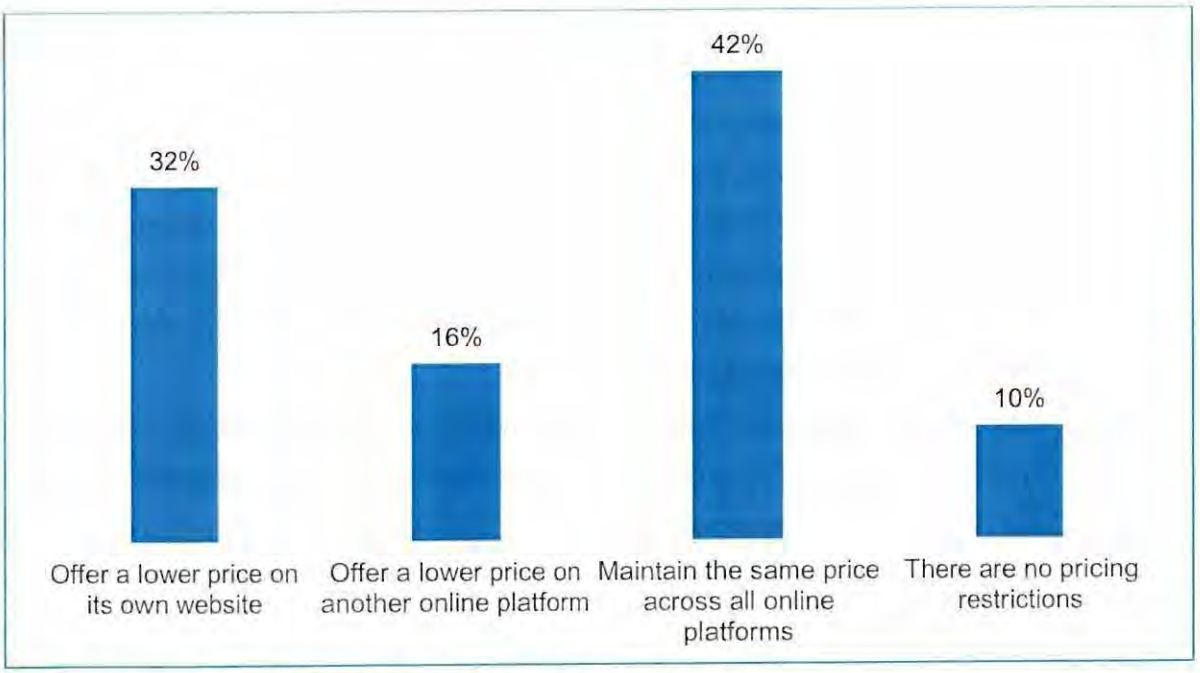
[225] The Inquiry is also concerned that whilst Uber Eats has contact details of its restaurants and has been able to communicate some key changes with restaurants such as commission fees, it has not done so on the non-enforceability of pricing parity clauses. To this end, Uber Eats has not provided valid reasons why restaurants have not being informed of changes on contract terms involving pricing parity clauses.

restaurants lower commission fees. In turn, these smaller platforms hope that lower commission fees translate to better menu pricing and attract customers. However, pricing parity clauses have prevented smaller platforms from deriving such benefits. Furthermore, these pricing parity clauses appear to have limited competition between Uber Eats and Mr D Food. In circumstances where Mr D Food charges lower commission fees relative to Uber Eats' this would not translate into lower menu pricing on the Mr D Food app, thus, creating at best uniform pricing from restaurants' perspective.

220.3. Uniform pricing also has significant implications on smaller platforms in that if there is uniform menu pricing across platforms then it appears that eater promotions are the only means to compete on price rather than through commission levels, which may encourage excessive promotions. As already indicated above, competition on promotions only favours established platforms with deep pockets to the exclusion of smaller platforms. Therefore, pricing parity clauses removes the ability of smaller platforms to use commission fees as an effective competitive strategy to capture customers.

221. Wide parity clauses also have been shown to raise the overall level of prices of business users subject to the clause. For instance, academic studies of hotel pricing in the EU showed that prices for certain categories of hotels were discounted more often following the termination of wide parity clauses by Booking.com. The Inquiry survey asked business users how they would price absent these conditions, and a high proportion indicated that they would price lower on other platforms and/or their own channel, indicating the likely benefits to platform competition and consumers exist in South Africa too. What is interesting too is that for many they considered the parity clause binding as only a small percentage indicated there were no pricing restrictions on them.

Figure 5: Response to pricing parity question - should your company's main online platform not restrict different pricing on other platforms, would your company?



Source: *Source: Inquiry's business user survey, conducted 2021*

222. The survey results confirm that restaurant would price differently absent the parity pricing clauses. In particular, approximately 48% of the restaurants would (absent the pricing parity clauses) (i) offer a lower price on its website and/or (ii) offer a lower price on another competing platform. What is important to note is that absent these clauses there are restaurants that are willing to offer lower menu prices to competing platforms.

223. The Inquiry notes that the rationale provided by both platforms for including these clauses in their contacts has nothing to do with the possible efficiencies linked with pricing parity clauses. [redacted] the Inquiry notes that one of the leading platforms in South Africa, Mr D Food, does not apply price parity clauses in its contracts with restaurants. Furthermore, as indicated above, it appears that the common rationale for the inclusion of price parity clauses in other online platform markets (i.e., prevention of free riding) does not apply in food delivery. Thus, it is not surprising that this argument has not been raised by either Uber Eats or Bolt Food. The Inquiry is not persuaded that there are compelling justifications for the use of price parity clauses in food delivery.

3.3.5. Conclusions and findings on price parity clauses

224. The Inquiry has found that the wide pricing parity clauses contained in contracts concluded between platforms and restaurants harm competition. Although, platforms

argue that they do not monitor or enforce parity pricing clauses, there is no evidence provided that suggests that self-compliance is not occurring. Some restaurants may self-comply with the terms and conditions as they do not want to risk their agreements with the platforms.

225. From Uber Eats perspective, it is possible when it entered the market in 2016 that the pricing parity clauses[226] assisted it to make significant inroads into the market and possibly to the detriment of competing platforms. Platforms that existed at the time[227] were prevented from responding to Uber Eats' entry by charging lower commission fees that can be translated into lower platform menu pricing. Consequently, these platforms might have been forced to compete on promotions rather than commission fees to attract customers – a strategy that is likely to have favoured Uber Eats.

226. The Inquiry concludes that the price parity clauses in the existing contracts of Uber Eats may result in self-enforcement by restaurants which impede competition from other platforms on the basis of commission fees and lower menu prices. Whilst Bolt Food as a smaller entrant may have less impact on market-wide competition, it should be able to use other means such as lower commissions to incentivise restaurants not to price higher on Bolt relative to the leading platforms.

3.4. Exclusive Agreements

227. Exclusivity clauses between restaurants and platforms do not appear to be a prominent feature in the food delivery market. The Inquiry has identified only a few instances of exclusive agreements with a limited duration (*albeit* with some national chains). There were some in grocery delivery, but less so in restaurant delivery.

4. BUSINESS USER COMPETITION AND TREATMENT

228. In this section, the Inquiry assesses if there are market features that may hinder competition amongst restaurants. The Inquiry also assesses if there are market features that give rise to exploitative treatment of restaurants.

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[226] Especially pre-October 2019.

[227] [redacted]

4.1. Price discrimination

229. The Inquiry considered whether platforms discriminate between restaurants by charging different commission fees, the extent of discrimination where it exists and the impact on discriminated restaurants. The Inquiry also considered the platforms' justifications for discrimination and whether such justifications are valid.

4.1.1. Pricing across restaurants segments

230. There are various pricing regimes in the delivery platform market. These regimes include:
    230.1. Flat commission fee approach (non-discriminatory): this pricing model includes a flat commission fee with no differentiation across segments. For example, Quench indicated that it uses this model and offers a fee of 10% across all restaurants;[228]
    230.2. Non-discriminatory model to small and independent restaurants: WeDash submits that it believes in a balanced and fair pricing model. In terms of this model, restaurant chains pay higher fees than independent restaurants. The idea is that the platform must have a mutually beneficial relationship with independent restaurants whereby the value they bring is appreciated rather than a one-way street relationship;[229]and
    230.3. Discrimination model of the small and independents: this is a model favoured by a number of platforms: Uber Eats, Mr D Food, Dryvar and Bolt Food. In terms of this pricing model, larger restaurants with various stores (e.g., restaurants chains) are charged lower fees than independent restaurants. Although smaller platforms discriminate, the Inquiry notes that the established platforms charge the independent restaurants the highest level of commission fees.

