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21 October 2016

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

By email: [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk)

Dear Sirs,

**CMA Market Study on Digital Comparison Tools**

I refer to the market study notice published by the CMA on 29 September 2016 in relation to the CMA's market study into the supply of digital comparison tool ("DCT") services in the UK.

Gocompare.com ("**Gocompare**") is a UK price and product comparison website that enables consumers to compare the prices and features of more than 40 products in a quick and easy way. Gocompare is designed to save consumers money and help consumers make better informed decisions. Gocompare does not charge consumers to use its services. Instead, Gocompare primarily generates revenue from fees paid by suppliers listed on Gocompare each time a customer clicks through to the supplier's website and completes a transaction with that supplier. Gocompare provides fair and unbiased product comparison services and does not accept advertising or sponsored listings. Gocompare seeks to provide as comprehensive a service as possible and was the first UK insurance and price comparison website to display both product features and prices in its searches.

As agreed in previous discussions between the CMA and Gocompare's representatives, Gocompare will provide its detailed response to the Statement of Scope by 5pm on 31 October 2016.

Gocompare considers that the CMA should not make a market investigation reference in relation to the supply of DCT services in the UK for the following reasons:

- (a) The CMA can only make a market investigation reference if it has reasonable grounds for suspecting that any feature, or combination of features, of a market in the UK for goods or services prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the UK or a part of the UK.

Gocompare does not consider that there is any feature which prevents, restricts or distorts competition in connection with the supply of DCT services in the UK. By contrast, DCTs have provided significant benefits to consumers and driven competition between suppliers and are working well for consumers. In particular:

- (i) DCTs enable consumers to reduce search and switching costs by providing a platform to navigate and search across potentially complex markets and compare a wide range of quotes from suppliers.

- (ii) DCTs drive prices downwards and improve the quality and range of products on offer for the benefit of consumers by (i) reducing advertising and customer acquisition costs for suppliers, which enable suppliers to compete more effectively with each other on price; (ii) increasing transparency of pricing and product features so that suppliers must ensure their offerings are sufficiently attractive to win sales from competitors; and (iii) increasing the number of suppliers and products in the market by reducing barriers to entry and expansion for suppliers. DCTs provide suppliers with direct access to consumers at a risk-free cost (as suppliers are only charged if the customer makes a purchase from the supplier) without the need to invest heavily in advertising, which assists in levelling the playing field between smaller insurers or new entrants and the more established insurers.

Further detail about the above points will be provided in Gocompare's response to the Statement of Scope.

- (b) The CMA has already examined DCTs in detail in previous market investigations, including car insurance, the sector from which Gocompare generated ████████ of its revenue in 2015. DCTs were extensively investigated in the private motor insurance market investigation (which took more than three years from the start of the OFT's market study to the final orders published by the CMA) and Gocompare has complied with the remedies imposed following that investigation. Gocompare has also contributed to the energy and banking market investigations. It would therefore be duplicative, and burdensome on DCTs, for a market investigation to be conducted in connection with the supply of DCT services the UK.

In addition, the European Commission (the "**Commission**") has conducted a series of workshops and studies, and a wide-ranging public consultation, on online platforms. In the Communication entitled "Online Platforms and Digital Market Opportunities and Challenges for Europe" and dated 25 May 2016, the Commission identified a need for a balanced regulatory framework for online platforms. It indicated that it will explore further, together with Member States and platforms, how this objective might best be achieved. In particular, the Commission noted that it will carry out a targeted fact-finding exercise on practices which occur in the context business-to-business relations between online platforms and suppliers. By spring 2017, the Commission will determine whether additional EU action is needed. In light of this, Gocompare considers that the CMA should avoid making a market investigation reference in relation to the supply of DCT services in the UK, as this would overlap with the aforementioned activities of the Commission. Such duplication would create an unnecessary burden for Gocompare, as well as other DCT providers.

Yours faithfully,

Matthew Crummack  
Chief Executive Officer

**Market Study of Digital Comparison Tools  
CMA's Invitation to Comment – Response of Gocompare**

**1. Executive summary**

- 1.1 Gocompare.com Group plc (“**Gocompare**”) operates [www.gocompare.com](http://www.gocompare.com) (“**Gocompare.com**”), which is a UK price and product comparison website that enables consumers to quickly and easily compare the prices and features of more than 40 products. Gocompare.com is designed to help customers to save money and make better informed decisions. Please refer to section 2 below for more detailed information on Gocompare’s business and history.
- 1.2 Gocompare derives the majority of its revenue from car insurance and home insurance comparison services ([ ]% and [ ]% of revenue in 2015). Comparison services for products other than insurance (including broadband, credit cards, energy and flights) accounted for [ ]% of its revenue in 2015. Gocompare’s comparison services in non-insurance sectors are operated by white label service providers. As such, Gocompare does not have any direct relationships with suppliers in such sectors.
- 1.3 Due both to the fact that broadband, credit cards, energy and flights are currently non-core areas of the business and Gocompare’s white label service providers are better placed to provide detailed commentary and evidence in relation to such sectors, Gocompare intends to focus on car insurance and home insurance in its response to the Statement of Scope.
- 1.4 Digital Comparison Tools (“**DCTs**”)<sup>1</sup> are working well and bring substantial benefits to consumers, including the following:
- (A) reductions in search time and costs;
  - (B) increased choice of suppliers to compare and choose between;
  - (C) increased consumer engagement in switching; and
  - (D) increased competitive pressure between suppliers, leading to lower prices and better quality and range of products.
- Each of these benefits is described in detail and supported by evidence at section 8 below.
- 1.5 Due to certain characteristics of the market in which DCTs operate, including the low level of brand loyalty among consumers and the fact that consumers typically use more than one DCT (referred to as “multi-homing”), there is vigorous competition between DCTs to

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<sup>1</sup> Please note that many reports use the term price comparison website (“**PCW**”). Where Gocompare refers to such reports or the findings of such reports in this response, Gocompare uses the term PCW. Gocompare considers that, in the context of these reports, the term PCW is equivalent to the term DCT.

attract consumers and suppliers. Gocompare considers that the barriers to competition between DCTs are low.

