

# Online Intermediation Platforms Market Inquiry: Findings and Remedial Actions

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*competition regulation for a growing and inclusive economy*



**competition commission**  
south africa

# Introduction

## Objectives

- Proactive inquiry into enhancing competition in digital markets that are rapidly concentrating
  - Specific emphasis on the ability of small SA platforms to compete with large local and global entry
  - Concerns over the particular exclusion of black South Africans from participation at the platform level and the businesses that list on them
  
- Focus on platforms that connect businesses to consumers due to its effect on inclusive growth and employment
  - eCommerce; Online classifieds (property and automotive); Food delivery; Travel and accommodation; Software application Stores and Google Search

# Process



## Engagements



~1200 engagements

- Information request
- Responses on Provisional Report
- Meetings

## Public hearings



4 weeks

## In camera hearings



2 weeks

- First inquiry under the 2018 amendments where remedial actions are binding
  - Months of negotiations on remedies to reach agreement and limit appeals
- Google Search, Google Play Store, Takealot, Mr D Food, Property24, Autotrader, Cars.co.za, Bolt Food, and the 10 largest restaurant chains have accepted the findings.

# Google Search

Key findings	Remedial actions
<ul style="list-style-type: none"><li>▪ Google Search is a critical gateway for consumers for all platforms and its business model of placing paid searches on top of a search page favour large global businesses.</li><li>▪ Google gives preferential treatment to its own shopping and travel units.</li></ul>	<ul style="list-style-type: none"><li>▪ Aim to enhance the visibility of SA, SME and black-owned platforms through<ul style="list-style-type: none"><li>➤ giving smaller SA platforms R180m advertising credits</li><li>➤ investing R150m in training, product support and other measures for SME and black-owned platforms</li><li>➤ introducing a new platform sites unit to display smaller SA platforms</li><li>➤ Adding a SA flag identifier and search filter to enable consumers to easily identify and support SA platforms</li></ul></li></ul>
	<ul style="list-style-type: none"><li>▪ To address self-preferencing concerns, Google will implement in SA the changes required under the EU Digital Markets Act</li></ul>
	<ul style="list-style-type: none"><li>▪ Implementing</li></ul>



Key findings	Remedial actions
<ul style="list-style-type: none"> <li>▪ Takealot Retail division competes with sellers on its marketplace, creating a conflict of interest where Takealot favours itself and can exploit sellers</li> <li>▪ Takealot prioritises onboarding of larger established businesses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Remove conflict through separating the retail division from its marketplace operations and preventing exchange of seller confidential data</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Prevent exploitation of sellers through 60 day dispute resolution, an end to self-imposed product exclusivities and independently run seller complaint channel</li> </ul>
	<ul style="list-style-type: none"> <li>▪ For black-owned businesses                             <ul style="list-style-type: none"> <li>➢ Prioritised onboarding, 3 month fee waiver, R6000 ad credits, promotional rebates and targeted campaigns for black-owned businesses</li> <li>➢ Initiative to mentor, develop and promote black female and/or rural businesses</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>▪ Implementing</li> </ul>

# Food Delivery



Key findings	Remedial actions
<ul style="list-style-type: none"><li>▪ Mr D Food and Uber Eats favour national restaurant chains and charge far higher commission fees to independent restaurants, particularly harming small black-owned restaurants</li><li>▪ Local township delivery entrepreneurs disadvantaged by restaurant chains restricting their franchisees from listing on their service and a lack of consumer transparency on menu surcharges as theirs are lower</li></ul>	<ul style="list-style-type: none"><li>▪ Mr D Food and Uber Eats to reduce their fees to independent restaurants</li></ul>
	<ul style="list-style-type: none"><li>▪ Restaurant chains cannot restrict franchisees in listing on local delivery and cannot set exclusionary criteria for local delivery to qualify</li></ul>
	<ul style="list-style-type: none"><li>▪ Mr D Food and Uber Eats to offer black-owned restaurants personalized onboarding, waiver or reduction of activation and subscription fees, R3000 ad credits, targeted monthly promotions</li></ul>
	<ul style="list-style-type: none"><li>▪ Mr D Food and Uber Eats implementing, but Uber Eats appealing fee remedy continuation for 3 years</li></ul>

# Software Application Stores

Key findings	Remedial actions
<ul style="list-style-type: none"> <li>▪ Google Play and Apple App stores can charge excessive commission fees</li> <li>▪ No local curation and promotion of SA apps on the app stores</li> </ul>	<ul style="list-style-type: none"> <li>▪ Google Play and Apple App stores must allow apps to direct consumers to pay for content on their own websites at lower prices and use content in the apps</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Google and Apple must provide a South African curation of apps on their stores and ad credits to support SA apps</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Google is implementing and Apple appealing</li> </ul>

# Online Classifieds platforms



Key findings	Remedial actions
<ul style="list-style-type: none"> <li>▪ Online classifieds charge small agents/dealers fees multiple times higher than national agents/dealers, which exclude black agents/dealers</li> <li>▪ Property classifieds exclude rival SME platforms by restricting their access to agent property listings and engaging in multi-year contracting</li> <li>▪ Estate agents are invested in and favour Private Property</li> </ul>	<ul style="list-style-type: none"> <li>▪ Online classifieds must dramatically reduce prices for SME agents/dealers to within 10% of national agents/dealers</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Property classifieds must not prevent the feed of agent listings to rivals and end multi-year contracts</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Estate agents to divest their shareholding in Private Property</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Online classifieds to offer black-owned agencies/dealerships personalised onboarding and training, free or discounted 12 month subscription and free or discounted premium listing upgrades</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Property24, Autotrader, Cars.co.za implementing, Private Property is divesting but lodged an appeal in case the merger is not approved</li> </ul>



# Travel accommodation



Key findings	Remedial actions
<ul style="list-style-type: none"><li>▪ Booking.com imposes pricing restrictions on hotels and other accommodation establishments through price parity clauses that prevents them from pricing lower on their own online channel or on SA travel platforms</li><li>▪ Booking.com platform favours established tourism establishments and hinders participation by black-owned establishments and communities in tourism benefits</li></ul>	<ul style="list-style-type: none"><li>▪ Booking.com must remove pricing restrictions from its contracts with hotels, and allow them to price as they wish across different online sales channels</li></ul>
	<ul style="list-style-type: none"><li>▪ Booking.com to provide support programmes for the onboarding and promotion of black-owned establishments and communities</li></ul>
	<ul style="list-style-type: none"><li>▪ Booking.com has appealed</li></ul>

# Cross-cutting Remedies and Recommendations



## Advertising transparency

- Finding: SA platforms do not label listings that have paid for a prominent position or to be boosted up the search rankings as advertising
- Remedy: All SA platforms to label paid for promotion listings as either 'Sponsored', 'Promoted' or 'Ads'. This is being implemented.
- The Advertising Regulatory Board has also changed its Code of Advertising to incorporate this change.

## Venture capital support for black entrepreneurs

- Finding: The lack of wealth accumulation by black South Africans due to exclusion from the economy under apartheid severely disadvantages black entrepreneurs in the tech startup stage and venture capital funding lacks mandates to provide support in the later post-revenue stage
- Recommendation: Government should implement an HDP Startup Fund to support black digital entrepreneurs, using grant and first-loss funding of venture capital incubators, accelerators and venture capital funds on a mandated basis to crowd in private funding. The Financial Sector Charter to incorporate similar targets.

Thank you

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