E-commerce in a post-Covid-19 era: Building on industry gains

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1. Introduction

The term e-commerce has a range of definitions. At its widest, it encompasses the sale or purchase of goods or services through computer-mediated networks. A narrower definition is the sale or purchase of goods or services specifically on the internet (OECD 2002). This has over time grown to encompass a broad range of industries that may include services such as online educational courses, financial services and the sale of digitalised products such as online games, video and music.

E-commerce has the potential to greatly benefit businesses, and small, medium and micro enterprises (SMMEs) in particular, by expanding the potential pool of customers and allowing for new channels of marketing, promotion and sales. However, there is the need to ensure that there are sufficient mechanisms in place to support these businesses and to reduce barriers to entry for innovative business models. Internationally, some governments have created programmes to support SMME and business entry into e-commerce. This has had varying levels of success.

The potential to support small businesses through e-commerce has expanded significantly as a result of the Covid-19 pandemic, which has induced companies trialling e-commerce for a range of customers and businesses. While this includes trialling the purchase of physical products, it also has meant that individuals have become more adept at using technology for other purposes and services, which creates the potential for more service-based e-commerce.

In this brief, we look at the South African e-commerce market post-Covid-19, and discuss the types of programmes and interventions that governments have engaged in internationally to support their local e-commerce industries. This is used to draw out potential lessons and recommendations for South Africa.

2. The context

There is a range of forms of e-commerce in South Africa at present. While the current e-commerce market in South Africa is smaller than that in many developed markets, it encompasses a range of business models. These include: pure online stores; omnichannel retailing by stores with both a physical and online presence; third-party market places which facilitate transactions for a range of sellers; and social media sales, which occur through social media platforms including WhatsApp, Instagram and Facebook. There are also various channels to market – the two key channels being mobile telephony and the internet. Product types include groceries, clothing and electronics; and services include tourism, financial services (including fintech) and educational services.[1]

The Covid-19 pandemic and the subsequent government regulations and advisories requiring individuals to remain at home and limit social activity dampened overall retail activity in South Africa in 2020. Retail fell significantly year on year in the last three quarters of 2020. This figure does not include the periods of hard lockdown, during which retail

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[1] See Goga, S., Paelo, A. and Nyamwena, J. (2019), "Online retailing in South Africa: an overview" (March 1, 2019). CCRED Working Paper No. 2/2019, for a more detailed discussion on e-commerce in the South African context.

volumes halved.[2] But the enforced physical distancing did have a significant impact on the extent to which consumers in South Africa have embraced e-commerce and online shopping.

E-commerce volumes increased significantly over the course of 2020. Listed retailers have noted that there has been a surge in e-commerce as a channel in 2020. This is especially true of omnichannel retailers whose customers have switched from shopping at their bricks and mortar stores to shopping online. For example, the Foschini Group had a 152% increase in online turnover between May 2020 and September 2020.[3] At the same time, increases also occurred for stores that are solely online (pure play). For example, Takealot, the largest online retailer in South Africa, increased its gross merchandise volume (GMV) by 29% year on year and it estimates a 21% annual growth in online retail.[4] One stakeholder interviewed who deals with logistics and payments for a range of companies including SMMEs noted volume increases of around 60%.

More businesses have entered e-commerce. While the increased use of existing e-commerce platforms was largely a demand response, there was also a significant supply response as a result of the compulsory closure of many businesses. Numerous businesses which had historically had a bricks-and-mortar presence, either introduced an online sales channel in response to the pandemic, or improved on their existing one. This includes small, medium and microenterprises which increased sales through popular social media platforms such as WhatsApp, Instagram, and Facebook.

There has been increased innovation. While there has been a gradual increase in online platforms over the years, the Covid-19 pandemic has led to a rapid upscaling and trialling of new methods. This is particularly evident in markets such as groceries, for which grocery retailers rolled out a number of app-based delivery systems with quick turnaround times in response to lockdown restrictions. Retail bank First National Bank estimates that e-commerce purchases now make up 8% of card purchases and noted a 30% increase in usage. This is despite the absence of tourism purchases, which historically have made up a high proportion of online sales.

