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Market power dynamics and the competitive landscape in South African digital markets

Siphosethu Tetani¹ and Itumeleng Lesofe²

Abstract

The concept of first-mover advantage and market power dynamics in digital markets is increasingly becoming a topical research subject amongst scholars. Available research and empirical studies provide mixed results on whether the first firms to enter an online market derive any sustainable competitive advantage against later entrants and ultimately attain market power. In the case of South Africa, evidence suggests that some firms that were first in entering some of the digital platforms markets have not been the first to reach critical scale. However, the first movers towards critical scale are benefitting from network effects and, in some instances, exploiting their market power and raising barriers to entry and expansion in their respective markets. The evidence further suggests that timely entry and large capital backing are the essential catalysts for firms in digital platforms markets to reach critical scale and attain market power.

In this paper we explore market dynamics and economics of digital platforms in South African digital markets, with specific focus on online property classifieds, food delivery services and e-commerce. The paper seeks to highlight the unique features and dynamics of entry and contestability observed in digital markets from a developing country perspective. The case of South Africa provides useful learnings on the role of large capital backing and timely entry in conferring market power, against the widely understood phenomenon of first-mover advantage in competition theory. This research is imperative in supporting policymakers in their endeavours for tailored regulation.

Keywords: Digital platforms, market power, first-mover advantage.

JEL classification: L41, L86, D43, L13

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EXECUTIVE SUMMARY

The rapid global digital adoption has facilitated the emergence of new markets, igniting renewed regulatory debates, especially for competition practitioners. The multi-sided nature of digital markets has brought forth new schools of thought and introduced new concepts, such as gatekeepers, strategic market status, leading platforms, competitive bottlenecks, amongst others, to describe firms that possess enough market power to spearhead the markets toward a ‘tipping point.’ Most often digital platforms compete for a market rather than competing in a market. It has been widely understood that in these markets the first firms to enter as pioneers tend to be propelled by network effects to command the attention of business users and consumers and ultimately possess enough power to control the structure of the market. In some instances, once these firms have acquired market power, they employ strategies that discourage future entry or expansion by existing rivals.

Digital markets create both opportunities and threats for emerging economies. It has been noted that the African continent in particular, with its young and fast-growing populations, stands to benefit the most from the digital era, if approached appropriately, to promote a more inclusive economic development.³ In South Africa, although there is no reliable data repository that quantifies the value of the digital economy, there is clear evidence of growing digital adoption, fuelled by smartphone penetration and improved internet services. The percentage of the population that used the internet grew from below 10% in 2009 to just less than 80% in 2024.⁴ The rapid increase in usage was facilitated by improved infrastructure in new undersea cables. The high levels of internet usage facilitated the adoption of digital platforms. As such, currently, digital platforms in the country span various sectors, and are increasingly becoming an integral part of operations in those sectors. The country has also become the gateway to the African continent for global platforms.

The South African government’s strategy for the digital economy entails the promotion of economic inclusivity by regulating digital markets against concentration and tipping. Whilst the state has noted the benefits derived by consumers from innovation that has been facilitated by digitalisation, the policy documents also note the threat posed by the ‘winner takes all’ characteristics of digital markets, coupled with the possibility of first mover advantage in the realisation of an inclusive digital economy in the country. A study by the Competition Commission of South Africa (CCSA) in 2021 noted that while online platforms markets are still developing in the country, there are at least six platform categories that have reached critical scale, namely e-commerce, online classifieds, online food-delivery, travel and accommodation, software application and insurance comparator sites.

This research paper follows a qualitative approach and explores the market power dynamics in South African digital markets. The assessment focuses on three platform categories that are led by local platforms, as they hold the most potential for contestation by local players. These include online classifieds, e-commerce and online food delivery platforms.

Market power and “tipping” effect in digital markets

Digital platforms operate different business models, based on the category of business users and consumers that they are targeting. The common approach for all digital platforms is to continuously generate value for both business users and consumers by acting as an intermediary between the different groups. The defining characteristic of competition within digital markets is the phenomenon of ‘market tipping’. This refers to “the

³ See United Nations Global Compact Report “Digital Economies Challenges and Opportunities in Africa” Available at <https://www.idc-a.org/insights/rYTD0eOgoit4csjfZnuR>. Accessed on 15 February 2026.

⁴ See World Bank Data. Available at <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=ZA>. Accessed on 15 February 2026.

process by which a competitive market reaches a critical point of user adoption and shifts from a market with many suppliers to a market with one or few suppliers”.⁵ It is generally understood that digital platforms are prone to tipping, and thus, firms in these markets compete to be the first to reach critical scale, and ultimately monopolise the market. There are unique features that contribute to digital firms’ market power. These include the two-sided nature, network effects and first-mover advantages. It is argued that in digital markets, the first movers are presented with superior opportunity to lock-in customers and create a sustained competitive advantage. The network effects sustain those advantages.

Market dynamics in South African digital markets

In South Africa, second movers tend to be timelier than the first movers in local digital markets. The second movers have typically become the first to move to critical scale, ahead of their existing rivals. Once they reach the critical scale, the second movers also tend to exert enough market power to become price setters and, in some instances, engage in conduct that renders the respective markets uncompetitive. The second movers can exert enough control such that the first movers become ineffective rivals or even exit the market. Multi-homing also does not seem to yield the expected benefits of promoting contestability or constraining leading firms from gaining power to control these markets. This can be attributed to the time and resources required to develop a base of customers and consumers for digital platforms in developing countries. The first movers pave the way for transition from the traditional market by investing in marketing, technology, and innovation to accustom users to the new order of business whilst the second movers only enter the developed markets with enough financial resources, without having incurred similar developmental and sunk costs, to capture an existing market.

Online classifieds platforms

The South African property classifieds platforms market is led by two platforms, Property24 and Private Property. The former is the largest player in the market by a significant gap. It boasts the largest number of business users (estate agents) and consumer traffic. Property classifieds platforms are free for consumers, whilst estate agents are generally charged pre-determined fees to access those consumers. There are at least six players that are active in online property classifieds market in the country. However, only Private Property and Property24 have gained enough scale to charge their customers. The other platforms, such as MyRoof, MyProperty, Property Central and Property360, are small and free for both estate agents and consumers. Property24 has a market share of more than 60%, whilst Private Property holds just more than 30%.

Property24 was not the first entrant into the online classifieds market. The platform entered the market in 2010, after the pioneer, Private Property in 1997. However, its entry was timely, as it coincided with the rapid rise of internet services adoption in the country. Property24’s timely entry was also coupled with substantial investments on marketing to drive traffic to the platform. Furthermore, a comparison of the prices charged by the two portals suggests that the market may have reached its tipping point, as Property24 has ascended to the price setter position. Multi-homing has also not yielded the anticipated results as the market remains incontestable.

Food delivery platforms

The food delivery platforms market in South Africa gained significant momentum during the Covid-19 period. This followed government restrictions on restaurants that prohibited sit-ins. However, the adoption and use of food delivery platforms began before the pandemic. By 2019 the established food delivery platforms had

⁵ See Concurrences Competition Dictionary. Available at <https://www.concurrences.com/en/dictionary/tipping>. Accessed on 12 June 2026.

collectively achieved well over 2 million app downloads and surpassed 20 million in order volume.⁶ The lock-down restrictions sparked the demand and reliance on the platforms. The leading platforms in the food delivery market are Uber Eats and Mr D Food. These two platforms benefitted significantly more than their rivals during the pandemic and accounted for most of the restaurant delivery through online platforms when measured by the number of orders and food value. During the same period, some delivery platforms exited the market, whilst others did not expand their reach materially, despite the heightened demand.

The first food delivery platform to enter the market was Delivery Xtreme in 2005, starting off in Cape Town, and later scaling to enter the markets in Johannesburg, Pretoria and Durban. The second entrant was Appetite, which entered the market in 2012, operating in Johannesburg, East Rand, Germiston and Pretoria. The two leading platforms were launched in the country in the same year, 2016. However, Mr D Food was founded in 1992 and re-engineered as a mobile-based app in 2016. The food delivery services market has seen the most entries and exits over the years. Remarkably, the market resembles features that suggest it may have reached the tipping point before full maturity. The market is still growing in terms of users, however none of the other players that have attempted entry has successfully contested and scaled to pose a significant competitive constraint on the incumbent leading platforms. Uber Eats and Mr D Food are the only platforms that have a national reach in the country. The other platforms operate in niche local markets, such as specific townships, largely in areas that are not serviced by the leading platforms. Bolt Food was the only other food delivery platform that had the potential to quickly scale and contest the market at a national level before it exited the market in December 2023.

Uber Eats and Mr D Food attained the leading positions by largely investing in customer acquisition strategies. The platforms enticed customers through eater promotions and below-cost delivery fees. The platforms subsidised the prices paid by the customers, and sometimes even to levels below the restaurant prices, in order to drive traffic to the platforms. In addition to the promotions, Uber Eats and Mr D Food also invested significantly in marketing through various platforms, to the tune of hundreds of millions of rands. As such, the exits of the other platforms were attributed to lack of financial resources to match promotional campaigns and invest in marketing.

E-commerce platforms

The e-commerce platforms segment includes the platforms that facilitate transactions between sellers/merchants and consumers, covering a wide range of products such as electronics, clothing and general merchandise. This market is still developing in South Africa, although it has reached critical scale. Sales in traditional brick and mortar stores still account for the majority compared to digital platforms sales. However, the market is also growing rapidly, and has shown consistent double-digit growth in recent years since the Covid-19 outbreak. E-commerce sales reached R71 billion in 2023.⁷

Takealot is the leading platform in the e-commerce market in South Africa. The market has over the years been characterised by frequent exits and new entry, with no significant change to Takealot's position as the market leader. The first pure online retailer in the South Africa, Kalahari, pioneered the market in 1999, followed by Bidorbuy and Take2 in 2002 and Loot in 2003. In 2010 Naspers acquired Take2 and changed it to Takealot. The main strategy employed by Takealot involved a multi-layered approach that focused on customer service and satisfaction. The platform invested in the range of products sold, prices, delivery service

⁶ See CCSA Online Intermediation Platforms Market Inquiry Provisional Report. Available at <https://www.compcom.co.za/online-intermediation-platforms-market-inquiry-provisional-report/>. Accessed On 11 December 2025.

⁷ See Ecommerce Forum South Africa Report. Available at <https://www.naspers.com/~media/Files/N/Naspers-Corp-V2/documents/seizing-the-moment-efsa-e-commerce-report-2025.pdf>. Accessed on 16 January 2026.



and convenience. Kalahari ultimately exited the market in 2015. Bidorbuy and Loot are still operational, although they have not scaled to the same level as Takealot.

