



## AYA AFRICA SUPPORTS A NEW FUTURE FOR SMEs ON E-COMMERCE PLATFORMS

### Introduction

On 19 May 2021, the Competition Commission of South Africa (Commission) launched an inquiry and published the [Online Intermediation Platforms Market Inquiry](#) (Inquiry) provisional report in July 2022. The premise of the Inquiry is to investigate how online marketplaces (including ecommerce), impede, distort and restrict competition and the participation of small and medium enterprises (SMEs) and historically disadvantaged persons (HDPs) in these markets. Public comment on the provisional report's findings and recommendations was open until 24 August 2022. The final report will be released in November 2022. [*The Inquiry survey questionnaire can be accessed [here](#)*]

### Aya Africa Supports the Participation of SMEs, Women and HDPs in the Digital Economy

Aya Africa fully endorses the **spirit and intent** of the Inquiry, as it is **attempting to address effective participation of SMEs and HDPs in the digital economy and creating conditions for fairer and more transparent conditions for competition in this space**. However, this has to be done in tandem with service providers and ecommerce platforms like Aya Africa, providing end-to-end solutions and tools to assist SMEs and HDPs navigate and gain traction in the evolving sphere of the digital economy and by extension the Fourth Industrial Revolution (4IR). No business or individual should be left behind in this era of increasing digital migration and South Africa's economic opportunities must be relevant to the current skill base and local realities that people operate in.

It is imperative that stakeholders (investors, policymakers, venture capitalists, SME owners and emerging entrepreneurs, etc) understand the importance of SMEs to South Africa's economy and the social function it serves in broader society and at a local-level.

According to the Small Enterprise Development Agency (SEDA) [SMME Quarterly Update: 3rd Quarter Report 2020](#):

- Between 2019-Third Quarter to 2020-Third Quarter , SMEs provided 10.1 million (a decline of 14 percent year-on-year)
- Between 2019-Third Quarter to 2020-Third Quarter, 2.36 million SMEs that were still operational (a decline of 11 percent year-on-year).

In addition, SEDA has previously reported that 72 percent of micro-enterprises and 40 percent of small enterprises are owned by women. These figures fall in line with Aya Africa's own internal surveys, with approximately 75 percent of its stable of vendors being women. More work needs to be done to unlock women's and HDPs effective participation in ecommerce and the economy in general through the continual pursuit of innovation, so that it speaks to South Africa and Africa's socioeconomic, cultural and contextual needs. This pursuit for more relevant technological innovation must be done in view of South Africa's [Broad-Based Economic Empowerment Act](#), the [National Development Plan 2030](#), the [African Continental Free Trade Area](#) (ACTFA), the African Union's (AU) [Digital Transformation Strategy for Africa \(2020 -2030\)](#) and the AU's [Agenda 2063: The Africa We Want](#).

## Summary of Findings and Recommendations

As per the Commission's definition of the Online intermediation platforms

"..includes any online platforms that facilitate transactions between businesses and consumers for the sale of goods, services and software. This includes sales concluded on the platform or the generation of sales leads. Online intermediation platforms include eCommerce marketplaces, online classified marketplaces, software application stores and intermediated services such as accommodation, travel, transport and food delivery platforms..."

The report highlights the benefits and challenges of businesses operating under ecommerce platforms in [Chapter Three](#) of the provisional report. The recommendations fall under [Chapter Nine](#) of the provision report. *(Please note the below list of benefits and challenges is in no shape or form comprehensive. A more detailed assessment will be provided once the final Inquiry has been finalised in November 2022)*

### Benefits:

- Low-risk expansion of product range
- Cost efficiencies
- Search Benefits (Easier to find a variety of products on the market as opposed to look for products in brick and mortar stores)
- Data Advantages (collection of data on the consumer habits and trends)

### Challenges:

- Google searches that are premised on promoted advertising as opposed to Search Engine Optimization (SEO)
- Product Gating (Imposition of fees that are barriers of entry for set categories on platforms)
- Ecommerce platforms competing with sellers/vendors
- Fee structures that make competition difficult on ecommerce platforms
- Lack of support programmes and mechanisms to expand and deepen the participation of SMEs and HDPs on ecommerce platforms and digital ecosystems

#### Recommendations:

- 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.
- Greater emphasis and prioritisation of venture capital and government support for SMEs and HDPs to effectively compete and grow their operations on ecommerce platforms. (Upskilling and education)

## Final Thoughts

It is worth noting that the Inquiry and the subsequent provisional report has been launched against a backdrop of a weak economy, anaemic job growth, costly power cuts, rising inflation and stubbornly high fuel prices. The pandemic has given little in the way of favours for struggling economies like South Africa, and the conditions that prompted the July 2021 unrest in Kwa-Zulu Natal in response to former President Jacob Zuma's arrest, as well as growing populist and xenophobic rhetoric in South Africa's public discourse, are still part of the present day realities citizens and visitors have to endure.

Aya Africa believes that online marketplaces and in particular ecommerce platforms, must become the catalysts and drivers of transformation and provide a sustainable basis for economic growth and social mobility for a larger swathe of South Africa's working population and by extension Africa. Investment in the digital economy must keep abreast of investment and the development of the real economy and especially smaller enterprises that create and produce goods and services. These very SMEs will be the direct benefactors and enablers of the local digital economy, who will make products more accessible for everyday South Africans and Africans.

The launching of the Inquiry is timely, as it will lay down South Africa's online platform framework that speaks to the current and the future state of work (formal and informal), economic growth, and better support and opportunities for women and HDPs. The Inquiry should in no shape or form be construed as a panacea or the proverbial silver bullet for South Africa's economic woes. That will take policy certainty, effective implementation of laws and policies, hard work, and persistent flexibility in creating the world and Africa we want.