

Digital Comparison Tools Market Study:

Response form

1. Thank you for taking the time to respond to the questions in the Statement of Scope for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 29 September 2016.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 October 2016**, either by:
 - Email to: comparisontools@cma.gsi.gov.uk.
 - Or by post to: Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London WC1B 4AD
3. Please note:
 - You can choose which questions to respond to, but we ask all respondents to provide a small amount of background information at the start of this form. The boxes will 'expand' to accommodate long responses if required.
 - We are particularly keen to receive evidence in support of responses. If you are able to supply evidence please attach this with your response.
 - We intend to publish responses to our Statement of Scope in full. If you wish to submit information that you consider to be confidential, this should be indicated to us clearly and an explanation given as to why you consider it to be confidential.
 - The CMA may use the information you provide for the purposes of facilitating the exercise of any of its statutory functions. This may include the publication or disclosure of the information. Prior to publication or disclosure, in accordance with its statutory duties under Part 9 of the Enterprise Act 2002, the CMA will have regard to (among other considerations) the need to exclude, so far as is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if disclosed, would or might, in our opinion, significantly harm the individual's

interests or, as the case may be, the legitimate business interests of that business (confidential information). Further information about how the CMA will use information submitted during the Market Study can be found on our [website](#).

4. If you have any questions about our Market Study or this online form please contact the team at comparisontools@cma.gsi.gov.uk.

Your details

(Fields marked * are required)

Title*	Mr
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Forename	Gary
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Surname*	Davess
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Email*	
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What is your role / profession*	Director, Personal & Speciality Lines / General Insurance
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Are you representing yourself or an organisation?*	Y ourself / An organisation (please delete as appropriate)
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No (please delete as appropriate)
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If you are representing an organisation:

(a) What is the organisation's name?*	Allianz Insurance plc
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*
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Allianz Insurance plc is one of the largest general insurers in the UK. It offers commercial insurance with a range of products for sole traders to large commercial organisations. It also provides private car and home insurance through a broker network, as well as corporate partner arrangements that include private car, home, pet and mobile phone insurance. Direct offerings include pet and equine insurance, musical insurance and legal protection insurance distributed through bespoke solicitor schemes and business partnerships.

Allianz Insurance plc is a supplier to DCTs (either directly or indirectly through Broker / Corporate Partner relationships) across various general insurance products.

Theme 1: Consumers' perceptions, use and experience of DCTs

We will analyse consumers' awareness, understanding and perceptions of DCTs – for instance, how well consumers understand and/or trust DCTs, and what this means for whether they use them.

We also want to understand consumers' behaviour and experiences with DCTs, including what consumers expect to get from DCTs compared with what they actually receive. We will also look at whether they use DCTs just to compare products and suppliers or also to switch; how many DCTs they use; how successfully they use them; and the benefits they derive from doing so. We will also want to understand what happens when something goes wrong and consumers' expectations are not met (knowingly or otherwise). We also plan to understand whether increased use of DCTs results in excessive focus on price, to the exclusion of other factors and to the detriment of consumers' overall decision-making.

1. When and why do consumers use DCTs? To what extent do they trust them?

- Triggered event (e.g. new car) or decision to shop around shortly prior to renewal of existing product or poor claims experience.
- Curious shoppers – people wanting to get a sense / idea of what a certain type of purchase would cost to insure.
- Consumers use DCTs to get a sense of price comparisons across what is perceived to be the market (although in reality there will be some key brands / suppliers missing) or enough to be confident they are getting a good deal.
- To save money.
- Convenience – they can achieve in a matter of minutes what previously would take hours.
- A sense that they are in control.
- To enter into a prize draw.
- Consumers trust DCTs to the extent of well-known / advertised organisations (TV) and willing to provide / trust them with personal data by providing such information once in order to access market quotations.

