



THE ECONOMIC OPPORTUNITY OF DIGITAL PLATFORMS IN SOUTH AFRICA

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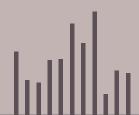
This report is the product of professional research. It is not meant to represent the position or opinions of Naspers Ltd or its members, nor the official position of its staff. The names of the digital platforms mentioned in this report were selected randomly to enrich the content of the report and illustrate its points.

The authors wish to acknowledge the numerous media reports and stakeholder views which have been instrumental in shaping the arguments, discussions and trends covered in this report.



SOUTH AFRICA'S DIGITAL FUTURE EMPOWERING GROWTH THROUGH INCLUSION

FOREWORD
by Joel Netshitenzhe
Executive Director, MISTRA



This report comes out in a momentous period in which South Africa celebrates 30 years of democracy. It encapsulates a somewhat unique transformation journey in which the country has had to concurrently grapple with far-reaching political, economic and technological changes.

The political transformation journey of the past three decades has laid a solid foundation for a democratic order which not only accords all citizens various generations of human rights; but also provides a climate for businesses to thrive, to help shape policy and to define the economic landscape. South Africa's economic transformation agenda seeks to promote inclusivity while navigating the shift from the traditional minerals-energy-finance complex into an ecosystem that integrates all economic activities with the ubiquitous rise of new information and communication technologies.

This shift has admittedly not been an easy one, as we have had to collaborate and compete with major players in the global economy, both developed and developing. Many of these players have unrivalled abilities to produce innovative products at a global scale and marginal cost. As this process unfolds, new modes of digital economic activities emerge with unprecedented rapidity, challenging government, business and labour alike to adapt their policies, systems and practices.

Digital transformation is indeed changing the way in which we think about industries; how we socialise; and how we learn, work, access public services, transact and innovate. The fact that we can now meet, be medically diagnosed and buy whatever we desire online, and from the comfort of our homes, speaks volumes about the pace of digital transformation. A complex range of digitally delivered products and services are traded over digital networks, facilitating the cross-border exchange of traditionally non-traded financial, engineering, ICT and personal services.

South Africa's economic transformation agenda seeks to promote inclusivity while navigating the shift from the traditional mineralsenergy-finance complex into an ecosystem that integrates all economic activities with the ubiquitous rise of new information and communication technologies.

Before COVID-19, this reality seemed like a distant future. The pandemic unleashed an even more rampant spread of digital transformation — and, suddenly, what had hitherto been the realm of technological innovators, futurists and struggling early adopters has become the new normal. As with the industrial revolutions of previous decades and centuries, developing economies like South Africa run the risk of getting left behind if they do not prepare, adapt and meaningfully participate in shaping the underlying drivers of digital transformation.

South Africa is home to some of the early adopters who anticipated the potential opportunities of digital transformation in the late 1990s to early 2000s. The launching of Kalahari.net by Naspers in 1998 as an e-bookstore, following in the footsteps of Amazon, paved the way for the emergence of digital platforms shaped by domestic actors and aligned to local imperatives.

Digital platforms are reshaping various sectors of the economy by changing the traditional value and supply chains and generating unique economic utility through an interface between people and technology. Businesses that were constrained by market access can now be discovered globally on digital platforms. Emerging farmers can access inputs, funding, extension services and markets on a single platform. The possibilities are limitless.

South Africa is home to some of the early adopters who anticipated the potential and opportunities of digital transformation in the late 1990s to early 2000s. The launching of Kalahari.net by Naspers in 1998 as an e-bookstore, following in the footsteps of Amazon, paved the way for the emergence of digital platforms shaped by domestic actors and aligned to local imperatives.

However, as this report illustrates, the way in which productivity improvement benefits of digital platforms are accounted for in the respective digitalising sectors and the broader economy requires further scrutiny. While shifting business processes and value chain networks online can result in significant efficiency and economic gains, there are

numerous challenges that warrant focused attention. These include inherent risks to data privacy, job displacement, skills shortages, suboptimal infrastructure, regulatory deficiencies and the deepening of social inequality with a new cohort of 'insiders' and 'outsiders'.

Digital platforms are reshaping various sectors of the economy by changing the traditional value and supply chains and generating unique economic utility through an interface between people and technology.

The fundamental conclusion of this report is that a multiple helix approach — involving the state, the private sector, research entities and broader civil society — is fundamental to enable the growth and amplify the impact of digital industries.

MISTRA appreciates the opportunity to partner with Naspers to conduct this study on the role of digital platforms in South Africa. This engagement accords with part of MISTRA's research focus on the application of natural sciences, including the national system of innovation, the fourth industrial revolution and Artificial Intelligence. We do hope that the observations and recommendations in this study will help enhance the country's digital platforms ecosystem, one that is globally competitive in its attributes and developmental in its reach and impact.

Joel Netshitenzhe

Executive Director, MISTRA





EMBRACING OUR DIGITAL HORIZON CHARTING SOUTH AFRICA'S PATH TO A PROSPEROUS DIGITAL FUTURE

FOREWORD

by Phuthi Mahanyele-Dabengwa South Africa CEO, Naspers



As South Africa marks three decades of democracy, we find ourselves at the forefront of another transformative era - the digital age. The rise of digital platforms has not only reshaped global interactions but has also redefined our daily lives.

From the way we transact and commute to how we access goods, digital innovation is at the heart of modern society. In 2024, it's no surprise that the globe's top performing companies are those that have embraced digital transformation.

While our digital platform economy is burgeoning, it is progressively aligning with the global digital revolution, which is rapidly morphing the world economy into an interconnected digital ecosystem. To fully unlock South Africa's potential within this digital horizon, we must delve deep into the environment these platforms inhabit and operate. The current lack of comprehensive data on digital transformation trends poses a significant challenge in understanding our position relative to global advancements.

This is precisely why Naspers has partnered with the Mapungubwe Institute for Strategic Reflection (MISTRA) on this groundbreaking research on digital platform businesses in South Africa. This research marks a pivotal first step in uncovering the vast economic opportunities that await us in the digital domain. The findings are promising, projecting that the digital platform sector could contribute as much as R91.4 billion to our economy by 2035, elevating its share from a modest 0.02% in 2022 to

an impactful 1.38%. Such insights serve as a data-driven compass guiding us on where to focus to cultivate a supportive ecosystem for digital platforms. It evaluates growth opportunities across industries and outlines the necessary conditions to amplify value creation for both the sector and the broader economy.

The findings are promising, projecting that the digital platform sector could contribute as much as R91.4 billion to our economy by 2035, elevating its share from a modest 0.02% in 2022 to an impactful 1.38%.

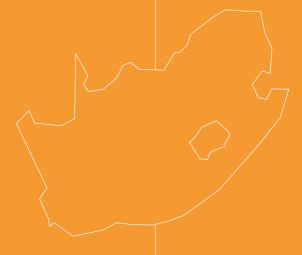
Standing at the cusp of this digital frontier presents a remarkable opportunity for South Africa to fuel our economic future. Our commitment to inclusive economic growth is greatly supported by the digital economy, where digital platforms offer scalable solutions that enhance market efficiency, spawn new business models and value chains, and expand consumer access. These platforms effectively lower traditional market barriers, enabling diverse and previously marginalised groups to participate meaningfully in the economy. I firmly believe that digital platforms are a potent catalyst for inclusive growth. The insights from this report are set to propel our digital platform economy, achieving the substantial growth needed to drive South Africa's economy into a new era of prosperity, echoing the promise and spirit of our 30-year journey as a democratic nation.

Phuthi Mahanyele-Dabengwa

South Africa CEO, Naspers



Digital transformation is revolutionising traditional industries by changing how we trade, work, learn, socialise, and access services. Economic activity is quickly moving away from physical storefronts and traditional business models toward platform-based systems. These platforms enable value-creating interactions between buyers and sellers, providing the infrastructure and rules needed for these exchanges to happen.



The companies leading this digital shift are dynamic and varied, ranging from small startups to national and international giants, as well as traditional businesses evolving to thrive in the new digital landscape.

The growth and success of the digital platform economy hinge on several key factors that present exciting opportunities for development. This ecosystem is powered by platform companies, capability providers (such as identity management and transaction facilitation), and creators of digital tools that set the infrastructure and standards for operation. However, platforms also rely on broader economic conditions to truly thrive.

A thriving digital platform market offers immense potential to achieve faster economic growth, create innovative products and services, generate export revenue, and improve international competitiveness.

At the macro level, factors like economic growth, income levels, trade openness, and demographics (such as population size, age distribution, and spatial layout) all play a crucial role in shaping consumer spending patterns, which in turn expand opportunities for digital platforms. On the micro level, particularly in emerging digital economies like South Africa, platforms need a business environment that is competitive, digitally ready, and supportive of entrepreneurship to flourish.

Global indices such as the Doing Business Report, Global Competitiveness Report, and Global Entrepreneurship Index provide valuable insights into the state of the business environment in these economies. Additionally, the importance of robust infrastructure to the expansion of the digital economy cannot be overstated. Reliable electricity, IT infrastructure, data centres, logistics networks (including roads, transport, and mapping), and access to affordable bandwidth are all essential for powering devices, processing data and payments, and ensuring efficient supply chains and last-mile delivery. While challenges exist, they present clear opportunities for growth and innovation in the digital platform economy.

Combinations of the above digital economy ecosystem enablers have spurred the development of nascent but rapidly developing digital platforms markets in Africa, as entrepreneurs launch innovative digitally enabled services and create jobs of the future. Likewise, governments have begun to take advantage of these trends by using digital platforms to improve access to and efficiency of public services and generated data to improve policymaking. Market leaders throughout the continent are driving innovation across several emerging vertical and horizontal digital platforms in e-commerce, FinTech, classifieds, freelance or gig economy, EdTech, HealthTech, and AgroTech.

Although the precise definition and measurement of digital platforms' impact on the economy are still evolving, estimates indicate a promising future. The digital economy is projected to contribute between 5.2% and 7.8% of GDP in Africa and South Africa respectively by 2025, with potential growth to 8.2% and 13% by 2050.

South Africa is one of the leading digital platforms markets in Africa, alongside Kenya and Nigeria, serving not only as a hub for innovators and investors but also as a gateway into the continent for key global players. Both Cape Town and Johannesburg are regarded as the 'Silicon Valleys' of Africa offering scale opportunities for digital entrepreneurs who want to grow their businesses. This is evinced by the

¹The State of Digital Transformation in Sub-Saharan Africa, May 2024

recent launch of some of the world's largest e-commerce platforms such as Shein, Temu, Amazon and Zandaux.

The country is however yet to capture the full benefits of the digital economy, despite the robust emergence of digital platform startups in recent times across various sectoral and technology segments.

The growth of the digital economy is made possible by a stable macroeconomic environment, the rapid increase of smartphone usage and fixed broadband penetration, and increasing use of electronic transactions. The country is however yet to capture the full benefits of the digital economy, despite the robust emergence of digital platform startups in recent times across various sectoral and technology segments.

The growth of the digital platforms' market is constrained by low (discretionary) income levels, skills shortages, and limited venture capital availability. Consequently, the scale of platforms is generally limited to localised and niche markets such as food delivery and transportation in urban areas.

The adoption of digital platforms varies widely across different categories. According to the Competition Commission in South Africa, platforms in innovation (like software and app stores), classifieds (such as AutoTrader), and accommodation (for example, Trivago) are seeing broad adoption. E-commerce platforms (like Takealot.com, Checkers Sixty60, and Zulzi) and FinTechs (such as Yoco) are also growing rapidly, although they face challenges due to income levels and market limitations. E-hailing services (like Uber) and food delivery platforms (such as Mr. D) are expanding quickly but are approaching critical scales.

Additionally, digital platforms are enhancing competition by enabling price comparisons and making a social impact in areas like AgroTech (e.g., Khula), HealthTech (e.g., Kana Health), and EdTech (e.g., Vodacom e-Learning), even though these sectors are still emerging. Notably, digital platform startups and FinTechs continue to attract significant interest from venture capital, making up 48% of deals in 2023².

² AVCA, "Venture Capital in Africa Report 2023/2024," May 2024



A thriving digital platform market offers immense potential to achieve faster economic growth, create innovative products and services, generate export revenue, and improve international competitiveness. For firms and customers, digital platforms offer opportunities for scale and convenience, respectively. Harnessing these benefits can significantly boost progress towards global development goals like shared prosperity and poverty reduction. However, as digital platforms make inroads into emerging markets, they also introduce new challenges that may need addressing. Key concerns include the potential impact on job security and losses, limited market competition for both consumers and businesses, and issues surrounding privacy and access to services. Despite these challenges, the positive potential for advancing development remains substantial.

Key enablers include affordable internet and broadband access, digital transaction and recognition capabilities, a techsavvy workforce, and robust support for entrepreneurs to drive digital transformation across all sectors.

Many studies evaluating the economic impact of digital platforms focus on normative rather than positive statements due to a lack of standard terminology, analytical frameworks, and indicators for measuring impact. Digital platforms can be assessed through an economybased approach, analysing the aggregate economic activities they support - including government, business, and consumer interactions - and their contributions to GDP, consumption, investment, and exports.

However, this method is often impractical given the diverse nature of digital platforms, which span various sectors and do not conform to a single industry.

Another approach, as proposed by the Digital Economy for Africa (DE4A) initiative and developed by the World Bank, involves assessing the foundational ecosystems needed to stimulate the digital platform economy. Key enablers include affordable internet and broadband access. digital transaction and recognition capabilities, a tech-savvy workforce, and robust support for entrepreneurs to drive digital transformation across all sectors.

This report employs three methodological approaches to provide a comprehensive view of the role of digital platforms.

- The ecosystem approach offers an overview of the underlying platform environment.
- The economic impact approach uses a Computable General Equilibrium (CGE) macro model to estimate the broad economic and firm-level impacts of digital platforms, with a particular focus on Naspers and its South African businesses.
- One of these approaches utilises a user-based valuation method to estimate the value created by Naspers for both customers and business users.

Extensive stakeholder engagement, including interactions with industry associations, government bodies, training providers, and the media, was conducted to validate and enhance the report's findings. Although this report provides novel insights, especially in the South African context, it is important to note that a significant portion of the platform market remains unexplored. The growth rate across different platform types is not well understood, and systematic academic research—particularly on FinTech, social media, and B2B platforms—is limited.

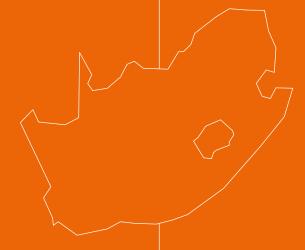
Consequently, the research findings may be constrained by challenges such as the lack of standardised terminology and measurement methods, as well as the vast array of digital platform use cases, which complicate generalisation.





The global economy is fast transforming into a digital economy and countries that do not adapt fast will be left behind. This report finds that South Africa is slowly migrating into the digital world with businesses driving much of the publicly visible and impactful digital innovations.

The absence of systematic research and data on the nature and pace of the digital transformation makes it difficult to portray a true picture of digitalisation relative to the rest of the world.



Selected indicators of digital readiness discussed in this report rank South Africa unfavourably against other developing nations. However, market trends of the recent past suggest that the country is a hive of activity for a multiplicity of platform segments made possible by adaptable customers and a range of enabling factors. South Africa will need to work on resistance to change from incumbents, employers and customers anticipating threats from the transformation.

Some independent platforms are forging strategic partnerships to expand network effects and integrate users into larger value and supply chains. With innovation accelerating, funders, accelerator and incubators are increasingly eager to invest in platforms that target low-income and underserved markets.

South Africa's emergent digital platforms market is made possible by the combination of a sound macro-economic framework, a somewhat enabling business environment and a fledgling digital platforms ecosystem. A stable macro-environment characterised by a relatively low inflation rate and steady currency and interest rates makes South Africa an attractive market for investments into global and local digital platforms. While weak economic growth and high unemployment continue to throttle full economic potential, high household spending makes the country a lucrative destination for e-commerce and a preferred gateway into Africa from global platforms. However, a protracted low growth environment and a small population limit the scalability of local platforms. Broad reform efforts aimed at growing the economy and increasing household incomes will improve the fortunes of digital platforms.

The business environment for digital platforms is evolving positively and plays a vital role in energising the platform market. South Africa's entrepreneurial culture is shifting from a previously restrictive environment, characterised by excessive red tape, to one that increasingly supports innovation and long-term value creation. While traditional business indices might place South Africa at a mid-level, this does not capture the full potential of the digital platform sector.

Launching and managing a local business is becoming more dynamic, with ongoing improvements addressing regulatory challenges, enhancing business support, and boosting market competition. These efforts are crucial for creating a more supportive and thriving environment for digital platforms and fostering continued growth and success.

Challenges with infrastructure, accessibility, costs, and redundant regulations hinder online engagement for customers and businesses. Incumbents and startup platforms alike are increasingly realising that they cannot take advantage of platform opportunities because of their inadequate digital tools, skills and security issues. South Africa will need to identify the underlying determinants of business environment indices specific to the digital platforms and incorporate these into the responsibilities of a red-tape reduction task team.

