

## 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](mailto:comparisontools@cma.gsi.gov.uk).
  - Or by post to: Digital Comparison Tools Market Study  
Competition and Markets Authority  
7<sup>th</sup> 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](mailto:comparisontools@cma.gsi.gov.uk).

## Your details

(Fields marked \* are required)

Title*	Mr
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Forename	Darren
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Surname*	Boland
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Email*	[ ]
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What is your role / profession*	Chief Risk Officer
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Are you representing yourself or an organisation?*	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?*	No (please delete as appropriate)
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### If you are representing an organisation:

(a) What is the organisation's name?*	esure Insurance
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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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esure Group plc is a UK-based General Insurance company focused on the UK Personal Lines Market, specifically Motor and Home Insurance. Beyond these two products the business underwrites additional coverage options for Motor. The company also offers related products such as Pet, Travel and Breakdown Insurance, underwritten by other providers.

On 13 September 2016 esure Group plc announced its intention to pursue a demerger of Gocompare.com from the Group through a separate listing on the main market of the London Stock Exchange ("LSE"). The demerger is conditional upon the approval of esure shareholders at a general meeting to be held on 1 November 2016. Following shareholder approval, it is anticipated that the demerger will become effective, and Gocompare.com Group plc will be admitted to the LSE, on 3rd November 2016.

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## **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?**

As a UK Home Insurer, our customers use DCTs for comparison when they require cover, they need to make a change to existing cover, or their policy is due for renewal, so customers are more informed as to the price they can expect to pay.

Consumers use DCTs as they're perceived as a quick and easy way to compare a large proportion of the market, i.e. 1 quote is equal to up to 100s of prices.

As a high proportion of our customer's use DCTs and they have been established since 2004, there is enough trust for a customer to return for the same or additional products.

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

Consumers choose a DCT based on marketing, word of mouth and prior use. The vast majority of the Home Insurance DCT market is driven by 4 providers; Compare The Market, Money Supermarket, Gocompare and Confused. According to a recent [ ] report DCTs account for [ ] of all Home Insurance sales, based on a peer group representative of the market.

The CMA's findings with regards to Private Motor Insurance indicate consumers on average use 2.2 DCTs before purchasing a policy, perhaps indicating consumers are aware of differences between DCTs, i.e. different products and prices. esure do not hold this usage information for Home Insurance; but based on our business model there appears to be materially less usage of DCTs for Home than Motor.

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

esure do not hold specific research to indicate, however it would be fair to assume consumers expect DCTs to provide wide market coverage, enabling them to consider product coverage and price.

Consumers understand DCTs search the vast majority of the market, therefore the concept of an insurer providing a quote response to a price request should also be understood.

**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?**

For Home Insurance, DCTs have increased competition by providing access to a wide range of insurers, meaning consumers have benefited from a wider choice of products from different insurers. Penetration of DCTs for Home Insurance is not as high as that seen in the Private Motor Insurance market.

Insurers have also had to invest in providing a smooth customer journey between DCTs and themselves.

## **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?**

Market share, marketing plans, cost per sale, panel size and target market all impact supplier interest in commercial relationships with DCTs.

The DCTs need to provide 'value for money' in relation to; relationship management time, IT build, financials and quality of business (fraud).

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

DCTs have made it considerably easier to enter the market. Once contracts are signed and links between the IT systems of the DCT and the supplier are set up, the supplier has access to many millions of quote opportunities.

Typically the supplier will only pay the DCT for each quote a consumer accepts so they essentially "pay as they go" which removes the requirement for costly speculative marketing activity to generate business.

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

Price has always been the key source of competition in esure's core business although DCTs have amplified the importance of competing on price they are also developing quality measures.

Product offerings can sometimes be designed with cheaper prices in mind in order to compete more strongly on DCTs i.e. high default excesses to reduce claims costs / prices. These sometimes form part of a set of "tiered" product offerings with higher priced / greater cover equivalents also being offered.

DCTs are however increasingly finding ways to help the consumer select products on quality measures as well i.e. Defaqto ratings are displayed by some DCTs. Increased prominence of this would help the consumer.

To clarify, esure do not offer tiered products and all of esure's products are rated 5 star by Defaqto.

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

DCTs have been effective at increasing competition between suppliers. The main barrier for DCTs is products linked in with other offerings which discourage certain consumer groups to use DCTs in the first place i.e. Mortgage providers linking in Home Insurance.

**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?**

Where narrow MFNs exist between DCTs and suppliers, they require the direct website quote to be no cheaper than those provided on DCTs, so that removes one possible key source of differential treatment. However, from a consumer perspective they would look for DCTs to offer the best price.

The vast majority of esure's new business sales are sourced from DCTs and the (relatively small) number of consumers who come to us from other sources are treated no differently.

### 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 with each other by marketing the savings a consumer can make, as well as brand appeal, appreciation and loyalty. DCTs ensure savings by making sure they have the biggest and most competitive panels.

Incentives such as; cashback, cuddly / plastic toys and cinema tickets have been used in recent years to attract consumers to certain DCTs.

[ ]

In relation to protecting consumers data, DCTs are subject to the Data Protection Act (DPA) and Privacy and Electronic Communications Regulations (PECR).

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

For Home Insurance, our prices are based on the customer data input on DCTs and our products offer the same level of cover across all the DCTs we use.

In Home Insurance the question sets are very similar between DCTs and most agree with ABI standard questions and responses.

Once the consumer is on a DCT, factors such as; ease of use, technical performance and customer journey play a greater role with regards to effective competition between DCTs.

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



Marketing spend, to support brand awareness and drive traffic to the tool, is the main expense for DCTs. Some may argue this prevents new entrants launching thereby limiting competition between DCTs, however the number of Insurance DCTs currently active ensures competition. Esure believe the ban on wide MFN clauses has increased competition between DCTs.

For Home Insurance, esure believe there is opportunity to increase DCT usage. Considering the number of private motor vehicles is broadly similar to the number of private households in the UK, there are many more Motor Insurance quotes completed compared to Home Insurance. As we referenced earlier, this could be a result of mortgage providers linking in Home Insurance with their core products.

## **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?**

As a Motor and Home focused insurance company, the regulatory environment and requirements are clear, consistent and appropriately enforced by the FCA in a strong but pragmatic manner.

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

No, the focus on value measures as well as price within the Motor and Home sector continue to enhance the competition and consumer protection requirements

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

No, there have been a number of developments and a strong but pragmatic focus on DCTs over the past few years by the FCA and this is expected to continue during 2016 and 2017.

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?**

esure believe DCTs are working well in Insurance and DCTs will continue to be an important source of new business for insurers for the foreseeable future, provided there is appropriate focus on product coverage, as well as price.

An area we are conscious of is concentration risk. Competition is currently intense between Insurance DCTs as they effectively market their respective offerings. Our initial investment in Gocompare, as well as being a commercial investment opportunity, was also to help ensure that there was completion within the Insurance DCT market, where a duopoly was forming. It is important that competition remains in place to protect the consumer and ensure an efficient operating model.

**Other comments and further contact**

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

N/A

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

Yes  
*(please delete as appropriate)*

**Thank you for taking the time to complete this form.**

**Please email it to: [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk).**

**Or post it to:**

**Digital Comparison Tools Market Study  
Competition and Markets Authority  
7th floor  
Victoria House  
37 Southampton Row  
London  
WC1B 4AD**