231. The inquiry will focus on the last pricing model that discriminates between restaurant chains and independent restaurants. This pricing model is likely to impact on the effective participation of SME restaurants. The Inquiry notes that Dryvar and Bolt Food are relatively small in the market (currently, Dryvar has discontinued the app whilst Bolt Food is relatively small and still making inroads with focus on limited geographic areas). For this reason, the Inquiry will focus primarily on the pricing models of established platforms as they account for the significant portion of the market and have a relatively good mix of restaurants (independents and chains).

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[228] Quench (Ms Bester) Public Hearing Transcript dated 11 November 2022.
[229] See We Dash (Mr Zondi) Public Hearing Transcript dated 12 November 2021.

4.1.2. Price discrimination across restaurant segments

232. Established platforms differentiate between restaurant chains and independent restaurants. There is also differentiation amongst restaurant chains (e.g., international vs national, or corporate vs franchise). The commission rates do not appear to be standardised, but rather subject to some negotiations. However, independent restaurants do not appear to have much negotiation scope, if any, and are usually placed on the highest rate by default. Information in the public domain indicates that Mr D Food and Uber Eats charge restaurants a commission fee of up to 30%.[230] Furthermore, this information indicates that a high proportion of the independent restaurants are charged 30% commission fees[231] whilst restaurant chains are charged significantly lower commission fees – a publicly available article quotes a restaurant chain with multiple brands indicating that it receives a commission fee of 20%.[232]

233. Thus, information in the public domain, confirmed by the Inquiry's own analysis, clearly shows that established platforms charge independent restaurants significantly high commission fees compared to restaurant chains. The difference in the average commissions between the different categories of restaurant chains is anywhere from [0-5] percentage points, and that difference has moved over time. However, the difference in average commissions between the top category and independents is much greater at [5-10] percentage points.[233]

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[230] See various articles such as (i) Business Insider article dated 18 January 2019 with the heading "Uber Eats and Mr D Food charge restaurants up to 30% commission – but ask them not to charge more" https://www.businessinsider.co.za/uber-eats-and-mr-d-food-charge-restaurants-up-to-30-commission-2019-1#:~:text=Uber%20Eats%20and%20Mr%20D%20Food%20ask%20outlets%20up%20to,meal%20ordered%20via%20their%20platforms and (ii) News24 article dated 2 July 2020 with the heading "Food delivery costs scrutinised" https://www.news24.com/news24/SouthAfrica/Local/Peoples-Post/food-delivery-costs-scrutinised-20200601

[231] See various articles and reports such as (i) Cape Talk article published 17 July 2020 heading "We tried Uber Eats, MR D to survive. We've stopped now. The costs cut too deep" – in the article a small independent restaurant owner calls the radio station to complain about the effects of 30% commission fee charged by established platforms - https://www.capetalk.co.za/articles/390179/we-tried-uber-eats-mr-d-to-survive-we-ve-stopped-now-the-costs-cut-too-deep and (ii) Sowetan article published 15 July 2020 heading "Uber Eats fails to pay desperate Cape Town restaurant owner for months"- In the article a small and independent Thai restaurant owner in Cape Town indicate that the 30% is high and would appreciate it if reduced to "at most 20%" - https://www.sowetanlive.co.za/news/south-africa/2020-07-15-uber-eats-fails-to-pay-desperate-cape-town-restaurant-owner-for-months/

[232] Business Insider article dated 18 January 2019 with the heading "Uber Eats and Mr D Food charge restaurants up to 30% commission – but ask them not to charge more" https://www.businessinsider.co.za/uber-eats-and-mr-d-food-charge-restaurants-up-to-30-commission-2019-1#:~:text=Uber%20Eats%20and%20Mr%20D%20Food%20ask%20outlets%20up%20to,meal%20ordered%20via%20their%20platforms – see the article quoting discussions with one of the restaurants chains.

[233] [redacted]

4.1.3. The extent of price discrimination

234. The above percentage points differences between restaurant chains and independent restaurants suggests that independent restaurants are on average paying anywhere from 30% to 60% higher commission fees than the largest restaurant chains on average.

235. When one considers the commission fees charged to restaurants falling within different restaurant segments on an individual store or restaurant basis (rather than average of all restaurants in the same segment) the extent of discrimination is larger for some independent restaurants (i.e., larger than the 30% to 60% average stated above).[234]

236. The Inquiry has formulated various scenarios for illustrative purposes to depict the extent of price discrimination for individual restaurants under different pricing regimes, and to show the impact on the actual Rand value of commissions paid across. The approach to formulating these scenarios are reflected below:

236.1. Step 1: Use the broad range that represents the order value[235] across all restaurant segments. The Inquiry utilised the order value range of: R100 to R200. Therefore, R100 is used as a minimum order value whilst R200 as the maximum order value;

236.2. Step 2: Apply the commission fees per restaurant on the order value to determine how much each restaurant pays the platform on the same order value or alternatively how much the platform derives from each restaurant on the same order; and

236.3. Step 3: calculate the percentage difference based on how much each restaurant pays the platform on the same order value. The difference is the proxy for the extent of price discrimination.

[redacted]

234 [redacted]

235 [redacted]

Table 6: The extent of price discrimination under different scenarios

Scenarios	Order Value	SME Fee	NRC Fee	SME Pay per order	NCR Pay per order	Difference between SME and NCR (Rands)	Difference between SME and NCR (%)
Scenario 1: Public Information	R100	30%	20%	R30	R20	R10	50%
	R200	30%	20%	R60	R40	R20	50%
Scenario 2: Illustrative Purpose	R100	30%	15%	R30	R15	R15	100%
	R200	30%	15%	R60	R30	R30	100%
Scenario 3: Illustrative Purpose	R100	30%	18%	R30	R18	R12	67%
	R200	30%	18%	R60	R36	R24	67%
Scenario 4: Illustrative Purpose	R100	27%	18%	R27	R18	R9	50%
	R200	27%	18%	R54	R36	R18	50%

Source: Inquiry's own compilation using different scenarios. Note! ***SME Fee*** *refers to commission fee charged to small and independent restaurants.* ***NRC Fee*** *refers to commission fee charged to national restaurants chains.* ***SME pay per order*** *refers to the payment made by small and independent restaurants to the platform on the meal order (order value). It is derived by order value multiply by commission fee.* ***NRC pay per order*** *refers to the payment made by national restaurants chains to the platform on the meal order (order value). It is derived by order value multiply by commission fee.*

237. The table above is based on the number of scenarios that broadly represent the extent of price discrimination. The illustration shows that for the same order value, platforms extract significantly more from independent restaurants compared to other restaurant segments. Moreover, as the order value increases, the revenue derived by platforms per order increases – thus higher order value is beneficial and valuable to platforms. Independent restaurants have a higher order value than other restaurant segments as is discussed later in this section, to the extent of 30-60%. This means that platforms in fact derive even greater absolute Rand revenue from the independents. Despite this higher order value, established platforms charge independent restaurants the highest commission fees, thus, deriving the maximum rents.

4.1.4. Impact of price discrimination on independent restaurants' effective participation

238. There are various ways in which small and independent restaurants listed on the established platforms can respond to high commission fees and these include the following options:

238.1. Fully pass-down commission fees to consumers: this option implies that the restaurant passes-down all the commission fees to consumers by charging higher

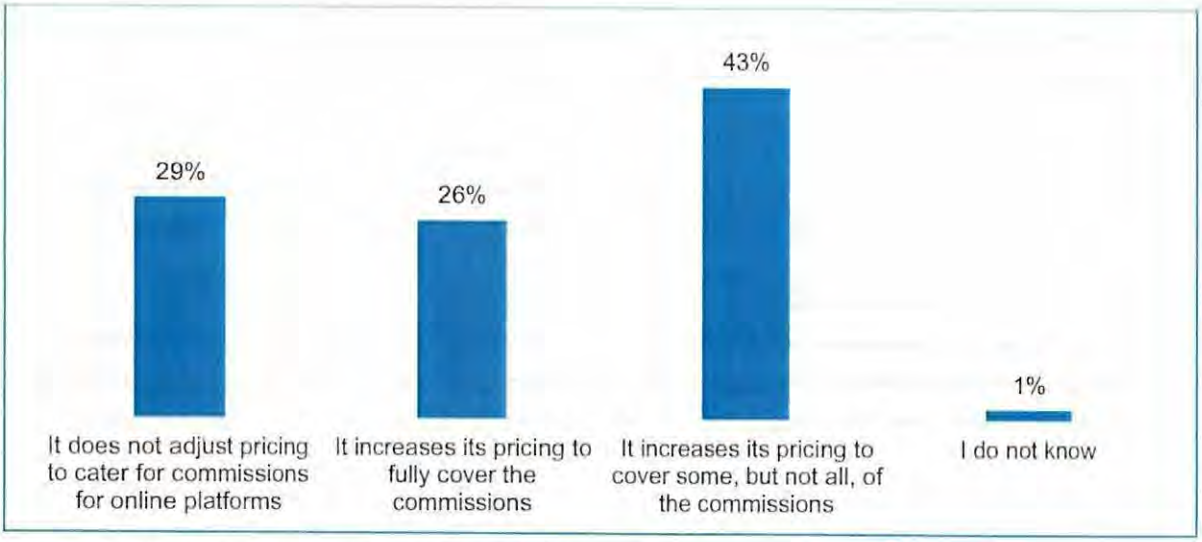
prices on the platform (higher menu price). This response impacts on the relative price of the independent restaurant relative to national restaurants chains that are enjoying lower commission fees (that can be converted into lower platform menu pricing);

238.2. Fully absorb commission fees: this option implies that the restaurant absorbs all the costs, thus increasing its cost base and lowering its margin and profitability but may not impact on relative pricing; and

238.3. Partially absorb and pass-down commission fees: this option implies that the restaurant adopts an approach that will have partial effects on its (i) platform menu pricing and (ii) profitability. However, the effects are not of the same magnitude as the above responses. In other words, the restaurant will increase platform menu pricing but not by the same magnitude or rate as it would have been the case had it implemented the first response (i.e., fully passing down commission fees).