In 2024, Amazon entered the South African e-commerce market by launching Amazon.co.za platform. Given Amazon's strong global position, it was expected that its launch in the domestic market would be disruptive, and possibly offset Takealot from the leading position. However, Takealot remains the leading platform by a significant margin. Amazon appears to have been throttled by logistical services and infrastructure challenges in the domestic market. Notably, despite the challenges faced by Amazon, its entry led to a slight decline in consumer traffic whilst Amazon's was growing. Amazon's entry also ignited a competitive response from the leading platform. Takealot adopted similar strategies to those that Amazon applied in other countries. For instance, Takealot launched a new offering in TakealotMore with similar benefits to Amazon Prime. It took the entry of Amazon to threaten Takealot's place in the market and prompt a competitive response. The other platforms in the market pose limited constraint to Takealot and Amazon.

Conclusion and recommendations

In digital markets it has been observed that competition is largely driven by early upfront investments to capture scale and network effects, either through provision of free services to customers or through marketing campaigns. The early investments directed towards customer acquisition, such as free or discounted services may benefit customers in the short run. However, concerns regarding potential conduct of the winning platforms, once the markets tip, remain valid for competition regulation. The observations made in different studies regarding the role of capital in shaping competition in digital markets are also noted in the South African digital markets.

Our assessment suggests that access to capital, either through investors or reserves, is the most significant catalyst for market power attainment in the digital platforms markets. However, capital backing becomes advantageous to players that enter the markets at the initial stages of adoption, to influence user choices and ultimately fully benefit from network effects. Given these observations, it is recommended that access to capital be considered as one of the key factors that contribute to market power attainment when competition assessment is undertaken in digital markets. The estimation of market shares should also take into account the capital reserves held by the firms in a market. The potential influence of the capital reserves on the market should also be considered in line with the development stage of the relevant market.

1. Introduction

Assessment of firms' ability to price independently of competitors or maintain poor service quality has always been fundamental in competition regulation. The rapid digital evolution has challenged policymakers to devise new strategies and expand their analytical framework to accommodate the arising dynamics in the assessment of market power. The multi-sided nature of digital markets has brought forth new schools of thought and introduced new concepts, such as gatekeepers, strategic market status, leading platforms, competitive bottlenecks, amongst others, to describe firms that possess enough market power to spearhead the markets toward a 'tipping point.' Most often digital platforms compete for a market rather than competing in a market. It has been widely understood that in these markets the first firms to enter as pioneers tend to be propelled by network effects to command the attention of customers and consumers and ultimately possess enough power to control the structure of the market. In some instances, once these firms have acquired market power, they employ strategies that discourage future entry or expansion by existing rivals.

In the case of South Africa, second movers tend to be timelier than the first movers in local digital markets. The second movers have typically become the first to move to critical scale, ahead of their existing rivals and also tend to exert enough market power to become price setters and, in some instances, engage in conduct that renders the respective markets uncompetitive. The second movers can exert enough control such that the first movers become ineffective rivals or even exit the relevant markets. Multi-homing, as observed in some of the digital markets in South Africa, does not seem to yield the expected benefits of promoting contestability or constraining leading firms from gaining power to control these markets. This can be attributed to the time and resources required to develop a base of customers and consumers for digital platforms in developing countries. The first movers pave the way for transition from the traditional market by investing in marketing, technology, and innovation to accustom users to the new order of business whilst the second movers only enter the developed markets with enough financial resources, without having incurred similar developmental and sunk costs, to capture an existing market.

In this paper we explore market dynamics and economics of digital platforms in South African digital markets, with specific focus on online property classifieds, food delivery services and e-commerce. The paper seeks to highlight the unique features and dynamics of entry and contestability observed in digital markets in the country. In the South African context, research on competitive dynamics in digital markets is limited. There are also no empirical studies that seek to establish the relationship between timely entry and market lead position in digital markets. This paper contributes to the limited body of literature on the topic and is imperative for better understanding of the competitive dynamics in digital markets in the context of South Africa. The paper also provides useful learnings on the role of large capital backing in conferring market power, against the widely understood phenomenon of first-mover advantage in competition theory. This research is imperative in supporting policymakers in their endeavours for tailored regulation.

2. Background

The South African government's strategy for the digital economy entails the promotion of economic inclusivity by regulating digital markets against concentration and tipping. However, the policy documents also note the threat posed by the 'winner takes all' characteristics of digital markets, coupled with the possibility of first mover advantage in the realisation of an inclusive digital economy in the country (CCSA, 2023) (Industrial Development Think Tank, 2019). In 2023 the Competition Commission of South Africa (CCSA) published its Online Intermediation Platforms Market Inquiry (OIPMI) report, and noted that in some market segments the first entrants derived the market leader advantage, whilst in other segments the advantages are enjoyed by the 'first mover to scale' which may not necessarily be the first entrant in the market. The

CCSA further noted that the first movers to scale advantage creates a virtuous cycle in favour of those scaled platforms and exacerbates the difficulties of entrants to replicate their success and expand (CCSA, 2023).

A study by the CCSA, which preceded the OIPMI, noted that while online platforms markets are still underdeveloped in South Africa, there are at least six platform categories that have reached critical scale, namely e-commerce, online classifieds, online food-delivery, travel and accommodation, software application and insurance comparator sites (CCSA, 2021). The CCSA limited its scope in the OIPMI to these platforms. This paper takes on from the findings of the CCSA and focuses largely on the competitive dynamics in the online property classifieds, food delivery service and e-commerce intermediation platforms markets. These platform categories exhibit unique patterns and characteristics, thus providing an intriguing case study for the paper. In South Africa, the online property classifieds and e-commerce markets are dominated by local platforms. In food delivery services, there are two leading players, including an international owned platform and a local platform. International platforms seem to dominate in those categories where there is a global dimension in customer base, such as travel and accommodation and software development. Thus, it appears that online property classifieds, food delivery services and e-commerce categories present more opportunities for participation by local firms. Understanding the competitive dynamics in these markets will support policymakers in their endeavours towards an inclusive digital economy in the country.

3. Research Methodology

This paper follows a qualitative research methodology and reviews the existing literature on competitive dynamics in digital markets. The paper explores the unique features of digital markets to establish the factors that contribute to market power attainment in South African online markets. We rely on secondary data from various sources, including data on consumer traffic, prices and investments by firms operating in the respective digital platforms markets in South Africa. The data is used to estimate the market shares over time and to identify the contributing factors to market share dynamics at different occasions in the life spans of the platforms active in the selected market segments.

The data that is often used to estimate market shares is confidential information that is not available from public sources. The CCSA's OIPMI is the only comprehensive study that has been undertaken on the digital platforms markets in the country. Thus, for information on market shares in food delivery services and e-commerce platforms markets the paper relied on the estimates by the CCSA, as the only available credible source. This reliance on the CCSA data has limited the period of market share assessment in those markets to the period between 2019 and 2021, which is the period that was also assessed in the OIPMI. However, there hasn't been any significant occurrence that may have had a notable impact on the dynamics in those markets. Furthermore, the assessment in this paper takes into consideration the entries and exits that occurred post 2021 in all the relevant markets. Therefore, the limitations are unlikely to affect the conclusions drawn from the assessment.

4. Literature review

4.1 Defining market power

Traditionally, in competition assessment, market power is defined as "the ability of a firm or group of firms to raise and maintain pricing above the level that would prevail under competition" (OECD, 1993). Technically, it is presumed that a firm that possesses market power would have the ability to deviate from marginal cost pricing (Hovenkamp, 2005). Thus, a firm's profit levels can be perceived as a signal of its market power. The greater the ratio of a firm's profit maximizing price to its marginal cost, the more market power



it is presumed to possess. In perfectly competitive markets, economic theory suggests that prices are determined by the intersection of the demand and supply curves and individual firms are price takers (Hovenkamp, 2005). Typically, in such market conditions the firms' marginal costs would equal marginal revenue, and would be at the minimum of the average total cost curve in the long run (Hovenkamp, 2005). In essence, it is presumed that firms operating in a perfectly competitive market would have no ability to exercise market power by increasing prices without losing their key customers to rivals.

The exercise of market power is associated with firms operating in imperfect markets, such as oligopolies and monopolies, characterised by high levels of concentration, high barriers to entry and inelastic demand. In such markets the firms are able to price above marginal costs without losing their customers. Firms possessing market power become price setters and control the quantities sold to customers in a particular market (Masters & Finaret, 2024).

In terms of South African legislation, under normal market conditions, market power is linked with the concept of dominance. It is presumed that the effective exercise of market power can only be achieved by dominant firms. Section 7 of the Competition Act prescribes that a firm be considered dominant if it has:

- a) 45% market share
- b) At least 35% but less than 45 per cent of the market, unless it can show that it does not have "market power"
- c) any firm to be held to be dominant if in fact it has "market power".

The Competition Act further defines market power as:

"the power of a firm to control prices, to exclude competition or to behave to an appreciable extent independently of its competitors, customers or suppliers."

Considering the above legal provisions, there can be more than one firm possessing market power in a market and the legal definition prompts that for market power to be established, the firm(s)' ability to act independently of competitors and customers must be appreciable. Given the structure of the South African economy, these legal standards for establishment of market power and/or dominance have not been difficult to prove as most markets are highly concentrated. The CCSA (2021) concentration study highlighted that 40% of economic sectors in the country were highly concentrated, with presumptively dominant firms, 29% were also highly concentrated, but with no presumptively dominant firm, 21% were moderately concentrated and only 10% were unconcentrated.

4.2 Measuring market power

There are different conditions that enable firms to advance faster than their competitors to attain the market leader status and become a 'must have' for their customers and suppliers. Jain (2025) suggests that in some monopolistic competition markets there exist numerous players who offer very similar goods, but with unique features. In such instances the monopoly players attain their status through product differentiation and innovation. However, in most cases, firms attain and sustain their market power by erecting, strengthening, or exploiting barriers to entry that make it difficult or costly for potential competitors to enter a market (Banda, et al., 2015). As a result, the structure of a market is an important indicator of the market conduct, which in turn determines market performance (Ravhugoni, 2011).

