

E-commerce – implications for South Africa?

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- Developments in digital economy mean networks and multi-sided platforms increasingly important → rapid change in e-commerce
- Innovation, potential to open markets*and* strong first-mover advantages and market power
 - Search (Google)
 - Social networking (Facebook)
 - E-Commerce (Amazon, Alibaba, Takealot)
 - Payments and mobile money
- Raises key questions about regulation and competition

Part of 'Internet of Things'

- Digitalisation and big data
- Digital economy based on three related components:
 - Communications networks
 - Software packages and capabilities
 - Data platforms
- Strong network effects and control of international platforms by 'tech titans'
- Potential for SMEs to reach consumers, customize design and compete with short production runs
- Local e-commerce platforms and apps are being developed
- Recommendations (e.g. UNCTAD) for developing countries to support local & regional platforms?

E-Commerce, digitalisation & networks

- Growth of platforms: Amazon, Alibaba, regional players
 - Competing business models
- Integrated into logistics, payments, retail, wholesale
- Network effects and market power:
 - Efficiencies in integrated networks, can open-up access to markets and lower costs for smaller suppliers
 - Multi-sided platforms: suppliers sign-up to networks with larger groups of regular consumers, publishers take ads for platforms with higher sales conversion rates (and therefore payments for ads)
 - Economies of scale and scope in e.g. logistics
 - Strong first-mover advantages can 'lock out' rivals and mean substantial market power
- Concerns about power of the 'tech titans' (Amazon, Google, Apple, Facebook, Alibaba)
- Ownership of data – 'open' or 'closed'? Data 'sovereignty'
- European Union competition cases and penalties on Google and Facebook

E-Commerce: routes to market and concerns for developing countries

- Industrialised countries concerned that e-commerce growth means bias to imports over local manufacture
- Lower costs for manufacturers to reach export markets
- Alibaba linked to China's industrial and trade policies
 - Belt and road initiative: new silk road and maritime silk road, linked to infrastructure investment and opening up market access
- Logistics critical to e-commerce (+/-35% of delivered cost for an Amazon product)
- Concerns over taxation:
 - Sales tax not being levied on imports
 - Low corporate taxes
 - Alternative ways of levying taxes being proposed

E-Commerce: concerns for developing countries cont.

- Consumer search information can be analysed for patterns to influence design
 - Big data analytical capacity
 - Short production runs, rapid customization
 - Opportunities to catch-up (but concerns over counterfeits)
- Companies using data to organise sourcing and design
- Reality check: Online sales still small proportion (even in US)
 - However, especially important in some product categories (clothing, consumer electronics, media)
- Local and regional platforms?
 - Mercado Libre in South America
 - Takealot in South Africa
 - Jumia in West Africa

E-Commerce policy & regulatory framework

- Regulatory framework for e-commerce, supportive of economic development?
 - Challenge to existing regulations across telecoms, media, data protection, consumer protection, financial services, IP, competition authorities, postal services and taxation
 - Address the current 'regulatory patchwork' → effective rules while opening up markets for smaller local producers
- Options for taxation of e-commerce: alternative models for collecting & monitoring; taxation of international technology companies
- Developing local skills
 - NB areas including data and coding, logistics etc,
 - understanding BTEs for SMEs and developing strategies to support them
- Strategy for trade negotiations, understanding what major platforms are doing