Digital platforms bring entrepreneurs from diverse industries together and facilitate cross-sectoral collaboration. This multidisciplinary approach promotes knowledge exchange across these industries, resulting in the creation of innovative solutions influenced by a variety of fields. In this context, digital platforms serve as powerful drivers of entrepreneurial innovation that create an environment that fosters collaboration and knowledge exchange. This report spotlights a recent surge in

platform collaborations, where incumbent businesses are taking equity stakes, creating opportunities for strategic partnerships that could drive growth and innovation.

Potential collaboration between digital platforms, investors, business, government, and local communities offers a rare chance to promote sustainable economic growth. In the context of digital platforms and businesses of all kinds, collaborative initiatives between platforms and the government could have a transformative impact. These collaborative initiatives can play a significant role in developing and improving digital infrastructure and skills, improving access to EdTech and HealthTech, digitalisation of public service delivery process and systems, and monitoring infrastructure. Such initiatives could include workshops, training programmes, and educational campaigns. Collaboration between digital platforms and government might also have a far-reaching impact on policies promoting digital entrepreneurship.

South Africa is actively embracing digital transformation through a range of government-initiated projects that promise to enhance public services and streamline processes. Notable examples include the implementation of online tax filing systems, which have made it easier for citizens to manage their tax obligations efficiently. The introduction of e-visas is another significant step, simplifying travel for international visitors and boosting tourism. Additionally, the rollout of e-health records is set to revolutionise healthcare by ensuring that patient information is accessible, secure, and up to date across the country.

Looking ahead, these initiatives are just the beginning of South Africa's digital journey. As the government continues to invest in digital infrastructure and services, we can expect even more innovative solutions that will improve the lives of citizens, make public services more accessible, and position South Africa as a leader in digital governance. This commitment to digitalisation is laying a strong foundation for a future where technology drives growth, efficiency, and inclusivity across the nation.

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Workers in the platform economy, such as gig workers and freelancers, are seeing both exciting opportunities and some challenges. These platforms offer flexible earning options, but they also mention important questions about job security, workers' rights, and income stability.

Local businesses are facing increased competition from online platforms, which is pushing them to innovate and stay competitive. While small businesses may find it tough to compete with larger platforms, the platform economy is creating new job opportunities and transforming traditional work patterns in positive ways.

From a regulatory standpoint, policymakers are grappling with the need to balance innovation and customer protection. Regulatory frameworks governing the platform economy are still evolving, with ongoing debates around issues such as taxation, labour rights, and licensing.

The report projects that by 2035, digital platforms could contribute R91.4 billion, or 1.38%, to the South African economy. This impact includes a cumulative tax contribution of R10.7 billion and the creation of over 341,000 and 157,000 full-time equivalent jobs, based on monthly earnings of R12,000 and R26,000, respectively.



The regulatory environment for South Africa's platform economy is evolving with promising developments designed to foster innovation, boost competition, and enhance customer protection. While challenges remain due to regulatory uncertainty and inconsistencies, particularly in highly regulated sectors like financial services and transportation, there is significant potential for growth. In the FinTech space, platforms are navigating regulations originally designed for traditional businesses,

but ongoing efforts to modernise these rules – especially in data privacy, cybersecurity, and digital commerce – are paving the way for a more supportive environment. These changes are set to unlock new opportunities for digital entrepreneurship and attract greater investment, positioning South Africa as a vibrant hub for innovation.

As digital platforms continue to shape the South African business landscape, significant disparities are emerging in access to digital tools, platform use-cases, reach and adoption by business and the addressable market. The disparities skew the benefits of platforms across class and spatial lines. Urban residents stand a better chance of benefiting from the jobs, convenience and safety

generated by platforms in comparison with those in townships and rural peripheries. However, this report shows firm-level, market-based programmes such as the Takealot Township Economy Initiative, and Naspers Labs can generate wider business and socio-economic impact beyond the closed loop network effects (business user and customer value).

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The pace of digital transformation in South Africa is slow

Accelerating digitalisation of South Africa's economy can bring immense growth.

The share of world's top 20 companies by market capitalisation shifted from being led by resources (36% to 7%) to digital platforms (16% to 56%) companies between 2010 and 2022^{3} .

The business activities in South Africa's top companies have remained relatively unchanged during the same period.

RECOMMENDATIONS

- Collective action is needed. Business. government, civil society and other digital platform ecosystem players need to collectively work towards faster digital transformation and take collective responsibility to ensure the growth of the
- Develop a countrywide digital transformation dashboard or index to keep track of policy, innovation, industry adaptation, market (local and global) developments and iGDP against the Government's digital transformation targets as outlined in the ICT and Digital Economy Master Plan.
- Digital platforms need to accelerate customer adoption, provide enhanced mechanisms for data privacy and cybersecurity to improve customer experience and value.
- Digital platforms must stimulate demand for local products and services, by broadening marketplace and discoverability opportunities. This will stimulate demand and spur local industrialisation.

³ PwC, "Global Top 100 Companies 2024," July 2024



The demand for digital skills is growing rapidly

Building global competitiveness in the digital platform economy is possible if South Africa doubles its current level of STEM graduates.

STEM graduates make up only 18% of the total in South Africa, whereas in leading innovative countries like India, the United Arab Emirates, and South Korea, this figure exceeds 30%⁴.

RECOMMENDATIONS

- South Africa needs to increase its current share of STEM graduates by developing interventions for digital education at basic education-level.
- South Africa requires a more coordinated approach to fully harness and develop the potential of digital skills across the nation. Significant funders of digital skills training programmes in South Africa like Naspers Labs, Microsoft Digital Skills Initiative SA and Google Digital Skills are vital for building a pipeline of digital skills and can play a role in this co-ordination.
- Enhance the alignment between public and private training programmes and nationally recognised critical skills and high-demand occupation lists to maximise opportunities. This will ensure that digital training programmes are directly tailored to meet the evolving needs of the economy, ultimately fostering a workforce that is not only skilled but also perfectly matched to the areas of greatest demand within the job market.

⁴ Katharina Buchholz, "Which countries' students are getting most involved in STEM?" World Economic Forum, March 20, 2023



Infrastructure is key to unlocking the promise of the digital platform economy and Al

High-speed internet, advanced data centres, and reliable power supply are essential for leveraging Al's full potential and advancing digital transformation.

The average cost of IGB of mobile data in South Africa is around \$1.81 (R33.21), which places the country among the more expensive as compared to other markets like Nigeria, Namibia and Kenya⁵.

Develop public-private partnerships such as SA Connect to expand high-speed and world-class internet and digital

infrastructure across South Africa through deployment of fibre-optic networks and 5G technology. High-speed internet is crucial for Al applications and overall digital transformation.

Position the development of digital platforms specific infrastructure (i.e., digital identity, open innovation systems, incubators) as a key priority of South Africa's Operation Vulindlela Programme. This will help amplify the rate of innovation and customer adoption in underserved markets.

Continue to advance the improvement of energy reliability and the performance of our roads and ports. Access to reliable

electricity is essential to powering devices, in the same way as IT infrastructure, data centres and the logistics infrastructure (roads, transport, and mapping) are required to ensure efficient data and payments processing, supply chains and last mile delivery.

⁵ Republic of South Africa, Fintech Scoping Study in South Africa (Treasury, November 27, 2019)



Regulations must be alive to the nascent nature of the South African digital platform sector

Regulatory authorities must regulate digital platforms in line with the country's level of maturity and development.

It can take up to 180 working days to process certain regulatory approvals⁶, which hampers timely access to digital infrastructure and services.

RECOMMENDATIONS

- Encourage innovation by creating
 "regulatory sandboxes" to enable small
 and fledgling platforms to operate in a controlled
 environment with concessions that encourage
 growth and innovation.
- Support the emergence of innovative neighbourhood ("hyperlocal") platforms to lower barriers to entry and foster inclusive participation in the digital platform economy. Platforms like DeliveryKaSpeed, Zulzi, YeboFresh demonstrate the possibility of this opportunity.
- Add the digital platform sector to the National System of Accounts the international system which South Africa ascribes to and which provides an integrated framework to describe the economy and monitor and track the sector's performance and impact. This will provide data and insights to help ensure that current and future regulations are fit-for-purpose.

⁶ ISPA, "ICASA Must Unleash Industry Growth by Stepping Back, August 2021



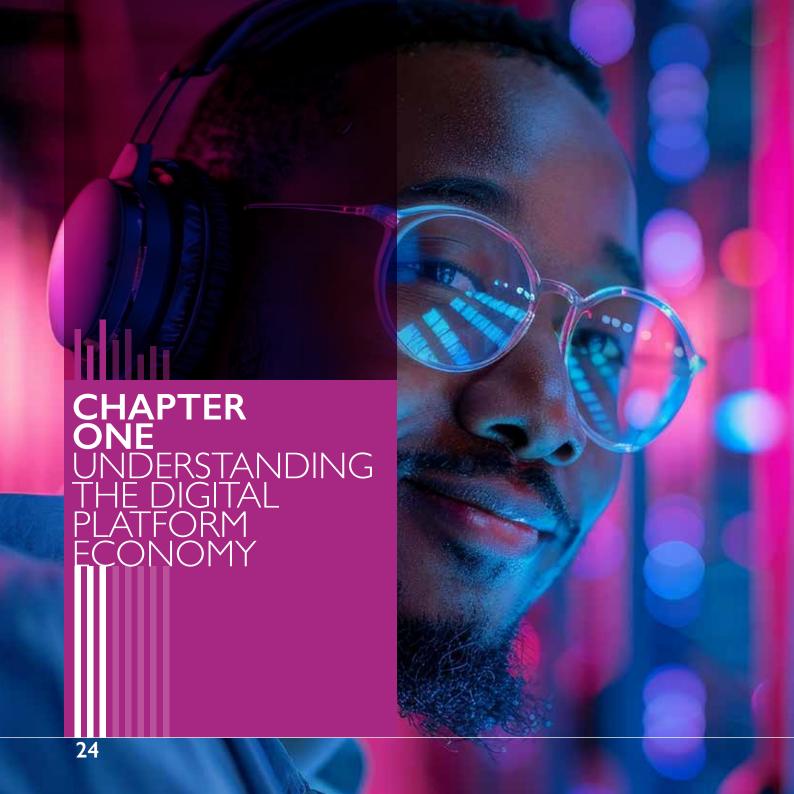
Digital platforms will play a bigger role in economic inclusion and social protection

South Africa's inclusive economic growth agenda can be significantly supported by the digital economy, which expands access to opportunities, goods, and services for most of the population.

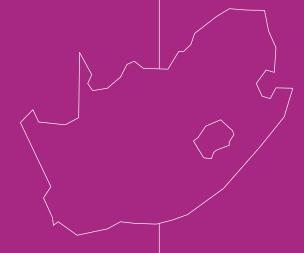
SMEs contribute approximately 30% to 40% of GDP⁷. However, those operating in townships and rural markets are predominantly informal and lack a strong focus on manufacturing competitive products and delivering digital services for both local and global markets.

- Create opportunities for greater SME **participation** through tailor-made programmes. Expanding market access for SMEs will allow them to grow, and exploit diverse market opportunities.
- Develop industrial incentives targeted at supporting local small-scale producers and service providers that can supply globally relevant and competitive products on e-commerce platforms.
- Develop programmes to champion the **social protection** of gig workers by focusing on worker benefits and protections.
- Enhance access to relevant well-priced products and services to the rural and informal communities. This will ensure that the base of the pyramid is served and will support the growth of the digital platform economy. Encourage more investment into early-stage startups in the digital platform economy, while working with incubators and accelerators to ensure the investment and compliance readiness of these startups.

⁷ Stellenbosch University, SMEs need support to thrive, Professor Stan du Plessis, June 2023



The sector of digitally delivered goods and services is rapidly outpacing the growth of traditional economic sectors, driven by an accelerated digital transformation. In a modern world increasingly shaped by the digital economy - the interaction between humans and technology - this shift underscores the expanding dominance of digital economic activities.



PLATFORMS ARE DRIVING TRANSFORMATION TOWARDS THE DIGITAL ECONOMY

The sector of digitally delivered goods and services is rapidly outpacing the growth of traditional economic sectors, driven by an accelerated digital transformation. In a modern world increasingly shaped by the digital economy—the interaction between humans and technology—this shift underscores the expanding dominance of digital economic activities.

The digital transformation is evident in the changing nature of job functions and industrial activity. Teaching jobs are gradually moving from the classroom to online training and call centre agents are increasingly substituted by self-support portals.

Industries which traditionally offered highly personalised services such as healthcare are offering virtual patient visits and telemedicine, real estate provides virtual tours of properties, the hospitality sector is moving into online check-in services while the agriculture sector is embracing digital extension services.

The increasing prominence of the digital economy is clearly reflected in the swift rise in market value of digital platform companies compared to traditional, wellestablished companies.

The composition of the world's top 20 companies by market capitalisation has transformed significantly from being led by oil, gas, and mining firms in 2010 to being dominated by digital platform giants such as Apple, Amazon, Meta, and Alibaba in 2024. For instance, Uber, founded in 2009, now has a market capitalisation of \$136 billion, whereas BMW, established in 1916, is valued at \$59 billion. Similarly, Marriot, a multinational hospitality group established in 1927 with over 500 hotels and 147,000 employees worldwide, has a market value of \$67 billion. In comparison, Airbnb has a market value of \$90 billion, 14 years after starting to operate in 2009 while employing 6,700 people.

In South Africa, while many major companies are still dominated by traditional corporates that led the market 10 to 20 years ago, Naspers's stands out as a notable exception. Naspers, once a traditional business, has successfully transformed into a leading digital platform company and now ranks among the largest by market capitalisation. Although Naspers's digital platform segment contributes a smaller portion to the JSE's total market capitalisation compared to global trends, it represents a significant shift.

Encouragingly, other traditional and national companies in South Africa, such as retail supermarkets, banks, and telecoms, are following Naspers's example. These companies are embracing digital transformation by developing e-commerce applications and partnering with startup digital platforms. This evolution is enhancing their market presence, improving customer experiences, and enabling expansion into new markets, reflecting a positive trend towards digital innovation in the country.

Some of the prominent early digital platform adopters among the top 20 listed companies are Checkers Sixty60, an on-demand grocery delivery platform, as well as MTN MoMo and VodaPay, which are both FinTech platforms owned by incumbent Telcos.

Traditional banks are actively pursuing digital banking status through the transformation of their services. A notable example of this shift is Nedbank's Avo, which represents a distinctive model of digital transformation by expanding beyond traditional banking into the e-commerce arena, positioning itself alongside pure-play e-commerce platforms.

Similarly, Checkers Sixty60 has experienced remarkable growth, with increases of 150% and 81% in 2022 and 2023 respectively since its launch in 2019. Despite contributing less than 5% to the group's total sales, its rapid expansion highlights the positive impact of embracing digital transformation on the economy. These developments reflect a broader trend of traditional companies adapting to digital advancements, fostering innovation, and enhancing economic dynamism. This may suggest inherent limitations to the scale of ondemand grocery delivery but could also imply a strategy by incumbent companies to control the pace of digital transformation. This may also be true for education institutions which have been slow to adapt to online learning. Terrant (2015) observes that the digital transformation process tends to happen slowly and almost unnoticeably before exploding at once.

As illustrated by figure 1, the growth of digital platforms fosters expansion in additional sectors. According to Accenture, South Africa's iGDP (economic activity generated by the interface between humans and technology) contribution to total GDP is expected to double by 2050. Figure 1 below illustrates how the digital transformation towards a fully-fledged digital economy would eventuate.

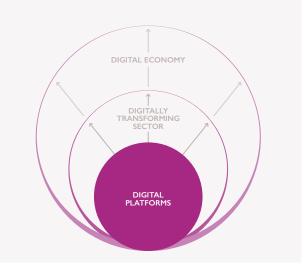


Figure 1: Digital transformation process Source: Adapted from World Bank, 2019



STAKEHOLDER VIEWS

DIGITAL TRANSFORMATION

- South Africa faces challenges with energy and logistics infrastructure, which can influence multinational companies' investment decisions.
- However, this situation may also drive firms to explore digital platforms more quickly, potentially creating new opportunities despite the risk of exacerbating unemployment.
- South Africa's adoption of digital platforms tends to be gradual, as existing firms support innovations that align with their interests.
- Incumbents are unlikely to significantly control the pace of digital transformation to protect legacy systems, as many operational assets are rented and can be repurposed relatively easily. This resistance is more likely to occur in the finance and banking sectors than in retail.



THE DIGITAL CIRCULAR ECONOMIC MODEL

A traditional circular economic model is associated with the production of goods and services. In this model, three main actors – producers, customers and government – physically interact to create economic value for the products (goods and services) and resources (labour and capital) markets. In the new model, illustrated in the Figure 1, the digital economy comprising the five enablers would play a vital role in facilitating interactions between the various actors and creating new channels for value creation and distribution.

This value is partially derived from how digital platforms either integrate or streamline interactions between economic actors in the exchange of goods and services, and how digital data is harnessed for commercial, economic, and social benefits. Therefore, understanding how digital platform companies leverage digital data is crucial for grasping and shaping the processes of generating and sustaining value in the digital economy.

