



***E-Commerce in Singapore - How it affects the nature of competition and what it means for competition policy***

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# **E-Commerce in Singapore - *How it affects the nature of competition and what it means for competition policy***

## **Introduction**

1. What do RedMart, Zalora and Lazada have in common? These are all new online businesses that have emerged in Singapore over the past four years, along with many other entrepreneurial start-ups in the fashion, beauty, electronic and food sectors. E-Commerce activities have intensified competition in Singapore, enabling businesses, consumers and even the government to benefit from more choices, lower prices and better services.
2. E-Commerce can facilitate entry and expansion into markets. Companies are able to bypass traditional limitations in Singapore, such as high rental cost, manpower shortages, and small domestic market size using e-Commerce channels. As a result, both new and existing companies are utilising online sales channels to grow their businesses. Evolving business models are changing the nature of competition between traditional and new businesses; as well as between local and foreign businesses.
3. In light of the above trends and the potential competition issues<sup>1</sup> arising from the increase in e-Commerce activities, the Competition Commission of Singapore (“CCS”) commissioned a research report to understand the development and characteristics of e-Commerce, the specific competition issues that e-Commerce activities can give rise to and the implications for competition policy and law in Singapore.<sup>2</sup> For example, what has spurred this increase in innovative businesses? How can we ensure that the Singapore economy continues to benefit from e-Commerce activities? This paper sets out key insights from the research conducted by our consultants, DotEcon Ltd (“Consultant”).

## **What is e-Commerce?**

4. E-Commerce is commonly understood as the simple activity of buying and selling products and services over the internet. Indeed some companies, particularly in retail, have developed an additional online sales channel, as well as leveraged on online advertising and online trading platforms, like eBay and Amazon, to attract buyers and sellers. There are different types of e-Commerce transactions; for example between businesses and consumers (“B2C”); amongst businesses (“B2B”); between government and businesses (“G2B”); and amongst consumers that make use of e-Commerce platforms<sup>3</sup> like Carousell (“C2C”).

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<sup>1</sup> For example, CCS reviewed a merger between two online recruitment advertising service providers (Jobstreet.com.sg and JobsDB.com.sg) in 2014. CCS granted a conditional approval of the merger following behavioural and divestiture commitments.

<sup>2</sup> DotEcon “*E-Commerce and its impact on competition policy and law in Singapore*”, October 2015. The research paper can be downloaded from <https://www.ccs.gov.sg/media-and-publications/publications/occasional-papers>

<sup>3</sup> An e-Commerce platform connects buyers and sellers online. They are a form of intermediary, connecting different types of users on each ‘side’ (e.g. a marketplace with buyers on one side and sellers on the other). For example, an online B2C marketplace is analogous to shopping malls in the brick-and-mortar world, except that buyers and sellers transactions are facilitated by or completed online.

5. E-Commerce also covers activities that support those online transactions, such as payment systems and logistics for the delivery of goods and services. Businesses have evolved to provide a number of supporting services, such as warehousing solutions, digital marketing and freight and delivery of goods sold online. Without such infrastructure, online sales cannot thrive and the convenience of transacting online may be lost. This paper and our Consultant's report primarily, considers how B2C and B2B transactions and the necessary e-Commerce infrastructure, affects the competitive landscape in Singapore.

### What is the significance of e-Commerce in Singapore?

6. E-Commerce is important in Singapore because it delivers benefits to businesses and the economy through the creation of new growth channels. The Singapore Government ("Government") recognises this growth potential and is keen to invest in innovation and internationalisation by local firms, as well as assist them in rethinking their growth strategies.<sup>4</sup>
7. Local businesses are encouraged by government agencies, such as SPRING Singapore, to revamp their business models through adopting technology and expanding their e-Commerce activities to help boost productivity and increase sales. E-Commerce also allows Singapore businesses to reach a wider pool of customers outside of Singapore. Mr. Teo Eng Cheong, Chief Executive Officer of IE Singapore highlighted that, *"e-Commerce is a strategic tool to help small medium enterprises ("SMEs") expand globally... will help SMEs lower barriers of entry and reduce operational costs, while accessing global markets quickly. By embracing offline-to-online channels, companies can diversify or complement their distribution channels."*<sup>5</sup>
8. Singapore has become an attractive e-Commerce hub with many international companies establishing their e-Commerce operations in Singapore. Rakuten<sup>6</sup> from Japan and Taobao<sup>7</sup> from China, both of which are online marketplaces, have set up their regional headquarters in Singapore to co-ordinate sales and operations in South East Asia. These foreign players cite Singapore's strong IT infrastructure, high level of digital adoption, entrepreneurial climate and proximity to neighbouring countries as the major factors that make Singapore an ideal test-bed location to design and launch new e-Commerce services before rolling them out in the region.
9. Observers are bullish about the growth potential of online sales in the ASEAN region. A.T. Kearney reported that the combined retail value of online sales in Singapore, Malaysia, Indonesia, Thailand and Vietnam was estimated to be