239. In the survey commissioned by the Inquiry, restaurants were asked to indicate how they respond to commission fees. The figure below depicts responses.

Figure 6: Restaurant adjustment to cater for commission fee



Source: The Inquiry's survey results conducted 2021

240. Based on the survey results:

240.1. 29% of the restaurants do not adjust the menu pricing to cater for commission fees (i.e., fully absorbs the fee);

240.2. 26% of the restaurants fully pass the commission fee to customers – subsequently increasing platform menu pricing; and

240.3. 43% of the restaurants partially absorb and pass-down commission fees.

241. What can be deduced from these results is that more than 65% of restaurants adjust their menu pricing in response to an increase in commission fees, whether by partially or fully passing down commission fees. For those restaurants that partially pass down commission fees, the impact of high commission fees is borne by both the restaurant and the consumer who uses the services of the affected restaurant. For those restaurants that fully pass down the commission fees, it means the impact of high commission fees is largely borne by the consumer who uses the services of the affected restaurant.

242. The direct impact of fully passing down commission fees on the affected restaurant is that it becomes less competitive as its pricing becomes higher than its rivals, especially restaurant chains that generally enjoy lower commission fees. We expand on the impact of high commission fees on independent restaurants in the next section.

4.1.4.1. High commission fees and level of competitiveness

243. Higher commission fees force independent restaurants to mark-up their prices higher on platforms' menu pricing. On the other hand, restaurant chains are able to mark-up their

prices at a lower rate than independent restaurants due to favorable commission fees. Various reports and articles in the public domain have confirmed this phenomenon:[236]

243.1. Business Insider SA (2021) article states that *"small, independent restaurants say they have little choice but to pass these costs on to the consumer to make a profit, and as a result, they typically charge the full mark-up amount – which is usually around the 30% mark"*[237] *(Own emphases).* According to this article, small and independent restaurants interviewed are usually charged a 30% commission fee and they fully pass-down this commission fee by increasing (mark-up) their platform menu pricing by the same 30%; and

243.2. The same aforementioned article notes that some restaurant chains (although not all) partially subsidise commission fee costs. These restaurant chains charge more for meals sold on the platform than in-store. However, the article shows that the mark-up for platform menu pricing is significantly lower than independent restaurants. The reported mark-up for platform menu pricing is as follows (for some restaurants chains): KFC (12.53%), Nando's (12.24%) and Pizza Hut (15%). This trend is consistent with the earlier article (Business Insider SA, 2019) which noted that Spur platform menu prices are 10% more than its in-store menu pricing and this is to account for a commission fee with a minimum range of 20%.[238]

244. The Inquiry relied on publicly available information that reflects the in-store menu pricing and platform menu pricing of various restaurants to test whether independent restaurants mark-up their platform menu pricing by higher percentage relative to restaurant chains.[239] The first table provides a historical perspective (2019 period) whilst the second table reflects the current 2022 period.

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[236] It is worth noting that some of these reports have also been quoted or relied on by established platforms. For instance, Uber Eats rely on these reports in their pricing parity argument – to show different prices that are applicable for in-store menu pricing and platform menu pricing.

[237] See Business Insider SA article published 7 June 2021 with the heading "Some SA fast-food joints charge more than 30% extra on items listed on Mr D and Uber Eats" https://www.businessinsider.co.za/uber-eats-mr-d-cost-2021-6

[238] Business Insider article dated 18 January 2019 with the heading "Uber Eats and Mr D Food charge restaurants up to 30% commission – but ask them not to charge more" https://www.businessinsider.co.za/uber-eats-and-mr-d-food-charge-restaurants-up-to-30-commission-2019-1#:~:text=Uber%20Eats%20and%20Mr%20D%20Food%20ask%20outlets%20up%20to,meal%20ordered%20via%20their%20platforms – see the article quoting discussions with one of the restaurants chains.

[239] This publicly available evidence has also been supported or relied on by Uber Eats and Mr D Food in their submissions.

Table 7: Mr D Food and Uber Eats food prices compared to in-store prices in Johannesburg

Names	RocoMamas bacon cheese guac burger	Mochachos jalapeno cheese beef burger	KFC double crunch burger	Spur burger combo	Croft &Co breakfast bun	Café Picobella Trattoria bolognaise pasta
Mr D Food	R85.00	R56.90	R54.90	R99.00	R60.00	R162.00
Uber Eats	R85.00	R56.90	R54.90	R99.00	R60.00	R162.00
In-store price	R74.00	R49.90	R49.90	R89.90	R50.00	R125.00
Price difference	R11.00	R7.00	R5	R9.10	R10.00	R37.00
Mark-up %	14.86%	14.03%	10.02%	10.12%	20.00%	29.60%
Uber Eats Fee[240]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Mr D Food Fee[242]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Compiled using In-store and platform menu pricing from Business Insider 2019 article

245. It is evident from the above table that independent restaurants, such as Croft & Co and Café Picobella's mark-up are 20% to 30% higher on platform's menu pricing. This is due to the high commission fees charged by established platforms that can be as high as 30%. On the other hand, restaurant chains' mark-up are 10% to 15% higher on platform's menu pricing. The lower mark-up is due to the lower commission fees enjoyed by these chains.

246. A similar pattern is also observed in the table below shows that independent restaurants such as Pronto mark-up higher percentage on platform's menu pricing when compared to restaurants chains such as KFC.[243]

Table 8: Mr D Food and Uber Eats food prices compared to instore prices

Names	KFC 21 Piece Bucket	J's Dinner Combo Supreme Platter for 2	Pronto Italian Pronto Gourmet Cheese Burger
Mr D Food			
Mr D Food	R314.90	R530	R154
In-store price	R274.90	R390	R125
Price difference	R40	R140	R29
Mark-up %	14.55%	35.90%	23.20%
Mr D Food Fee	[redacted]	[redacted]	[redacted]

Source: Compiled using In-store and platform menu pricing. The Inquiry notes that the platform and in-store menu prices are publicly available information and can be obtained from apps and the stores in-store menus.

240 [redacted]
241 [redacted]
242 [redacted]
243 [redacted]

247. What can be drawn from the above analysis is that small and independent restaurants' foods on the platform are priced relatively higher than other restaurant segments' foods. This adversely affects small and independent restaurants' level of competitiveness, especially in a market where are competing against national restaurant chains that are enjoying less commission fees (that are converted into lower mark-up on platform menu pricing). Furthermore, this affects small and independent restaurants' business performance (sale and volumes on the platform) as they are no longer price competitive.

248. At this stage it is clear that it will therefore impact consumer choice and that may represent a form of harm to consumers. Also if the commission fee is disproportionately higher for independent restaurants to fund other restaurants on the platform, then customers of independent restaurants are adversely affected by higher than otherwise pricing relative to a non-discriminatory situation.

4.1.4.2. High commission fees and value added services

249. High commission fees increase costs and reduce the profitability of small and independent restaurants, thus adversely affecting their ability to purchase value added services, such as paid for ranking position, sponsored listing and promotional offers. The effects of unfair price discrimination whereby small and independent restaurants are charged significantly higher commission fees has a direct impact on the ability of these restaurants to benefit and tap into the opportunities associated with paid for ranking and promotional offers.

250. One direct effect is the fact that small and independent restaurants are not offered the opportunity to negotiate for marketing commitments. Marketing commitments ensure that restaurants obtain a lower commission fee in exchange for committing marketing initiatives on the platform. Furthermore, these marketing initiatives are aimed at benefiting restaurants by, among other things, increasing order volume and revenue. In contrast, national restaurant chains were given the opportunity to make marketing commitments in exchange for lower commission fees, which means that they get the benefit of promotion on the platform and are more able to afford that through lower commission fees. The Inquiry also found that the platform-funded promotions on one platform were higher for the largest restaurant chains relative to independents.