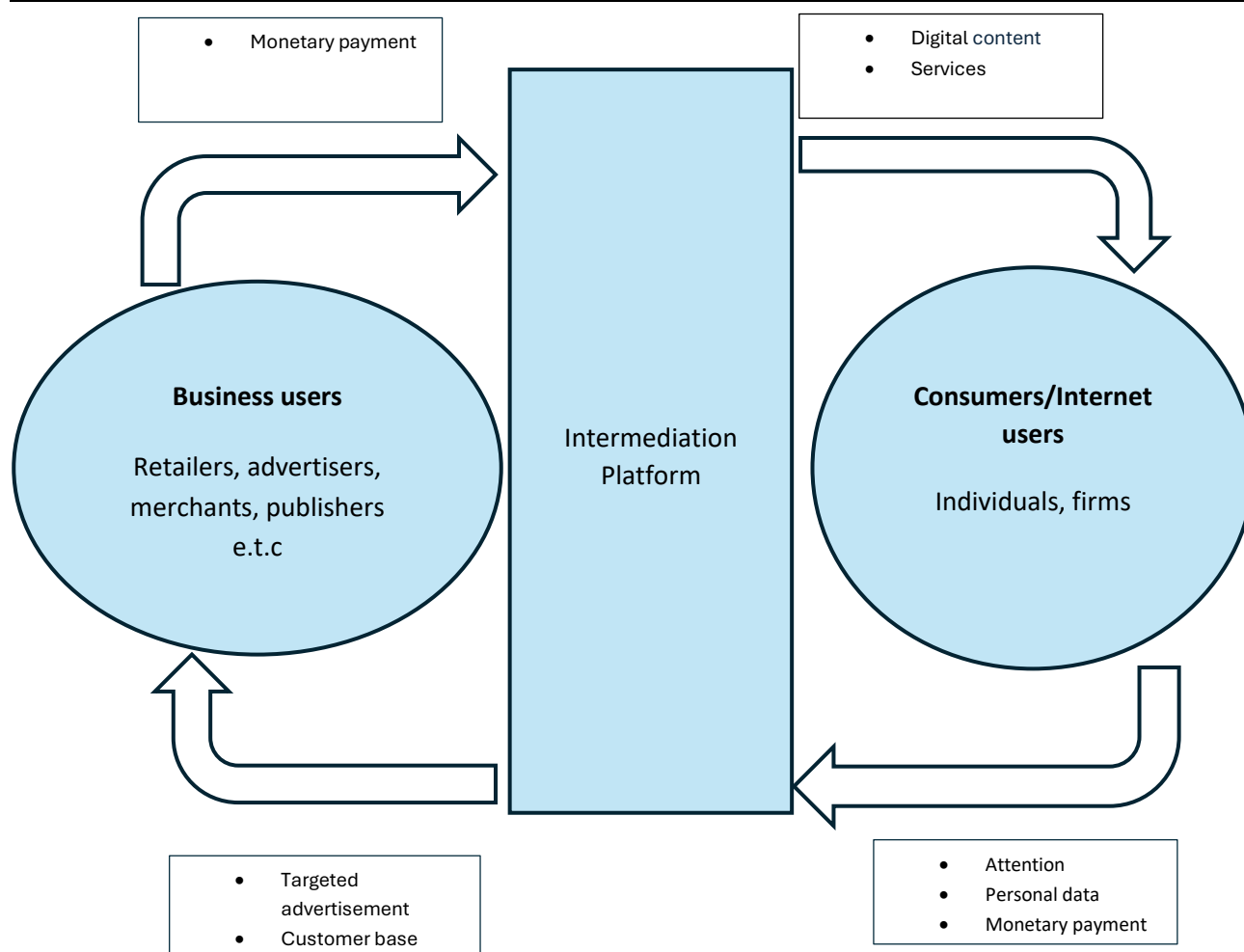
In competition policy practice, market shares analysis is universally accepted as the primary tool for assessing market structure. Market shares provide a relatively simple and quantifiable proxy for the structure of a market (Ravhugoni, 2011). They are computed by first identifying a variable upon which all firms in a market are best compared, which is typically total revenue or units sold within a specific time period (Piana, 2021).

Each firm's percentage contribution to the total market output is its market share. Although market shares are an important indicator for the assessment of market power, it is important to note that they are not a definitive signifier for actual market power. The possession of high market shares alone is not sufficient to establish the existence of significant market power. However, it is unlikely that a firm without a significant share of the market would be in a dominant position and ultimately exercise market power under normal market conditions (Trémolet & Binder, 2009).

4.3 The concept of market power in digital markets

In literature, digital platforms have been defined based on different views, conceptually and technically. The technical definitions involve the mechanical elements and processes that interact to form a digital platform (Asadullah, et al., 2018). For instance, Xu, Venkatesh, Tam and Hong (2018) define digital markets as "a set of subsystems and interfaces that form a common structure for/from which derivative applications can be developed and distributed". The non-technical definitions on the other hand are more simplified, and capture the functional features of digital markets. Koh and Fichman (2014) define digital markets as "Two-sided networks that facilitate interactions between distinct but interdependent groups of users, such as buyers and suppliers". The OECD (2019) also provides a simple description of digital platforms, describing them as "a range of services available on the internet including market places, search engines, social media, creative content outlets, app stores, communication services, payment systems, services comprising the so-called "collaborative" or "gig" economy and much more." The main characteristic of digital platforms is facilitation of transactions between two or more distinct groups of users in the form of business-to business (B2B), business-to-customer (B2C), or even customer-to-customer (C2C) (Asadullah, et al., 2018). Figure 1 below provides a depiction of a two-sided B2C platform.

Figure 1: Two-sided digital platform



Source: Prado (2021)

The nature of digital markets, which makes them prone to high levels of concentration, has challenged scholars and policymakers' understanding of sources of market power (Prado, 2022). There are unique features that contribute to digital firms' market power in new ways. These include the two-sided nature of the markets involved, network effects and first-mover advantages. In addition to these features, practitioners sometimes also grapple with considerations of non-price factors in zero-rated digital platforms (OECD, 2022). Some scholars have also argued that digital platforms' market power assessment ought not to be confined to a narrowly defined market. This is because large platforms can leverage their market power across markets in the digital ecosystem (Prado, 2022). Given the various technicalities that are encountered in different jurisdictions, there is currently no universal method to assess market power in digital markets. However, there is considerable literature on the identified features that propel market power in digital platforms. It is also worth noting that the other contributors to market power in traditional markets, such as economies of scale, switching costs, brand effects, and a lack of countervailing buyer power, are also prevalent in digital markets and have been considered by regulators in their assessments (OECD, 2022).

Features that propel digital platforms' growth and incumbency

First-mover advantages

The concept of first-mover advantage is widely documented in competition literature and has received significant attention among scholars and practitioners in understanding profitability and market power dynamics in different markets (Papachristos & Suarez, 2022). In essence, first-mover advantage refers to the



long-term competitive advantage derived by the first firm to enter a market before their competitors (Anderson & Stensson, 2017). The concept was first introduced by Bond and Lean in 1977 (Gomez, Lanzolla, & Maicas, 2016). Numerous empirical studies which supported the proposition that first entrants in markets tend to hold significant market power for prolonged periods followed (Whitten, 1978) (Spita 1983). However, there are also other later studies which showed that delayed entrants tend to benefit from the first entrants' research and development investment and customer education and marketing (Anderson and Stensson 2017).

Literature identifies the factors that facilitate first-mover advantage and these include technological leadership, brand loyalty, economies of scale, network externalities, pre-emption of scarce assets, buyer switching costs and experience effects (Green, Karan, and Rasmussen, 2014). According to Robinson, Kalyanaram and Urban (1994), first movers tend to shape consumer tastes and preferences in their favour and, as a result, derive advantages that span decades. Sammut-Bonnici and Channon (2015) further argue that high barriers to entry or expansion tend to facilitate the realisation and retention of first-mover advantage. Empirical studies further found that the durability of first-mover advantage is also dependent on the pace of technological and market evolution (Suarez and Lanzolla, 2005). Suarez and Lanzolla (2005) assert that rapid movements in technological developments and customer acceptance leave first movers vulnerable as the market is open for later entrants to exploit open competitive opportunities (Suarez and Lanzolla, 2005).

The emergence and rapid adoption of digital platforms has recently sparked new scholarly debates on the extent to which first-mover advantage can be maintained in digital markets. Although limited, early research on this topic is shaped by mixed views (Varadarajan & Shankar, 2006). Some scholars question the existence of first-mover advantage in digital markets based on the presumption that these markets are characterised by low switching costs, and thus later entrants with superior value proposition have an equal chance to entice customers and attain the leading position in the market (Porter, 2001). However, other scholars argue that in markets characterised by network effects, first movers are presented with superior opportunity to lock-in customers and create a sustained competitive advantage (Suarez & Lanzolla, 2006). Emerging empirical studies on this topic also provide mixed results. Some of the studies have found that there are preconditions for first movers to sustain prolonged market lead in digital markets. For instance, studies by Lieberman (2005) and Nikolaeva (2007) found that first mover advantages in digital market are only derived by those firms that patented their innovation upon entry. However, even these firms enjoyed only a minimal survival advantage over other firms (Lieberman, 2005). Varadarajan and Shankar (2007) found that firms in digital markets, in order to realise first mover advantage, should focus on achieving superior positions in resources that would enable them to get close to the customers fast, create switching costs, and retain them through ongoing investments in multi-faceted innovations (Varadarajan and Shankar, 2006).

Network effects

Network effects describe the phenomenon where an actor group benefits or is adversely affected if another actor joins a particular platform. This concept is not new to digital markets. In traditional markets, network effects are considered in the context of physical infrastructure and capacity limitations (OECD, 2022). With experience, competition authorities have begun to identify the situations in which network effects contribute to market power, and those in which their effects on market structure are minimal. Digital platforms facilitate interactions and connections between at least two distinct groups of users who need each other in some way, hence the notion that they operate in multi-sided or two-sided markets.⁸ In multi-sided markets, the value proposition for business users is access to a large pool of customers and the value proposition for

⁸ For example, see Boik, 'Essays on Uniform Pricing and Vertical Contracts in Two-Sided Markets' (2016), Phd thesis, University of Toronto. Wright, 'One-sided Logic in Two-sided Markets' (2004) Review of Networks Economics 3.



consumers is access to a variety of offerings by business users on the platform. Digital platforms are confronted with the challenges of always trying to attract and maintain massive scales on both sides of the market. As a result, digital platforms are characterised by distinct features that are catalysed by their multi-sided nature. Such features create a unique environment for digital platforms and induce market players to employ the most aggressive strategies to compete, making digital platform markets prone to the “winner takes all” dynamics. For example, as a strategy to maximise the participation of consumers, digital platforms often charge prices that are below marginal cost and, in some instances, no costs are incurred by users within this group.⁹

While the costs of providing service to the consumer side of the market may be carried by the platform itself in the initial stages, this may change once the platform has gained traction and market power, and is able to extract higher commission fees from the other group of users (business users). Thus, ultimately, and once they see the platform as indispensable, business users indirectly take over the role of subsidising the consumer side of the market which is generally considered as price sensitive in two-sided markets, by paying high commission fees. The network effects are derived by the platforms as business users put more value on a platform with more consumers for exposure and consumers put more value on a platform that has more business users for content (Granfeldt & Nyqvist, 2019). This leads to mutually strengthening effects, as business users flock to the platform with more consumers and vice versa (Engelhardt, Wangler and Wischmann, 2017). According to Tucker: Granfeldt and Nyqvist (2019) strong cross-sided networks effects is one of the main sources of market power in digital platforms, amongst switching costs and lock-ins. The exertion of market power by the large platforms often results in entrenchment and high barriers to entry for potential competitors, until the market reaches a tipping point (OECD, 2020).