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<sup>4</sup> Budget 2015, [Building our Future, Strengthening Social Security](#)

<sup>5</sup> IE Singapore(2015), [IE Singapore partners Amazon, T-mall and Lelong to help SMEs internationalise online](#). See paragraph 3.

<sup>6</sup> The Business Times(2014), [Rakuten seeking to build S'pore as its regional hub](#)

<sup>7</sup> EDB Singapore (2013), [Taobao Marketplace Arrives in Singapore, C2C online marketplace opens local presence as SEA hub](#)

US\$7 billion in 2013.<sup>8</sup> Singapore accounted for the largest share at 25%, while Malaysia and Indonesia each accounted for 20% of total sales.<sup>9</sup> A.T. Kearney expects online retail spending in ASEAN to grow by 25% annually (2013 to 2017) due to increasing purchasing power, growing internet penetration and improved online offerings in the region.<sup>10</sup> This regional growth potential has attracted both foreign e-Commerce businesses and local start-ups to base their operations in Singapore. Table 1 below shows examples of online businesses that have started operations in Singapore from 2009 to 2014.

**Table 1: Examples of entry of online businesses in Singapore**

Year of Market Entry	Firm	Industry
2009	Reebonz	Luxury products and services
2010	Qoo10 Clozette Luxola Groupon Deal.com.sg	B2C Marketplace C2C Marketplace Beauty and cosmetics Marketplace for daily deals Marketplace for daily deals
2011	NoQ Store Bellabox VanityTrove	Books Cosmetics/Groceries Beauty
2012	Kwerkee Zalora Carousell Food Panda	Home and lifestyle Fashion marketplace C2C Marketplace Food
2013	Taobao HipVan  Omigo	B2C and C2C marketplace Home furnishing, fashion accessories B2C Marketplace
2014	Rakuten Lazada	B2C Marketplace B2C Marketplace

Source: Consultant's research<sup>11</sup>

<sup>8</sup> A.T. Kearney and CIMB ASEAN research institute (2015), [Lifting the Barriers to e-Commerce in ASEAN](#)

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> Table 3 of the Consultant report

## How is e-Commerce developing in Singapore?

10. E-Commerce activities in Singapore are growing and the size of Singapore's online retail market is expected to reach S\$4.4 billion by the end of 2015 (four times the size of the market in 2010).<sup>12</sup> That said, there appears to be still room for growth in Singapore when we consider the experience of other economies. The global average of online sales as a proportion of total retail sales in 2014 was slightly under 6%, while online sales in more mature e-Commerce markets like China, the United Kingdom and the United States of America account for 10%, 13% and 6.5% of total retail sales respectively.<sup>13</sup> The Singapore Department of Statistics ("DOS") published its first report on Household Online Expenditure<sup>14</sup> and reported that, only 4% of household expenditure in Singapore is spent online. Similarly, other reports estimate that online sales account for just 4 to 5% of total retail sales in Singapore.<sup>15</sup>
11. There are a number of positive trends in Singapore that suggest that e-Commerce activities will continue to grow. Our Consultant's research highlighted the following key trends for consumers, businesses and government in Singapore.