There is the potential to increase online services further. The Covid-19 pandemic has meant that some services that historically required in-person presentation have been moved online. Examples include telehealth and online education. Telehealth in particular, has benefited from regulatory changes in response to the pandemic, with the Health Professions Council of South Africa issuing a notice allowing for telehealth to be practised if it is in the best interests of the patient, where historically it was only allowed for existing practitioner-patient relationships and not new ones.[5] For example, private medical scheme provider,

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[2] Statistics South Africa (2020), Retail Trade Sales, Statistical Release, December 2020.
[3] TFG Interim Results Presentation, 2021.
[4] Naspers Integrated Annual Report 2020.
[5] HPCSA (2020), "Notice to Amend Telemedicine guidelines during COVID-19", available at https://docs.mymembership.co.za/docmanager/editor/34/UserFiles/hpcsa%20amended%20telemedicine%20guidelines%20during%20covid-19.pdf.

Momentum, saw an increase in online consultations from 4,000 in May 2020 to 15,000 in June 2020.[6]

In the education sector, a number of schools that built online platforms to deal with the pandemic are now offering distance learning opportunities.

These examples show that Covid-19 has induced the extensive trialling of e-commerce by consumers who have historically been hesitant to use online platforms, and has increased volumes and usage as well as actual businesses. Given the low levels of e-commerce growth in South Africa historically relative to other countries, it is therefore a good time to build up the industry in a manner that improves participation and access, particularly for smaller businesses and customers in rural or remote areas.

3. Lessons from international experience

E-commerce has many potential economic benefits. These include providing routes to market, particularly for SMMEs; increasing consumer access to providers (particularly for customers in rural or remote areas); stimulating the delivery industry, which is labour enhancing; and potentially creating a channel for local manufacture to be exported.

A number of countries (such as the UK, Malaysia, Thailand and China) have developed a range of strategies and forms of support for local e-commerce industries. Many of these interventions are fairly recent so there is limited information on their impact. However, a review of the strategies does provides some insights into the type of intervention that has been deemed to be appropriate and effective.

Some countries have explicitly developed e-commerce strategies, either as a standalone policy or as a component of their digital economic strategy or national economic strategy. Others, such as the UK, have developed support for e-commerce as a component of their trade strategy. In what follows, we discuss some of the e-commerce-focused interventions on a thematic basis. These fall into four main categories: (i) interventions to build the digital ecosystem, (ii) interventions to ease access for smaller e-commerce businesses to international businesses (iii) interventions aimed at stimulating outward based e-commerce and (iv) interventions related to competition. Each of these is discussed separately below.

3.1. Building the digital ecosystem

3.1.1. Building the digital ecosystem

A key enabler of e-commerce is suitable underlying digital infrastructure. This includes widespread and affordable ICT services as well as secure and inexpensive payment systems. In South Africa, while ICT and payment infrastructure are well developed and widespread. For example, in terms of mobile coverage nationally there is 92.8%, 99.7% and 100% of 4G, 3G and 2G cellphone coverage respectively, and smartphone penetration at 91.2% on average.[7] Furthermore, the National Payment System is sophisticated and undergoes

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[6] Fin24 (2020), "Telehealth could be the new normal after Covid-19". Available at: https://www.news24.com/fin24/companies/telehealth-could-be-the-new-normal-after-covid-19-20200801.

[7] ICASA (2020), *State of the ICT Sector _ Report 2020. Available at:* *https://www.icasa.org.za/legislation-and-regulations/state-of-the-ict-sector-in-south-africa-2020-*

ongoing modernisation processes. The number of ATMs, at 65.31 per 100,000 adults, exceeds both the world average of 42.78, and the benchmark for high-income countries, which is 63.20.[8] However, there are significant issues in terms of access and affordability. The cost of data in South Africa has been highlighted as a concern by the Competition Commission, and despite recent agreement by mobile operators to reduce the cost of data, the costs per gigabyte is still high in comparison to other countries.[9] This is in part driven by delays in spectrum allocation by government, which increases the costs of provision, and concentration in the market. Furthermore, despite the wide availability of financial services, there are still high levels of cash usage. (Over 50% of transactions in 2018 were in cash.)