- 1.6 The benefits that DCTs may bring to consumers cannot fully be realised if consumers are not engaging in comparing prices and product features and the process of considering switching. The level of consumer engagement in switching home insurance is distinctly low: in 2015, c. 89% of home owners did not switch insurer. This contrasts with car insurance: one in three car owners switched insurer in 2015. The CMA should therefore focus on investigating the barriers to consumer engagement in switching home insurance.
- 1.7 Gocompare does not consider that there is any feature which prevents, restricts or distorts competition in connection with the supply of DCT services in the UK which warrants a market investigation. For the reasons outlined in Gocompare's letter of 21 October 2016, Gocompare considers that the CMA should not make a market investigation reference in relation to the supply of DCT services in the UK.

## **2. About Gocompare**

- 2.1 Gocompare.com is a UK price and product comparison website that enables consumers to compare the prices and features of more than 40 products in a quick and easy way. Gocompare.com is designed to save consumers money and help consumers make better informed decisions.
- 2.2 Gocompare does not charge consumers to use its services. Instead, Gocompare primarily generates revenue from fees paid by suppliers listed on Gocompare.com each time a customer completes a transaction with the supplier, after having clicked through to the supplier's own website from Gocompare.com or after having contacted the supplier by telephone using a quote obtained from Gocompare.com.<sup>2</sup> Gocompare.com attracts approximately 5 million visits each month and, in the first half of 2016, there were over 15 million customer interactions<sup>3</sup> on or from Gocompare.com.
- 2.3 Gocompare provides fair and unbiased product comparison services. Gocompare does not accept advertising or sponsored listings, and is not tied to any particular product

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<sup>2</sup> [ ].

In some sectors (including broadband, energy, credit cards and flights), Gocompare does not have a direct relationship with its panel members and provides its comparison services through white label service providers. [ ].

In the case of a small number of products (including gap insurance, jewellery insurance, quadbike insurance, unoccupied property insurance and wedding insurance), Gocompare does not have a panel of suppliers and does not provide a comparison service. Instead, the Gocompare website makes it clear it does not offer comparison services for such products, and instead provides links to the websites of one or more suppliers who offer quotes for such products [ ].

<sup>3</sup> In this response, "customer interactions" refers to: (a) for products where the quote process begins on Gocompare.com, each unique instance of activity within any half hour period in which a customer initiates such a quote process (although they do not necessarily complete a purchase); and (b) for the remainder of the products compared on Gocompare.com, each instance in which a customer clicks through to a partner website from Gocompare.com.

provider<sup>4</sup>. Gocompare seeks to provide as comprehensive a service as possible. Gocompare.com compares over 600 partner brands<sup>5</sup> across more than 40 products. Gocompare is a pioneer of transparency when it comes to comparison services. Gocompare.com was the first UK insurance and price comparison website to display both product features and prices in its searches. Ever since, Gocompare has sought to help its customers to choose the most appropriate, rather than simply the cheapest, products to meet their needs.

2.4 Gocompare operates its own website platform for car, motorbike, van, home and pet insurance comparison services, displaying a wide range of products offered by its panel of insurers. Gocompare also provides comparison services for a range of products (including broadband, credit cards, flights, gas and electricity, current accounts, loans, mortgages, holidays and hotels) via partnerships with third party online comparison service providers.

2.5 Gocompare was launched by a team of insurance comparison experts in November 2006. Gocompare is based in Newport, South Wales, and became a wholly-owned subsidiary of the esure group on 31 March 2015. On 13 September 2016, the esure Board announced its intention to pursue a demerger of Gocompare from the esure Group through a separate listing on the main market of the London Stock Exchange.<sup>6</sup> The demerger was approved by esure shareholders at a general meeting held on 1 November 2016. A circular outlining the details of the demerger, the resolutions to be considered at the general meeting, including notice of that meeting, and a prospectus relating to the admission of Gocompare to the London Stock Exchange were published on 11 October 2016.

### 3. Scope of Market Study

3.1 The CMA has identified the following sectors as its sector focus for the market study:<sup>7</sup>

(A) Past and existing investigations: energy, personal current accounts, private motor insurance (“PMI”), and to a lesser extent home credit, payday lending, extended warranties, hotel online booking and legal services.

(B) Additional sectors: broadband, home insurance, credit cards and flights.

3.2 Gocompare considers that the scope of the market study is too broad and therefore lacking in focus, and that the considerations applying to DCTs in the various sectors are very different, such that considerations applicable to one sector may not be relevant or capable of being applied with equivalence in another. Moreover, the sectors identified in

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<sup>4</sup> Gocompare is currently a wholly-owned subsidiary of the esure Group, but does not provide any preference to esure on Gocompare.com. As described in section 2, esure has announced its intention to pursue a demerger of Gocompare from the esure Group. Following such a demerger, Gocompare would no longer be a subsidiary of the esure Group.

<sup>5</sup> A single partner may feature more than one brand on Gocompare.com.

<sup>6</sup> [http://www.esuregroup.com/~media/Files/E/EsureV2/Strategic%20review%20of%20Gocompare/esure\\_Group\\_plc\\_proposed\\_demerger\\_of\\_Gocomparecom.pdf?pdfdata=1](http://www.esuregroup.com/~media/Files/E/EsureV2/Strategic%20review%20of%20Gocompare/esure_Group_plc_proposed_demerger_of_Gocomparecom.pdf?pdfdata=1)

<sup>7</sup> Paragraph 5.14 of the Statement of Scope.

paragraph 3.1(A) above have already (and, in many cases, recently) been subject to extensive investigation by the CMA. For example, DCTs were extensively investigated by the CMA in the private motor insurance market investigation (which took more than three years from the beginning of the OFT's market study to the final order of the CMA). Gocompare notes that the CMA has imposed various remedies to address the adverse effects on competition identified as a result of such investigations, including on DCTs in the private motor insurance market investigation. It would therefore be duplicative, and burdensome on DCTs, for the CMA to investigate such sectors any further in its current inquiry.