### Consumers

12. **Singaporeans likely to shop more online.** Observers expect Singaporeans to spend more of their income online rather than offline by 2020.<sup>16</sup> There are several reasons in support of this. First, Singaporeans are technologically savvy and are always connected to the internet. The World Bank estimates internet usage in Singapore to be 82% of the population in 2015.<sup>17</sup> Further, Google noted that smartphones are used across all age groups in Singapore and Singaporeans rely on online information to find out about new products and offers.<sup>18</sup> Second, DOS cited greater access to computing and mobile connectivity, computer literacy, combined with the availability of online shopping, as reasons for the increased take up of online shopping.<sup>19</sup>
13. **The rise of mobile-commerce.** The way that Singaporeans shop is expected to be affected fundamentally by the increase of "mobile-commerce" ("m-Commerce"). Singapore's high smartphone penetration and internet coverage is providing fertile ground for retailers to improve their online offerings. M-

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<sup>12</sup> See section 2.2 of Consultant report. Source PayPal (2011) [Online and mobile shopping in Singapore](#) and SP eCommerce (2014) [The changing face of ecommerce and logistics in Asia Pacific](#)

<sup>13</sup> eMarketer (2014), [Retail sales worldwide will top \\$22 trillion this year](#)

<sup>14</sup> Singapore Department of Statistics (2015), [Household expenditure survey 2012/2013 – Observations on prevalence of online purchase](#). 11,050 households (headed by a Singapore citizen or permanent resident) were surveyed.

<sup>15</sup> A.T. Kearney and CIMB ASEAN research institute (2015), [Lifting the Barriers to e-Commerce in ASEAN](#). Refer to figure 4 of the report.

<sup>16</sup> The Business Times (2014), [More Singaporeans Turn to Virtual Stores for Shopping](#)

<sup>17</sup> World Bank, [World Development Indicators Database Internet users \(per 100 people\)](#)

<sup>18</sup> Google, First Source of Product Awareness during Pre-Purchase Research, Devices Most Often Used to Come Online and Smartphone Use by Age Group [The Connected Consumer Survey](#)

<sup>19</sup> Singapore Department of Statistics (2015), [Household expenditure survey 2012/2013 – Observations on prevalence of online purchase](#). 11,050 households (headed by a Singapore citizen or permanent resident) were surveyed.



Commerce creates new opportunities for the provision of location-based services and enables consumers to use online tools (such as price comparison websites) whilst shopping at physical stores.<sup>20</sup>

14. **Singaporeans are likely to continue to shop in physical stores.** Research indicates that Singaporeans still have a strong preference to shop in store rather than online.<sup>21</sup> For instance, a survey by the Infocomm Development Authority (“IDA”) revealed that one of the top reasons for not shopping online was a “*preference to shop in person or deal personally with a service provider*”.<sup>22</sup> The preference to shop in store is also in part driven by the small geographical size of Singapore and its distinct “shopping-mall experience” culture.<sup>23</sup> However, this preference is likely to be related to the type of goods purchased. For example, our Consultant noted from interviews with grocery retailers that the general consensus is that people often prefer buying fresh produce in store rather than online, as goods are immediately available for consumption without the need to make or worry about delivery arrangements.
15. **There is a “showrooming effect” in Singapore** which means that a consumer visits a store to test a product before buying it online at a cheaper price. In Singapore, a study found that 78% of consumers use their smartphone while in store, and 89% of users think that having the option to compare and get more information via their mobile phone can affect their buying decisions. The same study found that 73% of Singapore consumers would leave a store if after researching via their smartphone, they found the product 5% cheaper somewhere else.<sup>24</sup> This suggests that consumers are likely to consider both online and in-store shopping at the same time.

### *Businesses*

16. **E-Commerce is changing businesses models.** Businesses are changing the way they transact with consumers to better meet consumer needs and to reduce their reliance on land and labour. For instance, brick-and-mortar retailers are transforming their business models to “click-and-mortar”, i.e., using an omni-channel retailing strategy (operating both online and offline) to engage consumers. This is demonstrated in the grocery sector in Singapore. Each of the four largest supermarket chains in Singapore namely, NTUC FairPrice, Giant, Cold Storage and Sheng Siong, offer online grocery retail options to shoppers. Apart from transforming brick-and-mortar business models, e-Commerce has also brought about new “e-businesses” that operate online only (also known as “pure-play”). Most notably, RedMart an “online-only” grocer started its

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<sup>20</sup> SP E-Commerce (2015) [Fashion Goes Mobile in Asia Pacific](#). For instance, SP eCommerce suggests using geo-fencing apps to offer location specific deals and offers to customers as one of the m-commerce strategies retailers can deploy.