Several countries have highlighted infrastructure as a key enabler of the digital economy and e-commerce. For example, Thailand's National Digital Economic Policy and Plan has seven major goals related to creating the correct digital infrastructure, which implicitly addresses these issues. These include establishing digital infrastructure with sufficient capacity and coverage, digital inclusion, and significantly enhancing overall ICT readiness as measured by global indices. Malaysia has also targeted ICT infrastructure improvements in addition to more targeted e-commerce strategies. And Egypt has included financial inclusion measures focused on e-commerce and e-payments for the informal sector and people in rural areas in its strategy.

3.1.2. Skills development initiatives

A number of countries have focused on promoting the use of digital technology by businesses. This includes skills development, (particularly for SMMEs), fostering start-ups, and creating online platforms that can be used to access international markets.

Malaysia has designed interventions in the use of digital technologies, aimed especially at enhancing the use of e-commerce by SMMEs. At present in Malaysia, 20–25% of SMEs have an online presence and the government's strategy involves increasing this. It emphasises the importance of skills development in e-commerce and the creation of e-commerce resources for businesses. Several programmes to enhance digital skills have been developed, including multi-platform training opportunities, sector-specific coaching (including through partnerships with trade associations) and adding e-commerce skills to higher education curricula.[10] Current programmes include matching lower-income workers to digital training and tasks, and providing digital marketing to students in technical vocational education.

In Egypt, skills development initiatives include e-commerce training and integration through existing small business development programmes, the creation of networks specifically for women and youth interested in e-commerce, formal professional training and educational

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00000000000000000000000006145d52a005697aa67.

[8] World Bank (2019), "ATMs per 100 000 adults", International Monetary Fund, Financial Access Survey. Available at: https://data.worldbank.org/indicator/FB.ATM.TOTL.p51.

[9] Research ICT Africa (2020), Policy Brief 2 *"Despite reduction in mobile data tariffs, data still expensive in South Africa". Available at: https://researchictafrica.net/publication/despite-reduction-in-mobile-data-tariffs-data-is-still-expensive-in-south-africa/.*

[10] Malaysia's National e-Commerce Strategic Roadmap 2017.

development through embedding content in curricula, and the development of self-learning and in-person content.

Thailand's strategy includes promoting the growth of businesses that utilise digital technology, building digital skills and transforming business practices so that Thai businesses (especially SMEs) are well positioned to be competitive. It also aims to create a coaching programme for SMEs and B2B and B2C manuals. Training focuses on both digital skills and vocational-specific content.

South Africa has developed a National Digital and Future Skills Strategy[11] with components ranging from digital foundations and advanced skills, in particular using sector education and training authorities (SETAs) to facilitate skills development and monitoring. The strategy also considers funding possibilities. However, the strategy is still fairly high level and it notes that more detailed implementation plans are required.

3.1.3. Supporting postal infrastructure for domestic delivery

Malaysia is also creating frameworks for enhancing the use of e-commerce domestically. This includes focusing on the improvement of last-mile delivery, by, for example, realigning courier policies to develop clear standards for last-mile delivery such as through service-level agreements for couriers. Investments will also be made in technologies such as real-time track and trace. Egypt notes that developing and leveraging Egypt Post to support e-commerce is part of its strategy. In South Africa, while the Post Office is focusing more on e-commerce, it has historically experienced significant challenges, which it will need to overcome.[12] Furthermore, stakeholders have highlighted ongoing unreliability as a key impediment to the growth of the sector.

3.1.4. Promoting electronic payment systems

Electronic payment systems are a cornerstone of e-commerce. While in developed economies payment card usage is widespread, in developing economies, government support in terms of security and leveraging the use of electronic payment systems is fundamental to the success of e-commerce. Egypt, for example, has a seven-point strategy for stimulating payments. This includes the awareness of existing channels such as card payments and Paypal, but also leveraging electronic social protection payments and new forms of payment mechanisms, especially in rural areas. In Malaysia, there is a strategic emphasis on the adoption of technologies and the promotion of consumer confidence in payment systems and platforms. While it has already looked at strengthening the regulatory framework for online payments, the current phase is focused on greater innovation, improved services levels, and increased adoption and use. Ideas include enhanced security, caps on credit card fees, e-payment incentive funds, and awareness about e-payments. In South Africa there are some developments towards changing the technology used for

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[11] South African Department of Communications and Digital Technologies (2020), *National Digital and Future Skills Strategy*, Government Gazette No 43730. Available at: https://www.gov.za/sites/default/files/gcis_document/202009/43730gen513.pdf.