This understanding is also crucial to determining fair compensation for producers, content creators and users, as aptly captured by the chairperson of the South African National Editors' Forum (SANEF), Sbu Ngalwa, during the Competition Commission market inquiry into online intermediation platforms:

"Fair compensation to us should be based on the value that the platforms derive from the (media) content. The reality is that we do not know what that value is because the tech companies do not provide that information."

Value creation will be influenced by the type of platform – whether transactional or innovative – and the industries it serves. As highlighted by the market capitalisation discussion, e-commerce, innovation, and FinTech platforms are poised to deliver significant commercial value, enhance productivity, and create jobs within the business services sector. The positive effects of digital platforms, including e-commerce, FinTech, GovTech, AgroTech, HealthTech, and EdTech, are expected to ripple throughout the entire economy via the business services sector. This will foster inclusive growth and accelerate poverty reduction, as illustrated in the digital economy circular flow model in Figure 2 on the following page.

Activities in the business services sector provide professional and technical support to companies operating in other sectors. They are increasingly used to improve the value of products, by creating a combination of new goods and services. Business services can range across activities such as engineering, IT, logistics etc.

The World Bank (2019) diagnostic tool on the Digital Economy for Africa (DE4A) initiative proposes that a digital economy ecosystem must be premised on five critical conditions (see Figure 2). To succeed, the ecosystem needs a supportive macroeconomic, competitive, and regulatory environment. Like any industry, digital platforms perform best in high-income countries with stable economies, competitive markets, and ample financial support for innovative entrepreneurs. This section offers an overview of South Africa's digital economy ecosystem.

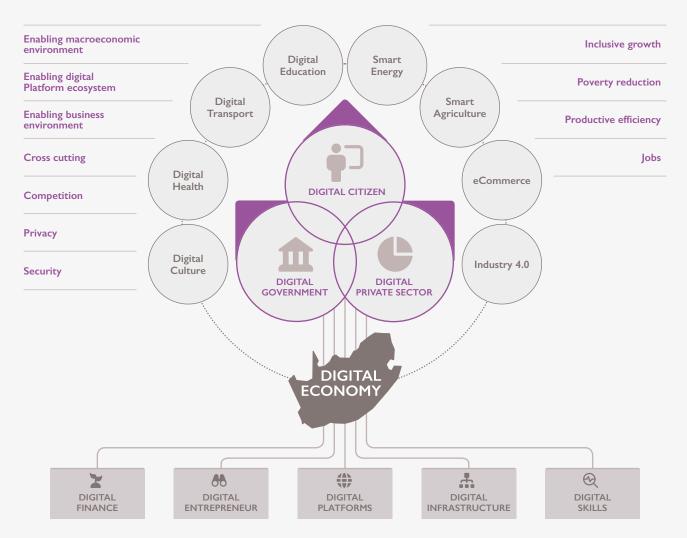


Figure 2: Circular flow model in the digital economy Source: World Bank, 2019.

THE MACROECONOMIC ECOSYSTEM FOR A DYNAMIC DIGITAL PLATFORM ECONOMY IN SOUTH AFRICA

South Africa has recently regained its status as Africa's largest economy, with an estimated GDP of \$370 billion, despite a decade of slow growth. With a population of 62 million and a per-capita GDP of \$16,000, it stands among upper-middle-income economies that are leading post-COVID-19 growth and innovation. The country benefits from a stable macroeconomic environment, including low inflation and steady currency and interest rates, making it an attractive market for both global and local investments in digital platforms. The strong household expenditure ratio of 83% supports vibrant online shopping and a growing digital culture.

In 2024, global e-commerce giants like Amazon and Temu entered the South African market, joining established players such as Shein, AliExpress, and Wish. The logistics providers for Temu and Shein have been been challenged by the high order volumes. Meanwhile, Google and Meta have secured a significant share of digital advertising revenue, capturing 97% of the \$767 million (R14.5 billion) market*.

Both local and international FinTech companies are capitalising on the sizable migrant population and the \$4 billion global annual outbound remittance market. These FinTechs operate alongside digital neobanks like Tyme Bank and Bank Zero, as well as traditional banks that are increasing digitalisation through mobile applications. For customers, stable macroeconomic conditions ensure secure transactions on global platforms, while platform companies along with traditional businesses benefit from protection against inflation. South Africa's high household consumption helps offset some macroeconomic challenges and bolsters the thriving digital platforms market.

^{*}Dominance Succeeded Where Abartheid Couldn't - Forcing South Africa's Fourth Estate onto its Knees," Forbes, March 6, 2024



Figure 3: Macroeconomic drivers of a digital economy



STAKEHOLDER VIEWS

MACROECONOMIC POLICY ISSUES

- Although high unemployment levels in South Africa raise some concerns, they also highlight the potential for digital platforms to drive economic growth.
- While the South African economy has traditionally been inward-looking, there are exciting opportunities for local businesses and platforms to explore and expand into other African markets.
- B2B platforms are poised to be key drivers of the African Continental Free Trade Area (AfCFTA) and the BRICS single market, paving the way for advancements in cross-border payment systems, digital currencies, and Tokenisation.
- Despite facing economic challenges and a relatively small market, South Africa is recognised as a crucial gateway into Africa by international platforms.
- Embracing international standards and welcoming competition, including acquisitions of local startups by

- major firms, will support overall market growth. The goal should be to expand the market, regardless of whether platforms are local or international.
- International platforms operating in South Africa leverage their global presence and economies of scale, creating a dynamic competitive environment that drives innovation.
- It is essential to differentiate between the presence of international platforms in South Africa and the manufacturing of products sold through these platforms. The government should aim for a balanced approach that considers both business interests and customer needs in its policy decisions.
- Supporting local platforms' calls for protection measures, such as taxes, can foster fair competition and reinforce regulations, contributing to a more equitable market environment.

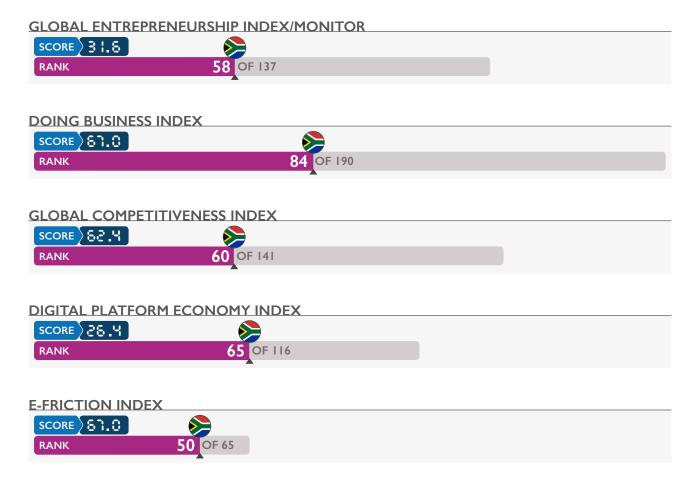
Much as digital emerging markets like South Africa attract platforms from the rest of the world, a significant part of the digital transformation benefits will derive from the strong emergence of local platforms responding to local needs. However, for this to happen, each country requires an enabling business environment, especially for innovative entrepreneurs and small businesses. Global institutions such as the World Bank and World Economic Forum conduct systematic annual assessments of countries' business environment ecosystem to influence policies on competitiveness and entrepreneurship.

According to the 2023/24 Global Entrepreneurship Monitor (GEM) report, 61% of respondents find it easy to start a business, 64% see opportunities in their local areas, and 61% of early-stage entrepreneurs are successfully using digital platforms to market their products and services, South Africa, ranked 84th out of 190 countries for overall ease of doing business and 60th out of 141 for competitiveness, offers a promising environment for entrepreneurs.

While the e-friction index highlights challenges such as infrastructure and digital skills, with South Africa ranked 50th with a score of 67, the country's rankings reflect a solid foundation for growth. With a score of 26, South Africa stands 65th out of 116 on the Digital Platform Index, indicating progress in its digital and entrepreneurial ecosystems.

These rankings underscore South Africa's potential as an upper-middle-income country and the exciting opportunities available for entrepreneurs. The country's entrepreneurial spirit, combined with ongoing improvements in infrastructure and digital capabilities, makes South Africa an attractive destination for starting a business and accelerating digital transformation.

Table 1: Business environment ecosystem for digital transformation



DIGITAL PLATFORM ECOSYSTEM FOR A THRIVING DIGITAL ECONOMY



Digital economies flourish by making the most of the digital ecosystem, which allows different user groups to transact and create shared value. A digital ecosystem includes producers, suppliers, innovators, customers, and regulators who are connected online and sometimes located in the same area, but who do not operate in a strict hierarchy. Ecosystems are developing as companies expand their range of goods, services, and experiences,

requiring both partners and competitors to invest in specific capabilities and adapt to one another while delivering complex digital products and services. A functional digital platform ecosystem requires an active digital user, digital entrepreneur, multisided platforms, and digital infrastructure (see Table 2). Digital users on both the supply and demand side are essential assets of the platform and their trust is paramount. Platforms must therefore maintain public trust to ensure sustainable user participation. Digital entrepreneurs stimulate innovation and importantly create value for the platforms through adaptation and knowledge transfer resulting from customer feedback. The infrastructure forms part of rules and regulations in the ecosystem to ensure safe and transparent transactions. Digital infrastructure comprises three indicators namely, digital access, freedom, and protection.

Multisided platforms are great at creating network effects, which are key for valuable platform ecosystems. For example, as more developers create apps for iOS and Android, smartphones become more appealing to customers. When merchants accept various payment methods, they attract a wider range of customers, both banked and unbanked, who appreciate the available payment options. Similarly, adding more drivers to e-hailing platforms reduces waiting times, making the service better for both riders and drivers. Quality standards and driver ratings on these platforms also increase the demand for new cars and car wash services. In e-commerce, handling large volumes of orders opens up opportunities for payment processors and local delivery companies to earn more revenue.

Table 2: The digital platform ecosystem in South Africa

Digital openness Digital rights
Digital adaptation
Digital absorption
Technology transfer
n Networking
Matchmaking
Financial facilitation
Digital access
Digital freedom
Digital protection
T

Source: adapted from Wibisono, 2023.

South Africa maintains a good reputation in terms of internet rights and freedoms, having been the continent's best performer in the inclusive internet index in 2020. On digital literacy, South Africa ranks 5th on the continent after Mauritius, Gabon, Tunisia, and Sudan. In terms of digital rights, South Africans benefit from the freedom of expression as outlined in the Bill of Rights. The country has made notable progress with laws on digital IDs and data privacy, such as the Cyber Security Act 2021. However, the introduction of digital IDs has faced delays due to administrative challenges and the need for a more cohesive strategy. Digital ID systems facilitate the secure identification and authentication of a person, entity or device and bind digital platform users with their "real world" legal identities. Not only are these IDs a prerequisite for building wider trust in the digital economy,

but they are also important for driving inclusive growth and facilitating secure cross-border transactions within Africa and abroad.

Interrelated to digital rights literacy, access, is the concept of digital openness. Digital openness is a broad concept that significantly impacts users by enhancing their ability to innovate, access information, and participate in the digital economy. It encompasses key areas such as open-source software with publicly available source code that anyone can inspect, modify, and enhance. Open-source fosters innovation by allowing developers to collaborate and build upon each other's work, leading to more diverse and powerful technological solutions. For users, this means access to a wide range of customisable software and tools, often at lower costs compared to proprietary alternatives.

Another key element of digital openness is open access which involves making digital content, such as scientific research and academic publications, freely available to the public. Open access removes barriers to information, enabling users to access the latest research and knowledge without financial or institutional restrictions. This democratises information, supports academic and scientific progress, and empowers users with up-to-date insights and data. The third component of digital openness is open content which pertains to the sharing of digital content on platforms like social media. Open content allows users to freely create, share, and engage with various forms of media, including text, images, and videos. It promotes a more vibrant and interactive digital culture, where individuals can express themselves, connect with others, and participate in global conversations.

Finally, we have open educational resources (OER) which are educational materials that are freely available for teaching, learning, and research. OER includes textbooks, courses, and multimedia content that can be used and adapted by educators and learners. For users, OER provides valuable resources that support education and self-improvement without the financial burden of traditional educational materials. In short, digital openness enhances user experience by providing greater access to resources, fostering innovation, and encouraging participation in the digital landscape. It empowers users with tools, information, and opportunities to engage more fully in the digital world. This is not only crucial for attracting innovators, investors, and creators, but also for ensuring that everyone can participate in the digital journey, leaving no one behindxii.

Openness in the context of digital platforms has implications for choice, competition, freedom, privacy, and security – depending on the restrictions placed on external parties by platform owners. By deciding which third parties can innovate on the platform or which products to sell on the platform, platform owners influence customer choice and market arrangements that may constrain digital economy value creation. Fierce debates continue to rage throughout the world over the conduct of dominant platforms with respect to openness.

Digital citizenship and infrastructure in South Africa have seen impressive growth. Over the past 20 years, internet use has expanded significantly, creating a strong digital ecosystem with improved connectivity and mobile network performance. By 2022, 3G coverage reached 100% and 98% of the population had access to 4G/LTE. Although 5G coverage was only 20% (ICASA, 2023), it is set to transform the digital landscape by enabling advancements in IoT, cloud computing, and more.

Companies like Rain, Vodacom, MTN, Telkom, Liquid Telecoms and Cell C are preparing to use their new spectrum to enter the 5G market and enhance network infrastructure. The rise in internet coverage and affordable smartphones has led to more people going online, with 77.5% of households accessing the internet through mobile devices in 2021 (ICASA, 2023).

There are still challenges in providing high-speed internet, particularly in rural areas. Research from ICASA in 2023 shows digital gaps in metropolitan, urban, and rural areas. Most people use their phones for internet access instead of fixed broadband, as indicated by the lower number of fixed broadband subscriptions. Rural areas contributed the least to the 3.94% increase in telecommunications revenue, from R200.2 billion in 2021 to R208.1 billion in 2022 (ICASA, 2023).

These areas present opportunities for growth, with the potential to further expand internet access and improve infrastructure across the country. (ICASA, 2023).

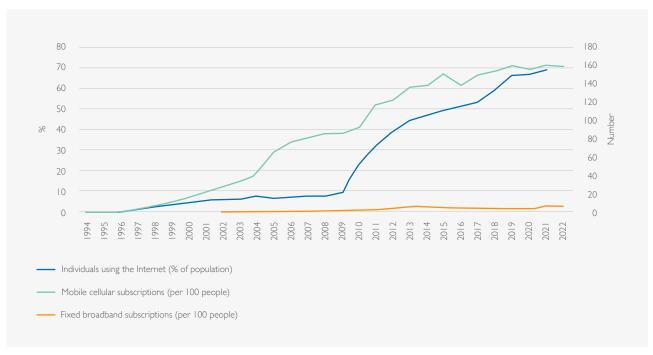


Figure 4: Connectivity for active digital citizenship in South Africa Source: World Bank database.

South Africa's entrepreneurial culture is vibrant and increasingly dynamic, especially among young entrepreneurs. While it has historically been driven by the need for employment, it is now rapidly shifting towards embracing the exciting opportunities in commercial innovation. Large platforms, often led by institutional investors, demonstrate the growing interest in the sector. Meanwhile, a new wave of entrepreneurs is stepping up with innovative ventures, taking full advantage of a supportive ecosystem that includes innovators, funders, incubators, and accelerators. Government initiatives, such as tax deductions for supporting startups, and the expanding digital market further fuel this entrepreneurial spirit. This evolving landscape promises a bright future

for South Africa's entrepreneurial community, fostering creativity and growth across various sectors. Both local and international investors are showing interest in South African digital startups drawn by the country's stable macro-economic environment and its regional status as a strategic hub for digital startups seeking to expand into the broader continental market. Mentorship, incubation, and accelerator programmes are gaining traction, especially those targeting skills development and as well as black and female entrepreneurs. This supportive ecosystem offers investors a diverse array of market-ready, lucrative opportunities which in turn foster a culture of innovative entrepreneurship.





Figure 5: South African digital platform ecosystem actors Source: Google, 2018

THE DIGITAL SKILLS ECOSYSTEM FOR AN INCLUSIVE AND DYNAMIC DIGITAL PLATFORMS ECONOMY

According to Antonio, et al., the growth of digital platforms in South Africa means there is a rising need for new skills, including basic literacy, numeracy, and ICT abilities. As businesses across various sectors move towards digital transformation, these skills are becoming more important.



These skills range from everyday tasks like using smartphones, the internet, and apps, to more advanced abilities needed to design and manage digital systems. Importantly, digital skills also combine business and technology knowledge, helping people find new opportunities and improve existing ways of working (World Bank, 2019). This shift offers a great chance for everyone, including everyday people, to learn and grow in the digital world, making it easier to get involved and benefit from new opportunities.

In the latest digital competitiveness ranking from the International Institute for Management Development (IMD) (2023), South Africa was ranked 58th out of 64 countries across 12 factors: technology; knowledge; futurereadiness; talent; regulatory framework; adaptive attitudes; business agility; capital; training and education; scientific concentration; technological framework; and IT integration (see Figure 6). In relation to one component, futurereadiness, South Africa improved to the 56th spot.