- 3.3 By defining the scope of its study very widely, the CMA anticipates that it will be able to “draw important conclusions that will apply across multiple sectors.”<sup>8</sup> Gocompare considers that the CMA should draw its conclusions from detailed and sector-specific evidence, as has traditionally been its practice in previous sector-specific work, instead of applying generic analysis across multiple sectors, which may lead to findings that are unsubstantiated. Further, the sectors in which DCTs are active differ substantially, including significant differences in the products being compared, the suppliers of the products, and the regulation applying to the sector. Consequently it may be inaccurate to rely on evidence collected in relation to one sector in order to draw conclusions in relation to another. Gocompare therefore believes that the CMA should limit the scope of its study to the additional sectors identified at paragraph 3.1(B) above, namely: broadband, home insurance, credit cards and flights.
- 3.4 Gocompare derived [ ]% of its revenue in 2015 from car insurance comparison services ([ ]) and [ ]% from home insurance comparison services ([ ]). Comparison services for products other than insurance (including broadband, credit cards, flights, energy, current accounts, mortgages, loans, holidays and hotels) together accounted for [ ]% of Gocompare's revenue in 2015 ([ ]). Gocompare's comparison services in these sectors are operated by white label service providers, meaning that Gocompare does not have any direct relationships with suppliers in such sectors.<sup>9</sup> Due to both the fact that these sectors are currently non-core areas of Gocompare's business and Gocompare's white label service providers are better placed to provide detailed commentary and evidence in relation to such sectors, Gocompare intends to focus on car insurance and home insurance in this response to the Statement of Scope.

#### **4. Focus of Market Study**

- 4.1 As explained in greater detail below, DCTs have provided significant benefits to consumers, driven competition between suppliers and are working well for consumers. By way of example, Gocompare estimates that it delivered total savings on car and home insurance of £490 million to customers in the first half of 2016. However, there is significant consumer inertia and a lack of engagement in switching in home insurance. In

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<sup>8</sup> Paragraph 5.15 of the Statement of Scope.

<sup>9</sup> Gocompare's white label service providers are Decision Technologies Ltd trading as Broadbandchoices for broadband, Runpath Group Limited and Lovemoney.com Financial Services Limited for credit cards, current accounts, mortgages and loans, Skyscanner Limited for flights, energyhelpline.com for gas and electricity, and P&P Associates Limited for holidays and hotels.

the case of home insurance, in 2015, there were c. 27 million home insurance policyholders in the UK<sup>10</sup>, but Gocompare estimates that only c. 3 million policyholders switched home insurance providers (of which c. 2 million switches were performed through DCTs). This means that the majority of eligible consumers (c. 89%) are not engaging in switching.

4.2 The lack of switching in home insurance can be contrasted with car insurance. In the case of car insurance, in 2015, there were c. 30 million vehicles in the UK<sup>11</sup>, and Gocompare estimates that c. 10 million consumers switched car insurance providers (of which c. 7 million switches were performed through DCTs). This means that one in three car owners does switch insurer. This higher level of engagement in switching car insurance is largely due to the influence of DCTs: [ ].<sup>12</sup>

4.3 Gocompare estimates that:

(A) 25% of customers who provided their building and contents insurance renewal price to Gocompare could save up to c. £129 a year using Gocompare.com to switch home and contents insurance policies, and 20% of customers who provided their contents only insurance renewal prices to Gocompare could save up to c. £112 a year using Gocompare.com to switch contents only insurance policies<sup>13</sup>; and

(B) [ ] of customers could save up to [ ] a year using Gocompare.com to switch car insurance policies.<sup>14</sup>

4.4 It would be more beneficial for the CMA to focus on the barriers to switching in home insurance and in particular to see what changes could be introduced to enable DCTs to help consumers to switch more than they do today. While car insurance has been the subject of a previous market investigation, home insurance has not. It is important to examine the barriers to consumer engagement with switching in home insurance – that is, measures to encourage the c. 24m home insurance policyholders who are not considering switching, or using DCTs, to engage in switching activity. Encouraging switching in home insurance (building and contents) would save UK consumers up to c. £3 billion a year (calculated by multiplying 24m by c. £129 a year).

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<sup>10</sup> Based on the number of households in the UK in 2015 (Office for National Statistics). This is only an approximate figure due to the fact that (i) it is not mandatory for home owners to have home insurance and (ii) some home owners have multiple policies, e.g. buildings insurance and contents insurance.

<sup>11</sup> Based on the number of cars on the road (Department of Transport).

<sup>12</sup> [ ].

<sup>13</sup> These estimates are based on the difference between the renewal price provided by the Gocompare user (which is an optional field) and their best quote. These estimates are based on data from the period 1 April 2016 to 30 June 2016.

<sup>14</sup> This is based on independent research by [ ].

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

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

#### When and why do consumers use DCTs?

- 5.1 Consumers use DCTs to quickly, easily and effectively search and compare the prices and product features of a wide range of products and suppliers, so as to make an informed choice about purchasing, or switching to, a range of products. Consumers are most often drawn to DCTs on the basis of their ease of use and a desire to save money on the cost of the product they are comparing. Consumers use DCTs on the basis that they act as an objective facilitator between the consumer and the service provider, and function to help the consumer find the best deal.
- 5.2 A 2013 report by RS Consulting found that consumers who use PCWs do so to get what they perceive to be the best deals (85%), compare prices (83%) and, consequently, to save money (79%). [ ].<sup>15</sup> RS Consulting found that around two-thirds of consumers (69%) use PCWs to identify providers for particular products or services, and a similar proportion (67%) to switch providers.<sup>16</sup>
- 5.3 Consumers often use DCTs to obtain new products or services or to switch suppliers. In 2015, approximately 70% of car insurance policy switches and over 65% of home insurance switches were derived from DCTs. Consumers also often use DCTs as a research tool, for example, to collect and compare information in order to make a properly informed purchasing decision or as a basis for negotiating directly with insurers. [ ].<sup>17</sup>
- 5.4 Given the significant numbers of consumers that use DCTs to research and as a basis for negotiating directly with existing insurers to obtain a better deal on renewal, the pro-competitive impacts of DCTs are underestimated by only examining the percentage of switches that are derived from DCTs. DCTs deliver savings not only to consumers that use DCTs to switch, but also to consumers that use the quote results from DCTs to

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<sup>15</sup> [ ].

