



Online Intermediation Platforms Market Inquiry

Insights for the Portfolio Committee on Small Business Development

Context and Scope of the Inquiry

- Online B2C platforms growing in importance as a distribution channel and opportunity for SMEs/HDPs to reach a national consumer base and impacts the real economy
- eCommerce, food delivery, classifieds, travel & accommodation and app stores chosen as high levels of adoption. Google Search included as it shapes platform competition
- Focus on market features that hinder platform competition, hinder competition on the platforms, hinder the participation of SMEs/HDPs and exploit business users
- Completed in July 2023 with remedies imposed on all leading platforms which have been implemented except for Apple (under appeal) and Private Property (partial)
- Recommendations on risk funding by government in process of implementation
- Commission monitoring of implementation indicates positive outcomes
- Guidelines recently issued to advise all other online intermediation platforms on compliant conduct to avoid anti-competitive outcomes
- Commission likely to look at B2B platforms in FY2027

Competition Dynamics amongst Digital Platforms

- B2C platforms offer a way for businesses to transact with consumers online
- Consumers often prefer platforms as they aggregate a large range of businesses making it easier to evaluate options than going to each business website
- Businesses list on platforms to reach more customers and make use of the delivery and transaction infrastructure to conclude sales, particularly of benefit to SMEs
- Platforms need to onboard both businesses and customers for this to work as too few businesses will put off customers and too few customers will discourage businesses
 - Platforms will approach and onboard businesses by mostly charging only for transactions and initially compete on lower fees and offering visibility to consumers
 - Platforms market to consumers mostly through Google Search as search shows intent to purchase and need to invest in ads and search engine optimization to build volumes as position matters
 - To retain consumers, it must offer low prices and low consumer fees (e.g. delivery fee)
- In the initial phase, platforms often lose money to ‘buy’ volumes and grow with capital backing or must build slowly

Competition Dynamics amongst Digital Platforms, cont.

- Once a platform has built volumes, it becomes easier to sustain itself and grow
 - It becomes a 'must have' for businesses that join voluntarily and who are willing to pay higher fees and to pay for position on search results which bolsters businesses-side revenue for the platform
 - Platforms then use this extra business revenue to increasingly subsidise consumers to win on price and entrench their position as a 'must have' for businesses to reach national consumers
- The result is that platform markets tend to 'tip' to one or two large platforms and several smaller niche players. Platform conduct can exclude rivals in the process.
 - We found many platforms impose price parity conditions which prevent businesses from pricing cheaper on other B2C platforms or their own online sales channels, hindering them from competing. Remedies have eliminated these in eCommerce, travel & accommodation and food delivery. Research shows this has reduced dependency and own sale prices of accommodation providers.
 - In property classifieds, the largest platforms managed agent listings and refused to offer interoperability to allow agents to list on other competing platforms. Remedies have ended this practice and HDP entrants (MyProperty, Property Central) are now able to get listings and growing
 - In food delivery, national fast food chains did not permit franchisees to list on local township delivery platforms, making them less attractive to consumers. Remedies to prevent this has seen services such as Kasi-D and Delivery ka Speed now listing fast food chains and expanding rapidly

Competition Dynamics amongst Digital Platforms, cont.

- The importance of Google Search for customer acquisition has favoured large, often global, platforms, who can buy prominence, hindering SA, and smaller, B2C platforms.
 - Remedies required Google to offer an SA platform filter and flag badge to promote SA platforms to SA consumers, alongside R180m in ad credits to smaller SA platforms to enable them to get visibility on Google Search.
 - Google has provided other funding and support to SA SME/HDP platforms and to onboard 500,000 SMEs onto Google maps to promote visibility over 5 years.
 - Google has commenced distribution of ad credits (62 online businesses), grants (115 recipients) and training/mentorship of SMEs (25 startups).
 - Google practices often favoured its own B2C platform in hotels, travel and shopping by placing them at the top. Google is required to implement EU remedies to address this in SA. Some have been delayed due to failure to reach agreement in the EU.

Competition within Digital Platforms and the Effects on SMEs/HDPs

- In onboarding businesses, platforms will initially prioritise larger businesses that can draw more customers with their brand or multiple locations, and those targeting wealthier online consumers.
- As B2C platforms become 'must have', they can raise business fees, including upfront onboarding fees not just transaction fees, and increasingly sell ads or positions on the search page as businesses fight for greater discoverability and visibility.
- Classified and food delivery platforms discriminated on fees, offering lower transaction fees to larger businesses that have some bargaining power unlike SMEs/HDPs.
- Collectively these pose barriers to SMEs/HDPs onboarding and achieving discoverability and visibility by consumers on the platforms once onboard. Remedies were designed to help SMEs/HDPs overcome these barriers to benefit from platforms -
 - All leading platforms were required to implement an HDP programme that would provide onboarding assistance, discounted fees for a period, offer promotional credits or events to promote visibility.

Competition within Digital Platforms and the Effects on SMEs/HDPs cont.

- For instance, in the first 14 months Takealot onboarded over 800 HDP firms, Uber Eats over 100 HDP restaurants and Property24 over 200 HDP estate agents. Fee savings are in the tens of millions. Booking.com is promoting HDP-owned accommodation but also promoting tourism in historically disadvantaged areas.
- Fee discrimination on food delivery and classifieds was required to be substantially reduced or eliminated, making them more affordable to more SME participants and permitting SMEs to spend on promotional activity too. This has benefited hundreds of SMEs and savings are estimated in the tens of millions.
- On the Play Store, the Google ad credits and grants have supported over 50 app developers to reach a larger global audience.
- Removing barriers to SMEs/HDPs is essential, but financial support in taking advantage of those opportunities is required to ensure success -
 - We recommended that Government offer first-loss risk funding to support HDP startups that lack historical wealth accumulation to self-fund in phase 1 before venture capital support comes in.
 - Funding needed to support SME/HDP businesses seeking to onboard and scale on online platforms



Thank You