



# OUR DIGITAL HORIZON



## EXECUTIVE SUMMARY

The Economic Opportunity of Digital Platforms in South Africa

# 2024



**NASPERS**



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**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.**

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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.

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**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.**

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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.

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**R91.4  
BILLION**  
by 2035

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, platforms use-cases, reach and adaption 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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