<sup>16</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page ii.

This report was based on a nationally representative telephone survey (which was not sector specific), a consumer usability exercise and face-to-face interviews among consumers. The usability tests and interviews covered the following sectors: fixed broadband, electricity, home insurance, travel insurance and mobile phones.

<sup>17</sup> [ ].



negotiate directly with their existing insurer on renewal, and thereby pay less than their original renewal quote. [ ].<sup>18</sup>

[ ].<sup>19</sup> This indicates that consumers trust insurance DCTs –[ ].<sup>20</sup>

#### Importance of trust and extent consumers trust DCTs

- 5.5 Trust is extremely important to users of DCTs, and the trust that consumers place on DCTs is essential to the viability of the business model of DCTs. [ ].<sup>21</sup> Because trust is inextricably connected to consumer consideration, fostering trust among consumers is vital to the competitiveness and viability of DCTs (including Gocompare).
- 5.6 In 2006, Gocompare entered the market with the objective of providing a trustworthy service to consumers. Since that time, Gocompare has sought to maintain and develop consumer trust by providing a service that is:
- (A) Comprehensive: consumers must trust that Gocompare displays a wide range of suppliers and products such that they will find the best deal, without the need to search across the individual websites of suppliers (see paragraph 5.8 below);
  - (B) Accurate: consumers must be confident that the price and product information provided on Gocompare is comprehensive and accurate, and is the same as that displayed on suppliers' individual sales channels. Consumers must also be confident that they are being shown products that they qualify for (see paragraphs 5.9 to 5.12 below);
  - (C) Clear, unbiased and transparent: consumers must trust that Gocompare's product comparisons are shown in an unbiased way (see paragraphs 5.13 to 5.15 below); and
  - (D) Respectful of privacy: consumers must trust that Gocompare will not sell their personal information or use it to make unwanted sales calls or send unwanted emails (see paragraph 5.16 below).
- 5.7 This is reflected in Gocompare's customer promise, which is clearly displayed on the first page of Gocompare.com. This customer promise is to help customers find the right product, commit to finding customers the right price, help customers make an informed decision, save customers time, be clear and unbiased and respect customers' privacy. Gocompare also has a clear complaint process on its website (see <http://www.gocompare.com/about/complaints/>).

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<sup>18</sup> [ ].

<sup>19</sup> [ ].

<sup>20</sup> [ ].

<sup>21</sup> [ ].

## Comprehensive service

- 5.8 In order to provide as comprehensive a service as possible, Gocompare offers a high level of market coverage to consumers.<sup>22</sup> Gocompare.com compares over 600 partner brands<sup>23</sup> across more than 40 products. This is extremely important to Gocompare's business and strategy, as Gocompare markets its service on the basis of enabling consumers to access a wide range of products. Part of Gocompare's customer promise is that *"by working with a wide range of companies we aim to save you money"* and *"we bring together a wide range of companies in one place so you don't have to search multiple websites to find the right product"*. To be transparent about Gocompare's market coverage, consumers are able to see a list of the insurer brands offered on Gocompare.com for those sectors where Gocompare operates its own website platform and has direct relationships with suppliers (including home insurance and car insurance), as demonstrated by the screenshots in Figure 1 of Gocompare's home insurance and car insurance webpages. In addition, the quote results on Gocompare.com for home and car insurance make it clear how many quotes have been found and provide a list of the insurers that could not provide a quote for the customer. [ ], demonstrating that the vast majority of customers consider that Gocompare offers comprehensive market coverage.<sup>24</sup>

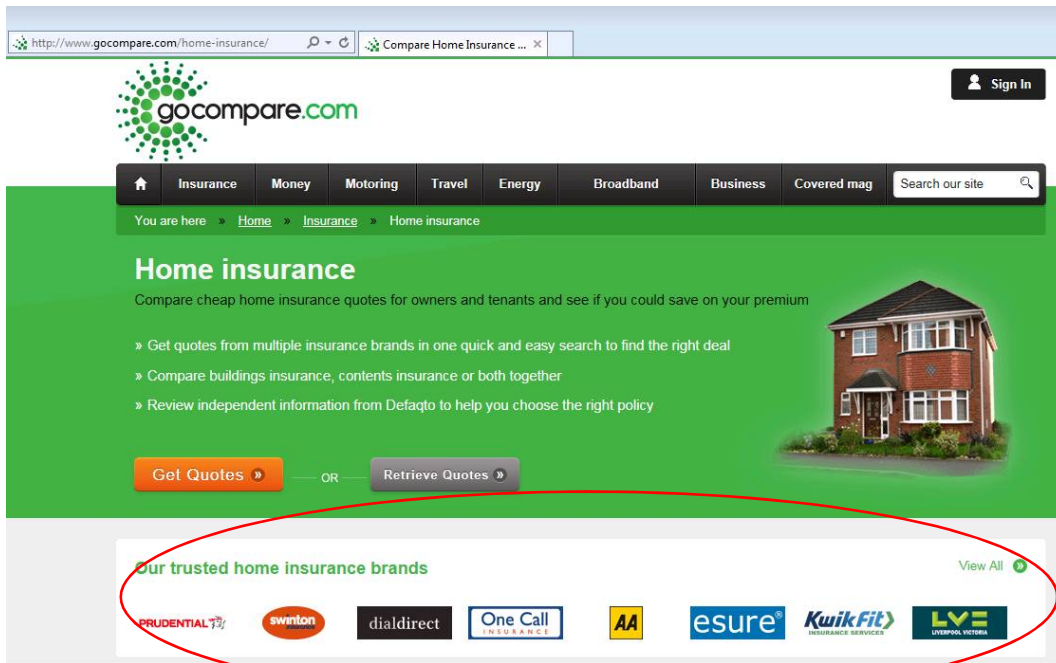
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<sup>22</sup> Gocompare is not able to offer full coverage as certain insurers choose not to offer certain brands via DCTs, for example, Direct Line and Aviva.