[12] South African Government Media Statement (2020), "South African Post Office working hard to revive public image and improve credibility". Available at: https://www.gov.za/speeches/new-post-office-board-strives-drive-enterprise-profitability-5-mar-2020-0000.

electronic payments to enhance the potential for novel payment methods and interoperability across different payment mechanisms.[13] However, at present, electronic payments carry high costs and alternative payment methods, such as mobile money, have not yet been widely adopted.[14]

3.2.   Resources to support e-commerce participation

The second group of interventions relates to facilitating participation in e-commerce for domestic companies. Interventions include the provision of information, resources and incentives.

3.2.1. Easy access to information for e-commerce companies

As part of their trade and export promotion strategies, several countries have created simplified resources for e-commerce companies wishing to sell their products abroad. For example, the UK Department for International Trade has a website that provides information for companies wishing to sell through e-commerce to other markets. This includes information on platforms that can be accessed, including descriptions and information on commission, a service to provide advice to business, and information on the different regulations and processes that would affect small businesses. They also have export finance.[15] The Australian Government has a similar offering.[16] The Malaysian strategy also emphasises promoting resources about e-commerce to businesses. An example is the development of e-business hubs, which are repositories that businesses can subscribe to and use to obtain information about different aspects of e-business and to link businesses with platforms that they can use. Egypt's strategy for small businesses includes information dissemination through workshops and support services, export promotion, including a trade information database, and specific programme aimed at the commercialisation of SMEs.

It is important to note that the Covid-19 pandemic has led to some governments implementing specific measures to enable e-commerce. The Italian government, for example, has created dedicated websites to advertise online services and to assist companies in moving online within a domestic environment.[17]

3.2.2. Access to platforms

Some developing countries have considered building national platforms to allow SMMEs to stock their products. Others have engaged in partnerships with existing platforms. Thailand, for example, is building e-commerce platforms to help smaller businesses access a broader pool of customers. Thailand's policy also includes building online community stores and creating a B2B platform for tourism. Access to platforms includes partnerships with international tech companies. To this end, Thailand has signed MOUs with Alibaba, and is

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[13] See, for example, the Payments Association of South Africa (2019), *Modernised Real-time Electronic Retail Payments: A Case for Change for South Africa*. Available at: http://www.pasa.org.za/docs/default-source/default-document-library/modernisation/modernised-real-time-electronic-payments_-a-case-for-change-for-south-africa_.pdf?sfvrsn=2.

[14] Finmark Trust (2017), *Research Report on Mobile Money in South Africa: available at: https://finmark.org.za/system/documents/files/000/000/267/original/Final-Report-on-Mobile-Money-in-South-Africa.pdf?1603094540.*

[15] See: https://www.great.gov.uk/selling-online-overseas/markets/results/?page=3.

[16] See: https://www.austrade.gov.au/ecommerce-guide/guide/about-austrade.

[17] See: https://solidarietadigitale.agid.gov.it/iniziative/#/.

listing a flagship Thai store on Alibaba's international website TMall (which has over 500 million users per month) to enhance international visibility of Thai SMEs. Malaysia is also creating an electronic world trade platform for cross-border payments for SMEs. Trade initiatives include assessing online marketplaces, listing e-fulfilment providers, promoting Malaysian products to online buyers, and creating an international sourcing programme. Some country strategies focus on encouraging investment from these companies. For example, Egypt notes that it will encourage key platforms to invest in Egypt and provide merchants from Egypt with access to these platforms.