2. How do consumers choose which and how many DCTs to use?

- Individual consumer choice as to which and how many to use, but TV advertising / awareness draws people to the “big” names.
- Can be attracted / influenced by special advertising / additional rewards on offer, e.g. cashback.
- May use more than one to ensure best / extended market coverage and comparison.

3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?

- Expectation the DCT is providing extensive, if not full, market coverage and sufficient to be confident they are getting a good deal.
- Consumers often see themselves as having a primary relationship with the DCT and secondary relationship with suppliers at time of purchase.
- DCTs pulling together market comparisons based on one data capture process, saving time from a consumer perspective.

4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?

- Data capture process is generally quite straightforward.
- Some questions can be more difficult to answer and (some) consumers can be unsure of the consequences of getting them wrong.
- Experiences of saving money / potential to save money by being presented with cheaper market prices - not always from Suppliers / Brands that consumers would necessarily recognise.
- DCTs have traditionally been very price focussed and although moves made to improve product / benefits / post sale service comparisons, there is still room for improvement to ensure consumers are making a balanced decision on which quote / supplier to select. This extends to other fees and charges, such as instalment plan surcharges, service / administration fees, etc.
- Improve transparency of DCT's terms and conditions, e.g. so that consumers are clear with regards to how long and for what purposes their personal data will be used for, for example, credit searches by the DCT.

Theme 2: Impact of DCTs on competition between suppliers of the services they compare

A critical test of DCTs' impact is whether they are improving or hindering competition between suppliers. A major way of improving competition is increasing engagement through reducing search costs. We plan to understand this effect and whether anything may be hindering it.

We also want to explore the relationships between DCTs and suppliers and to know whether DCTs are having effects on supplier behaviour. For example, we want to explore the impact of DCTs on the range, quality and pricing of their services, and the extent to which this leads to better or worse outcomes for consumers. We also want to understand the extent to which DCTs facilitate supplier entry or expansion.

5. What factors influence suppliers' use and choice of DCTs and why?

- Scale of potential lead generation and demographics of customers attracted.
- How well the DCT matches / indexes to attractiveness from a firm's underwriting and pricing perspective.
- Quality / reliability of risk data captured from consumers in order to use full underwriting and pricing capabilities in risk assessment process and generation of final price.
- Assessment of whether a DCT can fully convey a value added proposition which goes beyond an initial price / commoditised product positioning.
- Willingness to accept and act on feedback / incorporate an ongoing improvement process of the customer journey.

6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?

- Makes it relatively easy for suppliers to enter the market without really having a brand, particularly if price is what is important to the consumer.
- Firms can attract consumers based on very competitive price points and at same time de-risk marketing outlays by relying on DCTs taking overall marketing risk and paying DCTs on a cost per sale basis.
- Initial consumer engagement / acquisition is one aspect which can be effective, but longer term sustainability of pricing levels, together with post-delivery of service (particularly claims), will be proven over time.

7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?

- Very competitive pricing for screen position has resulted, with overall excess levels being a variable / part determinant.
- The need for very competitive initial pricing on the core product has also led to additional focus by suppliers on the potential for add-on products / income and service / administrative charges to ensure the overall commercial economics can work.
- Competitive position itself may vary between annual and monthly premium displays based on different instalment plans available from suppliers.
- Quality and range of products tend to reflect the commoditised nature of what is expected through the initial price displays.

However, where product / quality differentiation can be displayed by a DCT to a consumer, it will tend to influence suppliers to focus attention on such aspects to get the best alignment / advantage from how the display works on the DCT.

8. What are the barriers, if any, to DCTs increasing competition between suppliers, and how can these be overcome?

- Allowing / controlling multi-brand building by some suppliers with little product / price differentiation, in order to acquire more positions in the 1st page display to consumers.
- Ownership of a DCT by a supplier can also:
 - Create an environment where the DCT could be more minded to promote that supplier's products. Consumers on the whole are unlikely to be aware of this relationship.
 - Benefit the owner/supplier should the DCT be minded to supply it with data on consumers' buying behaviours, etc.