<sup>21</sup> CBRE (2015), [Shopping in-store still a popular method to buy products: CBRE Consumer Survey shows](#)

<sup>22</sup> IDA Singapore, [Infocomm usage in households and individuals surveys](#).

<sup>23</sup> Our Consultant noted that shopping in Singapore is viewed by many as a social activity, often enjoyed by most rather than considered a chore. Further, it is generally easy and quick to get to stores and malls which have a good range of products available. Refer to Section 2.2.3 of the Consultant report.

<sup>24</sup> Marketing Interactive (2014), [How mobile is contributing to showrooming](#)



businesses in Singapore in 2012 and expanded its range to include fresh produce in 2014.<sup>25</sup>

17. **E-Commerce allows businesses access to a wider geographic pool of customers.** Businesses are no longer constrained by the geographic limitations of physical stores as they can sell their products to more customers locally as well as overseas through e-Commerce channels. Carousell<sup>26</sup> and Charles and Keith<sup>27</sup> are examples of how Singapore businesses have expanded beyond Singapore using e-Commerce channels.
18. **Traditional intermediaries are displaced by new intermediaries.** The travel sector is a clear example of how e-Commerce radically affects business models and markets. While traditional travel agents continue to play a role in the travel industry, this role is much diminished in Singapore. As more consumers turn to the internet (e.g. online travel websites and airline websites) to make travel bookings, the scope for travel agents to value-add shrinks if they are unable to differentiate themselves.<sup>28</sup> New intermediaries like Wego, a web aggregator that compares prices across online travel booking sites, are becoming popular amongst consumers due to their convenience in searching for the best deals across different online booking websites. The same phenomenon is observed in the taxi industry in Singapore. An online poll by the Straits Times indicated that GrabTaxi, a taxi-booking app that connects commuters with taxi drivers, was the most popular mobile taxi app receiving 45% of votes.<sup>29</sup> This is more than double the votes for the incumbent taxi company, Comfort DelGro's in-house mobile app which attracted 21% of votes.
19. **Some sectors have experienced a greater increase in online sales.** There are already examples of sectors in Singapore where e-Commerce is flourishing. According to DOS, travel (air-tickets, hotel bookings and package tours) and clothing account for the largest share of household expenditure online. Other survey findings confirm that fashion and travel are the top two online retail categories in Singapore. Table 2 shows a summary of various survey reports on the top retail categories for online shopping in Singapore.

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<sup>25</sup> Refer to Annex A.1 of the Consultant report for a case study on the Grocery sector in Singapore.

<sup>26</sup> The Establishment Post (2014), [All Abroad the Carousell E-Commerce Expansion in Asia](#)

<sup>27</sup> Luxury Insider (2015), [In conversation with Charles & Keith CEO Charles Wong](#)

<sup>28</sup> Refer to Annex A.2 of the consultant report for a case study on the Travel sector in Singapore.

<sup>29</sup> The Straits Times (2014), [GrabTaxi, Comfort DelGro flagged as most popular Straits Times online poll](#)

**Table 2: Top five retail categories for online shopping in Singapore**

Nielsen Global (2014)	The Paypers (2014)	IDA (2013)
Air tickets (70%)	Clothing, shoes and accessories (65%)	Clothing, footwear, sporting goods or accessories (68%)
Tours/Hotel reservations (69%)	Travel (56%)	Travel products (34%)
Clothes (52%)	Technology and consumer electronics (54%)	Event tickets (31%)
Electronic equipment (26%)	Movies and music (% not available)	Food or groceries (15%)
Mobile Phones (26%)	Beauty and cosmetics (% not available)	Computer equipment (10%)

Sources: Nielsen Global, The Paypers and IDA<sup>30</sup>

\*Percentages in parenthesis represent the percentage of survey respondents who indicate that they have made an online purchase in that category.

