

EFSA Contribution to the Competition Commission's Market Inquiry, 3 November 2021

The EFSA welcomes the opportunity to comment on the Market Inquiry being undertaken by the Competition Commission. We believe that a proactive and positive competition approach towards the digital economy, as an integral part of the total economy, is essential.

We therefore look forward to a positive, proactive approach which will benefit our new digital commerce sector in the RSA.

The digital economy does not exist outside other aspects of the economy: however, new digital innovation cannot be treated as an exact reflection of traditional communications. We believe there is no such thing as “technologically neutral”. The temptation to reach for protectionist measures must be very carefully assessed and, if at all possible, resisted, particularly with respect to the RSA’s obligations under the AfCFTA.

EFSA has pointed out in its three previous papers to the Commission that there is a major lack of research and information on the sector.

We are working with six universities to try to rectify the situation by producing independent and unbiased research on turnover and employment. Without this information to hand, it is difficult to see how the Commission can undertake a fair inquiry into the sector.

In particular, EFSA would humbly suggest, the contribution to the country’s economy and employment which the sector provides today and will potentially provide in the future must be a central aspect in any inquiry into this sector.

The Commission will find during its inquiry that there are a very wide range of businesses that interrelate within the ecosystem and depend on the market leaders to provide the demand which stimulates new entrants to the sector. In some cases new opportunities spring up because of the failure of the market leaders to meet demand. In other cases entrepreneurs spot a gap in the ecosystem.

The growth of ecommerce over the last few years, and in particular the rapid increase in the last 19 months has encouraged new entrants into the ecosystem. This is particularly true in the case of e-merchants and e-logistic providers.

Growth is stimulated in the traditional economic model of supply developing to meet demand. All players, particularly the largest, play a pivotal role in achieving this growth.

EFSA is concerned that the specific concentration of the Inquiry on a few companies within the ecosystem could result in disequilibrium which would stunt total growth and create unease among investors in the future.

We call on the Commission to consider means to improve direct foreign investment (FDI) and local investment to ensure inclusive growth within our new digital economy sector.

The Terms of Reference published by the Commission referred to concerns that SMEs and HDP owned firms may be discriminated against by rankings imposed by the leaders in the digital economy. EFSA would like to point out that different e-platforms offer different markets for entrepreneurs, which depend entirely on their customer base and requirements.

For example, a form of ecommerce called drop shipping has about 40,000 business-to-business customers in RSA. Shopify, a Canadian software/platform that offers e-merchants templates for creating their own e-shop with payment and delivery solutions, powers about 8,000 e-shops. Facebook, Instagram, TikTok and other social media players may be providing over 150,000 e-merchants, many of which are sole proprietors. Consumer to consumer platforms like Gumtree and BidandBuy carry tens of thousands of e-merchants. A UN study has estimated some 106 e-platforms were established in RSA at the beginning of 2020. We humbly suggest that this evidence clearly indicates that SMEs and HDP owned firms are very well provided for in RSA, even if they may decide not to use the largest e-marketplaces.

We attach the results of research on how social media is the major driver of ecommerce for SMEs in Africa today.

In particular, as EFSA has stressed in its three submissions to the Commission, our businesses are interconnected and interrelated by the telecommunications environment, the logistics sector and the financial sector. These are the three pillars on which digital commerce rests.

Finally, the Commission's mandate requires that any investigation of possible abuse of a dominant position must take into account the entire economic environment of the dominant player(s). Ecommerce exists within the retail sector and therefore needs to be considered as an element within that sector.

1 November 2021