Multi-homing

Multi-homing is another distinctive feature of digital markets and it occurs when users of digital platforms, both the business users and consumers, have the option to subscribe and switch between multiple platforms offering homogeneous services (OECD, 2022). Multi-homing extends the ability to decide market share to consumers, by voting with their feet to support the firm believed to be the most innovative and providing the best platform compared to other competitors in the market (Friday, 2022). The practice of multi-homing by platforms users can indicate the state of competition in a market. When the market has tipped users tend to single home and only use the entrenched platform (Deller, Doan, Mariuzzo, Sean Ennis, & Ormosi, 2021). Multi-homing is also an important factor in determining whether a market is characterised by high barriers to entry (Park, Seamans, & Zhu, 2018). In a market where users multi-home it becomes feasible for new entrants to expand as multi-homing lowers consumer lock-in (OECD, 2022). However, it has been highlighted by scholars that it is not necessarily mandatory for all groups of users in multi-sided platforms to multi-home in order to realise the benefits associated with deterred market power (Friday 2022; Rochet & Tirole, 2003). A platform’s value for one group is also strongly dependent on the other group.

In practice, some competition authorities have found that multi-homing does not always guarantee dynamic competition (OECD, 2022). For instance, the German and French competition authorities highlighted in a joint study that in zero-rated markets, even with multi-homing, new entrants may find it difficult to attract consumers without the ability to use pricing as a strategy to attract an initial user base (OECD 2022: Autorité de la concurrence and Bundeskartellamt, 2016). The OECD (2018) also noted that the threat to the incumbent

⁹ The adoption of this pricing structure is sometimes based on the two-sided market theory that the prices charged on one side of the market need not reflect the costs incurred to service that market. See Fletcher, ‘Predatory Pricing in Two-Sided Markets: A Brief Comment’ (2007) *Competition Policy International* 3. See also Evans and Schmalensee, ‘The Industrial Organization of Markets with Two-Sided Platforms’ (2007) *Competition Policy International* 3.

platforms from users multi-homing can be minimal, especially if the new entrant enabled by multi-homing is not necessarily a strong substitute for the incumbent, although it may be valuable to the users.

Despite multi-homing being beneficial for users, it is not always feasible. There are factors that may inhibit users from multi-homing, including the cost of multiple services, technical and practical limitations (e.g. barriers to using multiple operating systems on a device), exclusivity conditions imposed by platforms, and a lack of data portability and interoperability (contributing to switching costs, and lost data as well as network effects), among others (OECD, 2022). Noting these features, an assessment of the specific context of multi-homing in digital markets is necessary, since the mere potential for multi-homing is not always realised.

Measuring market power in digital markets

Unlike traditional markets, it appears that the assessment and measurement of market power in digital markets requires some degree of flexibility given the nature of these markets. This approach allows competition authorities to explore other parameters that may be deemed significant in a market segment for market power accretion. In this regard, competition authorities have adopted multiple different methods, based on prevailing circumstances and the concerned conduct. Below we discuss some of the indicators that have been adopted in digital platforms competition assessment globally.

Revenue shares

Firm revenue is generally accepted as a significant indicator of market power, as it is understood that the primary objective of any firm is to generate income. It is often assumed that higher revenue reflects greater sales volumes and brand loyalty. As a result, revenue-based market shares have been adopted in different competition cases globally (OECD, 2022). However, in the case of multi-sided digital markets it has been recognised that revenue shares may need to be considered alongside other indicators, especially when one side's consumption is cross subsidised by another. Picking a proxy that represents only one side of a market may provide an incomplete overview of a market (OECD, 2022). Some scholars further argue that revenue-based shares may fail to capture holistic market dynamics in markets where different players employ different business strategies (Franck & Peitz, 2022) (OECD, 2022). For instance, in some markets there may be platforms that are still in their early stage and as a result, are free for all users, whilst competing with established platforms generating income. Without any other indicator, the role of such early-stage platforms would be disregarded in revenue based assessments (OECD, 2022). The mixed methods approach was used by the Korean Fair Trade Commission in its assessment of a merger in food delivery services, and considered revenue shares, the number of transactions on the platforms as well as the number of app or website visits.¹⁰

User shares

The number of users on a platform is another significant indicator of its value and position in a market. This approach has been widely adopted by competition authorities as it is also adaptable even in the context of zero-rated platforms, which are prevalent in digital markets (Franck & Peitz, 2022). In adopting user-based assessment it has been emphasised that the multi-sided nature of digital markets necessitates that user shares be considered on both sides separately. Although the strengths of the platforms may be different on the different sides, network effects propel the balance and thus inferences can be made on that basis (Franck & Peitz, 2022). There have also been suggestions that given the dynamic nature of digital platforms, characterised by “frequent market entry and short innovation cycles”, the estimates should also include potential users (Franck & Peitz, 2022) (OECD, 2022). However, competition authorities have only limited the

¹⁰ KFTC Decision 2021-032 – Delivery Hero/Baemin.

scope of their assessments to active users. In the Italian Competition Authority case against Amazon, the authority explained the significance of distinguishing active users when considering market shares.¹¹ Similarly, in a merger transaction between property classifieds platforms, the German Bundeskartellamt held that the most appropriate proxy for market share assessment would be the number of users from each side of the platform.¹²

Access to data

The notion that exclusive access to critical inputs confers market power is a commonly accepted concept in competition law (OECD, 2022). In digital markets, data is considered a critical input for expansion (Corrado, Haskel, Iommi, & Jona-Lasinio, 2022). Competition authorities globally have acknowledged that if a platform controls critical data that can afford it a comparative advantage, such data can be a source of market power (Franck & Peitz, 2022). Some authorities have even gone as far as amending their legal frameworks to include access to data as a relevant criterion to assess market dominance.¹³ Other competition authorities have also considered accumulation of data as part of their assessments on different cases, including authorities such as the Federal Trade Commission in the United States of America, Australian Competition and Consumer Commission and Competition Bureau Canada (OECD, 2022).

Competition in digital markets

Digital platforms operate different business models, based on the category of business users and consumers that they are targeting. The common approach for all digital platforms is to continuously generate value for both the customers and consumers by acting as an intermediary between the different groups. The value proposition for the consumers is the convenience of easily searching and comparing an aggregated wide range of product offerings from a single platform, at anytime and anywhere. For the business users, the value proposition is the access to a wide range of consumers and the online sales that the platforms generate, as well as the payments, technical and physical infrastructure to conclude transactions online (CCSA, 2023).

The defining characteristic of competition within digital markets is the phenomenon of ‘market tipping’ (Calvano & Polo, Market power, competition and innovation in digital markets: A survey, 2021). This refers to “the process by which a competitive market reaches a critical point of user adoption and shifts from a market with many suppliers to a market with one or few suppliers”.¹⁴ It is generally understood that digital platforms are prone to tipping, and thus, firms in these markets compete to be the first to reach critical scale, and ultimately monopolise the market (Katsamakos & Sánchez-Cartas, 2024). Market tipping in digital markets is propelled by the network effects, which create a feedback loop between user adoption, leading to only a few platforms creating more value for users. This has led to some scholars contending that competition in digital markets is for the market rather than in the market (Noe & Parker, 2011) (Segal, 2007) (Banerji & Fang, 2021). According to Chen (1996), Reger (2010) and Cennamo (2021) each platform has a unique market and technological identity, and as such competition in digital markets should be considered along such parameters.

Capital finance and competition in digital markets

Competition in digital markets is primarily driven by the incentive to capture user perceptions and lock-in customers (Katsamakos & Sánchez-Cartas, 2024). Accordingly, platforms mainly compete through value-

¹¹ Autorità Garante della Concorrenza e del Mercato, [Amazon decision](#), 20 November 2021, para 672-673,

¹² [Bundeskartellamt Decision](#) Ref. B6 – 39/15, 20 April 2015, English summary.

¹³ See section 18 of the [German Competition Act](#). Also see CMA’s [Digital Markets, Competition and Consumers Act 2024](#)

¹⁴ Concurrences Competition Dictionary. Available at [Concurrences](#).



based parameters, to distinguish their service from their rivals. The investment patterns of digital platforms also confirm this notion. Digital platforms are inherently characterised by substantial upfront fixed costs and negligible marginal costs (Rochet & Tirole, 2003) (Baye & Prince, 2020) (Parker, Petropoulos, & Van Alstyne, 2022). They invest heavily in technological infrastructure, research & development and marketing, even before onboarding a single customer. However, in expansion, the cost of adding an additional user or processing one more transaction becomes negligible, and on some occasions can be up to zero (Rusche & Büchel, 2021) (Katsamakas & Sánchez-Cartas, 2024). This is because most services or content provided by digital platforms are information goods, and thus, the platforms incur negligible marginal cost of production and distribution. As such, some of the digital platforms, especially the largest global platforms, are able to successfully operate with limited human labour and tangible assets. For instance, when WhatsApp was acquired by Facebook in 2014, it had 300 million active users and processed 50 billion messages per day whilst only employing 55 people (OECD, 2019). Similarly with tangible assets, in the e-hailing services, Uber is successful without owning the vehicles or the smartphones that are the core physical infrastructure for its business model.

The high fixed cost and low marginal cost structure yields significant economies of scale, which propel the winner takes all dynamics toward monopolisation in digital platforms markets (Tirole, 2023) (OECD, 2019). Thus, early capital investments help to capture scale and network effects. Capital investment therefore becomes the key driver of competition for a market in digital markets. In most cases digital platforms direct the prolific initial investments towards marketing and advertising and heavily subsidise users or even provide free services. According to Noe and Parker (2011), aggressive competition in digital markets often entails saturation advertising, such that firms sustain their participation by being insensitive to advertising price. The platforms justify bearing short-term losses to scale rapidly and earn returns in the future (Banerji & Fang, 2021). However, once the market tips, only the winning firm(s) realise tangible profits (Noe & Parker, 2011).

Empirical evidence across different jurisdictions and markets indicates that in digital markets when a market has tipped, disruption does not come from doing the same thing as the incumbent(s), but from innovation that provides a different value proposition for customers (Calvano & Polo, Market power, competition and innovation in digital markets: A survey, 2021) (Noe & Parker, 2011) (Banerji & Fang, 2021). According to Banerji and Fang (2021), the pioneers who move first in digital markets often lose their leading positions upon the entry of “cash-rich” firms that are also successful in other adjacent markets. The new entrants pay an entry cost in the form of substantial capital investments, which represents the pioneering firm's first-mover advantage, to compete with the incumbent pioneering firm. In the process of competition the winner can either be the pioneering firm or the cash-rich entrant, but rarely both, even when both firms invest significant resources into the competition (Banerji & Fang, 2021). The firms that are weakened or eliminated by competition become less likely to sustain or attempt second entry to challenge the incumbent winners (Noe & Parker, 2011).