However, concerns about access to dominant platforms by small businesses (where smaller businesses face barriers in listing their products on popular or large platforms) have also arisen in some jurisdictions. This has led to a number of countries intervening to regulate dominant e-commerce platforms to prevent the exploitation of smaller sellers. India, for example, has been developing a draft e-commerce policy that requires, among other interventions, equal treatment of sellers on platforms.[18] China has also developed rules for dominant platforms that require the fair treatment of sellers.[19] In South Africa, the Competition Commission has raised concerns about concentration in digital platforms. It has initiated an inquiry into competition in online intermediation platform services, which includes evaluating whether platform conduct, contracts, prices or terms of use are discriminatory or unfair, and identifying barriers to entry into online commerce for SMMEs.[20] Interventions in this area are happening and are ongoing.

3.2.3. E-procurement

E-procurement – the wholesale purchase of products through online means (such as online tender systems) – has been seen as a means of creating demand and stimulating the supply of e-commerce. In Malaysia, in order to increase general familiarity with e-commerce and to ensure benefits from the efficiencies of e-commerce, the strategy emphasises enhancing e-procurement both at the business-to-business level and by state entities. Companies would therefore be encouraged to shift to e-procurement as B2B e-commerce accounts significantly for transaction value. In addition, government and state-owned companies would also be encouraged to shift to e-procurement. The Philippines has an e-procurement system to manage tenders, and it also allows online shopping for government agencies with registered vendors for small value goods, services and works. These can be purchased without a tender. E-commerce systems are being set up in the UK for the National Health Service (NHS) to reduce inefficiencies and dependence on paper systems. This allows NHS trusts to order products from private companies online. [21]

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[18] NDTV (2021), "India's Draft E-commerce Policy Calls for Equal Treatment of Sellers". Available at: https://www.ndtv.com/business/indias-draft-e-commerce-policy-calls-for-equal-treatment-of-sellers-2390167.
[19] China Briefing (2020), "China Releases Anti-Monopoly Guidelines for its Platform Economy". Available at: https://ipkey.eu/sites/default/files/documents/resources/PRC_E-Commerce_Law.pdf.
[20] Competition Commission of South Africa (2021), *Online Intermediation Platforms Market Inquiry Terms of Reference*. Available at: https://www.compcom.co.za/wp-content/uploads/2021/02/OIPMI-Draft-ToR-19-02-2021.pdf.
[21] See NHS Website: https://www.supplychain.nhs.uk/about-us/ecommerce/ and Department of Health (2014) , NHS E-procurement Strategy. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/344574/NHS_eProcurement_Strategy.pdf.

3.2.4. Addressing trade and non-tariff barriers

Several e-commerce strategies are focused on export promotion and reducing barriers to e-commerce that occur as a result of trade.

As part of the outward facing strategy, Malaysia is prioritising improving cross border e-commerce flows. This includes facilitating the cross-border movement of products (such as through the reduction of border clearance procedures to reduce delivery time and cycle time for cross-border clearance,(through e-customs) and value-added services to enable online merchants to fulfil sales in other markets.

3.2.5. Bonded warehouses and special economic zones

Some countries have developed e-commerce hubs through the development of warehousing zones or incentives provided to e-commerce companies to build warehouses in an area. This has often been spurred by the involvement of large e-commerce companies such as Alibaba or Amazon.

Alibaba has gone into partnership with a number of governments to build what they term electronic world trade platforms in China (where it is based), Malaysia, Belgium, Rwanda, and Ethiopia. In China, a "bonded model" for cross-border e-commerce has been developed.[22] This provides a range of sites for cross-border companies to warehouse goods for sale into the Chinese market, while also allowing for the warehousing of goods for cross-border export in a range of special pilot zones in cities across China. In these zones, merchants of cross-border products and e-commerce platforms transport goods to a specific zone, submit documents to customs and store the goods in "bonded warehouses". When a customer places an order within the country the product is then processed, documents are collected, inspections are ensured and the products are shipped. This has the benefit of providing international products to customers more speedily and in bulk shipping to reduce the logistics costs, as opposed to individual packages, and also allows for better control over importation. Likewise, exporters storing products in these zones have certain tax benefits. These zones have created hubs for the specialised management of customs clearance, tax collection and management, financing and logistics services.

