



**competition commission**  
south africa

**Media Statement**  
**For Immediate Release**  
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## **DIGITAL MARKETS INQUIRY RELEASES ITS PROVISIONAL REPORT**

Today 13 July 2022, the Online Platforms Market Inquiry (“The Inquiry”) released its provisional report outlining provisional findings and recommendations, including a Summary Report and Main Report. This follows 14 months of evidence gathering, public hearings, and in-camera hearings into online intermediation platforms including eCommerce, app stores, travel & accommodation platforms, food delivery, and online classifieds. The purpose of the Inquiry has been to identify market features that have adverse effects on competition amongst platforms, between businesses using these platforms, and the participation of SMEs and historically disadvantaged persons (HDPs) as both platforms and business users.

The Inquiry has identified leading platforms in each category, which are those that get the most consumer traffic, upon which the business users are relatively dependent, and which are, or are likely to be, entrenched. These leading platforms are Apple App Store, Google Play Store, Takealot, Booking.com, Airbnb, Mr Delivery, Uber Eats, Property24, Private Property, AutoTrader, and Cars.co.za along with Google Search (including its specialist search units such as Google Shopping and Google Travel). The Inquiry’s findings and recommendations apply to these platforms.

Among other findings, the Inquiry has provisionally found that Google Search plays an important role in directing consumers to the different platforms, and in this way shapes platform competition. The prevalence of paid search at the top of the search results page without adequate identifiers as advertising raises platform customer acquisition costs and favours large, often global, platforms. Preferential placement of their own specialist search units also distorts competition in Google’s favour. The Inquiry provisionally recommends that paid results are prominently labelled as advertising with borders and shading to be clearer to consumers and that the top of the page is reserved for organic, or natural, search results based on relevance only, uninfluenced by payments. The Inquiry also recommends Google allows competitors to compete for prominence in a search by having their own specialist units and with no guaranteed positions for Google specialist units. The Inquiry is also exploring whether the default position of Google Search on mobile devices should end in South Africa.

In terms of competition amongst platforms, the Inquiry makes the following provisional findings and recommendations, amongst others:

- In software application stores, there is no effective competition for the fees charged to app developers with in-app payments, resulting in high fees and app prices. The Inquiry’s provisional recommendation is that apps should be able to steer consumers to external web-based payment options, or alternatively a maximum cap is placed on application store commission fees.
- Price parity clauses, evident in travel & accommodation, eCommerce and food delivery, hinder competition and create dependency, and the Inquiry therefore recommends their removal. Wide

price parity clauses prevent businesses offering lower prices on other platforms and narrow parity prevents businesses from offering lower prices on their own direct online channel.

- In property classifieds and food delivery, new entrants and local delivery platforms face challenges signing up large national businesses, undermining their ability to compete. The Inquiry provisionally finds in property classifieds this is a result of the investment and support of large estate agencies in Private Property and recommends the divestiture of their stake. Facilitating the interoperability of listings on the leading platforms is a further recommendation to support entrants. In food delivery, national restaurant chains often prevent franchisees listing on local delivery platforms and the Inquiry recommends this practice ceases along with any incentives provided by national delivery platforms to steer volumes their way.
- In food delivery, the Inquiry also finds that the business model of substantial eater promotions alongside high restaurant commission fees can result in large surcharges on menu items which is not transparent to consumers and distorts competition with local delivery options. The Inquiry provisionally recommends greater transparency on either the menu surcharge or the share taken by the delivery platforms.

In terms of competition amongst businesses on the platforms and consumer choice, the Inquiry makes the following provisional findings and recommendations, amongst others:

- Across all platforms there is a tendency to sell top ranking search positions to businesses which are not the most relevant to the consumer and constitute a form of advertising that is not transparent. This impacts on consumer choice and competition, especially for SMEs that cannot spend as much as large businesses. The Inquiry recommends that advertising is clearly displayed as such and the top results are reserved for organic (or natural) search results.
- The Inquiry provisionally finds that the extreme levels of fee discrimination against SMEs in online classifieds, food delivery and to a lesser extent travel & accommodation, hinders their participation and has no coherent justification. The Inquiry provisionally recommends that a maximum cap is placed on the fee differentials between large and small businesses, potentially at 10-15%. In food delivery it is recommended that more equitable treatment also occurs in terms of marketing commitments made in exchange for lower commission fees.
- In eCommerce, the Inquiry finds that conflicts of interest arise in operating a marketplace for third party sellers and selling your own retail products which can result in certain self-preferencing conduct such as product gating, retail buyers given access to seller data to target successful products, preferential display ads and promotions. The lack of a speedy resolution process also adds to the costs of sellers. The Inquiry provisionally recommends an internal structural separation of retail from the marketplace to implement equitable and competitively neutral processes.
- In software application stores, the Inquiry provisionally finds that SA apps face challenges in being discovered in competition to larger global app development companies. The Inquiry provisionally recommends that app stores provide country-specific curation of app recommendations and provide free promotional credits to SA app developers to help get visibility.

On the participation of HDPs, the Inquiry has found that the digital economy is far less transformed than many traditional industries, and there are considerably more challenges resulting from historic disadvantage, especially in funding and support.

- For HDP digital entrepreneurs, general wealth inequality presents a hurdle to seed funding from close associates, and the venture capital industry offers little at this stage. Beyond seed funding, venture capital funds only seek out HDP entrepreneurs where there is an express mandate by the investors which is rare beyond the SA SME Fund (a joint government and CEO initiative). The Inquiry recommends specific commitments on HDP mandates from private investors and for government to channel funds for HDP digital entrepreneurs through mandates to the venture capital sector along with requirements for transformation of the sector.

- As businesses on platforms, the same lack of assets and funding hinder HDP businesses onboarding and exploiting the opportunities provided by platforms. The Inquiry's provisional recommendation is that all leading platforms provide HDP businesses personalised onboarding, a waiver on onboarding costs and fees, free promotional credits, fees that are no higher than the best placed, and the opportunity for consumers to discover HDP businesses on the platform.

Finally, the Inquiry has provisionally recommended that either guidelines or regulations be considered to address new leading platforms in established or new categories in future.

Stakeholders and the public have 6 weeks to make submissions to the Inquiry on the provisional findings and recommendations. All submissions should be sent to [oiipmi@compcom.co.za](mailto:oiipmi@compcom.co.za) by close of business 24 August 2022. Submissions should be substantiated with evidence where relevant. The Inquiry will release another version of the Main Report in the next few weeks once over-broad claims for confidentiality have been resolved. The provisional findings and recommendations will now be subject to a period of public comment and stakeholder consultation before a final report is released in November 2022. This means that the Inquiry may change its views on the findings and recommendations during this period of consultation and public submissions.

The provisional report can be accessed [here](#).

**[ENDS]**

**Issued by:**

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