Although South Africa has dropped to the 58th and 59th spots in knowledge and technology rankings, this presents a significant opportunity for growth. The decline highlights areas where improvements can be made to enhance digital readiness. Human capital is crucial in this process, as it involves building a skilled workforce that can embrace and develop modern technologies. This shift offers a chance to invest in and expand educational and training programmes, fostering new skills in rapidly growing fields.

By focusing on these areas, South Africa can boost its digital competitiveness and open doors to exciting new opportunities for innovation and development.

Overall Performance (44 countries)



Figure 6: IMD Digital Readiness Score for South Africa (2023) Source: IMD, 2003.

South Africa faces significant challenges due to institutional obstacles and funding limitations, which affect the quality and number of graduates in key fields. For instance, the percentage of STEM graduates has remained steady at 18.5% from 2017 to 2021, while business and administration graduates have seen a modest increase from 32.2% to 35.5%, and ICT graduates have remained at 3.3% during the same period⁷.

These statistics highlight a pressing issue, as these areas are crucial for enhancing digital competitiveness. Without a sufficient pool of skilled professionals, digital platforms may struggle with innovation, feature development, and service improvement, potentially leading to operational inefficiencies and reduced user satisfaction.

However, this situation also presents a significant opportunity. By fostering collaboration between the government, educational institutions, and the private sector, South Africa can address the skills gap. Investing in skills development and training programmes will help cultivate a talented workforce ready to support the digital economy. Strengthening foundational education and boosting the capabilities of TVETs and universities to produce graduates in STEM, ICT, and emerging fields such as robotics, Artificial Intelligence, and data analytics are essential steps. These improvements will be crucial for ensuring the ongoing growth and success of digital platforms and the broader digital economy services.

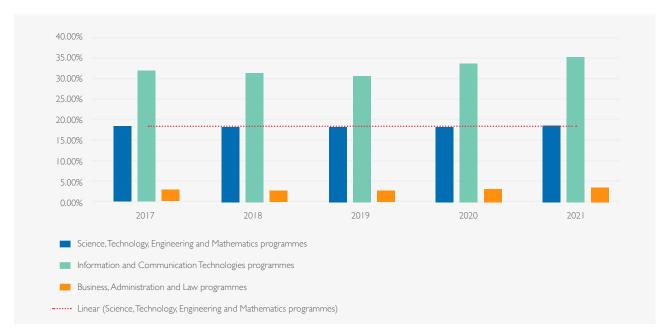


Figure 7: Distribution of tertiary graduates by field of study Source: UNESCO 2023

World Bank (2023, September 23). Empowering Africa's future: Prioritizing STEM skills for youth and economic prosperity. World Bank Blog https://blogs.worldbank.org/en/education/empowering-africas-future-prioritizing-stem-skills-youth-and-economic-prosperity

South Africa stands to benefit from other digital skills development initiatives such as the Amazon Web Services Skills Centre, based in Cape Town, which has announced a plan to train 100,000 young people in cloud computing for free. Vodacom has partnered with Microsoft to provide training for 300,000 in foundational tech skills, software development, generative AI, entrepreneurship, and cybersecurity through the Mzansi Digital Learning Platform. It is however important to note that digital skills are but one component of the digital economy ecosystem. Newly trained innovators will not only need financial support but also access to a competitive digital platforms

market. Additionally, they must have the capacity to train and upskill users of their applications. This will ensure that every South African has the opportunity to engage with and benefit from the digital economy.

The University of Cape Town launched the first FinTech degree in 2017 and FinTech short courses for business in 2018.



STAKEHOLDER VIEWS

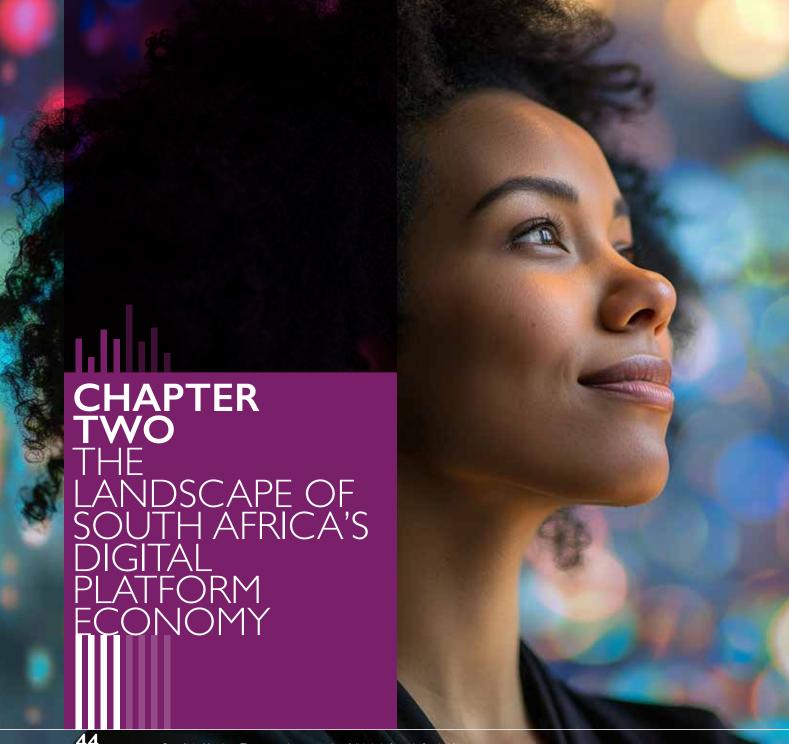
INNOVATION

- South Africa is poised to become a global powerhouse in the digital economy, thanks to its world-class digital and innovation skills. The country has made significant contributions, such as developing Amazon Web Services (AWS) cloud solutions and pioneering Chat commerce with Clickatell. By leveraging these achievements, South Africa has the potential to integrate and export new innovations on the global digital economy stage.
- Contrary to popular belief, digital skills extend beyond coding. Even basic digital competencies are essential for the growth of digital platforms. South Africa's education system plays a critical role in producing learners who are not only able to interact with digital platforms and consume digital products but also equipped to excel in advanced digital training programmes.

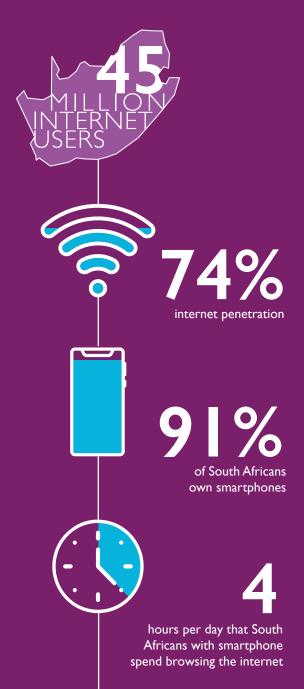
Initiatives like Naspers Labs are making strides in upskilling, yet there is room for improvement in connecting trained individuals with relevant job opportunities and entrepreneurial ventures. Enhancing networking between training candidates and tech companies can bridge this gap.

Currently, regulations and dominant market players can stifle innovation, often limiting it to niche areas. Additionally, the small developer population in smaller cities restricts the emergence of platforms that address local issues. Expanding exposure to a wider range of digital platforms and value chains can also spur greater innovation.

By addressing these challenges, South Africa can unlock its full potential and establish itself as a leading force in the global digital economy.



The local platform economy in South Africa has witnessed rapid growth in recent years, driven by increasing internet penetration and smartphone adoption. The country boasts 45 million internet users translating into 74% internet penetration. An overwhelming majority of the population (91%) owns smartphones and spends up to four hours per day browsing the internet.



THE SOUTH AFRICAN DIGITAL PLATFORMS ECONOMY AT A GLANCE

The local platform economy in South Africa has witnessed rapid growth in recent years, driven by increasing internet penetration and smartphone adoption. The country boasts 45 million internet users translating into 74% internet penetration. An overwhelming majority of the population (91%) owns smartphones and spends up to four hours per day browsing the internet.

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South Africa is home to several local and international digital platforms taking advantage of the stable macro environment and high household expenditure to GDP. The Naspers-owned Kalahari.net (book and entertainment e-commerce), BidorBuy and Fundamo (mobile financial services) paved the way for digital platforms in the late 1990s driven by the new rainbow nation growth prospects and technological (Y2K) advancements. The surge of internet and mobile phones penetration during the 2000s opened doors for new e-commerce and classified platforms such as Take2 and Private Property. Growth in internet and mobile phone usage occurred alongside deep-seated consumer scepticism about online transactions, encouraging innovators to launch secure and instant EFT payment gateways such as iPay which has since rebranded to Ozow.

The South African digital platform market is thriving and presents a tremendous opportunity for the economy.

Significant segments like e-commerce, transportation, and accommodation are leading the way, showcasing the country's potential in these dynamic sectors.

The South African e-commerce⁸ market alone is valued between \$5 billion and \$6 billion, representing 6.3% of total retail value, and boasts between 11 million and 18 million users. This robust market highlights the growing consumer appetite for digital shopping experiences. The ride-hailing sector, valued at \$350 million, is set to expand at an annual growth rate of 2.9%, reflecting increasing demand for convenient transportation solutions.

In the South African FinTech space⁹, revenue is projected to reach \$434 million in 2024, driven by advancements in digital payments, digital assets, and neo-banking. Furthermore, FinTechs are managing an impressive portfolio of assets valued at \$7.5 billion, underscoring the sector's significant impact and potential for future growth.

These figures not only demonstrate the vibrancy of South Africa's digital economy but also signal exciting opportunities for expansion and innovation. The continued growth of these digital platforms will not only strengthen the economy but also position South Africa as a key player on the global digital stage.

Global FinTech Revenue amounted to \$103.7 billion – out of the 430 FinTech Unicorns that operated globally in 2022, 40% were created in 2021.

^{8,9} Source: Statista 2023

To date, the local digital platforms market is dynamic, competitive, and teeming with countless startups across a broad range of platform categories and subcategories. Local platforms like Takealot and Superbalist are leading the online retail space, while ride-hailing platforms such as Uber and Bolt compete for market share in urban transportation and ondemand food deliveries (Competition in the digital economy, 2021).

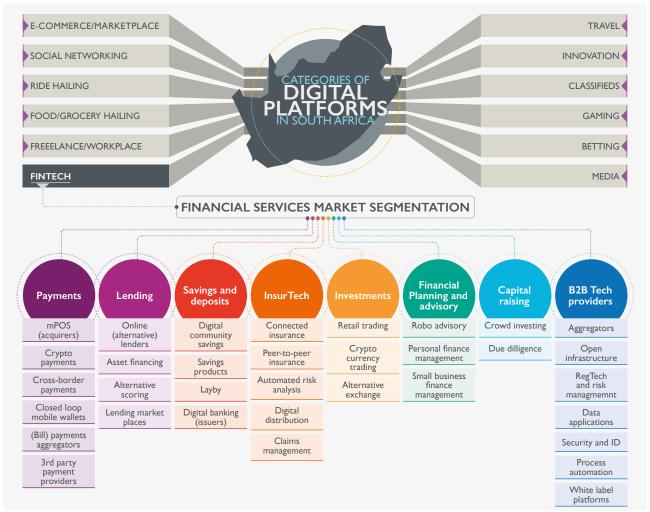


Figure 8: Category of digital platforms in South Africa

Source: Adapted from The World Bank, 2019

Source: UNESCO Institute for Statistics, Education Data: Primary and Secondary Enrolment, 2023

Naspers's former early-stage tech investment unit,
Naspers Foundry, played a pivotal role in shaping the
vibrant digital economy South Africa enjoys today. Its
pioneering investments in innovative startups laid the
groundwork for a thriving digital landscape. From its
launch in 2019 until its investments were absorbed and
managed by Naspers's corporate office in 2023, the unit
played a major role in stimulating innovation, interest in
the SA tech startup sector and unearthing the growing
number of early-stage platform companies in South Africa.

The success of these early-stage platforms has sparked a broader wave of digital transformation across industries. Companies like Checkers Sixty60 and Nedbank Avo are prime examples of incumbents leveraging the digital ecosystem to enhance their services and operations. The rapid adoption of on-demand food and grocery platforms highlights the dynamic nature of the market, with fast food chains integrating across multiple platforms, including their own.

Today, South Africa's digital platform market is more diverse and vibrant than ever. It encompasses a wide array of niche local startups and established players driving both B2C and B2B e-commerce. Speciality B2B platforms are emerging, particularly those focused on wholesale distribution, while traditional retailers like Pepkor are transitioning into FinTechs by exploring new market segments such as remittances and payments.

Moreover, the influx of innovative FinTech startups, many of which have emerged in Cape Town and Johannesburg, demonstrates the ongoing evolution of the digital landscape. Companies like Ctrl, Naked, Pineapple, Yalu, Lumkani, and Simply are challenging traditional insurance models and offering disruptive solutions. Notably, Ctrl, Naked, and SweepSouth, all funded by the former Naspers Foundry, highlight the enduring impact of its

legacy on fostering innovation and driving growth in South Africa's digital economy.

In summary, the foundation laid by Naspers Foundry among early-stage platform companies, continues to influence and energise South Africa's digital market, positioning the country as a hub of innovation and a global player in the digital economy.



Source: https://www.shopriteholdings.co.za/newsroom/2024/shoprite-cash-carry html

Shoprite launched on-demand bulk and delivery services for small businesses and spaza shops in 2024, eclipsing the PnP owned Boxer bulk online. There are 150 000 spaza shops with an estimated market value of R178 billion a year.

Research conducted by Accenture Africa in 2023 revealed that spaza shops are hamstrung by inefficient supply chains, stock running out, the waste of fresh produce and the high price of stock from wholesale retailers.

The digital platforms market in South Africa is experiencing an exhilarating transformation, showcasing incredible growth and dynamism. A 2019 survey by Insight2impact identified 92 active platforms, with a remarkable 59% being homegrown. These platforms spanned across eleven diverse sectors, with a notable focus on freelance and e-commerce, reflecting the country's burgeoning digital innovation landscape.

The excitement does not stop there. According to the 2023 Disrupt Africa's African Tech Startup Funding Report, the number of active digital platforms in South Africa has surged to over 600. This impressive increase underscores the rapid expansion and diversification of the market, presenting significant opportunities for investment and development.

South Africa is rapidly evolving into a powerhouse of digital innovation, with its growing number of platforms driving progress across various sectors. This surge in digital platforms not only highlights the country's robust entrepreneurial spirit but also sets the stage for it to become a leading force in the global digital economy.

The remarkable rise in platform activity signals a fertile ground for further growth, investment, and global recognition demonstrating the growing prominence of FinTechs and e-commerce platforms and the emergence of entertainment, Health Tech and logistics platforms. Similarly, according to the Founders Factory Africa (2024), there were 500 active digital platforms companies in 2023 of which 40% operated in the FinTech (payment) space while numerous others were exploiting opportunities in AgroTech, FoodTech and digital health. The growth of FinTech is in part driven by technological advancements and the easing of the regulations in AI and blockchain which have opened new possibilities for financial services innovation from platforms like Luno and VALR, which offer crypto exchange and asset investment. The entertainment market is witnessing exponential growth in digital betting

platforms as revenue increased from R8 billion in 2020 to R23 billion, or half of the total gross gambling revenue in 2023, and consumers shift to smartphone-enabled betting¹⁰.

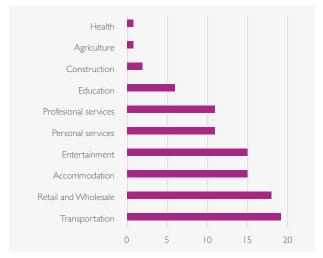


Figure 9.1: Active Platforms by Sector in SA (2020) Source: Cenfri, ADP Focus Note 2019 (Cenfri, 2019)

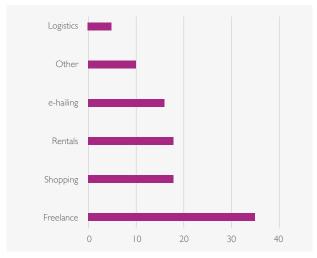


Figure 9.2: Active platforms by type in SA (2020)

¹⁰ National Gambling Board report - 2023

Table 4 provides a glimpse of the active digital platforms in South Africa and associated market vibrancy, classified according to types of funders, founders and transactions. Platforms funded by venture capital funders straddle various platform categories but focus on innovative and niche areas.

B2B platforms are focused on digitising the wholesale distribution of consumer goods. Incumbent platforms operate in e-commerce and FinTech spaces, but many are transforming horizontally into different platform market segments. Independent platforms are establishing themselves in the digital economy, taking advantage of the underserved township market, especially on payment (mPOS) and quick commerce. Yoco has grown into one of the leading non-bank-owned payment platforms processing over \$2 billion in payments per year. Khula and Zulzi are some of the prominent platforms identifiable (but not exclusively) with township (and rural) markets and black founders.

The underservicing (or boycotting, due to safety concerns) of townships by bigger platforms is stimulating the emergence of neighbourhood platforms such as Delivery ka Speed, KasiD and Yebo Fresh. These have attracted the attention of bigger companies with Telkom appointing Delivery ka Speed for its township deliveries and Standard Bank partnering with Yebo Fresh — a township B2B on-demand bulk grocery delivery platform.