### Government agencies

20. **Government agencies are supporting and facilitating e-Commerce in Singapore.** The Government has designed policies and schemes to encourage business to adopt and consumers to use e-Commerce services.<sup>31</sup> In fact, the Government's e-Commerce initiatives kicked off in the mid-nineties with the 1996 e-Commerce Hotbed Programme. More recently, government agencies have introduced various initiatives to help businesses in Singapore establish e-Commerce strategies locally and abroad.
21. **Assistance for local companies going abroad.** In July 2015, IE Singapore announced its partnerships with US-based Amazon, China-based T-mall and Malaysia-based Lelong. Such collaborations are intended to help local SMEs gain access to global and regional online platforms, as this would allow them to expand their businesses.<sup>32</sup>
22. **Assistance for SMEs to develop e-Commerce capabilities.** Against a backdrop of tighter labour conditions and rental costs, SPRING Singapore and other agencies, as part of Budget 2015 initiatives, are developing a common platform to help SMEs carry out e-Commerce activities (e.g. warehousing, managing inventories and order fulfilment online) across various online marketplaces.<sup>33</sup>

<sup>30</sup> Table 1 of the Consultant report

<sup>31</sup> See Annex C of the Consultant report.

<sup>32</sup> IE Singapore (2015), [IE Singapore partners Amazon, T-mall and Lelong to help SMEs internationalise online.](#)

<sup>33</sup> The Straits Times (2015), [Singapore Budget 2015 Shared e-commerce and HR platforms for SMEs to pool resources.](#)

## What are the opportunities and challenges for businesses?

23. The rise of e-Commerce activities in Singapore affects the nature of competition in a variety of ways, bringing about both opportunities and challenges for businesses. Opportunities brought about by e-Commerce activities have the potential to create new growth prospects for Singapore-based businesses.
24. **Reduces physical entry barriers.** E-Commerce removes the need to incur the start-up costs for a physical shop within a specified location. For example, RedMart, has been able to compete against the large supermarket chains in Singapore without incurring costs for “high foot-traffic” store fronts. E-Commerce also creates opportunities for new intermediaries. This trend can be seen from the entry of third-party taxi booking apps such as GrabTaxi, Hailo, and UberTaxi that are competing against booking services provided by traditional taxi operators, but do not own a fleet of taxis. Further, online B2C marketplaces like Rakuten, eBay, Amazon and Qoo10, have made it easier for small businesses to sell their products online through their website, enabling these companies to gain access to a wide pool of customers that visit the marketplace.<sup>34</sup> That said, there may still be online barriers to entry and expansion as new online marketplaces would have to establish a critical mass of users to compete effectively with incumbents that have a larger user base.
25. **Cost savings from transforming supply chains.** Retailers can reduce their distribution costs in a number of ways through e-Commerce. One of which is through “drop-shipping”, where the online retailer passes customer orders directly to wholesalers/manufacturers to fulfil the order without having to stock any physical products. In Singapore, websites like Blogshop Singapore and Cleo-cat fashion offer drop shipping services for fashion products.<sup>35</sup> Other businesses have sought to streamline their costs by investing in or acquiring businesses operating along different parts of the supply chain. For instance, Lazada, an online B2C marketplace, has invested in developing an in-house logistics network rather than relying on existing logistics providers.<sup>36</sup> Logistics providers like SingPost have embarked on forward integration, launching online B2C marketplaces (e.g. Omigo) to participate in the sales distribution of products.<sup>37</sup> In some industries, cost savings in the supply chain have been achieved through bypassing intermediaries and offering services directly to end-consumers. A common example is the travel industry, where online hotel and flights have reduced the need for travel agents.<sup>38</sup>
26. **Enables businesses to offer consumers a greater variety of products and services.** Compared to brick-and-mortar stores that have limited shelf/store space, businesses can promote and sell a wider range of products online as the cost of stocking and “displaying” products is low. Further, online businesses can

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<sup>34</sup> Refer to Annex A.3 of the Consultant report for a case study on B2C marketplaces in Singapore.

<sup>35</sup> See Cleocat Wholesale Fashion, [Home Business and Dropship](#) ; and Blogshop Singapore, [Drop-shipping Program](#).

<sup>36</sup> Financial Times (2015), [Asean consumers deliver opportunities for logistics groups](#)

<sup>37</sup> Singapore Business Review, [Why Omigo could be SingPost's answer to e-commerce craze](#)

<sup>38</sup> Refer to Annex A.2 of the Consultant report for a case study on the Travel sector in Singapore.

stock products that have both high and relatively low demand. This is evidenced by the wide variety of products listed for sale on online marketplaces.