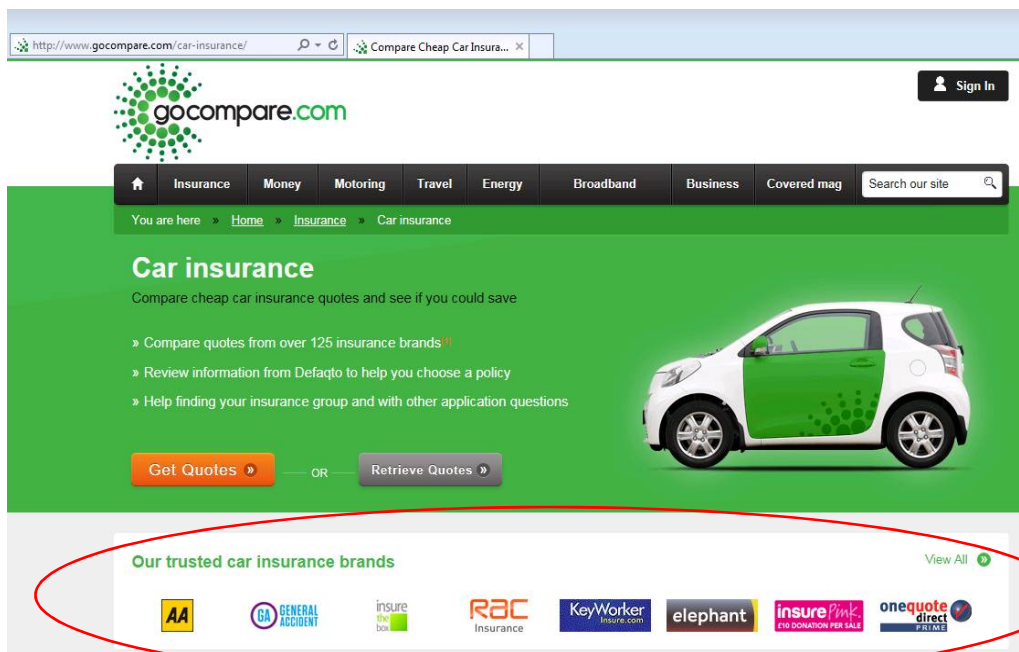
<sup>23</sup> A single partner may feature more than one brand on Gocompare.com.

<sup>24</sup> [ ].

Figure 1: Screenshots of Gocompare's home insurance and car insurance webpages



Expandable list of car insurance brands compared on Gocompare.com. As set out above, insurers are not able to pay to be displayed in this box; the brands are chosen at random and change each time the page is loaded. The full list can be viewed by clicking on 'View All'.



Expandable list of car insurance brands compared on Gocompare.com. As set out above, insurers are not able to pay to be displayed in this box; the brands are chosen at random and change each time the page is loaded. The full list can be viewed by clicking on 'View All'.

## Accuracy

- 5.9 Gocompare is committed to ensuring the accuracy of the price and product information presented to consumers on Gocompare.com. [ ]<sup>2526</sup> . The results presented on Gocompare.com are for the products the customer qualifies for, so that consumers using Gocompare.com can be confident that they qualify for the products presented.
- 5.10 A key driver of consumer trust in DCTs is the ability of DCTs to advertise and ensure that consumers cannot find an identical product for a cheaper price by going direct to the suppliers' own websites. For example, part of Gocompare's customer promise is that *"any special discounts or deals available from the insurance companies on our panel will always be included in your quotes."* Narrow Most Favoured Nation clauses ("**MFNs**") are important in making sure that Gocompare can make this promise, and foster a high level of consumer confidence and trust. [ ].
- 5.11 Narrow MFNs provide consumers with the trust that they can compare the prices actually available on the suppliers' websites through using DCTs, and find the best deal without the need to search across the individual websites of suppliers. Narrow MFNs ensure that consumers can invest less time in comparing the market, but retain confidence that they have found the best deal, as what appears on DCTs is as advantageous as what appears on the websites of individual insurers. Narrow MFNs thus have the simultaneous effect of reducing search costs for consumers and increasing consumer confidence in the ability of DCTs to return the best deal available on the market. By reducing search costs and increasing confidence, they help to increase customer satisfaction: [ ].<sup>27</sup> Without narrow MFNs:
- (A) suppliers can undercut DCTs and undermine its core consumer proposition of allowing consumers to compare the prices of a wide range of suppliers; and
  - (B) consumer trust in DCTs, and consequently the demand by consumers for DCTs, would be lower and consumers may stop using DCTs, leading to increased search costs for consumers and removing the benefits introduced by DCTs (which are described in section 8 below).
- 5.12 In the private motor insurance market investigation, the CMA found that narrow MFNs were a legitimate tool used by PCWs to engender consumer trust in their service offering. The CMA believed that, without narrow MFNs, there would be a material risk that consumers might use PCWs less and that PCWs would be undermined as a distribution channel. The CMA did not find there to be any obvious alternative mechanism, in place of a narrow MFN, which a PCW could use to ensure that the prices it quoted reflected the prices available on PMI providers' own websites.<sup>28</sup> The CMA stated that *"it appeared to us that the ability to offer prices which were the same as those available online directly*

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<sup>25</sup> [ ].

<sup>26</sup> [ ].

<sup>27</sup> [ ].

<sup>28</sup> *Final Report of the CMA in the PMI Market Investigation* (September 2014), paragraphs 8.82 - 8.102.

*was part of the essential, customer-attracting proposition of a PCW.*<sup>29</sup> Gocompare agrees with these conclusions in relation to narrow MFNs and considers that such conclusions apply equally to home insurance.