At the same time, early South African digital adopters like Luno (a digital crypto-currency platform) and Snapplify (an e-book aggregator and distributor) are gaining international appeal and growing into other African markets and beyond. The financial performance and economic contribution of these platforms are generally undisclosed, but the growing appetite for venture capital funding, even for township-based platforms, suggests that many are financially viable. Yebo Fresh secured R78 million pre-series A equity funding in 2023.

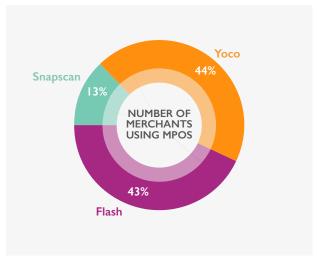


Figure 10: Yoco and Flash dominate non-bank mPOS platforms market

Source: Self-reported use figures

Table 4: List of selected South African platforms by funders, founders, and platform market segment

Naspers-funded	Founders Factory Africa-funded	Top B2B Platforms	Incumbents	Prominent Independents
SweepSouth	Zindi	Nile	Checkers Sixty60/ Money Market	Yoco
Aerobotics	Wazi	3G Mobile	Pick n Pay ASAP	Khula
Nile	Truzzo	Argility	Vodacom VodaPay	Zulzi
Valenture Institute	Trippolo	Altron Docu solutions	MTN Momo	Delivery ka Speed
WhereIsMyTransport	Tunl	HelloChoice	Telkom Zoho & Telkom Learn	Order Kasi
Ctrl	Revix	Selpal	Nedbank Avo	Yebo Fresh
Naked	Locumbase	Mobile in Africa	Old Mutual SMEgo	Shesha
Planet42	Healthdart	Lemon	Pepkor, Pep Money & Flash	Zando
Lifecheq		Morpheus	Capitec Avafin	Tyme Bank
			Bidvest Bidsend	Bank Zero
				KasiD

Source: Author compilation

The digital platform funding landscape is equally vibrant comprising local and global venture capital funders, incubators, and accelerators as well as traditional incumbents and banks which prefer late-stage funding.

A total of 597 South African digital startups have raised \$1.6 billion in mainly pre-seed and seed funding between 2015 and 2023, equating to an average of \$2.7 million funding per startup. The average size of funding raised per startup has increased dramatically from \$1.2 million in 2015 to \$8.5 million in 2023 representing a 24% annual growth rate or 700% increase in funding appetites. Some of the recent venture capital-funded startups can be seen in Table 4. The funding landscape is led by local companies such as the Cape Town-based Launch Lab and Knife Capital and the Johannesburg-based Founders

Factory Africa. Multinational digital platforms such as Google's Black Funders Fund, Facebook and IMB Lab, Amazon Web Services and PayPal, and local firms such as MTN, are actively shaping the funding ecosystem through investment into platforms like Healthdart, Zinacare, Hyperion Development, Travelstart and Stich as part of Enterprise and Supplier Development (ESD). South African banks are also taking equity stakes in FinTechs, exemplified by Standard Bank funding of Nomanini as well as the Merchant Bank and Nedbank funding Atura, Karri and Entersekt. While FinTechs accounted for 40% of the funding raised in 2022 and 2023, estimates from Statista suggest that the funding spree of FinTechs has plateaued and will start declining in 2028.

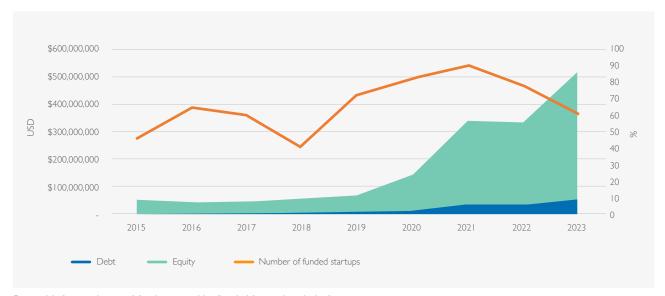


Figure 11: Size and type of funding raised by South African digital platform startups. Source: Adopted from Disrupt Africa, 2023



STAKEHOLDER VIEWS

FUNDING LANDSCAPE

- South Africa is a burgeoning hub for digital innovation, and while there are opportunities for enhancing the funding landscape, the current environment presents significant growth potential for the digital economy.
- Funding is crucial for driving innovation, scalability, and competitiveness, and South Africa is well-positioned to build on its existing strengths. While the funding environment may differ from more mature markets like the United States, there is a burgeoning ecosystem of support.
- South Africa boasts a robust pool of funding resources, and these are increasingly directed towards highpotential sectors like FinTech and climate change, showcasing the country's focus on future-forward industries.

- There is a notable flow of capital into promising startups, often benefiting from a growing network of investors who are keen to support emerging ventures.
 The increasing interest in digital platforms reflects the country's commitment to advancing its tech sector.
- Development finance institutions are evolving to better support startups, and there is an exciting opportunity for them to align their models with today's digital economy. Adapting funding criteria to include emerging sectors will further catalyse growth.
- Cape Town, in particular, stands out as a vibrant centre for innovation, with a strong local funding presence fostering the success of digital platforms.
- Overall, South Africa is on an impressive trajectory, and by continuing to enhance and adapt its funding landscape, the country is well-placed to solidify its position as a leading player in the global digital economy.

ACQUISITIONS UNLOCK THE VALUE OF INNOVATION

The success of pioneering digital platforms is driving strategic acquisitions by major traditional firms, which use their financial strength to scale well-established platforms rather than engage in early-stage innovation themselves. This trend highlights the growing recognition of South Africa's digital market as a valuable source of innovative solutions.

Noteworthy examples include Fundamo and Zando, which attracted significant acquisitions and equity investments from global giants VISA and JP Morgan, receiving \$110 million and \$10 million respectively in 2011 and 2012. Similarly, the US EdTech leader's acquisition of GetSmarter for \$103 million in 2017 further underscores the appeal of South African digital innovations.

These acquisitions not only reward the pioneering innovators but also signal strong investor confidence in the potential of the South African digital platform market. They reflect the increasing global recognition of South Africa as a hub for innovative digital solutions and present exciting opportunities for further growth and development.

The influx of investment through these strategic acquisitions is set to enhance the country's digital landscape, fostering a dynamic environment ripe for continued innovation and expansion.

CROSSFIN

ACQUISITIONS 2018
Sureswipe • Nobuntu • Crossgate • Retail capital

ADUMO

REBRANDING TO PAYMENT SPECIALIST IN 2019
Sureswipe• iKhokha • Adumo

LESAKA TECHNOLOGIES

JSE-listed Lesaka aquires Adumo for R1.6 billion in cash and equity in 2024

Platforms by year of Acquisition

- Standard Bank acquired Snapscan in 2016
- Vodacom acquired iot.nxt in 2019
- FNB acquired Selpal 2021
- PicknPay acquired Bottles in 2020 (four years after launching)
- Imperial acquired Parcelninia in 2021
- Massmart acquired OneCart in 2022
- TFG acquired Quench in 2021
- Yoco acquired Cobi Interactive in 2018 Dado in 2019 and Nona Digital in 2024
- Santam acquired Kandua (formerly Home+) in 2024

Figure 12: Acquisitions that are unlocking value Source: Author compilation

The digital platform market, while experiencing some business exits, remains a vibrant and dynamic sector with significant potential. Although these exits may not receive as much media coverage as successful funding campaigns, they offer valuable insights and opportunities for growth.

Early exits and scaling back are often driven by factors such as market size, disposable income, and capital access. These challenges present opportunities for new entrants to refine their strategies, explore untapped markets, and develop innovative solutions tailored to evolving customer needs.

Moreover, these experiences highlight the importance of realistic valuations and underscore the potential for platforms to achieve sustainable growth by accurately assessing market potential and aligning with investor expectations.

Overall, the digital platform landscape is evolving and adapting, creating exciting opportunities for future innovation and success. The lessons learned from past experiences are shaping a more robust and resilient market, poised for continued advancement.

In business parlance, the exits of platforms like WherelsMyTransport, Didi, and Britbox, despite having investor confidence, underscore the competitive nature of the market rather than reflect negatively on the viability of the South African digital platform sector.

Even with strong investor backing, success in the digital platform market requires more than just financial support. Factors such as market saturation, operational challenges, customer adoption, and competitive dynamics play critical roles in determining a platform's long-term viability.

The exit of these platforms illustrate that the market is highly competitive, where even well-funded ventures may face difficulties due to unforeseen challenges or changing market conditions. These instances highlight the importance of strategic adaptability, robust market analysis, and continuous innovation.

Rather than indicating a failure of the market itself, these examples serve as reminders of the complexities involved in launching and sustaining digital platforms. They emphasise the need for businesses to navigate a dynamic environment and adapt to evolving conditions to achieve lasting success.



PLATFORMS COMPETE COOPERATIVELY

As the platform market matures, and the pace of innovation improves across the vast ecosystem of startup platforms, funders, investors, and platform owners are exploring new ways to collaborate to strengthen and benefit from the ecosystem. Initiatives such as the Silicon Cape initiative, VISA small business hub and Endeavour South Africa are shaping the digital platform ecosystem by encouraging collaboration between innovators, funders, and regulators.

Collaboration is especially evident in the FinTech Space where Telcos such as MTN MoMo partnered with Jumo to introduce a mobile micro-lending digital platform called Quickloan; and with Mastercard to expand digital financial services across 13 countries in Africa.

Vodacom has a partnership with Old Mutual to provide credit solutions through Vodalend. Standard Bank has a part-equity and part-debt partnership with Planet42 and Yebo Fresh to provide township-based businesses with business accounts. ABSA has acquired a minority stake in Khula through a deal that will see the bank and the startup collaborating. Tyme Bank is in partnership with The Foschini Group (TFG) and Flash to facilitate the use of physi-digital services in walk-in credit applications and cash withdrawals at spaza shops respectively. Shoprite Checkers, a company behind Sixty60, jointly owns an in-house and on-demand delivery platform, Pingo, with RTT logistics. Several money transfer and remittance

platforms including big banks use national retail stores such as Shoprite, Pick n Pay, Makro and Pep to facilitate transactions.

Collaborations between startup platforms are also becoming increasingly identifiable as they seek to capitalise on network effects and create a captive ecosystem. Simply, an InsurTech partnered with SweepSouth, a cleaning gig work platform, to provide cleaners with accidental and disability cover. Zando has used its first mover advantage as an online fashion platform (founded in 2012) to become Pick n Pay clothing's e-commerce outlet in 2021. Similarly, Droppa, an on-demand courier and fleet hire platform established in 2016, has created multiple partnerships with other ecosystem players such as SkyNet to provide logistics services, Elite Truck Hire to make fleets available to drivers and Uber Direct to generate B2C demand. Through collaboration, Droppa has become one of the few startups to become a fully-fledged multisided platform. Khula's collaborations with agriculture industry players such as AECI, SAKATA, MSD animal health, Afgri, Esquared, Land Bank, IDC and as PEPSICO has created a multisided ecosystem that connects agriculture input suppliers, funders and food manufacturers with farmers and provides buyers with direct access to farmgate produce.

The South African digital platform ecosystem is undergoing a significant transformation. Originally focused on last-mile fast-moving consumer goods (FMCG) e-commerce, the sector is now expanding to digitise FMCG distribution, streamline organisational business processes, and explore opportunities in traditionally underserved markets.

While the shift is promising, it also presents several challenges. Many platforms are primarily active in major cities due to the larger addressable markets and higher disposable incomes there. However, a significant number of these platforms are web-based rather than app-based, which can limit their visibility and user engagement.

The lack of presence on popular app stores and online platforms can make it harder for users to discover these services, impacting customer acquisition and repeat traffic. Venture capital funders are increasingly focused on digital solutions that align with corporate value chains and cater to high-end urban customers. While this is a positive development, it also highlights a gap in support for platforms that might not fit this mould but are nonetheless valuable.

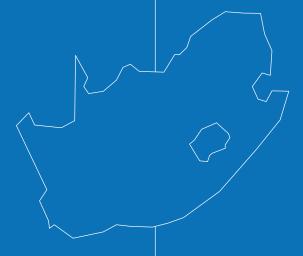
The South African digital platform ecosystem is undergoing a significant transformation. Originally focused on last-mile fast-moving consumer goods (FMCG) e-commerce, the sector is now expanding to digitise FMCG distribution, streamline organisational business processes, and explore opportunities in traditionally underserved markets.

The Competition Commission's report points to the need for improved curation of local platforms to enhance their discoverability. This would help address the challenges faced by many platforms and unlock their full potential. By fostering greater visibility and accessibility, South Africa can better support its growing digital platform ecosystem and ensure that it continues to evolve in a way that benefits both businesses and consumers.

Several types of partnerships are emerging across platform types and sectors, some initiated or enticed by equity stakes, to overcome scale challenges. However, many are increasingly seeking to create a captive user base or a closed-loop ecosystem. Speciality digital platforms are technologist by nature, focusing on how to leverage technology to revolutionise traditional industries, but incumbents tend to focus on using technology to improve legacy operating systems. Acquisitions are likely to limit the transformative potential of fledgling platforms. Townshipbased platforms are gaining currency, filling a gap left by leading platforms, but the market remains underserved and is held back by locational constraints (e.g. safety, a cash economy, digital IDs, and low disposable incomes). South Africa is yet to produce a digital unicorn (a privately held digital startup valued at over \$1 billion) partly because of the intricate relationship between emerging digital platforms and the traditional corporate giants.



Digital platforms have made a significant impact on the South African economy, even within a relatively small market. Their influence extends beyond just the owners and sellers to include delivery agents and customers, who all enjoy increased convenience, reduced costs, and greater inclusion.



PLATFORM BENEFITS OUTWEIGH THE CHALLENGES

Digital platforms have made a significant impact on the South African economy, even within a relatively small market. Their influence extends beyond just the owners and sellers to include delivery agents and customers, who all enjoy increased convenience, reduced costs, and greater inclusion.

These platforms provide diverse benefits across different sectors. For example, SweepSouth connects around 7,000 cleaners and gardeners with job opportunities, while Planet42 offers a rent-to-buy option for those unable to afford cars outright. Payment gateways like Yoco and Flash empower small and informal businesses to accept digital payments and access credit, reducing cash-handling risks and boosting service quality and revenue.

Healthdart enhances access to healthcare for township residents, lowering transportation costs to medical facilities. In agriculture, Aerobotics boosts farm yields through digital crop monitoring, and Khula enhances farm productivity by linking farmers to inputs, buyers, and logistics services. Khula's partnerships with companies like PEPSICO offer farmers better access to the food production supply chain, lower input costs, and valuable crop planning advice.

FinTech and remittance platforms such as VodaPay, MTN MoMo, and Bidsend play a crucial role in enabling unbanked migrant workers to send money back to their families, supporting socio-economic development in their home communities.

While some of these benefits are tangible and measurable, others are more subtle but equally important. Overall, the digital platform ecosystem in South Africa not only drives business innovation but also contributes significantly to socio-economic progress, offering promising avenues for further growth and development.

Digital platforms are set to generate a significant number of new job opportunities. Projections suggest that by 2030, the platform workforce in Africa could soar to 80 million, representing around 6% of the total workforce.

In South Africa, while the current number of platform workers is estimated at 135.000 – about 1% of the total workforce – the sector is experiencing rapid growth¹¹.

¹¹ International Labour Organization. The Future of Digital Skills and Jobs in Africa. (June 2024)

Table 5: Typology of Digital Platform Benefits

Benefits	E-commerce	E-hailing		FinTech	EdTech		HealthTech	AgroTech
Miscellaneous individual and business benefits	Convenience	Reduce road accidents related t drinking and drivin		Financial inclusion	Flexibility		Access to healthcare	Maximise yields
	Reach & Discoverability	Access to transpo	rt	Secure transactions	Course var	riety	Timesaving	Input use reduction
	Price comparison	Rider safety		Personalised services	Cost reduc	ction	Easy access to medical records	Food price reduction
	Real time response	Convenience		Convenience	Networkin	ng		
Technology & Platform support	Cloud [Data Mining	IOT	Machine lea	rning Blo	ockchai	n Security	

Source: Author compilation

The rise of digital platforms in South Africa is being driven by exciting technologies like Artificial Intelligence (AI), the Internet of Things (IoT), Big Data, and blockchain. These innovations are making businesses more efficient, competitive, and capable of driving further progress. AI is being used to improve customer service, understand customer behaviour, and personalise experiences. It also helps businesses predict what customers will need, manage inventory better, and make smarter decisions while platforms like Takealot are using AI to understand their customers better, spot trends, tailor marketing, and automate support. This technology is not only changing how businesses operate but also creating new opportunities for growth.

Blockchain has made it possible for new platform business models to emerge which leverage the transparency, trust, security and efficiency benefits of the technology. Blockchain applications are transforming the digital platform market by providing benefits in payment processing, peer-to-peer transactions, smart contracting and tokenisation, customer review verifications and supply chain optimisation among other factors. South Africa boasts several blockchain-embedded digital platforms, especially in the FinTech space. This technology is expected to enhance the privacy and security aspects of open banking, thus offering FinTechs great opportunities to scale advisory and payment services using transactional data collected by incumbent banks.