9. In what ways, if any, have DCTs changed suppliers' approach to consumers - for instance in terms of whether they treat consumers who use DCTs differently to those who do not?

- Whilst initial DCT and WEB Direct consumers will be anchored to the same initial new business prices (in order to meet commercial / contractual obligations with DCTs), acquisition costs, subsequent claims performance, retention rates and the like will determine the longer term channel economics and how consumer cohorts are then priced at renewal.
- If users of DCTs are considered sensitive to price, this information could be used to segment them to the detriment of other customers - risk of price discrimination and/or cross-subsidy becoming more widespread as firms improve their understanding of, and ability to react to, consumer behaviour.

Theme 3: Competition between DCTs

We will aim to establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they compare. If not, we will explore what may be holding back competition in any particular market.

We will explore how DCTs compete both for consumers and for suppliers. We will assess what well-functioning DCT competition looks like, and the potential for DCTs or suppliers to engage in practices that limit this.

10. In what ways do DCTs compete with each other – for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?

- DCTs compete on the basis of marketing appeal / incentives and levels of savings that could be made in order to encourage consumers to shop around.
- Once on the digital site DCTs try to make the customer application process as easy / quick as possible to arrive at the display of prices available. The data capture process is generally quite straightforward, but some questions can be more difficult to answer and consumers can be unsure of the consequences of getting them wrong.
- Cross-selling opportunities due to minimal input / effort by consumer, e.g. consumer applies for motor insurance quote from which certain personal details can be extracted for a home insurance quote without the need to re-enter.
- Increasing functionality towards broader comparison criteria and not just on price.

11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?

- Ability to compete is primarily driven by success of the brand and digital marketing to drive consumer traffic to the site.
- The DCT's ability to attract supplier brands that are 'trusted' by consumers.
- Consumers' perception that the DCT can provide a comparison across the whole of market or at least enough to be confident they are getting a good deal.
- Ease of use by consumers and level of supplier / market coverage to be able to convert quotes to sales.

12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?

- No significant barriers to competition between DCTs, however, marketing spend and subsequent brand awareness has had an impact on a competitor's ability to be able to break into the "big four".

Theme 4: The regulatory environment

There is a range of regulation of DCTs in place across our sectors of interest, from full regulation in financial services to voluntary accreditation in the telecoms and energy sectors. We will provide an overview of the different approaches to regulation being adopted and assess whether there are lessons to be learnt from comparing approaches.

13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?

- None specific to note - the financial services regulator issued finalised guidance to firms on the selling of general insurance policies through price comparison websites (PCWs) in October 2011.

14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?

- Allianz has seen no evidence of this beyond the consumer protection points already raised in earlier questions, however, it is important that where a DCT is owned by a Supplier, a level playing field is maintained and competitive advantages are not being gained through inappropriate sharing of data / insights.

15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?

- None from a financial services perspective that Allianz is aware of.

In relation to all of the themes and issues set out earlier, we will look at both the current situation and the effect of likely future developments in the DCT sector.

16. Finally and in relation to all of the issues above, what likely developments over the next three years should we take into account and why?

- Extending reach into other product lines (e.g. pet insurance), which by their nature are very different to existing general insurance products offered, will require different considerations / displays of information to ensure consumers are making informed decisions.
- UK exit from the European Union – how will this impact on offering, for example, motor cover/breakdown abroad and how will DCTs ensure consumers are educated/informed on what they are/are not covered for.

Other comments and further contact

Do you have any other comments you would like to add?

- Presently DCTs give the consumer no sense as to the financial stability of the firm they will be entering into a contract with.
- The responses in this form incorporate Allianz Insurance plc's view of DCTs prior to its decision to exit the direct home and motor insurance market, as well as on-going views as a supplier supporting Broker / Corporate distribution and the use of DCTs.

Would you be willing for us to contact you to discuss your response?*

Yes / No
(please delete as appropriate)

Thank you for taking the time to complete this form.

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Or post it to:

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