In Malaysia, there are economic incentives and preferential schemes such as incentives to convert warehouses into fulfilment centres, the introduction of e-commerce free-trade zones, the reviewing of transhipment tax policies and, like China, the creation of bonded warehouses. A digital free-trade zone has already been developed at Kuala Lumpur International Airport. It has an e-fulfilment hub with partners such as Alibaba, Lazada and Pos Malaysia, as well as a hub for satellite services (such as financing, last-mile fulfilment and insurance) and an eServices platform to manage clearance. It is also used by over 1,900 export-ready SMEs.[23] In Belgium, in partnership with Alibaba, e-hubs have been developed at

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[22]The State Council People Republic of China News (2020), "China to set up new integrated pilot zones for cross-border e-commerce to stabilize foreign trade and investment". Available at: http://english.www.gov.cn/premier/news/202004/07/content_WS5e8c9feec6d0c201c2cc06cd.html?mc_cid=58f9270742&mc_eid=bfbb6731f5.

[23]Tigers Press Release "(2018), "World's first digital free trade zone helps SMES capitalise on cross border e-Commerce". Available at: https://www.go2tigers.com/worlds-first-digital-free-trade-zone-helps-smes-capitalise-on-cross-border-e-commerce/.

the key airports. This allows companies to get their parcels brought in and cleared in bulk for onward processing. It also allows SMMEs in Europe to utilise the facility for transportation to China. In the US, Amazon has benefited from a range of subsidies and favourable tax incentives, often from local governments that have offered incentives for Amazon to set up businesses in particular locations. This has often been outside of a clearer industrial policy framework that is transparent and competitive.

While there are clear benefits to employment and support industries, this does have a potential impact on local industry by easing imports.

4.   Lessons for South Africa

Thus far, the e-commerce industry has developed in a way that predominantly services upper-income markets. The country is already able to leverage off its widespread ICT coverage (over 90% 4G coverage and 91% smartphone penetration) and relatively high levels of formal financial inclusion (with estimates of 91% of adults being formally included, by using at least one form of financial service or product). But in spite of the coverage, the cost of data is high (South Africa is ranked 136 in the world for the cost of one gigabyte of data)[24], and access to smartphones which provides a cheap and convenient channel for engaging in e-commerce is still currently limited. Furthermore, depth of use of the financial sector is still low, and while delivery costs are low, they are still often high relative to the total spend engaged in by a consumer in a particular shopping episode.

These are some ways in which e-commerce can benefit the South African economy:

- Increasing opportunities for South African companies, including SMMEs to sell their products to external markets (including through free-trade agreements) using e-commerce channels.
- Increasing employment and externalities (such as generating opportunities for supporting businesses) by creating structures focused on onward e-commerce such as a fulfilment free-trade zone.
- Using e-commerce as a way of increase trading within South Africa, particularly in under-served communities.

Certain types of government interventions could help to support the expansion of e-commerce:

4.1. Building a digital ecosystem

Supportive regulatory initiatives should assist in building the appropriate ecosystem for all digital services, including e-commerce. There need to be interventions that are focused on reducing the cost of communications, promoting wider coverage and inclusion in ICT and financial services, and supporting different payment methods that are secure and cost effective. More specifically, this would mean addressing ICT infrastructure and costs, skills development, and payment and postal systems.

Practical skills development for e-commerce should be integrated into the curricula of current small business training initiatives, South African Education and Training Authorities

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[24] Cable.co.uk (2021), "Worldwide mobile data pricing 2021: The cost of 1GB of mobile data in 230 countries". Available at: https://www.cable.co.uk/mobiles/worldwide-data-pricing/#resources.

(SETAs) and school curricula. Free content on e-commerce that has been developed for the South African market (for example, www.insaka.co.za) should be leveraged. Vocational training should also be incorporated into any skills development programmes.

A strong and efficient postal system is an essential component of an e-commerce strategy. In order to improve both internal and external trade, strong, low-cost and reliable postal services are necessary. Internationally, SMMEs and customers in remote areas typically rely on national postal services as opposed to more expensive couriers that are used more commonly in South Africa. For example, China has leveraged national postal agreements to ensure low-cost postage to the US. In South Africa, strengthening the postal services in this way means ensuring that the South African Post Office's address development project (which aims to generate geo-referenced address in rural areas for households that do not have an existing identifiable postal address) is completed, and that there are policies in place to allow third-party access to the postal system.