251. The extent of small and independent restaurants' participation in promotions (for example via marketing commitment) and paid for ranking is discussed in the next sections.

4.1.4.3. Loss of share by independents

252. The Inquiry found that on both the leading food delivery platforms the food value share of independent restaurants has consistently declined over the years, dropping around [0-5] percentage points in just a few years.[244] This decline in share is consistent with this negative impact on competition from independents. Even if the relative pricing did not change, the lower commission fees do permit more marketing and promotion spend on the platforms, as is evidenced by the conduct of large chains which often negotiate precisely that trade-off. Higher commissions would have the opposite effect, reducing independent restaurant promotions, reducing their sales and affecting relative pricing in those promotion periods.

4.1.5. Justifications for price discrimination

253. In the public hearings and In-camera sessions, Uber Eats and Mr D Food provided reasons for discriminating against different restaurant segments. The main reasons provided by these platforms is that restaurants are charged different commission fees based on the value the restaurant generates for the platform. For instance, in the public hearing, Mr Molewa [Uber Eats] states that "... *there are some considerations that go into a pricing philosophy... some merchants that we deal with do come with a massive brand equity and we use them to drive traffic and first-time eaters, on our platform*".[245]Uber Eats further elaborated on its justifications for price discrimination during the In-Camera (Confidential) sessions.[246]

254. Similarly, Mr D Food submits that restaurant chains dominate the restaurant market and *"without these brands, it becomes very difficult to attract customers onto the platform"*. Mr Reid [Mr D Food] further argues *"the brands you know attracts, so it gives credibility*

244 [redacted]

245 Uber Eats (Mr Mowela) Public Hearing Transcript dated 11 November 2021.

246 [redacted]

to the platform but that also assists the rest of the outlets that are on the platform because they are assisted, because they have a... you know, once the user is there he is then going to search around and find something else".[247]Mr D Food further elaborated on its justifications for price discrimination during the In-Camera (Confidential) sessions [248]

255. In summary, according to established platforms the price differentials are justified:

255.1. Due to the greater value that restaurant chains bring. For instance, restaurant chains drive traffic (i.e., attract customers) and first-time users on the platform; and

255.2. In turn, the presence of these chains which attract traffic benefits independent restaurants though customer searches.

256. The Inquiry also notes the argument that the platforms are not dominant and the differential does not result in a substantial lessening of competition. However, this is not the test that applies in a market inquiry; the relevant test entails determining whether there are market features that impede competition or undermine the purposes of the Act.

4.1.5.1. Are the justifications for price discrimination valid?

257. The Inquiry acknowledges the role that restaurant chains play on the platform in attracting customers. As already indicated elsewhere in the report, restaurant selection and variety (which includes both independent, and restaurant chains) are important in attracting customers to the platform. Thus, restaurant chains are important to platform success. However, it appears to the Inquiry that the established platforms have over-emphasised the importance of restaurants chains in their submissions by paying little attention to the value brought by and the importance of independent restaurants, and other relevant factors that drive customer acquisitions or traffic to the platform.

258. For instance, the signing of independent restaurants in any locality (e.g., local heroes) and promotional discounting on the platform are of equal importance in attracting customers to the platform. This point is also acknowledged by Mr Reid [Mr D Food]: "*So again, signing reputable brands and small independent outlets is vital to the existence of*

[247] Mr D Food [Mr Reid] Public Hearing Transcript dated 12 November 2021.

[248] [redacted]

the platform...the other thing that is also important is promotion and discounting. That brings people to the platform".[249]

4.1.5.2. Do restaurant chains attract the majority of users and first-time eaters?

259. Evidence from the variety of sources such as established platforms' internal documents and reports appears to be inconsistent with the assertion that restaurant chains attract the majority of users and first-time eaters. The Inquiry will first present evidence of other factors that attract users and thereafter provide reasons why the argument that new users join the platform to order from strategic restaurant chains is unconvincing.

Promotions critical for user attraction

260. As demonstrated in previous sections, promotions are one of the main tools used to attract and retain customers on a food delivery platform. Evidence confirms that promotions can increase a platform's customer acquisitions rate by a percentage point significantly above 50%.[250] Moreover, customers multi-home between established platforms and this behaviour is largely driven by promotions.[251] Thus, customer use (either as first-time eater or existing) of either Uber Eats or Mr D Food is largely dependent on, among other things, these platforms' promotional offers.

Variety from independent restaurants critical for user attraction

261. Mr D Food has noted the importance of local restaurants in attracting consumers and therefore the value they bring to the platform. Independents make up the majority of restaurants in any local area and evidence indicates that variety is an important factor for consumers in their use of food delivery platforms. Restaurant selection is important for both consumer acquisition and retention. A critical part of this selection includes variety in the form of local restaurants.[252] Mr Molewa [Uber Eats] accepts that there are independent restaurants that bring the same attributes to the platform as restaurants

[249] Mr D Food [Mr Reid] Public Hearing Transcript dated 12 November 2021

[250] [redacted]

[251] [redacted]

[252] [redacted]

chains. In this regard, Mr Molewa states that *"even for small businesses, there are a number, like I said I think whom we term top eats and we term them that because they bring almost the kind of same attributes that we have been looking at, as from the bigger businesses that you... they are local favourite, they do drive traffic, they do drive basket sizes"*[253] (own emphasis).

262. Despite the acknowledgement by established platforms of the critical role played by independent restaurants, no evidence has been provided to the Inquiry that suggests that these restaurants receive commission fees that are comparable to those enjoyed by strategic restaurant chains, including local heroes that Uber Eats recognises have the same attributes as the larger businesses.

First time eater joining the platform argument

263. As indicated above, some established platforms sought to argue that new eaters disproportionately join the delivery platform to order from the strategic chain restaurants, and therefore this represents the unique value of chains because those eaters then order from all other restaurants, including independents, and those orders represent the benefit derived from the strategic chains. This argument also appears to be used to argue that the difference does not harm independent restaurants because they are beneficiaries of the low fees that bring chains onto the platform. The Inquiry finds this line of argument unconvincing for a host of reasons listed below:

263.1. The selected a set of restaurant chains which were classified as strategic for the purposes of this analysis, and which collectively had a slightly higher share of new eater orders than their total share of orders on the platform, did not align to how the business internally classifies or categorises the restaurants.[254] A subset of national chains from another category that seemed to fit the narrative now put forward were simply added to the actual strategic category. When a propositions is at odds with business internal classification then the exercise is often an attempt at *ex-post* rationalisation. One particular difficulty for the narrative is also explaining the difference in commission fees. If some of the chains that are not called strategic, are now considered to be so, why do they still pay higher fees, and for those considered to be in same basket as independent restaurants, then why do they pay lower fees than the independents;

[253] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021.

[254] [redacted]

263.2. No actual evidence of causality was provided that showed new eaters joined the platform for the sole reason of ordering from a specific strategic restaurant, but rather causality was assumed. This assumption also runs into difficulties when confronted with evidence. In particular, that particular platform conceded that the algorithm for new eaters has a bias towards displaying large restaurant chains first in the ranking order, which makes it unsurprising that these chains have marginally better odds at receiving the first order. That is the more plausible reason for any potential trend observed. In addition, the main tool used by platforms for new eater acquisition are new eater promotions by the platform. For platform funded new eater promotions that are neutral on restaurant, the share of new eater promotional spend on independent restaurants is in line with their share of food value on the platform, and higher than their share of orders which is a more relevant measure for deals such as R50 off. However, both established platforms disproportionately fund larger chains with restaurant-specific promotions, often reducing commissions in exchange for marketing commitments but also co-funding weekly food category deals. This means that new eaters are also more likely to be confronted with promotions on the larger chains, which also appear first in the ranking. In summary, the observed trend on new eater choice is explained by other factors for which there is evidence unlike the assumptions of advisors for which there is not; and

263.3. Both the established platforms identified a large drop off in new eater activity on the platform and the difficulties in eater retention. The platforms therefore work hard for consumer retention on the platform and the evidence indicated that variety was an important factor for consumers in their use of food delivery platforms. That variety disproportionately comes from independent restaurants and their importance to the platforms is generally acknowledged. As such, the larger chains will also benefit from the presence of independents on the platform if they assist in customer retention, which customers then also order from the larger chains. The fact is that the platform in question has not sought to measure that effect either.

264. However, even if the Inquiry were to accept the proposition that larger business users warrant a lower commission fee because they bring more restaurants or value to the platform, the primary difficulty for the platforms is to justify the absolute extent of that difference. The high point for all the established platforms arguments was that <u>some</u> difference is warranted, but no-one attempted to rationalize why the <u>actual extent</u> of difference is warranted.