As blockchain technology continues to evolve, we can expect to see intermediation-type platforms scaling down or closing and increased collaboration between banks and FinTechs in the open banking space. The pace of adoption of AI and blockchain will depend on the ability to finance the high upfront costs which can be a barrier for small platforms with limited budgets.

To ensure that all South Africans benefit from these advancements, innovators and investors can do a number of things such as promoting accessibility by developing technology is easy for everyone to use, regardless of their location or resources. Creators can also offer training by providing educational programmes to help people learn how to use new technologies effectively. Companies can invest locally by supporting local startups and entrepreneurs to help them grow and contribute to the digital economy and build partnerships by working with community organisations to ensure that technology reaches and benefits a wide audience. Finally, and maybe the main purpose of this report is to increase awareness by helping people understand the advantages of digital platforms and how they can use them to their benefit.

By taking these steps, innovators and investors can help ensure that everyone in South Africa can take part in and benefit from the digital economy.

Digital platforms are set to generate a significant number of new job opportunities. Projections suggest that by 2030, the platform workforce in Africa could soar to 80 million, representing around 6% of the total workforce. In South Africa, while the current number of platform workers is estimated at 135,000 about 1% of the total workforce the sector is experiencing rapid growth. Platforms like Sixty60 are already making an impact,

employing 800 drivers, which constitutes 1% of the entire Shoprite workforce. This burgeoning sector offers tremendous potential for job creation and economic growth, positioning South Africa to benefit from a substantial influx of new employment opportunities. As the digital economy expands, there is an exciting chance for investors and innovators to play a pivotal role in shaping a thriving job market that could enhance livelihoods and drive prosperity across the country.

It is important to recognise that current estimates of job creation by digital platforms might be understated due to challenges in measurement. The impact on employment varies by platform type and user base. For example, ridehailing and on-demand food delivery services tend to generate numerous low to semi-skilled jobs, while FinTech and EdTech platforms create fewer, but higher-skilled roles. Consider the examples of Uber, Bolt, and Mr D, which each have substantial driver networks in South Africa 20,000, 40,000, and 15,000 registered drivers, respectively. Although these figures do not fully capture the total job impact, estimates suggest that Bolt alone has contributed around 32,000 "person-years" of employment since its launch in 2016, based on 400 million completed trips. Meanwhile, Yoco, Flash, and Zulzi employ around 500, 635, and 95 people, respectively. The African Tech Startup Funding Report by Disrupt Africa (2023) also reveals that 60 funded digital platform startups collectively employed 2,750 people, with an average of 46 employees per startup.

These figures highlight the substantial role digital platforms play in job creation. By addressing measurement challenges and expanding support for diverse platform types, there is a significant opportunity to enhance these positive contributions and foster broader economic growth.

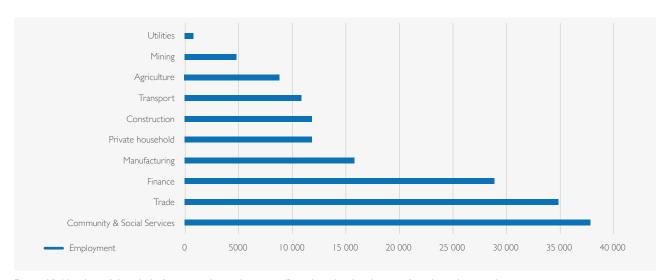


Figure 13: Number of digital platforms employees by sector (Based on the distribution of total employment by sector) Source: Adapted from Statssa, 2023

According to inDrive, platform workers earn less than the prescribed minimum wage of R27.58 as their incomes are increasingly eroded by high fuel prices, commissions and vehicle rental fees. Drivers need to work long hours to compensate for the low income, thus putting their safety and that of their customers at risk.

The 2024 Fairwork report by the University of Oxford further suggests that platform working conditions in South Africa are deteriorating. Platform workers are concerned about safety, poor treatment from customers and a lack of formal representation among other things.

Mr D		
SweepSouth	6/10	
Home+	4/10	
Uber		00000000
Uber Eats		00000000

Minimum standards of fair work

Source: Fairwork, 2024

Platforms benefits can transcend typical direct jobcreation benefits and individual and business-level matrices to include bolstering the country's manufacturing capacity.

The success and popularity of global consumer-goods platforms such as Shein and Temu are linked to the Chinese light-manufacturing capacity to Innovate faster and feed platforms with trendy, low-priced manufactured products. With an estimated supplier network of 6000 and 100,000 small factories, both Temu and Shein help

sustain the Chinese manufacturing sector's value-added contribution of 27% to GDP, and jobs for more than 130 million manufacturing workers. More than half of these employees work in China's so-called rural enterprises, which use platforms to access global markets. In the context of South Africa, digital platforms therefore open opportunities for township-based, small-scale producers constrained by the size of local markets, and also have the potential to reverse the country's declining industrial capacity.



STAKEHOLDER VIEWS

IOBS IMPACT

- To better align with national priorities, the government might consider a fresh perspective on the impact of digital platforms on the job market. The employment generated by these platforms often varies in terms of duration and stability, and the growing presence of international platforms might also create jobs abroad.
- However, it is important to note that many individuals start from jobless conditions, and the flexibility offered by working with various platforms can provide valuable opportunities and mitigate concerns about job security. By embracing the evolving nature of the job market and supporting diverse employment options, South Africa can continue to foster a dynamic and resilient workforce.



The informal sector also provides viable opportunities for innovation and digital platform growth in Africa because of its economic significance. Kenya and Nigeria are spearheading the digitalisation of the informal sector through freelance, on-demand deliveries and financial services platforms. The informal sector (8% of GDP) in South Africa, albeit smaller than Kenya's or Nigeria's, can benefit from digital platformisation.

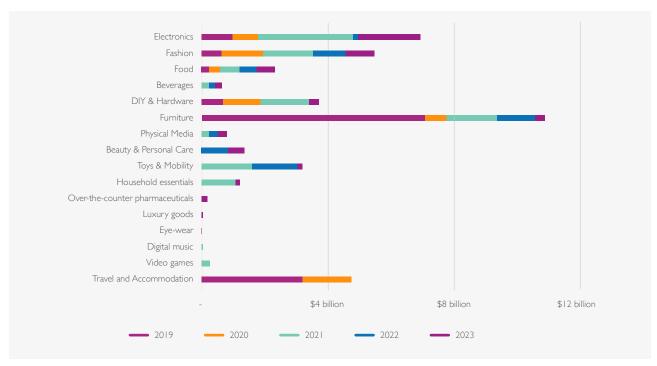


Figure 14: E-commerce spend by categories from 2019 to 2023

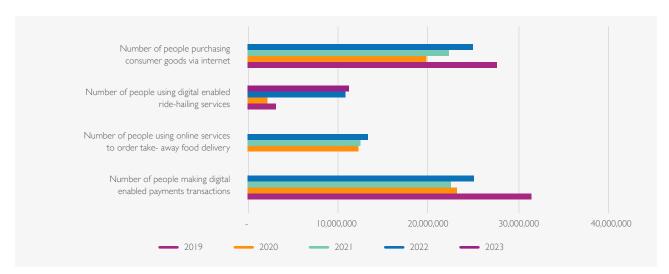


Figure 15: People engaged in e-commerce

PLATFORM OPPORTUNITIES IN SOUTH AFRICA

While digital platforms have made impressive strides across numerous sectors, substantial opportunities for growth and innovation remain untapped. As digital transformation accelerates and the market evolves, emerging opportunities offer significant potential for new and advanced B2C and B2B platforms.

South Africa and the broader African continent stand on the brink of unlocking considerable value, particularly in areas like virtual gaming. With gaming platforms already surpassing music, movies, and streaming in revenue, there is a tremendous opportunity for African innovation in this space.

The continent's rich animation talent presents a unique chance to develop and market African-themed virtual games on a global scale.

Additionally, sectors such as B2B crowdfunding and liquidity solutions are ripe for exploration. These areas offer substantial potential for creating new business models and enhancing digital transformation. South Africa can drive further economic growth and establish itself as a leader in the global digital economy. B2B crowdfunding and liquidity are some of the latent opportunities yet to be explored by independent platforms.

Table 6: Untapped Digital Platform Opportunities

E-commerce	Food Delivery	Ride/Courier E-hailing	FinTech
Agent networksSocial/group buyingOmnichannelAuctioneering	Cold chain deliveriesInformal trading aggregators	Bargain ridesCommunity-based e-hailingBackhauling	 Open banking Digital lending on individual assets or on balance sheets B2B liquidity Group savings & investments
Freelance	Travel	Classifieds	HealthTech
E-hailing transport repairsQualifications vettingCompetitive gig work bidding	Backyard room bookings	Second-hand goods marketplaces	 Quick commerce Medical records Mobile health
Gaming	Platform Curators	EdTech	
African gamesSport-results generative Al	Platform for platforms	Learning management systemsVideo-based learning	_

Source: Author compilation

PLATFORMS REGULATORY ENVIRONMENT: NAVIGATING THE BALANCE BETWEEN SUPPORTING INNOVATION AND MANAGING RISKS

The rapid pace of digital transformation is ushering in highly personalised services and innovative business models that often challenge existing regulatory frameworks. These regulations can sometimes be slow to adapt to the fast-evolving nature of digital innovations, potentially leaving gaps in addressing new risks such as cyber-crime and fraud. The swift adoption of technology in financial services also introduces systemic risks to the stability of the financial system.

Additionally, the rise of gig work is reshaping traditional notions of labour rights and job security, while the growth of global platforms brings about complexities in tax compliance and revenue collection.

However, these challenges present significant opportunities for economic growth. By collaboratively updating regulatory frameworks to better accommodate these new business models, we can support innovation while safeguarding against risks. Proactive and flexible regulation can help create a more secure and efficient digital economy, benefiting both businesses and consumers. Embracing these opportunities allows us to harness the full potential of digital transformation, driving sustainable economic progress and inclusivity.



Table 7: Digital Platforms Regulations

•	5					
Regulation	Selected issues applicable to digital platforms	E-commerce	FinTech	Freelance	E-hailing	Social media
Electronic Transactions and Communication Act	Enables customers to cancel electronic transactions or credit agreements without any reason or penalty within seven days of concluding the transaction.	✓	✓	✓	✓	~
Protection of Personal Information Act	Requires platforms to have a privacy policy stating how they collect, handle and process customer information and make businesses liable for compensation in case of damage.	✓	/	✓	✓	✓
Cybercrimes Act	Protects customers from fraud, forgery and extortion in e-commerce transactions and establishes offences in relation to e-commerce transactions.	~	✓	✓	✓	✓
Consumer Protection Act	Offers consumers the right to cancel a transaction within a specified time when the transaction results from direct marketing.	~	/	✓	✓	✓
Basic Conditions of Employment Act; National Minimum Wage Act	Entitles employees to basic conditions of work such as leave, minimum working hours and minimum wage as well as protection against unfair dismissal.	~	/		✓	~
National Land Transport Act	Enables e-hailing drivers to apply for operating licences and empowers government to regulate e-hailing prices.				✓	
Miscellaneous financial services laws e.g., Bank Act.	Require the various categories or segments of FinTechs to register as financial services providers and meet several compliance thresholds such as minimum capital.		✓			
Tax laws	Recovery of tax, prosecution of non-compliance and other enforcement actions become more complex or even impossible due to tax jurisdiction problems.	✓	✓	✓	✓	✓
Competition Act	Concerned with the monopoly positions of leading platforms, narrow price parity, below-cost pricing, and the exclusion of platforms with limited budgets/capital.	✓	✓	✓	✓	✓

Source: Author compilation

The regulatory environment in South Africa is still evolving to fully address the complexities of the digital economy. As digitalisation accelerates, there is a need for a comprehensive vision that encompasses all aspects of the digital commerce landscape. Currently, freelance workers, especially those engaged in last-mile deliveries, find themselves in a grey area regarding their classification under labour laws. This uncertainty leaves them uncertain about their rights and protections.

For instance, a recent ruling by the UK Supreme Court mandated that Uber drivers be classified as workers entitled to minimum wages and paid holidays. This decision highlights the need for clear guidelines that protect workers while adapting to modern employment models.

To address these challenges, South Africa could consider developing a regulatory framework that recognises the diverse nature of gig and freelance work. This could involve setting clear definitions and protections for different types of workers, ensuring that they receive fair treatment and benefits. By establishing a forward-thinking regulatory approach, South Africa can better support its growing digital economy and ensure that all workers are fairly represented and protected.

The treatment of platform sellers based in foreign countries remains a headache for the South African Revenue Service (SARS) as they are unable to apply the principle of permanent establishment on income tax. Similarly, Shein and Temu have been taking advantage of loopholes created by the 2007 tax concession which allows courier companies to pay a 20% flat rate on high-value, low-volume shipments instead of a full customs tax and VAT.

The potential for regulatory arbitrage poses significant challenges, particularly for digital platforms in sectors like financial services, where some platforms have circumvented established regulations. This has been evident in areas such as crowdfunding, on-demand early-wage access, and crypto investments. Additionally, the Competition Commission has yet to establish clear guidelines for when various platform segments should be subject to restrictions under the Competition Act. These gaps in regulation can create an uneven playing field, potentially disadvantaging both local and incumbent platforms.

To address these challenges, there is an opportunity for the development of collaborative and forward-looking regulatory frameworks. Regulatory sandboxes could be employed to allow platforms to operate within a controlled, temporary regulatory environment while innovations are assessed. Furthermore, fostering cooperation between digital platforms and regulatory bodies through information-sharing agreements can help keep regulations aligned with emerging market trends and innovations.

By engaging in such collaborative approaches, South Africa can ensure a balanced regulatory environment that supports innovation while maintaining fair and effective oversight.





STAKEHOLDER VIEWS

REGULATORY ENVIRONMENT

- The current policy framework shapes the platform market and the opportunities it creates.
- There have been delays in government regulation, often addressing issues only after they have emerged.
- A key concern is that South Africa might face regulatory investigations that could inadvertently stifle innovation and the growth of digital platforms. For instance, the scrutiny faced by Takealot highlights the need to support platforms that contribute significantly to digital infrastructure.
- The findings of the Competition Commission's reports are becoming less relevant as the market evolves. For instance, the emergence of new players like Shein and Temu, which were not present during previous inquiries, now pose significant challenges to local e-commerce.
- To move forward, it is essential to collaborate on developing a regulatory approach that balances innovation with effective oversight, ensuring that the evolving platform market can thrive.
- Regulations must create the right environment and importantly be sensitive to the level of local market development as overly stringent regulations can pose challenges for established businesses and hinder their growth from infancy to maturity.

GROWTH CONSTRAINTS AND CHALLENGES

The growth of South Africa's digital platform economy is supported by a robust ecosystem with significant potential.

While the current focus has been on platforms serving the affluent and urban markets, this offers a strong foundation for future expansion. By leveraging the existing ecosystem, there is an opportunity to broaden the reach of digital platforms to include diverse demographics and regions. Embracing this broader vision can drive inclusive growth and enhance the overall impact of the digital economy across South Africa. Notwithstanding the significant strides made in improving digital infrastructure, there remain persistent disparities between urban and rural communities in affordability and accessibility (Nagendra, et al., 2012). Kehinde and Jere (2022) highlight that rural residents often lack formal education and struggle with digital skills. High costs for mobile devices and technology further widen the digital divide, leaving these communities more excluded. Marginalised groups typically face greater barriers to accessing both the devices and skills required for digital platforms compared to their more privileged counterparts (Carla et al., 2021). This has a knock-on effect on the number of customers and business users that transact on the digital platforms. Therefore, there is an urgent need for initiatives that will specifically focus on bridging the ruralurban digital divide to ensure that entrepreneurs have an equal playing field.

Miscellaneous challenges specific to South Africa's digital platforms market:

 Racial diversity and inclusion in digital platform startups. Most of the digital platforms reviewed in this report are male and white-dominated. The Competition Commission found that Naspers Foundry's funding of R780 million was disbursed to 23 founders, of whom only 13% were black and 8% were

- women, highlighting the gender diversity problems facing South Africa's startup venture capital landscape.
- The rapid growth of digital platforms in limited platform categories is leading to market saturation.
- The ecosystem revolves around big players and venture capital funders who incubate/fund small platforms with a view to acquiring them (early exit).
- Digital platforms are not responsive to the developmental needs of customers and value-chain players.
- The limited discoverability of digital platform startups undermines their intermediation function.
- The rural and township economy remains predominately cash based.

The proliferation of rural and township shopping malls reinforces in-store shopping and thus indirectly delays the process of digital transformation.



STAKEHOLDER VIEWS

GROWTH HURDLES

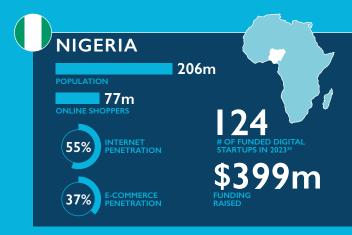
- There is an exciting opportunity to enhance support for platforms addressing social issues in rural and township areas.
- While current economics may present challenges, there is significant potential for growth. By improving internet access, making smartphones more affordable, and reducing data costs, more people can participate in the digital economy.
- Addressing basic payment challenges, such as the lack of bank accounts for online transactions, can open new avenues for platform sales and inclusivity.
 These efforts can help expand the reach and impact of digital platforms across all communities.