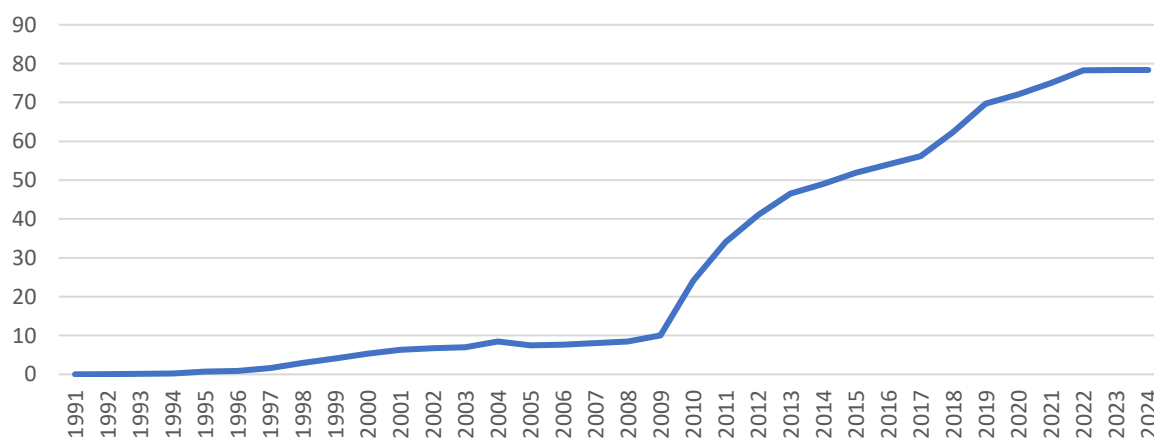
Competition authorities assessing competition in digital markets in different jurisdictions have noted that as these markets move towards the tipping point and competition is weakened, the winning platform's incentive to influence user perception diminishes and the platform may begin to charge monopoly prices or engage in anti-competitive conduct (OECD, 2022). Consequently, there have been different interventions by the different authorities, including legislative changes, investigations and market inquiries, to foster competition in these markets. The European Commission's Digital Markets Act and the United States' American Choice and Innovation Online Act are prominent examples of such legislative changes. There are also several competition cases that have been prosecuted internationally against monopoly platforms that have been found to engage in anti-competitive conduct, such as Google, Microsoft, Meta, Amazon, Booking.com, amongst others.

The CCSA (2023) has also identified similar characteristics with digital platforms operating in the country through the OIPMI. However, these interventions are not universally welcomed. Some scholars contend that the winner-takes-all feature is an inherent characteristic of digital markets, and it ought not to be considered as evidence of weak competition. It is argued that the relevant signal of competition in digital markets is the intensity of dynamic competition through investment, rather than the intensity of competition within a particular segment (Smichowski 2023; Teece and Kahwaty, 2021; Gal and Petit, 2021; Miller and Mitchell, 2021; Petit, 2020; Walker, 2020; Bourne, 2019; Evans and Schmalensee, 2002; Salinger and Levinson, 2015). On the other hand, there are scholars that advocate for intervention, arguing that competition in digital markets remains necessary for welfare development driven by innovation (Smichowski 2023; Kramer and Schnurr, 2022; Hoppner, 2022; Federico et al., 2020; Scott Morton et al., 2019; Cr'emer et al., 2019; Parker et al., 2020).

5. Digital platforms in South Africa

The state of the South African digital economy has not been adequately studied. There is no reliable source of data that quantifies and measures the size of the market (RSA Government, 2021). Statistics South Africa, the official data depository institution, does not separate the economic data between digital or traditional economy. However, there is clear evidence of growing digital adoption, fuelled by smartphone penetration and improved internet services in the country (Cyrielle Gaglio, 2022). Figure 2 below shows the percentage of the population that uses the internet in South Africa. The year 2010 was a pivotal moment for the usage of internet in the country. The percentage of the population that used the internet grew from below 10% in 2009 to just less than 80% in 2024. The rapid increase in usage was facilitated by improved infrastructure in new undersea cables. The government also granted new Electronic Communications Network Service licences to more than 400 organisations. This allowed service providers that were previously required to buy their network access from one of the major providers to build their own networks instead, and began to offer more competitive prices (Brand South Africa, 2010).

Figure 2: Percentage of population using internet in South Africa



Source: Own compilation based on World Bank data

The high levels of internet usage facilitated the adoption of digital platforms in South Africa. As such, currently, digital platforms in the country span various sectors, and are increasingly becoming an integral part of operations in those sectors. The country has also become the gateway to the African continent for global platforms (The World Bank, 2020). The levels of adoption in the different segments vary based on the value proposition that the platforms offer to all the user groups. The levels of adoption of the digital markets in the country are also affected by the high levels of inequality (CCSA, 2022).

In terms of government policy, digital readiness and transformation have been identified as the key component of the National Development Plan for eliminating poverty and reducing inequalities by 2030. Subsequently, the South African government has launched several initiatives to accelerate the growth and development of the digital economy, including the Digital Economy Master Plan (DEMP), amongst others. The DEMP provides the national strategy towards the NDP goals. It includes the expansion of digital infrastructure, digital skills development, development of E-Government services, stimulation of e-commerce services, cybersecurity and data governance and integration of digital technologies into critical economic sectors.

In regard to competition, the South African government's strategy for the digital economy entails the promotion of economic inclusivity by regulating digital markets against concentration and tipping. Government notes the threat posed by the 'winner takes all' characteristics of digital markets in the realisation of its objectives. The CCSA's approach in matters that involve digital markets has been centred around promoting contestability, whilst the markets are still in the developmental stages (CCSA, 2021). For instance, in the MIH eCommerce Holdings and WeBuyCars merger, the CCSA recommended that the merger be prohibited by the Competition Tribunal on the basis that the merged entity would have the ability to raise the barriers for rivals and potential entrants.¹⁵ Similarly, in the OIPMI the CCSA sought to remedial actions that would facilitate expansion of smaller platforms and promote competition in the different market segments.¹⁶

6. Competitive dynamics in South African digital platforms

Competition dynamics in South African digital platforms markets resemble those identified in other jurisdictions, although the domestic market is still considered small in comparison to other developed and emerging countries. Most of the digital markets in South Africa are currently dominated by one or two large platforms, with a fringe of smaller platforms that are battling to scale and effectively compete in the respective categories (CCSA, 2022). According to the CCSA (2022), there are a few digital platforms markets that have reached critical scale in South Africa, including general search, software app stores, travel and accommodation, online classifieds, e-commerce and food delivery.

The domestic market comprises several large global platforms some of which command the same degree of dominance enjoyed in other markets internationally. For instance, the CCSA (2023) noted that Google is a *de facto* monopolist in the general search market in South Africa, with a market share of over 90%. Jurisdictions such as the United States of America and European Commission have made similar observations in relation to Google's market position. Despite the prominent presence and dominance of global platforms in domestic platforms markets, there are segments that are led by local platforms. Global platforms dominate the segments with a global dimension, such as travel and accommodation, software app stores and general search. In those categories where the customer base is mostly local and requires investment in last mile infrastructure, domestic platforms have managed to capture the markets (CCSA, 2022).

The assessment in this paper focuses on the three platform categories that are led by local platforms, as they hold the most potential for contestation by local players. These categories are online classifieds, e-commerce and online food delivery platforms.

¹⁵ See the Competition Tribunal Decision Case No: LM183Sep18

¹⁶ See the CCSA's OIPMI remedial actions.

6.1 Online classifieds platforms

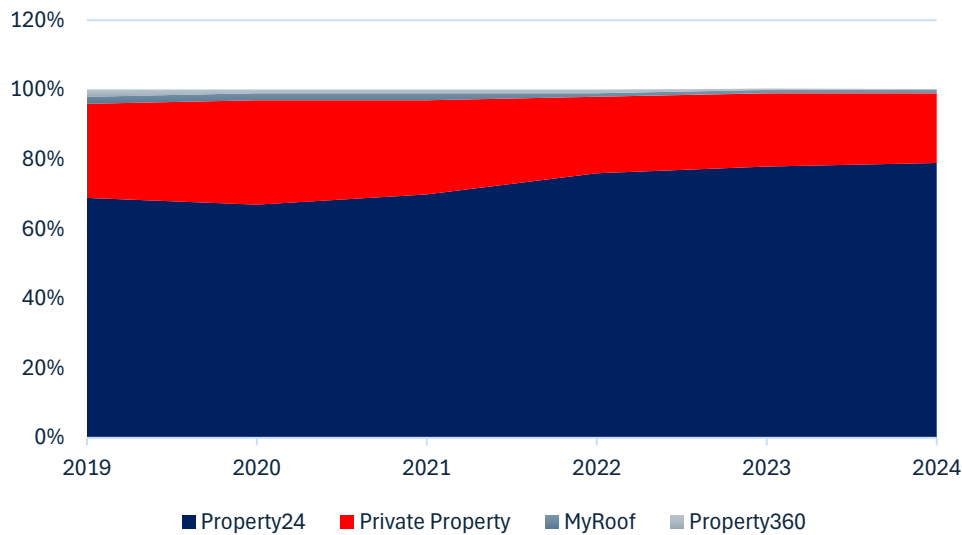
Online classifieds platforms are market places for online classified advertisements, where sellers list their products or services for the attention of potential consumers (Meffert, Denny Morawiak, & Thomas Schumacher, 2015). In this category businesses generate leads and no transactions are concluded on the platform. There are two primary models of online classifieds platforms. The first is the horizontal (generalist) model, which offers ads across a wide range of categories, ranging from electronics, rental properties, employment opportunities, cars, etc. An example of such a platform in South Africa would be Gumtree. The other model is the vertical (specialist) platforms, which focus on a single category of goods or services (Meffert, Denny Morawiak, & Thomas Schumacher, 2015). In South Africa, the most prominent model is the vertical platforms in the property and automotive classifieds categories, respectively. Property classifieds platforms connect real estate agents to potential property renters and buyers, whilst the automotive classifieds intermediate between dealerships and potential vehicle buyers.

Due to data limitations, the assessment in this study is limited to property classifieds platforms. Internet penetration and accessibility facilitated the adoption of online property classifieds platforms in the country, offsetting the use of print media. Historically, estate agencies relied on print media to target their consumers. However, over time the use of print media significantly declined, such that some of the online classifieds portals have their history in the provision of print classifieds, and have totally shifted to online services (CCSA 2023).

Competitive dynamics in online property classifieds market

The property classifieds platforms market is led by two platforms, Property24 and Private Property. The former is the largest player in the market by a significant gap. It boasts the largest number of business users (estate agents) and consumer traffic (CCSA 2023). In addition to using property classifieds platforms, estate agents have their own websites and list the same properties on these websites. However, the estate agents' own websites do not pose a competitive constraint on the intermediation platforms, as they do not generate the same level of traffic. Consumers prefer aggregated content for convenient perusal. Property classifieds platforms are free for consumers, whilst estate agents are generally charged pre-determined fees to access those consumers. However, only Private Property and Property24 have gained enough scale to charge their customers. The other platforms, such as MyRoof and Property360, are small and free for both estate agents and consumers. Figure 3 below shows online property classifieds market shares by consumer traffic. Property24 and Private Property constitute more than 90% of the market. Property24 has a market share of more than 60%, whilst Private Property holds just more than 30%. The CCSA (2023) highlighted that Private Property was also a leading platform in the market as it had been able to secure and lock-in estate agents. However, it is also worth noting that Property24 has been able to sustain its position over a sustained period. The other platforms have not been able to disrupt the market and shift the dynamics.