265. In this respect, it is informative to contrast the material difference in the extent of discrimination between the two leading platforms, which at the very least indicates the platform with the most extensive discrimination is unlikely to be justified because another platform pursuing the same business model has a far lower level of discrimination. Similarly, it is informative that there is a far more limited extent of discrimination on new entrant platforms that must also get chains on board but which lack bargaining power in respect of independents.

266. The Inquiry considers that ultimately this is about a difference in bargaining power rather than value. The delivery platforms may be constrained in what they can charge large restaurant chains due to some countervailing bargaining power, especially global ones where they may require their cooperation in other markets too, even if this constraint is slowly relaxed as they buy customers and create greater dependency by even the large restaurant chains. However, they really face no such countervailing power or constraint from independent restaurants where negotiation is the exception not the norm. Whilst the platforms are pursuing a high growth strategy with large consumer subsidies, and are constrained in what they can charge large restaurant chains, they will naturally seek to maximise the revenue from independents to limit their losses during this period. This means that the extent of discrimination is driven by the maximum fee they can charge independent restaurants lacking countervailing power rather than calculating some discount off the independent rate that is now applicable to restaurant chains based on a value.

267. Indeed, as the Inquiry document next, the exploitation of the independent restaurants in fact drives the profitability of the platform and enables it to engage in marketing and subsidisation strategies which contribute to eater growth that is benefiting the largest restaurant chains because their customers are often the ones that are paying below even variable cost for the service. This too is a value which the advisors seem to ignore measuring.

268. Also the claim that this model is the norm globally is not reassuring to the Inquiry, because independent restaurants in the United States or Europe will be similarly placed to those in South Africa, at least relative to the chains, and so the same opportunities exist to exploit independents exist. Indeed, complaints around price discrimination and high commission fees is also not unique to South Africa.

4.1.5.3. The difference in commission fee has no costs basis

269. The evidence from the internal accounts indicates that there is no material difference in costs for variable costs (transaction processing, delivery, and promotional spend) nor on a fully allocated cost basis (i.e. including an allocation of common costs). Transaction processing is simply a percentage of the transaction value paid to financial intermediaries and should not differ. Evidence on actual delivery costs across restaurant categories was mixed, with it being marginally cheaper on one platform to deliver to independents and marginally more expensive on another.[255] Platform-funded promotional spend is discretionary but was also not substantially different across restaurants and often lower for independents relative to some of the larger chains.[256] In summary, there is no material difference in the variable costs for independent restaurants relative to chains that could justify the difference in commission fees. Furthermore, there was no real attempt by the leading platforms to justify the commission fees based on costs and rather they focused on alleged value differences.

4.1.5.4. Value generated by independent restaurants: review of the platforms' performance per segment

270. The Inquiry has determined the relative share of profit that independent restaurants bring to the platform, compared to the larger restaurant chains. The evidence, as one would expect, shows disproportionate profit share due to the higher commissions and the lack of any substantial difference in costs.

271. On the platform revenue side, this is predominately a function of order basket value and commission fee charged, along with any delivery fees levied on consumers.

271.1. There is no material difference in the delivery fees recovered from consumers across the restaurant types as these are typically set regardless of the restaurant.[257]

255 [redacted]

256 [redacted]

257 [redacted]

271.2. Independent restaurants have on average higher order value than other restaurant segments. This implies that customers spend more money on independent restaurants on average (per order basis). By way of example, the average food order value on independent restaurants is materially higher than that of the largest restaurant chains, ranging from around 30% to 60% higher.[258] This implies that the absolute commission earned, or revenue for the platform, can be 30% to 60% higher even if independents paid the same commission rate, which they don't.

271.3. In addition to the higher order value, independent restaurants are charged the highest commission fees, thus on per order basis, established platforms derive the highest value (in the form of revenue) from small and independent restaurants. The difference in commission fees is documented above and can be up to 60% higher, but the implication of that on top of higher food order values is a huge difference in platform revenue per order.[259]

272. Given that costs are not materially different, the result is that the profit per order from independent restaurants is also substantially higher than for the chains. In fact that absolute Rand profit contribution after variable costs is more than ten times that of the largest chains and three times that of the smaller national chains.[260] That is of course where platforms make a profit from the largest chains, as one platform still makes variable losses for the international chains. In essence, the difference in commission fees is so vast and the differences in costs marginal (and sometimes less for independents), that the independent restaurants are effectively subsidising the largest restaurant chains on the platform.[261] Independents restaurants will typically see their share of profit

258 [redacted]

259 [redacted]

260 [redacted]

261 [redacted]

contribution before fixed costs almost treble their share of orders on a platform.[262] The biggest winners are the international chains which are either subsidised or contribute negligible amounts to profit.

4.1.6. Conclusions and findings on price discrimination

273. The Inquiry finds that Uber Eats and Mr D Food discriminate between restaurant segments in that small and independent restaurants are charged higher commission fees than other restaurant segments, especially restaurant chains. The extent of discrimination is significant, and, in some circumstances, independent restaurants are charged more than 50% of what national restaurant chains pay.

274. These high commission fees distort competition and adversely impact on small and independent restaurants by (i) making them less price competitive, (ii) reducing their profit margin and profitability and (iii) reducing their ability to purchase value added services on platforms (e.g., sponsored listing, premium ranking and promotional offers). Therefore, high commission fees negatively affect the ability of independent restaurants to compete and participate effectively in the market.

275. Furthermore, it has been established that independent restaurants contribute significant value to platforms in terms of variety and local favourites in many areas, which aids with not only customer acquisition but also retention. The reasons provided by the established platforms in justification of the discriminatory conduct are not persuasive.

4.2. Ranking and promotions: visibility and discoverability

276. The Inquiry considered factors that influence ranking on food delivery platforms. The Inquiry also considered the nature of promotional offers and paid advertising (e.g., sponsored listing) offered by platforms and whether various restaurant segments effectively participate in these offers.

262 [redacted]

4.2.1. Ranking and consumer choice incl. paid for 'sponsored listing' / 'premium packages'

4.2.1.1. Background on factors influencing ranking

277. Food delivery platforms provide scope for influencing the search rankings and discoverability of a restaurant on the app or website. Search is typically restricted to a delivery radius around the customer location as a first filter. Thereafter, the search will be impacted by various factors such as delivery factors (distance, time and fees), contextual factors (cuisine, time of day, availability), restaurant performance (ratings, order fulfilment, amount of time spend online etc), pricing and known customer preferences (order history).

278. However, display prominence is also impacted by promotional offers, paid advertising placements and premium ranking position purchases (pay for position on the results list). These factors seem to be fairly consistent across delivery platforms, particularly established platforms, as their ranking can also be influenced by factors that depend on the restaurant's financial strength (e.g., search ranking influenced by promotional offers and paid advertising).

4.2.1.2. Premium ranking and sponsored listings

279. Premium ranking is a feature on the Mr D Food platform that is available for purchase by restaurants as an advertising placement. [redacted]

[redacted]

[redacted]

Sponsored listings

263 [redacted]

[redacted]Sponsored listing is a feature on the Uber Eats platform that is available for purchase by restaurants. In terms of this feature, a restaurant is placed higher up in the feed on the Uber Eats platform if it has paid for a sponsored listing. The restaurant's listing has a "sponsored" tag visible next to the restaurant.[264] [redacted]

[redacted]Sponsored listings are a 'second-price auction' that occurs instantly each time a user opens the app.[268] [redacted]

283. [redacted]

[264] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021.
[265] [redacted]
[266] [redacted]
[267] [redacted]
[268] Restaurants can bid in a second-price auction to win the sponsored listings spot, and users see the ad most relevant to their personal preferences - https://koddi.com/an-introduction-to-sponsored-listings/

284. The fact that restaurants' financial resources are critical in the participation in Uber Eats' sponsored listing has also been highlighted in some articles – for instance, in one article it is stated that *"payment is based on clicks: Restaurants pay a fee each time a customer clicks into their page via the sponsored listing. They can set a weekly budget as well as choose how much they want to pay for each click, and can also choose to target the listing by location, ordering behavior and dietary preference"*.[269] Thus, the restaurants with higher budgets and the ability to commit more on pay per click are likely to win the sponsored listing spots.

4.2.1.3. The benefits of premium ranking and sponsored ranking to restaurants

285. Premium ranking and sponsored listing allow restaurants to achieve the following benefits:
   285.1. Gain brand exposure which can later be converted into sales; and
   285.2. Increase order volumes and sales.