#### Unbiased and transparent

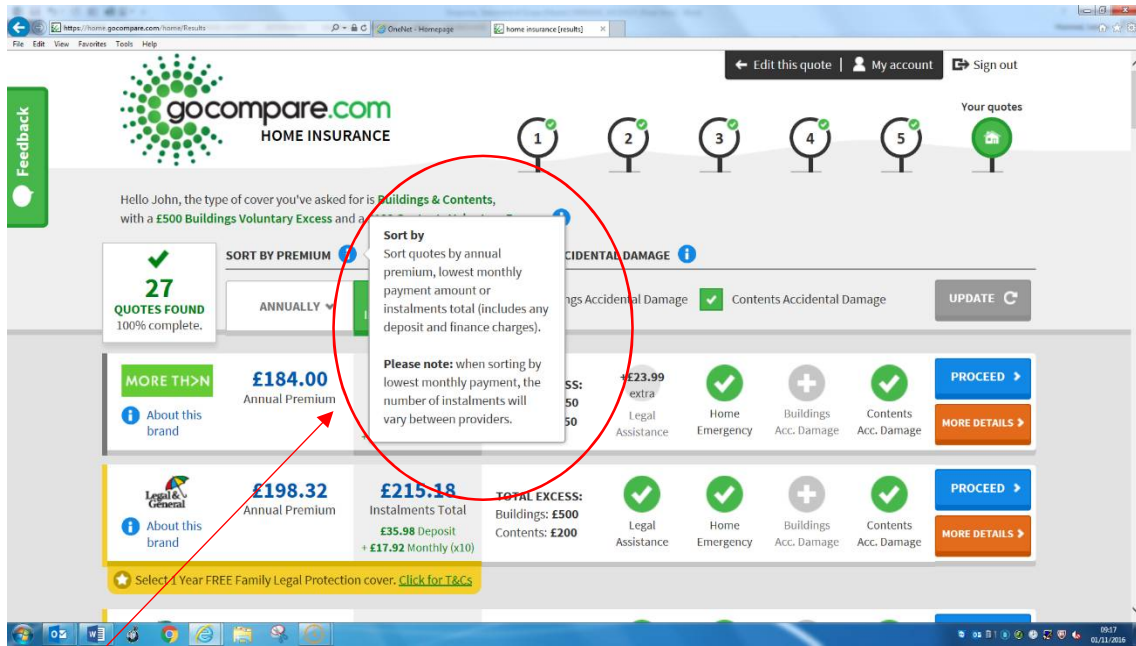
- 5.13 Gocompare ensures that the presentation of price and product information on Gocompare.com is clear and entirely unbiased. To this end, it does not accept advertising or sponsored search results from suppliers, and is not tied to any particular product provider. As explained in paragraph 5.8, consumers are able to see a list of the insurer brands offered on Gocompare.com for those sectors where Gocompare operates its own website platform and has direct relationships with suppliers (including car and home insurance). Gocompare's service is based on independence and transparency, with comparison results ranked according to price, based on the customer's individual cover requirements, as demonstrated by the screenshots in Figure 2. It is not open to suppliers to pay for positioning in order to place their products more prominently on the list of search results. No commercial preference is provided to any supplier, and therefore ranking on Gocompare.com is transparent, and is never compromised by any relationship with a supplier.

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<sup>29</sup> *Final Report of the CMA in the PMI Market Investigation* (September 2014), paragraph 8.102.

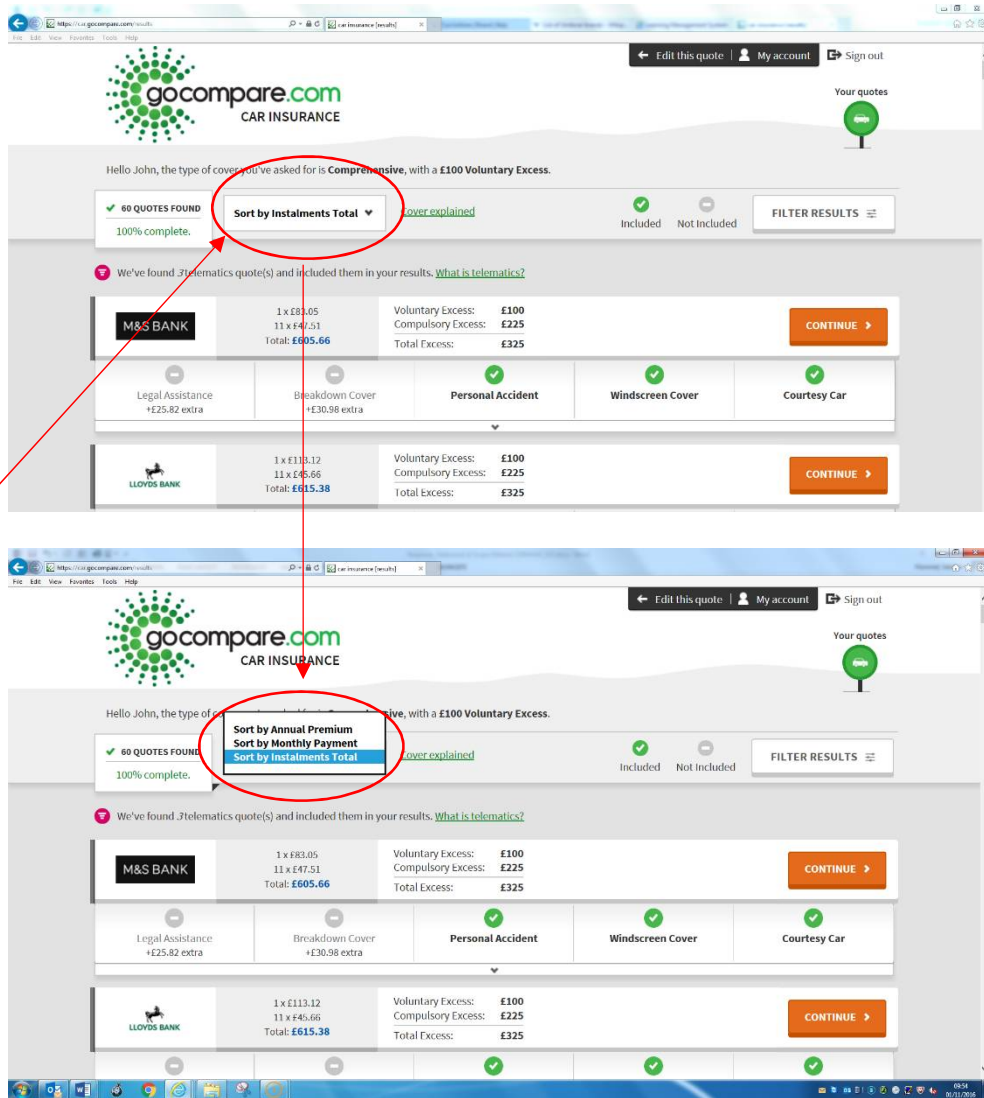
**Figure 2: Screenshots of comparison results on Gocompare.com for home insurance and car insurance**