27. **Provides an additional sales channel to grow business.** Brick-and-mortar businesses can benefit from having physical stores as well as online sales channels as they can capture more sales from online shoppers. These “click-and-mortar” businesses in Singapore also afford shoppers the opportunity to buy online and pick up the product in-store. Interestingly, pure online retailers are moving into this form of “omni-channel retailing”. For example, RedMart may offer the option to buy online but consumers can “pick-up” the products at physical locations. Online retailers, like Zalora, have started “pop-up” stores in brick-and-mortar shop-fronts to allow consumers to look at their products and shop online in-store, using Zalora’s computers and tablets.<sup>39</sup>
28. **Enables shopper convenience in comparing product features and prices.** Aggregator websites (e.g. agoda.com for hotel bookings, skyscanner.com for airline bookings) and online B2C marketplaces<sup>40</sup> (e.g. Qoo10) allow buyers to compare product features and prices for the same type of product/service. Making use of this information, consumers are better informed about the quality of the products and services than they would be shopping “offline”. This means that businesses have to compete harder to differentiate themselves online through price and/or quality.
29. **Large online platforms can provide greater user benefits.** Consumers and businesses tend to be attracted to larger platforms as businesses benefit from the increase in the number of potential customers; and consumers benefit from the increase in the range of retailers. As such, large online platforms may deliver significantly greater value to users e.g. in terms of search comparison results than their smaller counterparts.
30. E-Commerce activities also present challenges for businesses especially if they are faced with anti-competitive conduct. For example, an established online marketplace may hinder the growth of a new online marketplace by requiring retailers to exclusively list products on its website or to always offer the lowest price on its marketplace vis-à-vis new online marketplaces. Such conduct can reduce competition and stifle innovation. Competition policy and law plays an important role in ensuring that our businesses and consumers benefit from e-Commerce activities in Singapore and the ASEAN region. In light of the implications of e-Commerce on competition, our Consultant surveyed the extant economic and competition law literature on e-Commerce to determine if CCS’s assessment frameworks can adequately address e-Commerce related competition matters that may arise in Singapore.

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<sup>39</sup> Vulcan Post, [Online Shopping Site Zalora’s Pop-up Store Brings Click-And-Mortar to Life!](#)

<sup>40</sup> Refer to Annex A.3 of the Consultant report for a case study on the B2C marketplace sector in Singapore.

## Making e-Commerce markets work well

31. To-date, CCS has worked on a number of e-Commerce related competition cases, one of which is the acquisition of JobStreet Singapore by Seek Asia Investments.<sup>41</sup> CCS concluded that the Jobstreet merger may reduce competition giving rise to price increases and/or exclusive contracts that could harm customers. However, the merger was cleared following behavioural and structural commitments which would preserve competition, choice and innovation in the online recruitment advertising services market.
32. Our Consultants concluded that our competition law and analytical frameworks are generally well suited to address e-Commerce-related competition issues. This is consistent with the views of competition authorities in the Organisation for Economic Co-operation and Development (“OECD”) which are in agreement that existing competition assessment frameworks are valid and can be adapted to assess e-Commerce activities though emphasis on specific competition issues may change.<sup>42</sup>
33. Further, our Consultant noted that the competition concerns raised by e-Commerce activities are not specific to e-Commerce settings. However, some features and issues are likely to be more prevalent in online markets which may require particular attention when CCS conducts its assessments.<sup>43</sup> These include the following:
  - **It is important to recognise the different users of an online platform.** Online platforms act as intermediaries and connect a number of different users to facilitate transactions; these are known as “multi-sided platforms”. Examples include online B2C marketplaces, online job portals, hotel websites, search engines, third-party taxi booking apps and online restaurant booking services. In conducting competition assessments it is important to understand the characteristics of the platform, the different user groups (e.g. advertisers and reader), how the users interact (e.g. directly or with the platform only), to help define the relevant market(s) in which competition is most likely to be affected.
  - **Online price information could facilitate collusion.** While online shopping websites make it easier for consumers to compare prices between suppliers at their own convenience, it is possible that such price information could make it easier for companies to collude and fix prices. For instance, companies may use sophisticated systems to monitor their competitor’s online prices to ensure that they do not undercut their rivals. This could result in consumers paying higher prices and diluting the benefits of searching for competitive prices online.

