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**Competition Hurdles in Digitisation Journey of MSMEs**

*Presentation*

*Mr. Johannes Bernabe,  
Officer In-Charge Chairman,  
Philippine Competition Commission*

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# Competition Hurdles in Digitisation Journey of MSMEs

**Johannes Bernabe**

*Officer In-Charge Chairman*

*Philippine Competition Commission*



# **Accelerated Shift to Digital Platforms**

# The pandemic revealed the importance of going digital, especially for MSMEs

## *Digital Wave*


Pandemic has pushed forward the digital revolution by at least 5 years

## *Economic Recovery*

Ability of MSMEs to board the digital economy present the strongest opportunity for inclusive economic recovery

## *What Going Digital Means*

1. Visibility beyond immediate community > expanded market
2. Direct connection with consumer
3. Access to wider local and international value chains
4. Increased possibility of scaling up operations

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# **Competition Issues in the Digital Shift**

# 'First Mover' Digital Platforms

Going digital means  
**inevitable**  
**engagement** with  
prominent/dominant  
digital platforms

## *Contestability issues with 'first movers':*



**Big Data as barrier to entry**



**Gatekeeper Platforms**



**Network effects**



**Zero-price Products and Services**

# Big Data, its Network Effects and Competition

## *Impact on Competition for the Market*

- First movers/Dominant players access to subscriber data
- Data on consumer preferences and habits
- Ability to influence behaviour
- Ease of replicability of data

# Rise of Gatekeepers

## *Discrimination against MSMEs*

Online Platforms can engage in **self-preferencing**

- Not new, practised by large supermarkets which sell under 'white'/private labels

**Restriction of market access engagement** to unfavored MSMEs

## *Unfair Treatment*

**Abusive terms** given to MSMEs which inhibit effective growth

- - 30% > 15% app fees to Apple/Alphabet (Google)
- - in the Philippines, 30% transaction charge for restaurants joining online platforms: **prohibitive for MSMEs**





# **Role of Competition Authorities**

# 5-Way Approach for the PCC

## *Advocacy towards MSMEs*

To increase awareness of anti-competitive behavior in the digital space.

Report practices of platforms which may be abusive

## *Capacity Building*

Enhance understanding of staff of competition issues

## *Collaboration*

Mainstream competition in other government agencies actions

**MSMEs**

**Digital Platforms**

## *Cooperation*

Increased cooperation with other competition authorities to learn and enforce, including cross-border digital cases

## *Education*

Provide clear guidance on permissible conduct to reduce uncertainty

## *Dos and Don'ts?*

## *Import of FRAND*

Enforcement of Fair, Reasonable and Non-Discriminatory terms on transactions



# PHILIPPINE COMPETITION COMMISSION

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*Ensuring businesses compete and consumers benefit*

*[www.phcc.gov.ph](http://www.phcc.gov.ph)*