There needs to be innovation in payment systems that are secure and do not rely on technologies that increase the risk of fraud (for example, many instant electronic payment transfer options offered in South Africa use screen-scraping technology which relies on an individual ultimately providing third parties with access to their bank accounts). Regulations covering, for example, the costs and benefits of digital payments within the social media commercial space should be developed – particularly in the context of social media networks with closed payment systems.

4.2.   Supporting SMMEs in the provision of e-commerce

SMMEs should be supported and encouraged to provide e-commerce offerings. While certain conditions need to be in place for a well-functioning e-commerce ecosystem – such as low- cost data, access to mobile communications, and secure, accessible and low-cost online payment options – there are other forms of e-commerce outside of formal dedicated e-commerce websites. Key among these is social commerce, which involves sales through social media platforms.[25] For example, WhatsApp Business, Instagram, and Facebook shops, as well social media groups, are often an important conduit for SMMEs to access online sales. The benefit to social commerce includes targeting (for example, targeting a neighbourhood group for food delivery services, or a hobby group for a related product) at a low cost. Given the expansive use of WhatsApp in South Africa and free offerings from Facebook, these platforms are widely available to SMMEs, and the low-entry barriers and low cost of usage offer significant benefits. Support for social commerce could include the promotion of accessible payment methods that can be used easily by customers who do not have access to credit cards. Consumer protection in this space is often a concern and guidelines for consumers that clarify their rights should be developed and disseminated. Access to simple, clear guidelines on how to set up online stores and links to service providers and marketplace platforms through websites or social media groups should also be developed. This should be done in a manner that is supportive of entrants and does not create competition concerns.

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[25] Nagavi, N (2019), *Social Commerce in Emerging Markets,* GSMA. Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/12/Social-commerce-in-emerging-markets.pdf.

4.3.   Promoting e-commerce exports

Structures to provide SMMEs with support for accessing external markets need to be created. SMMEs, particularly manufacturers of niche products and art, could benefit significantly from expanded markets including overseas markets. However, the barriers to individuals listing and accessing these markets abound. This includes challenges in accessing markets and understanding the differing nuances and legal requirements for each market as well as the key platforms that they could list on. It also includes practical challenges such as the high cost of individual shipping, requirements for foreign currency-based accounts, and so on. There is the potential for greater outcomes through providing simplified information repositories for SMMEs such as those offered by trade divisions in the UK and US. However, there is also significant potential to do more. This could include leveraging scale economies for SMMEs through creating a vehicle for combined shipping, potentially joint warehousing or consolidation centres in key markets, and services to ease sales in these markets, including means of facilitating sales. State-owned enterprises (SOEs) such as Transnet could be leveraged to assist in logistics.

AfCTA can be used to support the growth of the e-commerce industry, including through agriculture. There may be an opportunity to leverage the African Continental Free Trade Area treaty (AfCFTA), which came into force on 30 May 2019, to support e-commerce, specifically in relation to exports. South Africa could build itself into a hub for the fulfilment of regional e-commerce orders (as discussed below). AfCFTA provides for the elimination of tariffs on 90% of tariff lines in respect of trade between countries participating in the agreement.[26] By expanding regional value chains and linking these with digital marketplaces, AfCFTA could thus help to develop e-commerce in South Africa.

This arrangement would go beyond the traditional conceptualisation of e-commerce as end products for consumers. For instance, it may be possible to support the development of regional digital marketplaces for agricultural commodities.[27] An example is the Provenance app in the United Kingdom, which links the fishing industry in South-East Asia with UK supermarket chains.[28] Digital certification for products may help with this kind of arrangement by facilitating the procurement and logistics links between the agricultural sector in South Africa and regional markets, via digital marketplaces. Digital certificates to meet phytosanitary standards, including those imposed by supermarkets, could be developed.[29] There may be other opportunities to introduce or support the expansion of the application of food standards regionally.