286. These benefits are also acknowledged by the established platforms.[270] [redacted][271]

287. In a survey conducted by the Inquiry, restaurants indicated the extent to which high ranking on customer searches or a prominent display position contribute towards their sales. Approximately 33% of the restaurants indicated that high ranking or prominent

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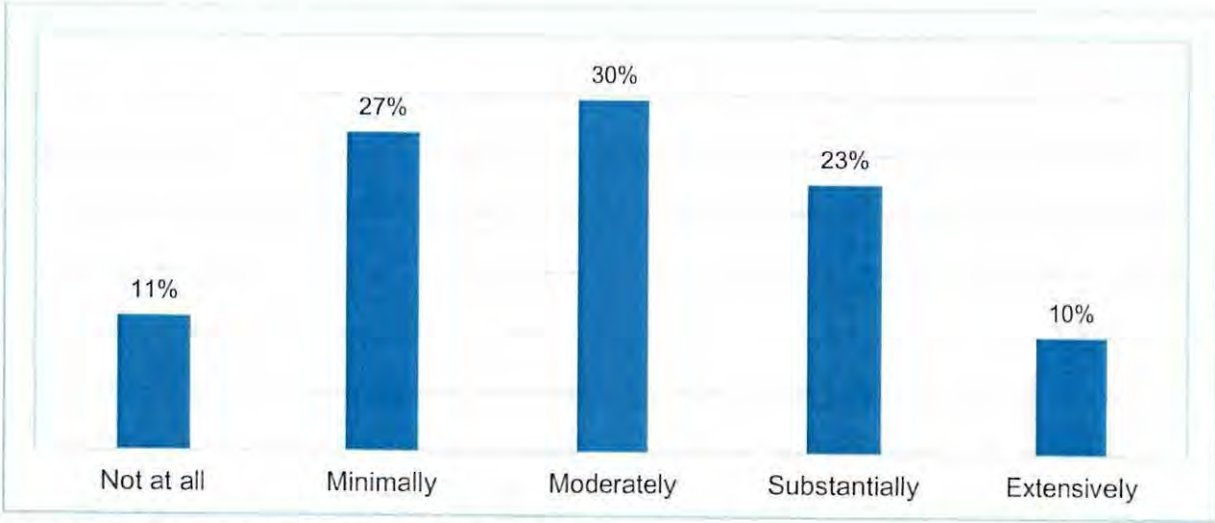
[269] https://www.restaurantbusinessonline.com/marketing/uber-eats-launches-sponsored-listings

[270] [redacted]

[271] [redacted]

display position contributes *"substantially"* and *"extensively"* towards their revenue. Approximately, 30% of the restaurants characterised the contribution as *"moderate"*.

Figure 8: Extent of high ranking or prominent display position (online delivery platform's) contribution towards sales



Source: The Inquiry's survey results conducted 2021

4.2.1.4. Restaurants segment participating and benefiting from paid for ranking and/or sponsored ranking

Premium listing

288. Premium ranking is predominantly purchased by restaurants chains. [redacted] In very few instances where independent restaurants bought this product, they spent far less (e.g., in 2020 the spending was in the range of R5 000 - R30 000) and advertised for a limited period[273], compared to restaurant chains that bought the product in large numbers and spent more money. Restaurant chains normally advertise for longer periods (cumulatively) when they purchase the product. For instance, between the 6 months period (Jan-Jun) 2021, some of these restaurants had spent (cumulatively) anywhere between R100 000 – R500 000.[274]

272 [redacted]
273 [redacted]
274 [redacted]

289. The total amount spent by participating restaurants on premium packages has increased over time since 2019. Moreover, the uptake in premium ranking packages by restaurant chains has increased significantly over time. It appears that there is an incentive for Mr D Food to encourage the use and uptake of premium ranking as the growth of this product is likely to increase its revenue, thus improving Mr D Food's financial performance. In 2019, only two restaurant chains purchased premium ranking packages[275] and no small restaurants purchased any ranking package from Mr D Food. By June 2021, the list of restaurant chains purchasing premium ranking had increased substantially.[276]

290. In terms of determining how these premium ranking packages have benefited restaurants that made purchases, the Inquiry considered various post-campaign reports prepared by Mr D Food. [redacted] The Inquiry notes that the trend in the relationship between premium ranking packages and upliftment in orders and food sold is consistent across all restaurants that purchased premium ranking packages. In other words, the post-campaign reports for each restaurant show that premium ranking led to increase or upliftment in order volume and food sold – with the extent of the %

275 [redacted]
276 [redacted]
277 [redacted]

increase varying from restaurant to restaurant depending on a variety of factors, such as the type of ranking package purchased and the month purchased.

291. Lack of participation or purchasing of premium ranking packages by independent restaurants implies that these restaurants are not deriving the benefits associated with premium ranking packages.

Sponsored listing

292. Uber Eats has indicated that the sponsored listing feature is utilised primarily by SMBs[278] and enterprise restaurants[279] [redacted][280] [redacted]

The Inquiry notes the following with respect to Uber Eats sponsored listing:[281]

292.1. No restaurant chain classified by Uber Eats as "strategic" made use of sponsored listing. Generally, the use of sponsored listing by restaurant chains is limited – with spending ranging from R1 000 to R6 000; and[282]

292.2. Spending for sponsored ranking for SMBs ranges from R10 to R40 000.[283]

293. It is worth noting from the above dataset that Uber Eats' sponsored listing is fairly new in the market, thus the period covered in the assessment of the product's performance is fairly short (six month old – from May to October 2021). Although SMBs are able to participate in sponsored listing at this stage, the Inquiry is concerned that the structure of the auction and bid process may adversely affect or prevent their participation in future. The Inquiry's concern in the regard is based on the following:

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[278] Independent restaurant with fewer than five stores at a country level.

[279] Uber Eats (Mr Molewa) Public Hearing Transcript dated 11 November 2021. Mr Mowela indicates that "...lot of these parties that are using sponsored links, are the smaller medium... small medium enterprises that are coming onto the platform and using this".

[280] [redacted]

[281] [redacted]

[282] [redacted]

[283] [redacted]

293.1. Restaurants financial pockets critical to winning the auction: as already indicated, the restaurant's budget set towards participating in an auction and the cost per click bid are crucial in winning the auction and appearing on the sponsored listing feature. Importantly, the auction is for each user depending on the budget and hence this criterion inherently favours restaurants with large budgets for marketing as they can bid on more users relative to restaurants that lack such budgets, as is evident in other similar markets such as Google Search. For instance, from Uber Eats' database the highest spend on sponsored listing by SMEs is less than R40 000[284] over a six month period, while Mr D Food's dataset shows that some of the restaurant chains can spend more than R50 000 to attain a prominent ranking position that lasts for only a week; and

293.2. Slow uptake in sponsored listing by restaurants chains expected to increase: at the launch of sponsored listings there was a slow uptake in this feature by restaurants chains. Just like in Mr D Food's case, it is expected that the uptake of Uber Eat's sponsored listing feature by restaurant chains will increase over time. As Uber Eats continues to demonstrate to the market that sponsored listing has a positive impact on order volumes and sales, the uptake is expected to increase, particularly, as it starts to release reports (e.g., post-campaign reports) on the actual impact of sponsored listing on each individual restaurant performance (order and sales level);[285]

4.2.1.5. Are independents restaurants benefiting and/or effectively participating in paid for ranking and/or sponsored ranking?

Premium packages

294. As demonstrated above, the participation of independent restaurants on premium ranking is extremely limited; this feature is predominantly used by restaurant chains. Therefore, independent restaurants do not tap into the opportunities and benefits associated with premium ranking. It appears that the lack of effective participation by independent restaurants is as a result of the high costs associated with premium ranking packages. Moreover, high commission fees charged by established platforms on independent

[284] [redacted]

[285] Similar to Mr D Food, there is also an incentive for Uber Eats to encourage the use and uptake in sponsored listing as it can grow and increases the business revenue, thus, improving Uber Eats financial performance.

restaurants[286] may also has adverse effects on their ability to effectively participate on paid for ranking packages such as premium packages.

[redacted]

Sponsored Listing

296. As indicated above, SMBs appear to be participating in the sponsored listing on Uber Eats. Their participation in this feature can be further enhanced by lower commission fees. It has also been observed that sponsored listing is still at its infancy and there is limited participation by restaurant chains at this stage. There seems to be an incentive for Uber Eats to promote and encourage the use and uptake of sponsored listing as this is likely to contribute to Uber Eats' revenue and its overall financial performance. Moreover, the number of restaurant chains that use sponsored listing is likely to increase.[289] It is early in the process to determine what the likely outcomes will be, however similar promotional products in other markets have shown to exclude smaller businesses because the larger businesses can bid more often.

Moderate usage of paid for ranking position by small and independent restaurants

[286] The Inquiry refers to the high commission fees charged to small independent restaurants relative to what established platforms charge national restaurants chains – the price discrimination assessment revealed that the price differentials are large and extremely significant.

