

**E-commerce: pay attention to ‘competition’**

Continuing with the theme of e-commerce policy framework, it appears that the emphasis is placed more on “growth” rather than on creating a “sustainable foundation” for a viable, trustworthy digital ecosystem. The policy documents talk a good game on boosting Pakistan’s “competitiveness”, but there is no mention of how “competition” will be ensured in the e-commerce retail markets.

As highlighted in this space on occasions past, it is essential to have robust competition in place, to build consumer trust in online shopping of goods and services. It is the repeated consumer “trials” of online shopping that can increase “familiarity” with how things work online, which in turn will garner more user “trust” in the system. Short of competition, customers will be at a greater risk of being let down.

Enough disgruntled customers and the viral nature of negative word of mouth can thus end up hurting long-term growth of the digital platforms. Therefore, the argument that the sector is in its infancy and needs a benign regulatory touch does not hold water. It is time for the commerce ministry, which is the lead government body on the e-commerce policy, to pay attention to the aspect of competition.

Now, the competition in the e-commerce space is a complex subject. Enforcing competition in brick-and-mortar retail markets is hard, but it is even harder to do so in the online space. But there is local expertise available. Back in September 2017, at a multi-stakeholder seminar organized at the Competition Commission of Pakistan (CCP) that was also attended by BR Research, complex issues related to e-commerce competition were not only identified but also understood to be relevant for the local market.

Building on similar insights, what becomes clear is that the digital platforms cannot be left to their own devices and consumers cannot be left to fend on their own. While everyone is gung-ho about the prospects of a digital economy, perhaps there is a need to temper the optimism and do something about the potential for bad behaviour on the supply side affecting uptake on the demand side.

There are a number of ways in which users can be at the receiving end. For instance, one of the ways through which price discrimination can occur is when different consumers have to pay different prices for the same product. That can happen in real time, thanks to pricing algorithms that are based on personal data and geographical location. Hence, the role of digital comparison tools becomes very important.

Competition is also diluted when manufacturers demand online sellers to fix prices or provide a range in which to list prices. Similarly, consumers can be worse off if the purchase of an in-demand or high-quality product ties up the online platform with

another item from the same manufacturer. Also, 'digital cartels' can also be formed, invisibly, thanks to price-imitating software that tracks competitor prices in real time.

Additionally, as quest for user data is the new gold rush, the authorities ought to assess future mergers and acquisitions in the sector also on the basis of how much user data is being hoarded under one corporate hood. There is already some concern that the Chinese acquisitions of Daraz and Easypaisa in recent years have exposed Pakistani user data in the absence of personal data protection laws.

Since CCP has institutional expertise in cracking down against anti-competitive behaviour like deceptive marketing practices, abuse of market power, cartelization, as well as evaluating M&As, the commerce ministry should more actively involve the competition watchdog in creating a solid foundation for the sector's development. A collaborative approach is the need of the hour. Otherwise, damaging consumer protection issues will crop up over time amid regulatory ambiguities, sapping e-commerce potential.