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<sup>41</sup> CCS (2014), [CCS publishes reasons for conditionally approving the proposed acquisition of JobStreet Singapore by SEEK Asia Investments](#)

<sup>42</sup> See Annex B.2 of the consultant report for a literature survey of the *Vertical Restraints for On-Line sales (OECD Policy Round Table, 2013)*

<sup>43</sup> See Section 4 of the Consultant report.



- **Customer data may become an important source of market power** as new entrants may find it difficult to replicate information collected by incumbents in the course of their normal business activities, thereby creating a barrier to entry and expansion. Online sales data enables a business to gather and analyse more detailed information about consumer demand patterns. While this can benefit companies in providing more targeted product and service offerings, it may encourage anti-competitive conduct. For example, it is possible that customer information collected by incumbents in some circumstances may constitute an “essential facility”, if there is no alternative information available, and may thus be considered as a significant entry barrier.
  
- **Online vertical agreements<sup>44</sup> may be harmful to competition** especially if they restrict online sales and delay the development of innovative services. An example of an online vertical agreement is the Most Favoured Nation (“MFN”) and price parity clauses.<sup>45</sup> While these agreements may bring about benefits in the form of brand protection and enhanced value of the intermediary/platform,<sup>46</sup> they can have the effect of dampening price competition. In Singapore, the Competition Act (the “Act”) exempts vertical agreements from the section 34 prohibition of the Act.<sup>47</sup> Our Consultant highlighted that this may be problematic in relation to online platforms, especially if the upstream platform provides a service to a downstream seller and also competes with the downstream seller. The competition impact of these online vertical agreements and the extent to which they occur in Singapore is an area where further research is required.<sup>48</sup>
  
- **The market may “tip” in favour of a small number of large e-Commerce platforms.** While there are benefits from having large online platforms, the strong network effects<sup>49</sup> may mean that competition becomes *for* the market. This means that the most successful online platform is rewarded as the market tips in its favour, making it difficult or even impossible for new entrants to compete against the incumbent. However, our Consultant noted that if consumers frequently use a number of different platforms or alternatives,

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<sup>44</sup> Vertical agreements are between firms at different levels of the supply chain that specify terms under which the parties may purchase, sell or resell certain goods or services.

<sup>45</sup> Agreements between a platform (e.g. price comparison website) and sellers, that restrict sellers’ ability to offer lower prices through other sales channels (e.g. on other price comparison websites).

<sup>46</sup> See Section 3.4 of the Consultant report and CCS Paper [“Anything wrong with asking for the best price?”](#)

<sup>47</sup> CCS recognises that most vertical agreements have pro-competitive effects, which outweigh the potential anti-competitive effects. To reduce the compliance costs imposed on businesses to determine whether their vertical agreements infringe the law, vertical agreements are excluded from the Act. CCS will conduct periodic reviews on the scope of the exclusion and may recommend changes if any particular type of vertical agreement gives cause for concern. The Minister may, by order, bring such a type of agreement under the provisions of section 34 of the Act.

<sup>48</sup> CCS also published a research paper on MFN clause titled [“Anything wrong with asking for the best price?”](#)

<sup>49</sup> Network effects occur where the value of a product or service to an individual user depends on the number of users.

namely, “multi-home”<sup>50</sup>, this could facilitate the entry and expansion of competing platforms.

## Conclusion

34. Our Consultant concluded that the increasing role played by e-Commerce does not necessarily call for a more or less interventionist approach by competition authorities.<sup>51</sup> Given the dynamic nature of e-Commerce related markets, there are no hard and fast rules on whether and how to intervene – and how quickly. For example, in rapidly changing markets, any market power gained may be temporary and interventions by competition authorities may risk stifling long-term innovation and investment. Interventions should be targeted and made on a case-by-case basis, balancing potential competition concerns with efficiency benefits and the risk of creating market distortions.
35. A robust and enlightened competition regime forms the enabling framework to achieve CCS’s vision of a vibrant economy with well-functioning markets and innovative businesses. CCS will continue to embark on future endeavours similar to the e-Commerce study, to understand key market developments and their implications on Singapore’s competition law and assessment frameworks. CCS will continue to work with our stakeholders such as businesses, government agencies and our ASEAN counterparts to foster a culture of competition.

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<sup>50</sup> Multi-homing reduces the power of platforms as users (such as businesses and consumers) on both sides of the platform, use more than one type of platform to interact or transact.

<sup>51</sup> See section 5 of the Consultant report.