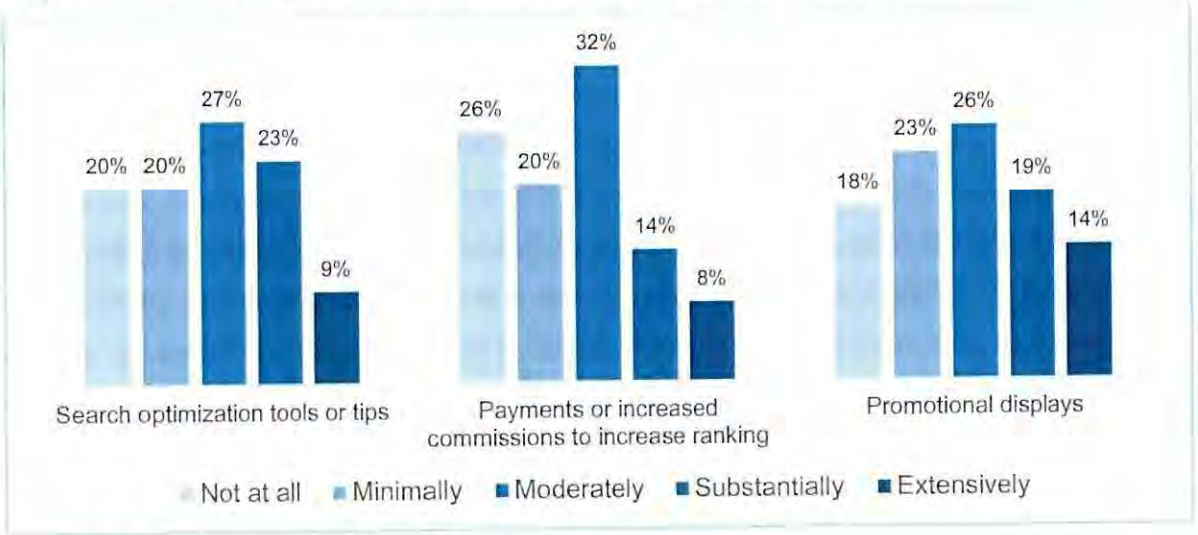
[287] [redacted]

[288] [redacted]

[289] As indicated above, as Uber Eats continues to prove to the market that sponsored listing is positively correlated with upliftment in orders and sales, the uptake is likely to increase.

297. The survey also revealed that overall there is moderate participation by independent restaurants on paid for ranking packages and promotional displays. In terms of the extent of restaurants usage on (i) pay for ranking (ii) promotional display and (iii) search optimisation tools and tips to improve ranking position, the survey results revealed the following (with a response sample of 63 SMEs restaurants and 3 Large restaurants):

Figure 9: Restaurant usage of various tools to improve ranking position



Source: The Inquiry's survey results conducted 2021

298. In terms of the survey results:

298.1. Paid for ranking: approximately 22% of the restaurants uses payment or increased commission fee *"substantially"* and *"extensively"* to improve ranking position whilst 46% uses it *"minimally"* and *"not at all"*; and

298.2. Promotional display: approximately 33% of the restaurants uses payment or increased commission fee *"substantially"* and *"extensively"* to improve ranking position whilst 41% uses it *"minimally"* and *"not at all"*.

4.2.1.6. Stacking of restaurants chain listings

299. A noticeable difference between Mr D Food's listing of restaurants is that restaurant chains are stacked together. For instance, if KFC has five restaurants within the radius that is permitted by Mr D Food, all the KFC restaurants will be stack together under one KFC listing which means KFC appears once. In contrast, Uber Eats displays each chain store separately which means that they may appear multiple times on the restaurant feed provided to the user.

300. That can provide the chain far more exposure than the stacking approach.

4.2.1.7. Transparency in ranking and consumer choice

301. Platform ranking affects consumer choice. The European Commission Guidelines ("EU Guidelines") on ranking transparency[290] state the following with respect to ranking:

"Ranking of goods and services by the providers of online intermediation services has an important impact on consumer choice, and consequently on the commercial success of the business users [restaurants] offering those goods and services to consumers".

302. Uber Eats confirms that ranking affects consumer choice, restaurant choice and independent delivery person (this is because the independent delivery person who is near the restaurant is the one that gets chosen to go and deliver that meal).[291]

303. One aspect of transparency is to business users where the EU regulations indicate that business users should be informed of the factors influencing ranking and the reason for those criteria and not others. Both leading platforms do provide business users with information on the criteria, and what appears to be lacking is the information on the rationale for the use of these criteria and not others. However, this may be deduced from the criteria. Uber Eats submits that it issues practical guidelines to restaurants on how they can improve ranking on the platform.[292]

304. Similarly, Mr D Food's restaurant partner promotions and advertising program sent to restaurants set out some factors that influence ranking. However, the document's main focus in on how packages such as premium and promotional offers affect ranking.

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[290] These Guidelines are pursuant to the Regulation (EU) 2019/1150 of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services. See Official Journal of the European Union C424/1.

[291] Uber Eats Public Hearing Transcript dated 11 November 2021.

[292] [redacted]

305. In respect of the consumer, there is transparency in Uber Eats' sponsored listing as restaurants that attain ranking prominence through sponsored listing have a tag *"sponsored"* next to the restaurant on the platform. This level of transparency helps consumers to make better and well-informed decisions. On the other hand, there is no transparency on restaurants that have attained prominent ranking on Mr D Food through the purchasing of premium ranking. Therefore, consumers are not informed when a restaurant is ranked higher as a result of premium ranking purchase. During public hearings, Mr D Food acknowledged that it does not put a tag or label next to the restaurant that has purchased ranking packages to inform the consumer that the prominent ranking is *"sponsored"* or *"paid"*. The lack of advert identification is problematic as ranking may influence consumer choice.

4.2.2. Promotions incl. marketing commitments

306. As already indicated, there are different types of promotions that are utilised by food delivery platforms, including free or low delivery fees and percentage (e.g., 20%) off the total food value discounted. For established platforms, the funding model for promotions varies with some promotions fully funded by the platform whilst other promotions are co-funded (platform and restaurants) or fully funded by the restaurant. Restaurants that fund promotions (largely restaurant chains) appear to be incentivised to fund these promotions through, *inter alia*, lower commission fees – that are also linked with marketing commitments. Platforms allocate promotions across all different restaurant segments.

307. Restaurants use promotions to generate demand, acquire new customers and retain existing customers. The effect of this is that it increases sales and order volumes.[293] Evidence before the Inquiry confirms that promotions significantly increase customer acquisition rates and order volumes. Evidence shows that in some instances, the use of

293 [redacted]

promotions increases restaurants' customer acquisition rate and order volumes by more than 70%.[294]

4.2.2.1. Allocation of promotions by restaurants segment

308. The Inquiry's analysis shows that there can be a bias in the allocation of promotions across various restaurants segments towards large, international restaurant chains, with upwards of 15% in greater spend relative to independents and even national chains.[295] This appears to be in part the greater partnerships in promotional campaigns. What is interesting to the Inquiry is where the promotion in neutral, for instance with new eater promotions, then independent restaurants seem to do better than chains insofar as their average promo per order is higher.

309. For restaurant funded promotions, restaurant chains have marketing commitment arrangements with established platforms.[296] These arrangements appear to have commenced around 2017 and are still in place. As indicated above, funds from marketing commitments are channelled towards, among other things, promotions, thus further

294 [redacted]

295 [redacted]

296 [redacted]

benefiting restaurants chains. Therefore, it appears that marketing commitment arrangements play a role in the ability of restaurants to participate and offer promotions. The Inquiry understands that these marketing commitment arrangements are not offered or negotiated with independent restaurants.

310. Marketing commitments are typically made in exchange for a lower commission fee, and the evidence before the Inquiry is that an explicit trade-off is made during negotiations to reduce commissions if commitments are made.[297] For instance, if a restaurant commits 2% of revenue generated on the platform towards marketing commitment, that restaurant receives 2% less commission fee.[298] The marketing initiatives arising from marketing commitments are meant to also benefit the restaurant that is committing funds for marketing on the platform.[299] To provide further illustration, a restaurant without marketing commitment can be charged 20% commission fee, while a restaurant with a 2% marketing commitment would be charged 18% commission fee (breakdown: 18% commission fee + 2% marketing commitment).

311. Marketing commitments are beneficial to restaurants chains in many ways (i) they enable restaurants chains to obtain a favourable commission fee and free up funding that can be utilised on value added services and (ii) the marketing commitment funds benefit the restaurant itself – funds from marketing commitment can be utilised towards promotions on the platform as well as brand awareness and enhancing campaigns.[300] This in turn impacts positively on the restaurant's sales and order volumes.

