



**competition commission**  
*south africa*

**Media Statement**  
**For Immediate Release**  
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## **RELEASE OF THE PROVISIONAL REPORT OF THE ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY**

Today the Online Intermediation Platforms Market Inquiry (“The Inquiry”) released its provisional report outlining the provisional findings and recommendations of the Inquiry, 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. These 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.

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 entrenched or are likely to become so. These 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 findings and recommendations apply to these platforms.

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 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 allow competitors to compete on search through having their own specialist units with no guaranteed positions for Google. 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, 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 on commission fees.
- Price parity clauses, evident in travel & accommodation, eCommerce and food delivery, hinder competition and create dependency, and 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 scale. 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 divesture of their stake. Facilitating the interoperability of listings by 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 to steer volumes to the leading platforms.
- 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, amongst others:

- Across all platforms there is a tendency to sell top ranking search positions to businesses which is not the most relevant to the consumer and a form of advertising that is not transparent. This impacts on consumer choice and competition, especially for SMEs that cannot budget 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. In food delivery it is recommended that more equitable treatment also occurs in terms of marketing commitments.
- In eCommerce, the Inquiry finds that conflicts of interest in operating a marketplace for third party sellers and selling ones own retail products can result in certain self-preferencing conduct such as product gating, access to seller data, preferential display ad 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 apps and promotional credits to SA app developers to get visibility.

On the participation of HDPs, the Inquiry has found that there are considerably more challenges faced in the digital economy that should be addressed.

- 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 mandates from private investors and for government to channel funds for HDP digital entrepreneurs through mandates to the venture capital sector and 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 provisional recommendation is that all leading platforms provide HDP businesses personalised onboarding, a waiver on onboarding costs and fees, 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 [qipmi@compcom.co.za](mailto:qipmi@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.

**[ENDS]**

**Issued by:**

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