Default ranking is based on the payment type customers select in the quote process. Results will be ranked by annual premium for customers who selected pay annually and by the instalments total values for customers who selected pay monthly.



'Sort by' premium option list: annual premium, lowest monthly payment or instalments total.

'Sort by' dropdown menu: annual premium, monthly payment or instalments total.



5.14 Gocompare is also a pioneer of transparency when it comes to comparison services. Gocompare.com was the first UK insurance DCT to display both product features and prices in its searches. Gocompare did this to help its customers to reach better-informed decisions. Ever since, Gocompare has sought to help its customers to choose the most appropriate, rather than simply the cheapest, products to meet their needs. To this end, Gocompare was the first DCT to partner with Defaqto, the independent financial researcher, to integrate additional product feature details into product comparison results for Gocompare's car, home, pet and travel insurance quote processes. Gocompare has also introduced a feature whereby users can see what other customers think of suppliers' products for Gocompare's car, home, van, bike and pet insurance quote processes. This is intended to give customers another tool to help them make better informed decisions when purchasing the products they compare. The reviews are written by verified customers who purchased a product after using Gocompare.com, so it is not open to insurers to improve their ratings by creating false reviews. Two examples are shown in the comparative screenshots in Figures 3.1 and 3.2 for when a customer clicks through to a particular policy for home insurance.

Figure 3.1: Screenshots of the “Product Rating” and “Customer Review” pages for a home insurance policy on Gocompare.com

gocompare.com

YOUR QUOTE SUMMARY  
Admiral Platinum

OVERVIEW  
COVER LEVELS  
CONTENTS COVER  
OUTSIDE COVER  
CHARGES & EXCESSES  
**PRODUCT RATING**  
CUSTOMER REVIEWS  
DEMANDS AND NEEDS

THIS POLICY HAS A 5 STAR DEFAQTO RATING\*

**defaqto**  
2016  
Home Contents Insurance

An excellent product with a comprehensive range of features and benefits

\*Please note: defaqto ratings are based on a standard product without any added extras.

At Gocompare.com, we know that price is important, but you need to buy a policy that has the right level of cover for your requirements. To help you do this, we want to provide you with as much information as possible before you buy.

This is why we've partnered with Defaqto, an independent financial research company who specialise in analysing and rating the features of financial products. Their star ratings (ranging from 1 to 5, with 5 being the highest) are designed to help customers identify where a policy sits in the market based on the levels of cover that it provides.

YOUR PREMIUM:  
**£122.54**  
annually  
- OR -  
**£133.88**  
by Instalments  
£11.56 Deposit + £11.12 Monthly (x11)

BUY THIS POLICY ONLINE  
PROCEED TO SITE  
CLICK TO CALL

As some insurance providers use real-time pricing your quotes may change if you return to buy later.

gocompare.com

YOUR QUOTE SUMMARY  
Admiral Platinum

OVERVIEW  
COVER LEVELS  
CONTENTS COVER  
OUTSIDE COVER  
CHARGES & EXCESSES  
PRODUCT RATING  
**CUSTOMER REVIEWS**  
DEMANDS AND NEEDS

CUSTOMERS HAVE GIVEN THIS PROVIDER A 4.3 STAR RATING

**Reviews.co.uk**

Very good (247)  
5 star  
Good (85)  
4 star  
Average (37)  
3 star  
Poor (19)  
2 star  
Very poor (15)  
1 star

4.3 / 5  
(out of 403 reviews)

View all reviews

Easy to buy ★★★★★  
Clear communications ★★★★★  
Providing your documents ★★★★★  
Claims experience ★★★★★  
Customer service ★★★★★

YOUR PREMIUM:  
**£122.54**  
annually  
- OR -  
**£133.88**  
by Instalments  
£11.56 Deposit + £11.12 Monthly (x11)

BUY THIS POLICY ONLINE  
PROCEED TO SITE  
CLICK TO CALL

As some insurance providers use real-time pricing your quotes may change if you return to buy later.

These reviews have been provided by Gocompare.com customers who have bought insurance from this provider.



Figure 3.2: Comparative screenshots of the “Product Rating” and “Customer Review” pages for a different home insurance policy on Gocompare.com

**YOUR QUOTE SUMMARY**  
Quotemehappy

**THIS POLICY HAS A 1 STAR DEFAQTO RATING\***

**defaqto**  
2016  
Home Insurance

A basic product, with a low level of features and benefits

\*Please note: defaqto ratings are based on a standard product without any added extras.

At Gocompare.com, we know that price is important, but you need to buy a policy that has the right level of cover for your requirements. To help you do this, we want to provide you with as much information as possible before you buy.

This is why we've partnered with Defaqto, an independent financial research company who specialise in analysing and rating the features of financial products. Their star ratings (ranging from 1 to 5, with 5 being the highest) are designed to help customers identify where a policy sits in the market based on the levels of cover that it provides.