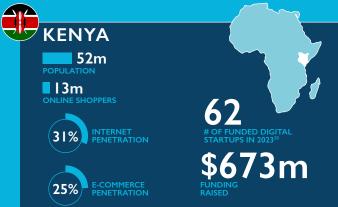


DIGITAL PLATFORMS IN KENYA AND NIGERIA DRIVE INCLUSIVE INNOVATION

E-commerce users in Africa are expected to reach over half a billion people in 2025, representing a 40% penetration rate. Nigeria and South Africa lead with the highest internet and e-commerce penetration but Kenya attracts larger funding.

In 2023, African digital startups in Africa raised approximately \$2.9 billion in funding declining from \$4.2 and \$4.4 billion in 2021 and 2022 respectively. Of the \$2.9 billion raised in 2023, 60% was equity financed while the remainder comprised debt and a small portion of grants. South Africa accounted for 20% of the digital startups, trailing Kenya, and Egypt. Funding raised by Nigerian startup platforms in 2023 is lower, but the overall total funding raised over a five-year period since 2019 suggests a high funding appetite. Both Nigerian and Kenya dominate in the platforms that have raised more \$100 million in funding since 2019 of which the majority are in the FinTech space.





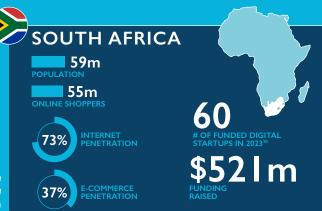


Figure 16: Overview of the digital platform markets in South Africa, Kenya and Nigeria

Source: Author compilation





Internet and digital connectivity context

Kenya is regarded as one of the top-most continental hubs for innovation and digital platforms. The country is at the forefront of mobile broadband connectivity, financial tech services, mobile money and banking; and has a robust ICT infrastructure. It has six submarine cables and 900km of backbone, metro, and last-mile connectivity (Ministry of ICT, 2022). The country's ability to evolve rapidly and embrace digital technology has created a vibrant digital platform ecosystem. There are approximately 17.8 million internet users and 66 million mobile subscribers (Pharaon, 2023).

Internet connectivity in the country has inspired economic growth, with the ICT sector expected to contribute 7% to the nation's GDP (ITA, 2022). It is expected that 50-55% of jobs in Kenya will require digital skills by 2030. Access to affordable broadband internet by households remains a challenge due to limited last-mile coverage by service providers and costly internet services (KIPPRA, 2023). The country has less than 30 000km of optic fibre linking 57 towns across the country (KIPPRA, 2023). There are several telcos licensed to provide 4G and 5G services. With the massive rollout of 5G mobile technology, Kenya is on the path to democratising its digital market.

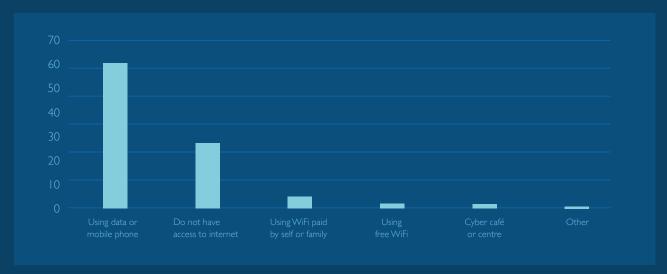


Figure 17: Common ways to access the internet in Kenya

Digital connectivity in the country has also brought positive developments to the SMME sector which contributes an estimated 30% to the GDP by enabling businesses to reach a wider customer network through online marketplaces and social media. According to Pharaon (2023), the digital ecosystem in Kenya has also seen development of digital payment systems and mobile financial services and has streamlined transactions and contributed to the financial inclusion of previously unbanked sectors of the population. The UNCTAD Business-to-Customer E-commerce Index ranked Kenya 89 out of the 151 countries surveyed (Word Bank Group, 2019). Statista (2022) predicted that Kenya's e-commerce revenue would reach approximately \$4.2 billion by 2027 (Statista, 2022). Kenya ranks 58th globally based on availability, affordability, relevance, and readiness of the internet by the Inclusive Internet Index (2022).

Local platform economy landscape

Kenya is, arguably, Africa's leading innovation hub with the potential to thrive in the digital economy (Fairwork, 2023). Research conducted by IOL on digital labour platforms found that the e-commerce market grew by 66% in 2020 and estimated that B2C e-commerce market would grow by 15.3 % to reach US\$2.3 billion in 2023 (IOL, 2022). The Insite2Impact (2020) survey found that Kenya had 62 active digital platforms servicing 49.6 million people. At least 50% of these platforms were homegrown and mostly operating in the freelance and shopping sectors, while a few others were beginning to emerge in rental and courier services. The sectoral distribution of the platforms is dominated by transportation and retail, as shown in Figure 19. Customers in Kenya access platforms mostly through web browsers and smartphone apps. The number of active digital platforms continues to rise, partly influenced by the availability of venture capital.

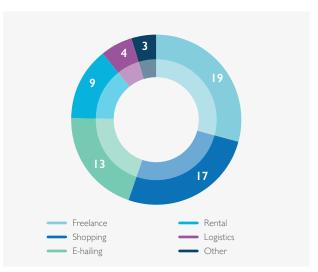


Figure 18:Active platforms by type in Kenya Source: Insight2Impact, 2020

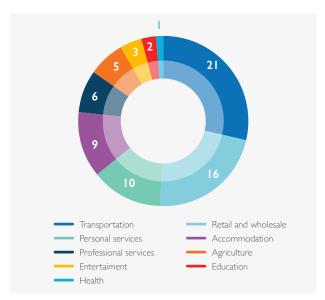


Figure 19: Active platforms by sector in Kenya Source: Insight2Impact, 2020

Table 8: Payment methods on digital platforms in Kenya

Payment Methods	How customers can pay (% of platforms)	How providers can receive payments (% of platforms)
Cash	39	38
Account	9	58
Mobile	57	42
PayPal	31	29
Debit Card/ Credit card	83	46

Source: Insight2Impact, 2019. Africa's digital platforms and financial services. An eight country overview

Kenya's platform economy was valued at \$109 or 0.2% of GDP and employed over 35,000 workers in 2019.

This employment rate is anticipated to grow at a rate of 33% annually, employing over 90,000 workers by the end of 2023. Kenya has several platforms operating in different sectors, with over 23 platforms in the ridehailing sector alone. This impressive growth is stimulated by local technology companies and startups which are creating solutions for the highly informal local economy and pushing back against international players in the ride-hailing and on-demand delivery categories (Fairwork, 2023). Over 95% of businesses in Kenya operates in the informal economy which accounts for 32% of GDP and 83% of total employment. The prohibitive costs of logistics, transport and customs are adversely impacting SMEs engaging in goods-based e-commerce, including the absence of a National Address System (NAS) for digital identification (World Bank Group, 2019).

Some of the popular digital platforms in Kenya include Kilimall, Jumia and Kapu, some of the largest e-commerce online shopping platforms in Kenya. Jumia was formed in 2012 in Nigeria and gradually established a presence in other African markets including South Africa and Kenya.

The platform has introduced innovative ways to reach rural markets through sales agents (JForce) who place orders on the platforms on behalf of other people, for a commission. As a result, the platform has seen considerable growth in rural orders. However, at the same time, Jumia shut down its on-demand food delivery services in Kenya, joining startups like Kune Foods and Sandy which exited the market, due to competition and failure to build a strong platform network. As with some of the popular South African platforms, Jumia has healthy financial backing, having been the first African Tech startup to list on NYSE.

Another innovative platform is Jiji, a popular Kenyan marketplace with an advanced security system that enables users to post free ads and attract buyers faster. This classified platform allows users to buy and sell phones, cars, shoes, bags, furniture, clothing and more. Avenchi, a store that initially operated a physical shop, has morphed into a vibrant online store. It is different from others because it has a large stock of smartphones, and offers a unique selection of gadgets that that are very competitively priced in the Kenyan market. Avenchi also does bulk shipping of appliances and delivers in 47 countries outside of Kenya. Naivas, a traditional brick-andmortar grocery supermarket has an online offering of 60,000 items. Another popular platform is Sky Garden, an online marketplace for Kenyan businesses which considers customers' elementary understanding of e-commerce via safe and secure payment and shipping.

Kenya's other platforms include Lynk and Hello Tractor, which connect providers and buyers of local services. KuHustle and UpWork are part of a growing number of freelance platforms while the Safari.com-owned Bonga seeks to monetise digital social interactions through integration into M-Pesa. Artisans working with Lynk have cumulatively earned \$2.5 million through jobs obtained via the platform or offers to manage larger projects. Wasoko connects drivers and mostly informal small shop

owners who order FMCG products from wholesalers. According to Osborn (2019), these drivers have increased their incomes from \$80 to \$250 per month while at the same time helping store owners reduce the costs of stock by 15%. Safeboda, one of 18 ride-hailing companies in Kenya, has managed to improve drivers' incomes and expanded into other African countries (Osborn, 2019). FinTech In Kenya is well established, as the home of M-Pesa, which saw a large transition from cash to secure

digital transactions in the country. Digital financial services in the country are well integrated into other platforms; these offer loans, credit for vendors, customers, and drivers, etc. as FinTech services become an important part of the platform market. FinTechs accounted for 25% of venture capital funding raised in 2023, followed by e-commerce platforms and AgroTech platforms at 15% and 11% respectively.



Picture of e-hailing Boda in Kenya Source:The Economist

Platform market dynamics

The Kenyan platform market is relatively small and trading volumes are low, despite startup platforms often presenting an explosive picture of increasing numbers of users. There are not enough digitally enabled users with sufficient disposable income to support overly ambitious growth. A substantial portion (40%) of the population still prefers cash for payment making it difficult to increase online transactions.

According to Kenya's Vision 2030, the country aspires to make Kenya a globally competitive and informed society that participates effectively in the knowledge-based economy.

Startups sometimes develop digital platforms without strong demand for them among a wide customer base, which in turn limits their ability to scale. Some of the startups tend to present overstated valuations to secure funding. This gives an incorrect picture of the size or maturity of the market. With the reality of a thin domestic market, Kenyan platforms scale by venturing into other African markets immaturely, burning cash in the process and struggling to recover. Many end up scaling down operations or exiting the market completely. By way of example Wasoko, Twigga and Jumia ran into financial problems leading to staff lay-offs while Reja-Reja and Zumi, (both B2B platforms), Wefarm and Sendy (logistics platform) closed. Copia (an e-commerce platform targeting middle- and low-income customers) is one of the latest platforms to shut down after expanding into Uganda in 2021 and raising \$20 million in Series C funding in 2023. Despite the in-country presence of several large technology companies, many Kenyan startups often lack access to international markets and to significant engagement with multinational tech companies within

Kenya which would facilitate cross-border business partnerships and access to a broader market.

While the government of Kenya sees the digital economy as a means to grow Kenya's economic base and increase international trade, the landscape is currently dominated by one large player Safaricom rather than a diverse group of commercial and social enterprises. Continuing this trajectory may hinder the development of digital services that would serve more diverse market segments. Characterised by unpredictability, increasing taxation, a considerable level of administrative bureaucracy, and regulatory opacity, the market environment may limit continued innovation and the expansion of local companies.

Regulatory environment

According to Kenya's Vision 2030, the country aspires to make Kenya a globally competitive and informed society that participates effectively in the knowledge-based economy. Vision 2030 identifies ICT as a key enabler in the achievement of economic pillars and a critical factor in driving economic, social, and political development in Kenya. Policy efforts by the government include the establishment of various strategic policy and legislative frameworks; The Kenya Vision 2030; Digital Economy Blueprint; National ICT Policy; National Digital Masterplan; National Cybersecurity Strategy and National Payments Strategy. Government says these are key in developing a knowledge-based economy.

The Kenyan government has developed a 10-year 'Digital Masterplan 2022-2032' to ensure that the country's technological advancements keep up with global technology advancements and to keep the digital economy of the country on a growth path. The key pillars of the 2022-2032 Masterplan include digital infrastructure, digital government service, product, and data management, digital skills, digital innovation, enterprise, and digital business (Ministry of ICT, 2022).

Few Kenyan startups have matured and up scaled in the famously innovative and entrepreneurial culture of Nairobi's Silicon Savannah. Startups face uncertain regulatory policies, shortages of affordable financing, limited market reach, and shortages of necessary human capital. Working conditions and labour rights have also been a priority interest as there have been growing worries that workers in the platform economy are unprotected and work under precarious conditions. Regulatory uncertainties have slowed down the expansion of FinTechs. In 2022 the Central Bank of Kenya (CBK) instructed all financial institutions to cut ties with the Fin Techs, citing threats to the country's financial system. As a result, Flutterwave and Chipper Cash have been operating within a regulatory grey area and subjected to investigation, raids, and an assets-freeze by Kenyan authorities on allegations of money laundering. This regulatory vacuum is surprising in that Kenya was one of the first African countries to introduce a regulatory sandbox in 2019.

The Kenyan government has developed a 10-year 'Digital Masterplan 2022-2032' to ensure that the country's technological advancements keep up with global technology advancements and to keep the digital economy of the country on a growth path.



NIGERIA DIGITAL PLATFORM LAB OF AFRICA



Internet and digital connectivity context

Nigeria has a considerable internet audience; the country has one of the youngest and largest populations (approximately 200 million) on the continent. The country has an internet penetration rate of 51% with the number of internet users estimated at 109 million (Statista, 2023; Oxford Business Group 2023). Like its counterparts, South Africa and Kenya, Nigeria has a high penetration of mobile internet with over 84% of internet traffic coming from mobile devices. Connectivity and the digitalisation surge have had a profound and positive impact on both the society and economy of Nigeria. With a projected population forecast of 400 million by 2050, the digital platforms market holds exciting prospects for the country. High mobile phone usage indicates limited access to faster and more affordable broadband connectivity (Statista, 2023).

The country acknowledges that the digital platform ecosystems provide opportunities to modernise its economy in ways that will benefit businesses, public service and job creation. The long-term policy aim of the Nigerian government is to 'harness technological capabilities to diversify the economy and reduce dependence on hydrocarbons' (Oxford Business Group, 2023). Sector-specific roadmaps and strategies to boost digital infrastructure and broadband coverage encourage telecommunications players to invest in connectivity and in coverage of rural areas. Nigeria's government has been proactive about investing into 4G and 5G technology.

Local platform economy landscape

Digital platforms in Nigeria leverage the large economies of scale and network effects emanating from the country's large population size. The observed experience of the benefits of digital platforms in Nigeria stems from the ability to innovate around the informal economy representing 58% of the GDP. (World Bank Group, 2019). Digital platforms serve people, businesses, and governments in all sectors including healthcare, education, transportation, public benefits, and commerce.

According to Insite2Africa (2020), Nigeria has the second highest number of platforms in operation with 73 000 average monthly users per platform. Nigeria accounted for the largest share of platform workers in Africa with 60% or 4.8 million workers (World Bank Group, 2019). Research conducted by Insight2Impact (2019) found that 76% of the platforms that operate in Nigeria are homegrown, making it the country with the highest percentage of homegrown platforms (66 platforms). Shopping, freelance and rentals are the most popular platforms. As with Kenya, most of these platforms are concentrated in transportation, retail and wholesale, and personal services serving approximately 76.7 million active customers (Statista, 2022). Figures 20 and 21 show the distribution of digital platforms in Nigeria as per Insight2Impact (2019) assessment.

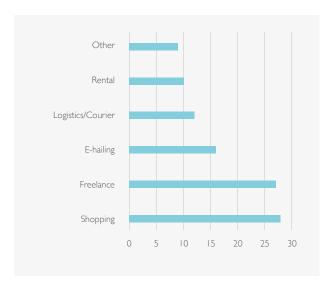


Figure 20: Active Platforms by type in Nigeria Source: Insight2Impact, 2019

Table 9: Payment methods on digital platforms in Nigeria

Payment methods	How customers can pay (% of platforms)	How providers can receive payments (% of platforms)
Cash	39	36
Account	35	68
Mobile	21	П
PayPal	15	4
Debit card/ Credit card	89	6

Source: Insight2Impact, 2019

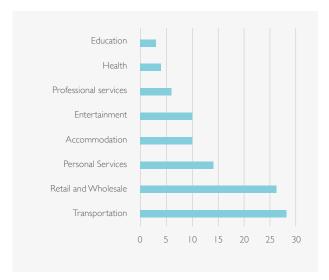


Figure 21: Active Platforms by sector in Nigeria Source: Insight2Impact, 2019

Platform market dynamics

Lagos is at the heartbeat of digital platforms in Nigeria; it was the only city in Africa featured in the 2019 Global Startup Ecosystem Report as a startup ecosystem that could challenge the leading 30 global ecosystems. With over 700 active startups, the Lagos ICT services cluster is valued at over \$2 billion. Andela, an on-demand talent placement startup from Lagos, attracted \$24milion in funding from the Chan Zuckerberg Initiative (Adetunji et al., 2017).

