



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

3 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Noluthando Jokazi

CCSA Internal Team

COMPANY: E-COMMERCE FORUM SOUTH AFRICA



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HEARING RESUMES

CHAIRPERSON: It is the second day of the public hearings into the Online Platforms Market Inquiry. Today in the morning session we start with the E-Commerce Forum of South Africa and that is followed by the South African Vetric Association. In the afternoon session from 14:00 Naspers and Naspers Foundry and then in the evening we have Google and Google Play.

Not all sessions may last the full extent of allotted
10 time, but we have Mr Tempest from E-Commerce Forum available now. Welcome, Mr Tempest.

MR TEMPEST: Thank you, thank you very much. It is a great pleasure for us to be here, thank you very much indeed for inviting us to this hearing. We were set up in 2016 by the sector to represent the totality of the digital commerce from the E platforms to E shops, web designers fin techs of course payment gateways, logistics, digital agencies, warehousing as well as academics and trainers involved in E commerce.

20 I think you have a list of my members and actually that, those last people, because they did not pay anything, I forgot to put in, so our list is a little bit bigger than the list I sent you.

As the Commission is aware, we have submitted our views to the inquiry during the process up to now. We have

been most impressed by the excellent paper published by the Commission in September 2020, thank you so much indeed. This set the scene and showed a very solid understanding of our new sector, we therefore feel confident that the Commission will follow through with the report on competition in our sector which informs, which provides policy makers with proposals which can be followed in terms of track investment, which is our greatest concern, and also to ensure continued growth in the sector as a whole.

10 I would like to mention there that the South African E-Commerce Forum is a national chapter of the Pan African E-Commerce Forum Africa, which is recognised by the African Union and by relevant UN bodies. The E-Commerce Forum of Africa concentrates on the formation of the African Free Trade Area, CFTA, and this has highlighted to us the pressing need to see more home grown and also foreign direct investment in our sector in the RSA in order to ensure that we are prepared for the increasing competition, which is inevitable once the CFTA starts to bite, starts to be affected.

20 One issue which reduces the potential for investment, which we pointed out to you in our papers, is the scarcity in independent data on E commerce in South Africa. Apart from the data provided by individual companies there were two surveys, are you are aware, conducted, covering last year 2020.

The first was by Worldwide Walks and it estimated turnover from E commerce at 2.8% of total retail turnover. The other was from Statistica which estimated E commerce's turnover in South Africa at only 2% of retail and turnover, and that surprised us a lot, because Statistica's estimate was lower than its estimate had been in 2019, although as we all know, all commentators have agreed that E commerce grew very fast in the last year, so we do not understand why that happened, but I think that is proof of the difficulty that is
10 caused by this lack of data and we cannot understand, because Statistical is a European company, it is favoured by bodies like Inkdab for example and its data is comparable worldwide.

So now the survey, and I think this is the most important part, now the survey included estimates for services sold online such as travel, hospitality, financial services. More online sales for business to business, business to government is part of E government, or consumer to consumer covered, included and these, and
20 there are no estimates what happened for the employment generated by E commerce and this is an extremely important issue.

As we pointed out in our submissions to you, we have identified this gap as an extremely serious issue. Why? Because B to C, business to consumer, is obviously

very important, but B to B, business to business, digital commerce is becoming the driving force for South African business and it will grow exponentially in the future, especially with the stimulus of the African Free Trade Area.

If we look around the world B to C is a visible part of the iceberg, B to B is the blast hidden activity below the water, three or four times larger than B to C, so it is a very important issue and it does rely to a great degree on services which are created by B to C, like for example
10 delivery.

Second as we pointed out in our submissions, what we have seen in South Africa is what we would like to call social media E commerce, some people call it consumer to consumer, but we like to call it social media E commerce and that is SMEs and sole proprietors who use a wide range of social media to sell their products directly to the consumer or to other businesses as well. The most popular of these social media is Tiktok which has taken over from Facebook Marketplace, Instagram and WhatsApp, but there are others
20 as well.

In addition of course, as you well know there are online classified platforms such as GumTree or OLX and several specific classified platforms for example for recruitment. In our papers we sent to you on Monday we shared what we felt was a very interesting report of a survey

recently carried out in eight African countries, including South Africa, which shows social media E commerce favours women and young owners particularly, it encourages cross border trade, which is extremely good, and it promotes innovation by its users. I do hope you will read that report, it really is quite revealing.

I saw a presentation by one of my members who operates in a few African countries recently and they pointed out that an enterprising entrepreneur needs an attractive
10 product, all they need is an attractive product, a means to conduct payment and effective delivery service, that is all they need to start and then they can build from there.