Figure 3: Consumer Traffic to Property classified platforms

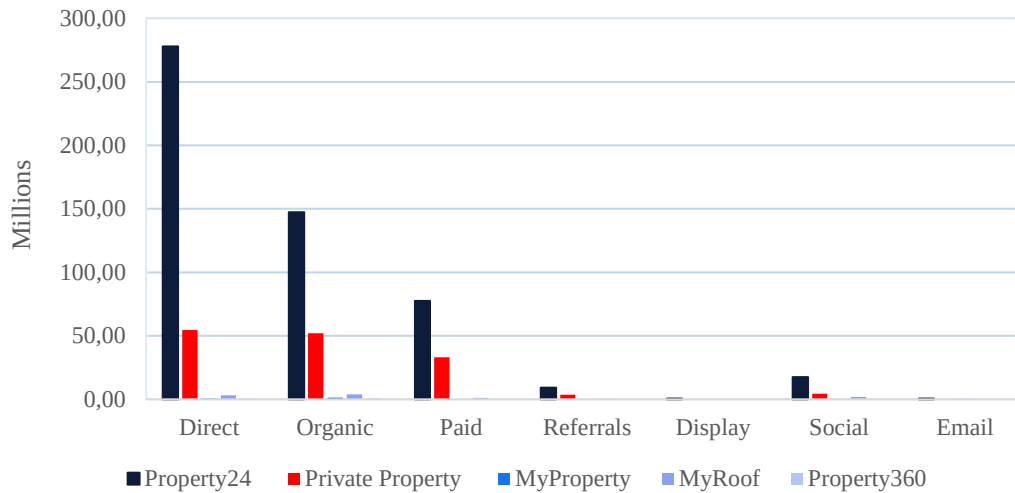


Source: Own compilation based on Similarweb data

Property24 was not the first entrant into the online classifieds market. The platform entered the market in 2010, after the pioneer, Private Property in 1997. However, its entry was timely, as it coincided with the rapid rise of internet services adoption in the country. Property24's timely entry was also coupled with substantial investments on marketing to drive traffic to the platform. The CCSA (2022) noted that Google is a critical gateway for customer acquisition in online classifieds platforms markets. Some platforms that operated in the market before Property24's entry into the market were able to compete on Google search campaigns to gain prominence on search results. Other platforms could not match Property24's expenditure on GoogleAds bids, which meant the platform would always be prominent on the search results (CCSA, 2022).

The CCSA (2022) further noted that the large platforms in property classifieds category marketing spend was in excess of R2 million per month, and it would be unattainable for small platforms that do not charge for listings to match such investments. Currently, Property24 derives most of its traffic from direct searches, signalling that the platform has become a default option for consumers looking for property ads. Consumers directly search for the platform instead of being channelled by Google. Organic search is the second largest source of traffic for Property24, which signals the platform's prominence on the Google search results. Achieving such high levels of prominence requires substantial investment on search engine optimisation strategies which in turn assist to increase the platform's visibility on Google's search engine results page. Figure 4 below shows the source of traffic for the online classifieds platforms operating in South Africa.

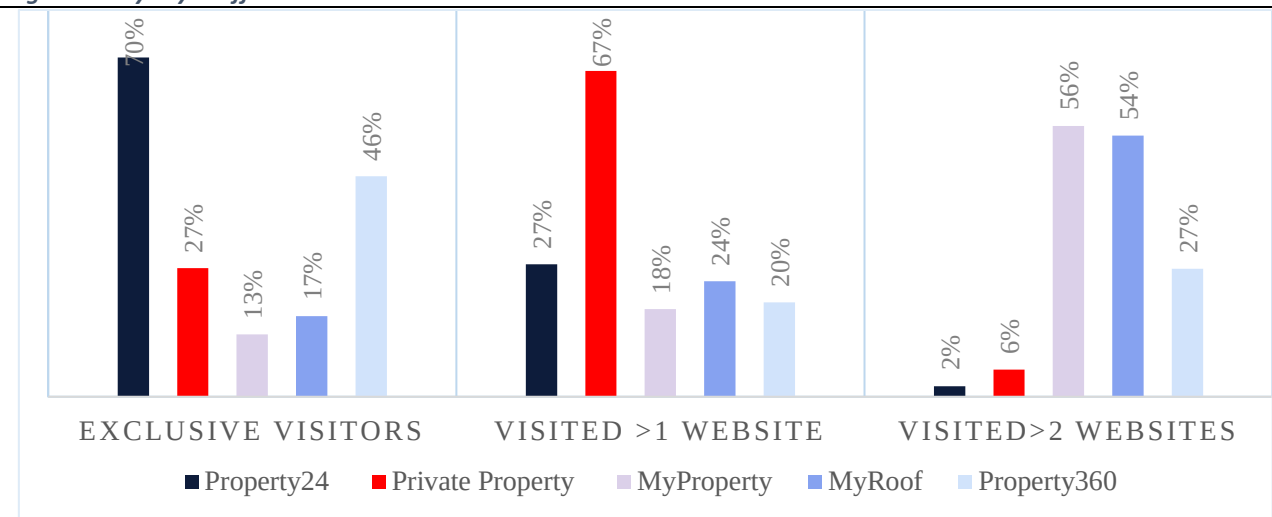
Figure 4: Sources of Traffic to Online Property Classifieds Platforms



Source: Own compilation based on Similarweb data

In the property classifieds digital markets both consumers and customers are able to multi-home between different platforms. In theory, this form of multi-homing should propel contestability. However, in this case that has not been achieved. Although consumers visit multiple platforms in their search journey, the real estate agents are only willing to pay for the attention of consumers on the leading platforms. Since the estate agents list the same properties for the same price, their incentive to pay multiple platforms diminishes and they focus on those that guarantee more leads. This creates a feedback loop as consumers also become less incentivised to make use of platforms with less stock listed. About 70% of Property24's visitors end their search journey on the platform. Figure 5 below shows the number of platforms that consumers visit in their search journeys.

Figure 5: Loyalty Traffic Share



Source: Own compilation based on Similarweb data

Market power dynamics in property classifieds platforms

The two leading property classifieds platforms are the only platforms that charge their customers for the listing or generating leads from their portals. The two portals employ different pricing mechanisms. Property24's pricing model is tied to the number of leads that an estate agent generates on their platform whilst Private Property charges standard monthly subscription fees. A comparison of the prices charged by

the two portals suggests that the market may have reached its tipping point, as Property24 has ascended to the price setter position. Table 1 below shows Property24's prices per lead on for-sale listings.

Table 1: Property24 rate card 2019-2021

For Sale Leads	Price per lead				
	< R1.3m	R1.3m - R2.5m	R2.5m -R4m	R4m - R7m	> R7m
2019					
10 leads	R 40.00	R 41.00	R 42.00	R 43.50	R 45.00
30 leads	R 37.33	R 38.50	R 39.67	R 40.83	R 42.00
50 leads	R 33.80	R 34.80	R 35.80	R 36.90	R 38.00
150 leads	R 16.50	R 17.00	R 17.50	R 18.03	R 18.57
250 leads	R 11.80	R 12.16	R 12.52	R 12.90	R 13.28
500 leads	R 8.25	R 8.50	R 8.76	R 9.02	R 9.29
750 leads	R 6.65	R 6.85	R 7.06	R 7.27	R 7.49
1000 leads	R 5.80	R 5.98	R 6.16	R 6.34	R 6.53
1500 leads	R 4.80	R 4.94	R 5.09	R 5.24	R 5.40
1501 leads	R 6.65	R 6.85	R 7.06	R 7.27	R 7.49
2020					
10 leads	R 42.80	R 44.40	R 46.20	R 48.80	R 51.50
30 leads	R 41.07	R 42.73	R 44.47	R 46.27	R 48.13
50 leads	R 37.86	R 39.40	R 41.00	R 42.80	R 44.68
150 leads	R 18.81	R 19.55	R 20.39	R 21.31	R 22.27
250 leads	R 13.57	R 14.17	R 14.79	R 15.48	R 16.20
500 leads	R 9.49	R 9.90	R 10.35	R 10.82	R 11.33
750 leads	R 7.65	R 7.98	R 8.34	R 8.73	R 9.14
1000 leads	R 6.67	R 6.96	R 7.27	R 7.61	R 7.96
1500 leads	R 5.66	R 5.92	R 6.20	R 6.50	R 6.82
1501 leads	R 7.85	R 8.21	R 8.60	R 9.02	R 9.46
2021					
10 leads	R 46.30	R 48.00	R 50.00	R 52.80	R 55.70
30 leads	R 44.43	R 46.23	R 48.10	R 50.07	R 52.07
50 leads	R 40.96	R 42.64	R 44.36	R 46.30	R 48.34
150 leads	R 20.35	R 21.16	R 22.06	R 23.05	R 24.10
250 leads	R 14.68	R 15.33	R 16.00	R 16.74	R 17.52
500 leads	R 10.27	R 10.71	R 11.20	R 11.71	R 12.26
750 leads	R 8.28	R 8.64	R 9.03	R 9.44	R 9.89
1 000 leads	R 7.22	R 7.53	R 7.87	R 8.23	R 8.62
1 500 leads	R 6.13	R 6.41	R 6.71	R 7.03	R 7.38
1 501 leads	R 8.49	R 8.88	R 9.30	R 9.76	R 10.24

Source: CCSA (2022)

Property24's pricing is tied to the value that the estate agents derive from the platform. The high traffic volumes guarantee the estate agents more leads compared to other platforms. However, this leads to estate agents paying significantly more on the platform (CCSA, 2022). Private Property on the other hand charges a standard rate based on the number of listings an estate agent posts on the platform. This makes Private Property relatively cheaper and the rates more predictable for the estate agents. Private Property's price per listing, which is standard for a month, is almost equivalent to Property24's price per lead. For instance, an estate agent listing 50 properties on Private Property paid R43,90 in 2021 whilst an estate agent generating

50 leads for all its properties was charged between R40,96 and R48,34 on Property24. Leads are generated each time a customer views the listing estate agent's contact details. It is highly unlikely that an agent would generate less than two leads in a month per property, immediately doubling Property24's pricing compared to Private Property.

Table 2: Private Property rate card 2021

Number of listings	Price per residential listings	Price with branding	Price per commercial listings
20 Listing	R33.50	R33.50	
50 listings	R43.90	R66.90	R44.60
100 listings	R21.95	R33.45	R22.30
150 listings	R14.65	R22.30	R14.87
200 listings	R10.98	R16.73	R11.15
250 listings	R8.78	R13.38	R8.92
300 listings	R7.32	R11.15	R7.43
350 listings	R6.27	R9.55	R6.37
400 listings	R5.49	R8.37	R5.58
450 listings	R4.88	R7.43	R4.96
500 Listings	R4.39	R6.69	R4.46

Source: CCSA (2022)

In terms of conduct, Property24 has been able to independently increase its listing fees above inflation for a sustained period, with estate agents experiencing between 50% and 300% annual increases (Property Professional, 2020). Although there are relatively cheaper options, including the zero-rated platforms, the estate agents continue to list with Property24. The estate agents also have no countervailing power against Property24 and consider the platform a "must have" (CCSA, 2022). Property24 declared that its prices were likely to increase above inflation rates to continue bringing value to its customers by investing in marketing and technical human resources. (Property Professional, 2020). The competing platforms in the market are unable to generate the same levels of income, and as a result cannot invest equally on marketing to gain prominence. Thus, the inability to monetise and high prices for prominence can be a barrier to the expansion of smaller platforms.