312. Marketing commitment arrangements do not feature in negotiations between established platforms and independent restaurants. Furthermore, it seems established platforms do not anticipate offering this option to independent restaurants even in future, and this is because of a number of reasons, including difficulties associated with (i) managing

297 [redacted]

298 [redacted]

299 [redacted]

300 [redacted]

thousands of restaurants and (ii) determining and measuring the value that independent restaurants may bring through marketing commitment arrangements.[301] Therefore, independent restaurants are deprived of the opportunity to participate in and reaping the benefits associated with marketing commitment arrangements, such as lower commission fees and increased participation in promotions and other value added services such as paid for ranking.

313. The above suggests that independent restaurants are not afforded an equal opportunity to participate in and benefit from promotions compared to other restaurant segments. The Inquiry notes that for some of the platforms, promotions are one of the parameters that influence ranking on the platform.[302] Thus, other restaurant segments that are benefiting more from the allocation of promotions (either through potential bias or marketing commitments) are likely to achieve high levels of visibility and discoverability relative to independent restaurants. As already indicted, higher discoverability and visibility have the propensity to positively impact on a restaurant's performance on the platform.

4.2.3. Conclusion and findings

314. Transparency and consumer choice: the Inquiry has found that some platforms are not transparent on restaurants that have attained prominent ranking through the purchasing of ranking packages. This has a negative impact on, among other things, customer choice.
315. Participation in premium ranking and sponsored listing: the Inquiry has found that independent restaurants are not effectively participating and tapping into the opportunities and benefits associated with paid for or sponsored ranking. The high

301 [redacted]

302 [redacted]

commission fees faced by these restaurants seem to adversely affect their level of participation in these packages. On platforms where independent restaurants appear to be participating in paid for or sponsored ranking, the Inquiry is concerned that their future participation may be inhibited because of several factors.

316. Promotions and marketing commitments: the Inquiry has found that there is a slight bias on platform-funded promotional spend towards international chains relative to independent restaurants, and on restaurant-funded promotional spend the ability to reduce commission fees in exchange for marketing commitments by chains distorts competition on the platform through distorting relative pricing and visibility.

APPENDIX A: STAKEHOLDER ENGAGEMENTS

List of all stakeholder engagement: submissions, meetings, public hearing and In-Camera

Market Conduct Abuse of Dominance all RFIs Submissions

Submission made by	Stakeholder type (e.g. platform, Restaurant)	Submission date	Report Reference
Uber Eats	Platform	31-Jul-2020	Uber Eats submission dated 31 July 2020
Uber Eats	Platform	21-Aug-2020	Uber Eats submission dated 21 August 2020
Uber Eats	Platform	11-Dec-2020	Uber Eats submission dated 11 December 2020
Mr D Food	Platform	28-Jul-2020	Mr D Food submission dated 28 July 2020
Mr D Food	Platform	25-Nov-2020	Mr D Food submission dated 25 November 2020
Mr D Food	Platform	18-Jan-2020	Mr D Food submission dated 18 January 2021
Mr D Food	Platform	1-Feb-2020	Mr D Food submission dated 1 February 2021

Inquiry all RFIs Submissions

Submission made by	Stakeholder type (e.g. platform, Restaurant)	Submission date	Report Reference
Uber Eats	Platform	30-June-2021	Uber Eats submission dated 30 June 2021
Uber Eats	Platform	13-Sep-2021	Uber Eats submission dated 13 September 2021
Uber Eats	Platform	9-September-2021	Uber Eats submission dated 9 September 2021
Uber Eats	Platform	31-Jan-2022	Uber Eats submission dated 31 January 2022
Mr D Food	Platform	2-Jul-2021	Mr D Food submission dated 2 July 2021
Mr D Food	Platform	2-Aug-2021	Mr D Food submission dated 2 August 2021
Mr D Food	Platform	11-Sep-2021	Mr D Food submission dated 11 September 2021
Mr D Food	Platform	17-Jan-2022	Mr D Food submission dated 17 January 2022
Bolt Food	Platform	30-Jun-2021	Bolt Food submission dated 30 June 2021
Bolt Food	Platform	23-Jul-2021	Bolt Food submission dated 23 July 2021
Bolt Food	Platform	10-Sep-2021	Bolt Food submission dated 10 September 2021
Famous Brands	Restaurant	15-Jul-2021	Famous Brands submission dated 15 July 2021

Famous Brands	Restaurant	30-Sep-2021	Famous Brands submission dated 30 September 2021
Famous Brands	Restaurant	17-Jan-2022	Famous Brands submission dated 17-January 2022
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	

Meetings: Inquiry and market participants

Meeting held with	Stakeholder type (e.g. platform, Restaurant)	Meeting date	Meeting with	Report Reference
Buzz Delivery	Delivery App/software web-based firm	16-Jul-2021	Heather Veldhuis, Alan Anthony Veldhuis, and Irvin Bogapo	Meeting between the Inquiry and Buzz Delivery – 16 July 2021
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Quench	Platform	31-Aug-2021	Candice Bester	Meeting between the Inquiry and Quench – 31 August 2021
Dryvar	Platform	9-Jul-2021	Priven Reddy and Karen Naidoo	Meeting between the Inquiry and Dryvar – 9 July 2021
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
We Dash	Platform	8-Oct-2021	Njabulo Zondi	Meeting between the Inquiry and We Dash – 8 October 2021
Paarl Eats	Platform	8-Oct-2021	Illse Erasmus and Ryan Pietersen	Meeting between the Inquiry and Paarl Eats – 8 October 2021
Sisters on the Move	Delivery service	16-Oct-2021	Bathuthukile Mchunu	Meeting between the Inquiry and Sisters on the Move – 16 October 2021
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Statement of Issues ("SOI") and Further Statement of Issues ("FSOI")

Submission made by	Stakeholder type	Submission full name	Submission date	Submission made by	Report shorthand Reference
SOI					
Bolt Food	Platform	Response to SOI	25 June 2021	W Jappie / W Patel	Bolt Food Response to SOI
Naspers	Platform (Mr D Food)	Response to SOI	30 June 2021	Webber Wenzel	Naspers Response to SOI
FSOI					
Bolt Food	Platform	Response to FSOI	10 September 2021	W Jappie / W Patel	Bolt Food Response to SOI

Naspers	Platform (Mr D Food)	Response to FSOI	6 October 2021	Webber Wenzel & Herbert Smith Freehills	Naspers Response to FSOI
Uber Eats	Platform	Response to FSOI	30 September 2021		Uber Eats Response to FSOI

Public Hearings

Firm/Company	Stakeholder type (e.g. platform, Restaurant)	Public Hearing date	Participants	Report Reference
Mr D Food	Platform	12-Nov-2021	Kim Reid, Mamongae Mahlare, and Alex Worst t	Mr D Food Public Hearing Transcript dated 12 November 2021
Uber Eats	Platform	11-Nov-2021	Nakampe Molewa and Lindi Vundla	Uber Eats Public Hearing Transcript dated 11 November 2021
Bolt Food	Platform	18-Nov-2021	Mr James Townsend-Rose	Bolt Food Public Hearing Transcript dated 18 November 2021
Buzz Delivery	Delivery App/software web-based firm	11-Nov-2021	Heather Veldhuis	Buzz Delivery Public Hearing Transcript dated 11 November 2021
Quench	Platform	11-Nov-2021	Candice Bester	Quench Public Hearing Transcript dated 11 November 2021
Dryvar	Platform	22-Nov-2021	Karen Naidoo	Dryvar Public Hearing Transcript dated 22 November 2021
We Dash	Platform	12-Nov-2021	Njabulo Zondi	We Dash Public Hearing Transcript dated 12 November 2021
Paarl Eats	Platform	22-Nov-2021	Illse Erasmus and Ryan Pietersen	Paarl Eats Public Hearing Transcript dated 22 November 2021
Sisters on the Move	Delivery service	11-Nov-2021	Bathuthukile Mchunu	Sisters on the Move Public Hearing Transcript dated 11 November 2021
Famous Brands	Restaurant	15-Nov-2021	Terry Boardman	Famous Brands Public Hearing Transcript dated 15 November 2021

In-Camera Session

Firm/Company	Stakeholder type (e.g. platform, Restaurant)	In-Camera date	Participants	Report Reference
Mr D Food	Platform	3-Mar-2022	Kim Reid, Mamongae Mahlare, and Alex Worst with Economic Advisors from RBB Economics	Mr D Food In-Camera Transcript dated 3 March 2022
Uber Eats	Platform	28-Feb-2021	Nakampe Molewa, Lindi Vundla, Orhan Ozkan, Mr Malherbe with Economic Advisors from Genesis	Uber Eats In-Camera Transcript date 28 February 2022