So these SME E commerce services rely on major, rely sorry, these SME E commerce services however rely on major E commerce players to grow the whole sector so that there is an affordable payment service, so there are plentiful and available delivery services and most importantly as trusted ecosystem and this is the key for us. Trust is the key for the future of E commerce in any of its forms.

20 Although many consumers research the products that they purchase by going through bricks and water shop to start with and then buying online afterwards, most online customers do not touch and feel the goods that they are buying online before they bought them, so this trust is incredibly important, it is such a key to the whole thing.

During the pandemic the larger companies in E commerce led to move towards greater trust. Consumers and businesses were then motivated to buy from new suppliers online because their trust in the digital commerce had grown.

Ladies and gentlemen, members of the Commission, Mr Chair, we also recognise that not everything is perfect. The South African, South Africa rather has a major digital divide which has to be addressed.

10 Despite your efforts, and thank you for your efforts, but despite them the cost of mobile data in South Africa remains higher than in the other top digital economy leaders in Africa and this is a serious problem. The ease of doing business in South Africa has also taken a knock during Covid and workers needed to improve government services and to remove extra red tape, which has appeared out of nowhere for, particularly for small companies who find it difficult to survive otherwise, but those selling to other markets outside of South Africa, custom processes still need to be improved.
20 They are still based on paper and we live in a digital world.

Banking costs remain high compared to countries with mobile money, although there are improvements promised next year in 2022. For E commerce we are concerned that complaints to the Consumer Goods and Services Ombud have increased. Fraudsters have seen

online as an opportunity to steal from consumers.

Ourself, EFSA, has been working with the Consumer Goods and Services Ombud and other bodies to try and identify and chase out these cowboys and there have also been genuine mistakes because companies have rushed into E commerce without adequate training, without understanding what E commerce is all about. Another issue of concern of course has been slow deliveries due to the collapse in supply chains in last year and this year and what
10 is needed is a robust sector approach which requires the active support of the main players from our sector.

We have stressed in our submissions our sector is very new here in South Africa, we should not be compared to the more developed E commerce sectors in the United States of America or UK or Europe or Australia, nor of course to the vast markets of China, India or Russia. We do not have that saleability that they do.

The E commerce is part of retail trade, it is also a part of different service sectors like financial and it is part of
20 the 4IR. We ask the Commission to take a holistic view of E commerce within these sectors within the economy. We are concerned that any specific concentration of the inquiry on a few companies within the ecosystem would result in disequilibrium which would stunt total growth and create unease among investors in the future.

So to conclude, our sector is far larger and more complex than many people have appreciated, however yourselves you have recognised that. Your work has given us hope that your reports stress the need, will stress the need for proactive government intervention within the competition framework to provide investors with a positive environment and practitioners with a level playing field in the retail environment and that would continue to uphold trust, continue to encourage the collection of data on the sector
10 and it would recognise E commerce's increasing role within South Africa as a stimulant for employment, particularly of women, youth and homebound.

Thank you very much roles and responsibilities listening and for taking note of our submissions. Thank you, Mr Chair.

CHAIRPERSON: Thank you, Mr Tempest. We did note your submissions and are grateful for your time to talk to us this morning and also to engage with the panel and the inquiry and so you know, certainly we appreciate the additional
20 information research and as the inquiry unfolds, if you have more research and more papers well, then you are very welcome to bring them to the inquiry, but thank you for your time and yes, I am sure the public also has appreciated your input as well from your forum.

MR TEMPEST: Thank you. Are there any questions?

CHAIRPERSON: No, I do not think at this stage there are any questions.

MR TEMPEST: What I would like to do if I may, Mr Chair, is to share with you a small presentation by one of the little platforms which has appeared in the Eastern Cape, it is called Click Africa, and it shows the entrepreneurship of women in this particular field, so if I may I will send it to you.

CHAIRPERSON: I think if you can send it to us, we have asked that before we go into a public session that any
10 presentations we receive 24 hours beforehand, so please send it to us. I do not think we are in the position to sort of let it be put onto the presentation right now.

MR TEMPEST: Thank you.

CHAIRPERSON: But please send it through and if you have got other examples, I mean I think we are interested precisely in the entrepreneurial spirit in this country and part of what we are looking at is exactly how that can be supported.

MR TEMPEST: Thank you.

20 CHAIRPERSON: So if there are more examples that you also come across within your forum or your members, please send them through, but we would be very much grateful to get that input.

MR TEMPEST: Thank you very much indeed, thank you Mr Chair, thank you.

CHAIRPERSON: Thank you, Mr Tempest. We will determine when the South African Venture Capital Association is ready, but it may only be at 10:30, so I think we will take a break for now and resume once they are available, but we will resume at 10:30 on the assumption that they will be available. Thank you.

INQUIRY ADJOURNS

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