The evidence indicates that in the domestic property classifieds platforms market the second entrant in the market has ascended to the leading position, and accumulated significant market power. Multi-homing has also not yielded the anticipated results as the market remains incontestable. The leading platform attained its position through significant investments in consumer acquisition, and the platform is now propelled by network effects to remain a must have for the estate agents.

6.2 Food delivery services platforms

Food delivery platforms serve as a marketplace, facilitating food ordering and delivery between consumers and restaurants. Consumers place food orders and pay for their meals, service fees and delivery fees either through the delivery platforms' apps or on their websites. When customers place their orders they choose between three types of services (CCSA, 2022):

- Customer places an order with a specific restaurant through the food delivery platform and also uses the food delivery services of the platform;

- Customer places an order with a specific restaurant through the food delivery platform and collects the order themselves; and
- Customer places an order with a specific restaurant through the food delivery platform and the restaurant uses its own delivery services to fulfil the order.

The most common option for consumers is the one where a customer places an order and uses the delivery services of the same delivery platform. The customers pay for their orders on the delivery platforms and in turn the platforms collect the payments on behalf of the restaurant and driver respectively. Thereafter, the delivery platforms transfer the cost of the food (i.e., the value of the food) less the commission fee to the restaurant and transfer a delivery fee to the driver (CCSA, 2022).

Competitive dynamics in food delivery platforms

The food delivery platforms market in South Africa gained significant momentum during the Covid-19 period (Dakora & Rambe, 2022). This followed government restrictions on restaurants that prohibited sit-ins. However, the adoption and use of food delivery platforms began before the pandemic. By 2019 the established food delivery platforms had collectively achieved well over 2 million app downloads and surpassed 20 million in order volume (CCSA, 2022). The lock-down restrictions sparked the demand and reliance on the platforms. The leading platforms in the food delivery market are Uber Eats and Mr D Food (Fortuin, 2023). Uber Eats is an international food delivery platform with global presence while Mr D Food operates only locally. These two platforms benefitted significantly more than their rivals during the pandemic and accounted for most of the restaurant delivery through online platforms when measured by the number of orders and food value. During the same period, some delivery platforms exited the market, whilst others did not expand their reach materially, despite the heightened demand (CCSA, 2022).

Unlike the other platform categories, the services of food delivery platforms are more localised, and upon entry the platforms tend to begin in specific localised areas, before scaling to provincial and national reach (Fortuin, 2023). The first food delivery platform to enter the market was Delivery Xtreme in 2005, starting off in Cape Town, and later scaling to enter the markets in Johannesburg, Pretoria and Durban. The second entrant was Appetite, which entered the market in 2012, operating in Johannesburg, East Rand, Germiston and Pretoria. The two leading platforms were launched in the country in the same year, 2016. However, Mr D Food was founded in 1992 and re-engineered as a mobile-based app in 2016 (CCSA, 2022). The market also consists of small recent entrants with local or regional footprints, including platforms such as Paarl Eats and Delivery Ka Speed.

The food delivery services market has seen the most entries and exits over the years. Remarkably, the market resembles features that suggest it may have reached the tipping point before full maturity. The market is still growing in terms of users, however none of the other players that have attempted entry has successfully contested and scaled to pose a significant competitive constraint on the incumbent leading platforms (CCSA, 2022). Uber Eats and Mr D Food are the only platforms that have a national reach in the country. The other platforms operate in niche local markets, such as specific townships, largely in areas that are not serviced by the leading platforms. Bolt Food was the only other food delivery platform that had the potential to quickly scale and contest the market at a national level before it exited the market in December 2023. Bolt Food was launched in South Africa on 15 April 2020, during the lockdown periods when the demand for food delivery services was high. The platform began its operations in Cape Town and expanded to Johannesburg before its exit. When the platform entered the food delivery services market it sought to leverage its position in the e-hailing services market, where it had already gained scale (Bolt Food, 2021). Bolt Food is also a global platform with large capital backing. The other players that had entered and exited the market include Dryvar and Orderin (CCSA, 2022).

Uber Eats and Mr D Food constitute 80%-90% of the South African food delivery market, and they each surpass the threshold for dominance. The two platforms are the closest competitors in the market and compete against each other in all the large cities in the country. The other platforms that remain in the market are those that entered in areas where the leading incumbents are not operational, in limited geographic areas (CCSA, 2022). Uber Eats and Mr D Food consistently grew without any significant restraint from their rivals as they entered and exited the market. Table 3 below shows food delivery platforms market share based on order volumes. Some restaurants have their own delivery platforms. However, those platforms only account for significantly lower order volumes, such that even those restaurants also list on the leading platforms in addition to their own platforms (CCSA, 2023).

Table 3: Food delivery platform market shares based on order volume

Delivery Platforms	2017	2018	2019	2020	2021 (Jan-Jun)
Mr D Food	40 – 50%	40 – 50%	40 – 50%	40 – 50%	50 – 60%
Uber Eats	50 – 60%	50 – 60%	50 – 60%	50 – 60%	40 – 50%

Source: CCSA (2022)

In regard to restaurants that use Uber Eats and Mr D Food, the two platforms have grown almost at the same pace. Given the closeness of competition, most restaurants are contracted with both Uber Eats and Mr D Food, in order to maximise the opportunities to access customers. The two platforms have contracts with all the restaurant chains and an even greater number of independent restaurants (CCSA, 2023). The wide variety in restaurant listings enables the platforms to offer consumers a wide choice in any local area and ultimately benefit from network effects, as that is the value proposition for customers. Table 4 below shows the ranges for the number of restaurants contracted to Uber Eats and Mr D Food between 2016 and 2020.

Table 4: Food delivery platforms' number of contracted restaurants

Delivery Platforms	2016	2017	2018	2019	2020
Mr D Food	0 – 1 000	1000 – 2 000	2 100 – 3 100	4 000 – 5 000	Over 6 500
Uber Eats	0 – 1000	1 000 – 2 000	2 100 – 3 100	4 000 – 5 000	Over 6 500

Source: CCSA (2022)

Uber Eats and Mr D Food attained the leading positions by largely investing in customer acquisition strategies. As indicated above, the food delivery platforms collect the payments for the food orders and the delivery. The platforms enticed customers through eater promotions and below-cost delivery fees (CCSA, 2022). The platforms subsidised the prices paid by the customers, and sometimes even to levels below the restaurant prices, in order to drive traffic to the platforms. The customers' choice between the platforms is largely driven by the food prices, since the platforms also list the same restaurants. The CCSA (2022) noted that promotions can increase a platform's customer acquisitions rate by a percentage point significantly above 50%. The platforms also substantially subsidised the delivery fees, sometimes up to 100%. For example, the CCSA (2022) made an observation that the actual cost of delivery per order ranged between R30 and R35. However, Uber Eats and Mr D Food charged customers between R5 and R15. When Bolt Food entered the market it also sought to mimic the same strategies by subsidising the customers. As such, the CCSA (2022) noted that the financial statements of all the three national food delivery firms showed periods of below variable cost pricing. In addition to the promotions, the platforms also invested significantly in marketing through various platforms, to the tune of hundreds of millions of rands (CCSA, 2022). The CCSA (2022) observed that the levels at which the food delivery platforms were making losses generally fell into the abusive predation levels, and no platform without capital backing would be able to sustain them. As such, the exits of the other platforms were attributed to lack of financial resources to match promotional campaigns and invest in marketing.

The growing traffic flows to the leading platforms meant that they also increasingly became an important sales avenue for the restaurants. As such, the value of the other platforms diminished. Uber Eats and Mr D

Food also incentivised restaurants, especially the big chains, for bringing in more of their restaurants and to drive order volumes through their platforms. The incentives were mostly achieved through commission negotiations, where the delivery platforms rewarded more restaurants and volumes with lower commissions on orders (CCSA, 2023).

Before exiting the market, Bolt Food had indicated that it faced challenges on-boarding the large restaurant chains, although it had signed up a few. The restaurant chains were not willing to forgo the incentives from the leading platforms in order to also use Bolt Food. Consequently, the platform could not benefit from network effects (CCSA, 2023). Upon entry, Bolt Food had indicated that it would offer customers promotional offers, similar to those offered by Uber Eats and Mr D Food.¹⁷ The main barrier for Bolt Food was the inability to on-board restaurants. By the time of its entry Uber Eats and Mr D Food had made significant inroads to become valuable to their users. In 2023 Bolt Food announced its exit, indicating that it was a business decision to streamline resources and maximise its overall efficiencies (Labuschagne, 2023). Other sources indicated that the inability to secure restaurants formed part of the platform's decision to exit the market.

Pricing and market power dynamics in the food delivery platforms market

In food delivery services the platform's ability seems to be curtailed by the restaurant chains' countervailing power. Most restaurants still generate sales from in-store purchases. As a result, the commission fees for the restaurant chains are determined through a negotiated process. The delivery platforms reward the chains the more their restaurants contract and use their platforms with lower commission fees. However, the restaurant chains also find value in listing with the digital platforms to access those customers that have a preference for using the platforms (CCSA, 2023). Since Uber Eats and Mr D Food are the only platforms with the widest reach and highest number of users, the restaurants are dependent on the leading platforms for online orders. The dependency by the independent restaurants that do not possess any countervailing power against the platforms is even greater. The platforms are able to impose terms and conditions on the restaurants that limit their use of rival platforms as a lock-in strategy. The platforms are also able to impose terms that result in the restaurants funding the eater promotions on the platforms to drive traffic to the platforms, whilst also benefitting from increased volumes (CCSA, 2022).

6.3 E-commerce platforms

The e-commerce platforms segment includes the platforms that facilitate transactions between sellers/merchants and consumers, covering a wide range of products such as electronics, clothing and general merchandise. This market is still developing in South Africa, although it has reached critical scale (CCSA, 2022). Sales in traditional brick and mortar stores still account for the majority compared to digital platforms sales. However, the market is also growing rapidly, and has shown consistent double-digit growth in recent years since the Covid-19 outbreak. E-commerce sales reached R71 billion in 2023 (MISTRA, 2025). The CCSA (2022) noted that online purchases typically encompass a different consumer journey from the traditional brick and mortar alternatives. E-commerce customers place more value in convenience. The online platforms allow for 24-hour shopping, anywhere and the ability to compare a wide range of stock by different suppliers from a single point (Taher, 2021).