Reducing non-tariff barriers. If it achieves its most ambitious target of a zero tariff on 90% of tariff lines, the AfCFTA will result in an expansion of intra-regional trade by 16%,

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[26] See: https://au.int/sites/default/files/treaties/36437-sl-AGREEMENT%20ESTABLISHING%20THE%20AFRICAN%20CONTINENTAL%20FREE%20TRADE%20AREA%20%282%29.pdf.
[27] Krishnan, A, Banga, K and Mendez-Parra, M, (2020). "Disruptive technologies in agricultural value chains Insights from East Africa", Working paper. ODI. Available at: https://odi.org/en/publications/disruptive-technologies-in-agricultural-value-chains-insights-from-east-africa/.
[28] das Nair,R., & Landani, N. (2020), *Making agricultural value chains more inclusive through technology and innovation* (No. wp-2020-38). World Institute for Development Economic Research (UNU-WIDER).
[29] Das Nair, R., & Landani, N. cited above.

according to the IMF.[30] However, average tariffs are already relatively low in many countries in Africa, at between 10% and 20%, so removing non-tariff trade costs would be a much more important achievement for AfCFTA members. The IMF estimates that reducing non-tariff barriers to the level of global averages would result in more than double the effects of reducing tariffs among AfCFTA members. At more than 250% on average, non-tariff trade costs (such as transport costs, and the costs of completing regulatory procedures) in Africa are significantly higher than in other countries, including other developing countries. This is a consequence not only of poor infrastructure but also a result of weak credit services and poor logistics. An important factor in respect of logistics is the poor quality of customs services. In South Africa, it is especially important to improve rail freight logistics to be able to send products to foreign markets via linked or overseas e-commerce platforms as quickly and cheaply as possible. This relates not only to regional trade but also to overseas exports. For regional value chains to support ecommerce in South Africa, significant work is therefore needed on non-tariff barriers.

South Africa could consider implementing a reporting service such as the UK e-commerce website, which provides a means of reporting export barriers online. A recent UNECA document notes that harmonising policies and processes through AfCFTA is important for e-commerce.[31] While various discussions on trade relating to data and digital services are currently being engaged in at the WTO[32], it is important that any restrictions on data flows or code are carefully considered as they could potentially impact on outward-bound e-commerce (particularly in services) if it limits data flows.

Promoting e-procurement: E-procurement provides a means of getting SMMEs that would otherwise find barriers to entry in government procurement systems to compete for smaller-value items. It also enhances transparency and competition. As such, building e-procurement systems that incorporate e-commerce options could potentially be beneficial both to SMMEs as well as to state entities.

Promoting e-commerce services. One of the benefits of the Covid-19 pandemic was the exponential rise in the use of digital communications systems by a wide range of consumers, such as online meetings and consultations, online schooling, and telemedicine. Thus, the increased use of remote services provides an opportunity for services industries that have not been traded. This includes online education offerings, remote medicine, professional services including legal services, fintech, computing and digital services. As there are often regulatory and trade barriers, the government should prioritise trying to create frameworks for South African industry to expand these services as an area of growth.

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[30] See IMF, 2019: https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419.
[31]Futi and Macleod (2021), COVID-19 Impact on E-Commerce: Africa, UNECA available at https://repository.uneca.org/ds2/stream/?#/documents/c5a3ab07-8e63-422c-b0e0-e89f6d5d3c92/page/1
[32] Banga, R e. al.,(2021). "Joint Statement Initiative on E-Commerce: Economic and Fiscal Implications for the South", UNCTAD. Available at:
https://www.researchgate.net/publication/349313071_F_E_B_R_U_A_R_Y_2_0_2_1_Joint_Statement_Initiative_on_E-Commerce_JSI_Economic_and_Fiscal_Implications_for_the_South

5.   Creating employment and stimulating allied industries

As the number of free-trade agreements increase, the potential for South Africa to receive e-commerce direct to consumers through neighbouring countries increases. As such, South Africa should position itself as a regional hub for e-commerce. This can be done by creating or enabling fulfilment warehouses, which will support allied industries. Importantly, creating an enabling regulatory framework through streamlining customs and tariff processes is also important. The possibility of creating a free-trade zone for onward exports should also be investigated.