Outside of Lagos, the digital platforms ecosystem is thriving in Abuja, Port Harcourt, Kaduna, Kano, and other places. The current platform ecosystem is led by FinTechs, e-payment, social media, e-commerce, education, agriculture, health and legal services (World Bank Group, 2019). In 2016 alone, the investment funding for Nigerian

startups in FinTechs was more than \$100 million. This has since grown to \$399 million in 2023. Some of the country's big venture capital investment deals include funding for Flutterwave, Paystack (payment processing), Konga and Moove (revenue-based vehicle finance and financial services platform). Flutterwave has grown to

become one of the few African digital platform unicorns, as it continues to expand throughout Africa and beyond. A SWOT analysis below shows that despite challenges experienced by digital platforms in Nigeria there are strengths and opportunities the country can leverage.

Table 10: SWOT analysis of the digital platforms market in Nigeria

Strengths	Weaknesses
 Core government systems Digital services Commitment of government to support ICT 	 Lack of digital IDs Government lacks systems to measure quality of service Data localisation requirements Lack of infrastructure Quality and cost of mobile services
Opportunities	Threats
 National Digital strategy e-Government represents huge growth opportunities for startups Open Data policy and action plans Central portal for government services. 	 Institutional structure Privacy and data protection Interoperability Tax system for startups Constraints affecting ICT hubs OTT impact on revenues of telecom companies

Source: World Bank Group, 2019

The National Startup Portal initiative by the Nigerian government, which offers support to local startups, has achieved much since its inception in 2023 such as registering 12 948 companies, 912 venture capital investors, I 735 angel investors and 925 incubators, accelerators, and hubs. Some of the Nigerian platform gazelles include PiggyVest, a company expanding access to affordable financial services in a country where only 40% have a formal bank account and saving its users upwards of \$7.5 million (IFC,2019). Kobo360 connects drivers to cargo owners, reinventing the way goods are moved, and cutting transport times by days (IFC, 2019). Other general e-commerce platforms include Konga and Jumia, Drinks. ng and Foodlucker and classifieds like Jiji. This last platform leads the pack for classifieds in Nigeria and in 2019 the

company acquired OLX, its major competitor in Nigeria and other African countries. The company also acquired auto-classified platforms like Cars45 in 2021 and Ghanaian competitor Tonaton in 2022 (Awosanya, 2022). PayPorte started out in 2014 as a platform selling items like books, gadgets and clothing and pivoted to fashion items in 2018, before merging with Yudala, an omni channel e-commerce platform (Awosanya, 2022).

Jumia, a Nigerian-based e-commerce platform, is the biggest in Africa, attracting over 32 million visitors a month (Gopaldas, 2023). The platform operates across 10 African countries selling products including electronics, homeware, fashion, and groceries and expanding into logistics, hotel, travel, food delivery and payment services, etc.

The company was listed on the New York Stock Exchange and raised \$196 million in 2019. Jumia, however, has has never turned a profit and reported losing as much as \$227 million in 2022 (Gopaldas, 2023). The company reported that its fulfilment expenses (cost to ship and deliver orders) were \$1.6 million higher than its gross profit, but it still has a balance sheet that is free of debt. Jumia is the only platform on the continent with publicly available figures on its active users. Over the years, the

e-commerce space has seen declining interest as investors and regulations favour the booming FinTech market. FinTechs in Nigeria are taking advantage of the regulatory gaps there to go into financial services that are highly regulated. However, platforms do face the harsh reality of a weak economy, low disposable income and limited scale. In 2023 alone, nine Nigerian platform startups announced closure.

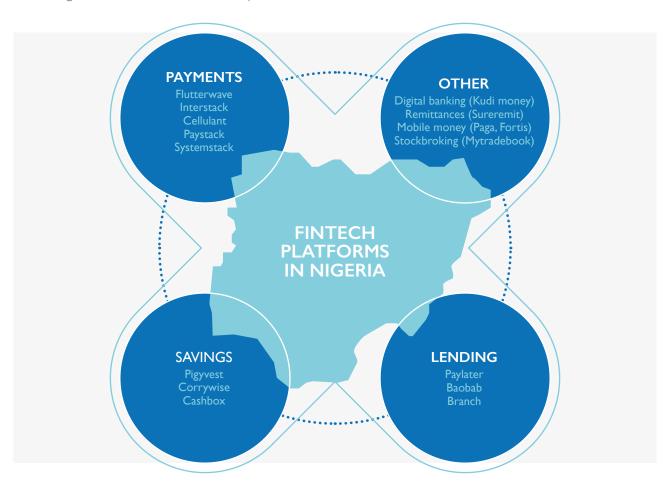


Figure 22: FinTech Platforms in Nigeria Source: World Bank, 2019

Table 11: Nigerian Platforms that exited the market in 2023.

Platform	Disclosed funding	Lifespan	Platform segment
54gene	\$45 million	2019 - 2023	Health/Biotech
Pivo	\$3 million	2021 - 2023	FinTech
Zazuu	\$2 million	2018 - 2023	FinTech
Lazzerpay	\$1 million	2021 - 2023	Crypto
Bundle	\$0.5 million	2019 - 2023	Crypto
Spych	\$0.1 million	2021 - 2023	Software
Hytch	-	2021 - 2023	Logistics
Okadabooks	-	2013 - 2023	Media/publishing

Source: Afridigest, 2024

Regulatory environment

The National Digital Economy Policy and Strategy 2020-30 is central to the government's plan to diversify the economy away from its dependence on oil- and gasrelated activities. Public entities are tasked with executing the strategy, working to develop a regulatory framework, improve digital literacy and capabilities, boost hard and soft digital infrastructure, expand digital services, promote, and develop local content, and harness emerging technologies for the creation of a digital society.

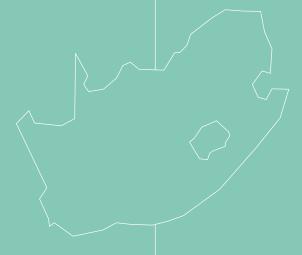
The NCC formulated the National Broadband Plan 2020-25 to facilitate the implementation of the aforementioned strategy. By 2025 the NCC aims to deliver download speeds of 25 Mbps in urban areas and 10 Mbps in rural areas. Additionally, it is targeting minimum coverage of 90% of the population by that time. In pursuit of those goals, the NCC has licensed private telecoms infrastructure companies to extend broadband penetration.

There have also been negative developments that have adversely affected the platform economy in Nigeria, for instance., the introduction of adverse regulatory measures in February 2019 that may have hindered new entrants and the growth of existing platforms. Nigerian regulators imposed a ban on all forms of commercial motorcycles (okada) in 15 local government areas (LGAs), which caused heavy restrictions on the activities of bike-hailing platforms such as MAX, Gokada and ORide in Lagos. According to data from Insight2impact's systematic review, e-hailing platforms account for a fifth of all transactional platforms in the country, and the impact of these measures was felt not only by operators but also by commuters and workers. According to Mhlongo et al. (2024) Nigeria's e-commerce sector has faced challenges related to regulatory frameworks that did not initially address the unique aspects of digital entrepreneurship. In response, ongoing efforts are being made to review and adapt regulations to foster a more enabling environment for e-commerce businesses.





Despite their typically lean business models, digital platforms can make substantial contributions to GDP. This can create job opportunities, support adjacent industries in the value chain like warehousing, freight logistics, delivery vehicles, goods and services – all while fostering a digitally skilled workforce, ready to meet the demands.



ECONOMY-WIDE AND FIRM-LEVEL IMPACT OF DIGITAL PLATFORMS

The assessment of the economic contributions of Naspers and the selected digital platforms to the South African economy is based on computable general equilibrium (CGE) macro model.

Standard features of the model are borrowed from the dynamic recursive version of the CGE model developed by Decaluwé et al. (2013) and used in Mabugu et al (2015, 2024). The latter is modified to include key features related to aspects of Naspers and digitalisation. First, Naspers and digital/platforms economy industries needed to be defined and identified through a Naspers and digital/platform economy establishment survey that was conducted.

We opted for a targeted Naspers and a subsample of digital platforms to use for the required data and all estimations were based on this data. With this data, we subtract the new digital/platform totals from the totals of the parent industry to create for instance the digital/platform agriculture and remaining conventional agriculture industries.

The model further sought to simulate the labour demand effects of increased digital platform productivity.

The study finds that digital platforms have the potential to add R91.4 billion or 1.38% to the South African economy by 2035 representing a rise from 2% point to 4% points of the wholesale and retail trade sector value added contribution. This contribution would require a combination of rapid digital transformation and customer adaptation growth and faster economic growth to reach annualised sales growth of up to 25%.

Naspers's contribution to the South African economy

Naspers contributed R12.9 billion to aggregate demand in 2022, translating into a R535 million tax contribution or 0.03% of total taxes and R1,471 billion household income or 0,03% of total household income. It directly contributes to a 0.471% reduction in the costs of doing business and a reduction of 0.6% point to the overall cost of living measured by consumer purchasing prices reduction.

Table 12: Naspers and its South African businesses' contribution to the economy

Total contribution	2022	2029	2034
GDP	R2,000,000,000	R31,150,000,000	R91,000,000,000
Taxation	R535,000,000	R5,300,000,000	R10,700,000,000
Notional FTE jobs at R12K pm	26,282	210,256	341,666
Notional FTE jobs at R26K pm	12,126	97,008	157,638

Takealot Group contribution	2022	2029	2034
GDP	R1,863,121,885	R 29,018,123,357	R84,772,045,762
Taxation	R498,385,104	R4,937,272,995	R9,967,702,084
Notional FTE jobs at R12K pm	24,483	195,866	318,283
Notional FTE jobs at R26K pm	11,296	90,369	146,849

Homefind (AutoTrader and Property24) contribution	2022	2029	2034
GDP	R100,045,384	R1,558,206,860	R4,552,064,985
Taxation	R26,762,140	R265,120,268	R535,242,806
Notional FTE jobs at R12K pm	1,315	10,518	17,091
Notional FTE jobs at R26K pm	607	4,853	7,885

Pay U contribution	2022	2029	2034
GDP	R36,832,731	R573,669,783	R1,675,889,253
Taxation	R9,852,755	R 97,606,737	R 197,055,110
Notional FTE jobs at R12K pm	484	3,872	6,292
Notional FTE jobs at R26K pm	223	1,787	2,903

Source: model results

FTE - Full time equivalent Taxation - direct and indirect

CONTRIBUTION TO SOCIOECONOMIC **TRANSFORMATION**

Naspers and its South African businesses contribute to the country's socioeconomic transformation goals through investment in skills, enterprise, supplier, and socioeconomic development. These programmes can address some of the growth constraints and labour market limitations, if well consolidated and targeted across all platforms companies.

Table 13: Naspers's and its companies' contribution to socioeconomic transformation policies – 2022

Spending on skills	R26,000,000
Enterprise Development	R13,589,750
Supplier Development	R15,967,451
Socioeconomic development	R9,240,954

Source: survey data

Takealot Driver Team (TDT) provides income support to 16 600 drivers or 56 000 household members.

Employment in the digital platform economy

The labour demand implied by the rise in value in value added contribution from two to four percentage points translates into 341 668 (of which 283 584 or 83% are direct and 58 084 are indirect) notional Full Time Equivalent (FTE) jobs assuming an average monthly wage of R12 000 or 157 693 (130 885 are direct and 26 808 are indirect) when assuming an average monthly wage of R26 000.

Since the model assumes that the levels of employment in an industry are directly related to output, it is possible to estimate the value of output (in monetary terms) of a sector and employment in that sector (in physical terms). Thus, the model suggests that an increase in aggregate demand stimulate employment by 11 jobs in Naspers and digital platforms while it creates 27 jobs in wholesale and about 10 jobs in hotels and restaurants.

Table 14: Employment multiplier matrix by sector

Sector	Total
Naspers-Digital Platforms (DPs)	0.01099
Agriculture	0.00959
Mining	0.00937
Construction	0.00930
Manufacturing	0.02037
Wholesale	0.02717
Hotels and Restaurants	0.00961
Services	0.03740

Source: model results

Takealot Group value to customers and business users

Beyond the broader economic benefit, Naspers platform businesses generate value for business users and customers. The figure below indicates the surplus created by the different Naspers platforms over a five-year period. Accordingly, Takealot business and consumer surplus are estimated at R700 000 and R4 500 respectively. Embedded in these value estimates are some of the benefits highlighted earlier such as discoverability, secure transactions, and convenience.



Figure 23: Value to business users



Figure 24: Value to customer

Source: Author compilation

^{*}Note that the surplus values are based on average figures that may skewed by individual size users.

CASE STUDY

Takealot Township Economy Initiative

The Takealot Township Economy Initiative amplifies the business and socio-economic developmental impact of digital platforms through market-based innovation. This initiative highlights the significance of communityembedded businesses and local knowledge in creating opportunity avenues for people with limited exposure to the digital platforms value chain. The township franchise development programme is likely to unlock the value of unused township commercial properties, catalyse townships as fulfilment centres for other platforms and restore trust in township e-commerce. The integration of township manufacturers into the Takealot marketplace provides immense opportunities for business growth

and local economic development, especially developing townships into self-contained labour markets. Taking advantage of these opportunities will require significant improvements in product development, technical expertise to develop globally appealing products and investment in small-scale manufacturing.

The Takealot Township Economy Initiative is a partnership with the Gauteng Provincial Government and that ambition is to create 20 000 jobs across the province by 2028, through the implementation of the 6 programmes as described below:

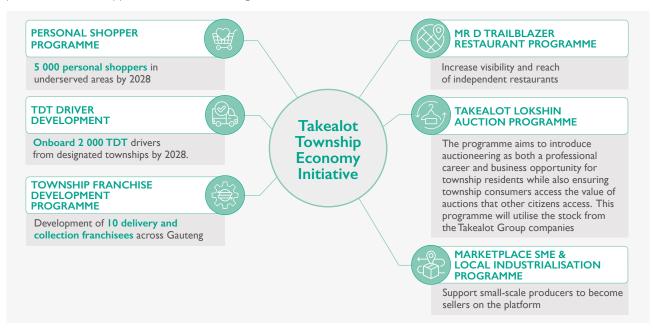


Figure: 25 Source: Author compilation

CASE STUDY

Naspers Labs

By adopting a long-term view, Naspers's investment in training and development contributes to job creation and the skills base needed to realise the benefits of digital platforms and broaden meaningful participation in the economy.

Naspers Labs is a youth social impact programme that focuses on empowering and training young people with in-demand digital skills necessary to thrive in the rapidly evolving digital economy. The programme is based on the belief that embracing digital transformation and investing in youth development is crucial for South Africa's future. The programme provides work readiness training and work placement opportunities in high-demand digital fields to and underemployed youth across South Africa. Key training and employment areas include cybersecurity, IT support, software development, data analytics, Artificial Intelligence, and Internet of Things (IoT), among others.

In collaboration with respected partners like Afrika Tikkun (celebrating 30 years since its establishment) and CAPACITI, Naspers Labs tailors training programmes that impart both hard skills (such as coding and data analytics) and soft skills (like adaptability and critical thinking). This comprehensive approach aims to ensure that graduates are not only job-ready but also equipped with a 'digital-first' mindset crucial for driving innovation in both public and private sectors.

The programme bridges the gap between theoretical knowledge and practical application, preparing youth for a variety of technology-enabled roles and opening doors to new career opportunities that contribute to sustainable development.

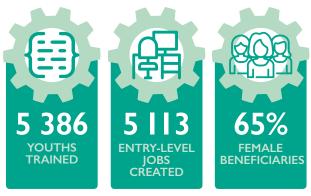


Figure 26: Naspers Labs impact (as of FY24)
Source: Author compilation

The goal of Naspers Labs is to empower the next generation to harness the full potential of digital technologies, paving the way for innovative solutions and a resilient economic future for South Africa.





CONCLUSION

The conversation in South Africa about digital platforms illuminates the country's potential to achieve vital economic growth, create innovative products and services, generate export revenue, and enhance international competitiveness. This comprehensive report has integrated three approaches to provide a holistic picture of the role of digital platforms and Naspers in South Africa. The research further explored an overview of the underlying platform environment, macroeconomic analysis to estimate socio-economic impact, and a user-based valuation method to estimate value created by the digital platform (Naspers) for both individual customers and business users.

Furthermore, the report highlights that digital platforms in South Africa have become essential to the country's economic and social fabric, providing significant benefits while also presenting hurdles that need serious attention and actions to ensure that the potential of platforms is maximised. In retail, finance, education, transportation, and beyond, platforms have driven innovations, enhanced efficiencies, and expanded access to products and services. In this context, e-commerce is thriving, while other platform segments are only starting to emerge. Platforms have empowered all kinds of businesses, including

Platforms have empowered all kinds of businesses, including township businesses, by offering them new opportunities for growth and market accessibility.

township businesses, by offering them new opportunities for growth and market accessibility. Elsewhere in Kenya and Nigeria, platforms are revolutionising the informal economy and exploring expansion into other African countries. The urge to scale faster and a combination of underestimated market limitations results in early exits that are likely to deter investment. However, the persisting issues surrounding digital platforms across all regions require continued and collaborative efforts to ensure that the benefits of digital platforms are shared and significantly contribute to inclusive growth. This report calls for a collective between business, government, civil society, and other digital platform ecosystem players who will work towards faster digital transformation; an increase in digital skills and infrastructure investment; adaptable regulatory framework an inclusive digital platform market.

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