¹⁷ See various news articles e.g., (i) Businesstech article released on Bolt Food that also touched on its promotional strategy when entering Johannesburg: <https://businesstech.co.za/news/trending/530804/bolt-food-delivery-service-comes-to-joburg/> (ii) Mybroadband article released on Bolt Food that touch on its promotional strategy when entering Johannesburg: <https://mybroadband.co.za/news/it-services/419144-bolt-food-launches-in-johannesburg.html>

Competitive dynamics in e-commerce platforms markets

The e-commerce digital platforms market includes a variety of platforms, with Takealot as a leading platform. The CCSA (2022) noted that Takealot is dominant in the domestic e-commerce platforms market, with other platforms playing a limited role in the market. The market has over the years been characterised by frequent exits and new entry, with no significant change to Takealot's position as the market leader. The first pure online retailer in South Africa, Kalahari, pioneered the market in 1999, followed by Bidorbuy and Take2 in 2002 and Loot in 2003. In 2010 Naspers acquired Take2 and changed it to Takealot. The main strategy employed by Takealot involved a multi-layered approach that focused on customer service and satisfaction. The platform invested in the range of products sold, prices, delivery service and convenience (Geustyn, 2023). Kalahari ultimately exited the market in 2015. Bidorbuy and Loot are still operational, although they have not scaled to the same level as Takealot.

In this market segment the pure intermediation retail platforms also compete with traditional brick and mortar stores' own websites to a limited extent. The large retailers such as Makro also provide a relatively wide variety of products and have similar capabilities and infrastructure to provide online retail services (CCSA, 2022). There are also specialist retailers that compete with the generalist platforms in specific segments of the e-commerce retail. For instance, grocery retailers with online channels compete with e-commerce platforms in the grocery segment. There are also platforms such as Superbalist that are pure e-commerce retailers, but focused on a single segment. From CCSA (2022) market share estimates, Takealot is the market leader in all segments in the e-commerce retail, except apparel. Table 5 below shows Takealot's market shares by product segment.

Table 5: Takealot market shares by product segment (2019-2021)

-	FY2019	FY2020	FY2021
Apparel	0-5%	5-10%	5-10%
Electronic & appliances	50-60%	60-70%	60-70%
Home & garden	40-50%	50-60%	50-60%
Health & beauty	50-60%	50-60%	50-60%
Sports	30-40%	40-50%	40-50%
Media	50-60%	50-60%	60-70%
Stationery	50-60%	40-50%	70-80%
Toys	70-80%	80-90%	80-90%
Babies			70-80%

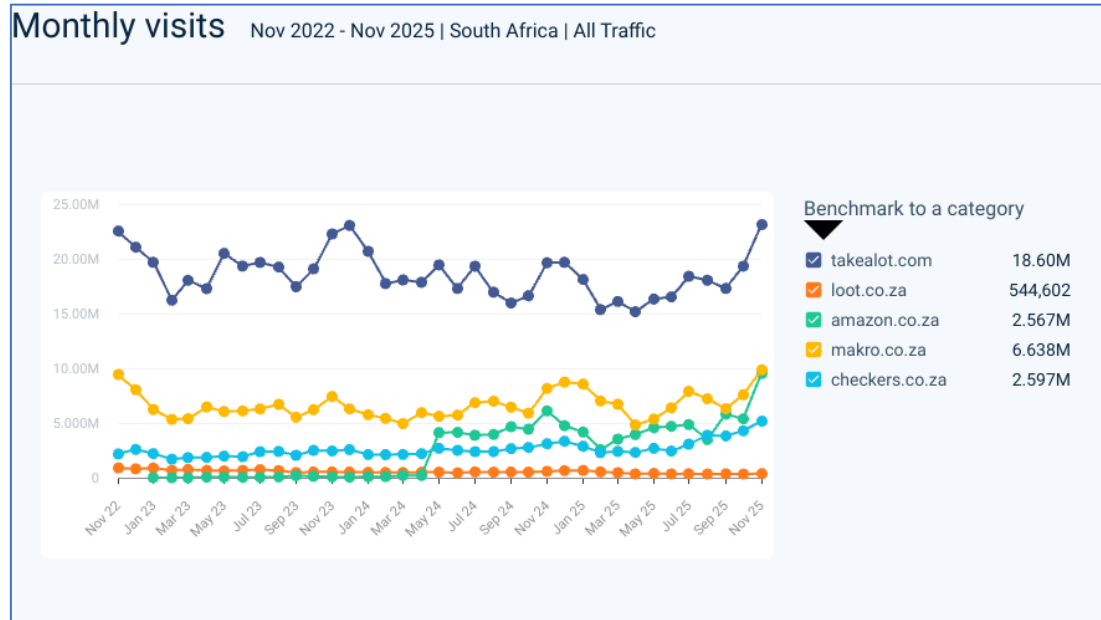
Source: CCSA (2022)

In 2024, Amazon entered the South African e-commerce market by launching the Amazon.co.za platform. Given Amazon's strong position in other geographic markets, it was expected that its launch in the domestic market would be disruptive, possibly offsetting Takealot from the leading position (WhoOwnsWhom, 2023). However, Takealot remains the leading platform by a significant margin. Amazon appears to have been throttled by logistical services and infrastructure challenges in the domestic market. South Africa is a vast country with fragmented distribution networks that limit efficiency in last-mile delivery (Ndlovu, 2024). For instance, in other jurisdictions Amazon relies on efficient state-owned postal services for cheap and efficient distribution and last-mile delivery. In South Africa there are no such opportunities. According to Ndlovu (2024), another factor that is derailing Amazon in the country is the size of the market itself. The domestic market is still in its developmental stages, and thus the customer base is still relatively small.

Despite the identified challenges, the entry of Amazon in the domestic market led to a competitive response by Takealot. When the Amazon platform entered the market the consumer traffic flows to Takealot dipped by a margin below 20 million monthly visits whilst Amazon.co.za was taking off. This is shown in Figure 6 below. Takealot also prepared for Amazon's entry by adopting similar strategies to those that Amazon applied in other countries. For example, Takealot launched a new offering in TakealotMore with similar

benefits to Amazon Prime (McLeod, 2024). It took the entry of the Amazon platform to threaten Takealot's place in the market and prompt a competitive response. The other platforms in the market pose limited constraint to Takealot and Amazon. Furthermore, the experience mileage of Takealot grants it a competitive advantage to sustain its position in the market.

Figure 6: e-commerce platforms consumer traffic monthly



Source: Similarweb

Pricing and market power dynamics in the e-commerce platforms market

Since the e-commerce platforms market is still growing, the market players are still in the customer and consumer acquisition stage. Generally, lower prices from lower cost infrastructure are an inherent feature of e-commerce platforms in certain product categories. However, the need to attract customers also encourages the platforms to charge below cost prices. Takealot's financial backing allows it to substantially subsidise prices and offer deep discounts (CCSA, 2022). Takealot sustained losses for a prolonged period of 15 years and only realised its first full-year profit in its 2025/26 financial year (Takealot Group, 2026). From the customer side perspective, Takealot charges subscription fees. The CCSA (2022) found that when the platform entered the market it had a simple low fee structure to gain traction and over time it revised its fees to recover its costs. The CCSA (2022) further indicated that there was no basis to purport that the fees being charged by Takealot were exploitative at the time. With its current financial standing, Takealot Group attributes its improved performance to sustained year on year growth in Gross Merchandise Value in luxury beauty, large appliances, and sports categories (Takealot Group, 2026).

Overall, the market dynamics in the e-commerce platforms market are largely influenced by players' ability to sustain investments in customer acquisition, through discounted prices and subscription fees for a prolonged period. The entry of Amazon and the resulting shift in market dynamics suggests that the market may not have yet reached the tipping point. However, the exits by local platforms and the inability of the remaining platforms to scale may suggest that the likely contenders who may stand a chance in contesting this market are those that have leverage from other adjacent markets, coupled with access to capital.

7. Conclusion and Recommendations

The question of whether players in digital platforms markets compete for a market or in a market must be considered within the context of a fair competitive process. The single winner that takes all should be a



natural outcome, perpetuated by the inherent features of the markets and should yield positive outcomes for users. In digital markets it has been observed that competition is largely driven by early upfront investments to capture scale and network effects, either through provision of free services to customers or through marketing campaigns. The early investments directed towards customer acquisition, such as free or discounted services may benefit customers in the short run. However, concerns regarding potential conduct of the winning platforms, once the markets tip, remain valid for competition regulation. The observations made in different studies regarding the role of capital in shaping competition in digital markets are also noted in the South African digital markets. The observations of the CCSA (2023) indicate that the incumbent leading players in the respective markets accumulated and continue to sustain their positions through significant expenditures on marketing and customer discounts. Our assessment in this paper further shows that the first entrants in the respective markets have not been the first to move towards the scaling point, and in turn the first-movers to scale accrue advantages that are not erased by the multi-homing behaviour of users. Thus, any potential competition that would likely shift the market dynamics can only be sustained by the same levels of investment expenditures.

Our assessment suggests that access to capital, either through investors or reserves, is the most significant catalyst for market power attainment in the digital platforms markets. However, capital backing becomes advantageous to players that enter the markets at the initial developmental stages of adoption, to influence user choices and ultimately fully benefit from network effects. Given these observations, it is recommended that access to capital be considered as one of the key factors that contribute to market power attainment when competition assessment is undertaken in digital markets. The estimation of market shares should also take into account the capital reserves held by the firms in a market. The potential influence of the capital reserves on the market should also be considered in line with the development stage of the relevant market.

In the MIH eCommerce Holdings and WeBuyCars merger, the CCSA noted that MIH eCommerce Holdings is a subsidiary of a large conglomerate, Naspers Limited, with a diverse portfolio of interests in different markets.¹⁸ The CCSA contended that the merger could result in increased barriers to entry as a consequence of the benefits that the merged entity would derive from Naspers Limited. However, the CCSA's assessment did not quantify the anticipated benefits and how they could potentially place the merged entity in the market. Similarly, in the OIPMI, the CCSA considered that Amazon's likely entry into the South African e-commerce platforms market at the time, and it held that the platform would be considered a leading platform upon entry. The CCSA noted that leading global platforms can leverage off their global operations to impact on domestic market outcomes even whilst they are building their business. The authority highlighted capital backing, diverse portfolios as part of the levers that platforms can leverage for scale upon entry (CCSA, 2023). The proposed approach involves quantification of such levers and the potential benefits. Such quantities should be considered in market share assessments.

In the case of developing countries that seek to promote inclusivity through dynamic competition in digital markets, the accretion of market power and barriers to expansion are important dynamics to fully comprehend. Applying appropriate measures, tailored to each market, enables policymakers in their enforcement endeavours. This paper identifies some of the different methods that should be adopted in order to promote contestability in digital platforms markets.

¹⁸ See the Competition Tribunal Decision Case No: LM183Sep18

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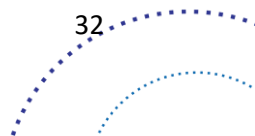
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