**YOUR PREMIUM:**  
**£363.20** annually  
- OR -  
**£397.75** by instalments  
£60.55 Deposit + £33.72 Monthly (x10)

**BUY THIS POLICY ONLINE**  
**PROCEED TO SITE**

This insurer does not provide a buy over the phone service

As some insurance providers use real-time pricing your quotes may change if you return to buy later.

**YOUR QUOTE SUMMARY**  
Quotemehappy

**CUSTOMERS HAVE GIVEN THIS PROVIDER A 4.3 STAR RATING**

**Reviews.co.uk**

**Quote me happy.com**  
4.3 / 5  
(out of 715 reviews)

Very good (125)  
Good (51)  
Average (25)  
Poor (9)  
Very poor (5)

View all reviews

These reviews have been provided by Gocompare.com customers who have bought insurance from this provider.

Easy to buy ★★★★★  
Clear communications ★★★★★  
Providing your documents ★★★★★  
Claims experience ★★★★★  
Customer service ★★★★★

**YOUR PREMIUM:**  
**£530.24** annually  
- OR -  
**£580.68** by instalments  
£88.38 Deposit + £49.23 Monthly (x10)

**BUY THIS POLICY ONLINE**  
**PROCEED TO SITE**

This insurer does not provide a buy over the phone service

As some insurance providers use real-time pricing your quotes may change if you return to buy later.

- 5.15 Gocompare is transparent and clear with consumers in terms of how it describes its business model and fee structure. Gocompare does not charge consumers to use its service. Instead, Gocompare primarily generates revenue from fees paid by suppliers listed on Gocompare.com a fee each time a customer completes a transaction with the supplier after having clicked through to the supplier's own website from Gocompare.com or after having contacted the supplier by telephone using a quote obtained from Gocompare.com ("cost-per-acquisition"). This information is clearly displayed on Gocompare.com, including in its terms and conditions and in Gocompare's customer promise. For example, Gocompare's customer promise says "*We won't charge you a penny for using our service – it's completely free. We only get paid when you buy a product from one of our partners – and we don't add fees or commission on the prices we compare.*" Gocompare also provides the following statement via a link in the footer of the quotation questions and results pages for car insurance and home insurance:

*"How we make money*

*>> We don't charge people for using our services and we don't add fees or commissions to the prices you compare; instead we make money by charging our partners a small fee once a sale has been made*

*>> This fee has no impact on the price you pay and you won't find the price cheaper by going direct to the product providers' own websites*

*>> We do not accept advertising or sponsored listings, so all our product comparisons are unbiased"*

Respectful of privacy

- 5.16 Gocompare also has strict policies in relation to consumer data and privacy. Gocompare does not sell its customers' personal information to anyone else, and does not use it to make sales calls or send emails without its customers' consent. During the quotation journey, customers have to opt in if they wish to receive calls or emails from the providers with the two cheapest quotes. All personal information is securely stored (in the UK and the EU) and transactional data is encrypted. This is made clear in Gocompare's customer promise.

Evidence of consumer trust in DCTs

- 5.17 Gocompare's practices, as explained above, are aimed at ensuring consumers maintain their trust in Gocompare, as consumer trust in Gocompare's brand is vital to the business. [ ].<sup>30</sup> [ ].<sup>31</sup>
- 5.18 In terms of DCTs in general, a 2013 report by RS Consulting found that the majority of consumers using PCWs (94%) consider these sites to be either "very" (21%) or "fairly" reliable (73%). This report found that most consumers feel that the information they

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<sup>30</sup> [ ].

<sup>31</sup> [ ].

access through PCWs is broadly reliable, and they address any concerns about reliability by consulting multiple PCWs, or by verifying information directly with providers.<sup>32</sup>

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

### Number of DCTs used by consumers

6.1 The majority of consumers use more than one DCT (i.e. multi-home). A recent report of the UK Regulators Network (the “UKRN”) found that consumers who use PCWs to compare the market will use on average at least two sites to make a decision.<sup>33</sup> A 2013 report by RS Consulting found that a large majority of PCW users (83%) typically visit multiple PCW sites.<sup>34</sup> This report found that their main reasons for using multiple sites are to make sure they get the best deal (61%) or to compare or verify the comparison results (42%).<sup>35</sup> [ ].<sup>36,37</sup>

6.2 [ ].<sup>38</sup>

6.3 Therefore, it is not the case that a substantial number of consumers are only accessible to insurers via Gocompare.com (or other DCTs of comparable size) in isolation. As a result of the demonstrably high level of multi-homing by consumers across sectors, Gocompare does not have substantial, or asymmetric, power in negotiations with insurers, who are sophisticated and well-resourced. Furthermore, multi-homing by the majority of customers provides strong incentives to DCTs to ensure that the range of products and prices they compare is competitive, as a DCT which does not compare competitive products and prices could not expect multi-homing customers to use them to switch, thereby undermining their ability to earn revenues. This has been recently recognised by the CMA.<sup>39</sup>

### How consumers choose which DCTs to use

6.4 Consumers choose which DCTs to use based on many factors, including ease of use of the website, whether they are confident that the DCT would allow them to make an informed choice, whether they trust that the results are unbiased, whether the prices are competitive, brand awareness and the rewards or incentives offered. Ease of use is the

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<sup>32</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page v and vii.

<sup>33</sup> *Final Report of the UK Regulators Network: Price comparison websites* (September 2016), paragraphs 3.8 - 3.9.

<sup>34</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page ii.

<sup>35</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page iii.

<sup>36</sup> [ ].

<sup>37</sup> [ ].

<sup>38</sup> [ ].

<sup>39</sup> See *CMA response to Ofgem's Confidence Code Review 2016* (28 September 2016), paragraph 29.

reason most cited among consumers for choosing to use a particular DCT in preference to others. [ ].

6.5 [ ].<sup>40</sup> [ ].<sup>41</sup> [ ].<sup>42</sup> This demonstrates that among even the largest DCTs, there is not a high degree of brand loyalty among consumers.

6.6 Therefore, Gocompare must compete aggressively with other DCTs to attract consumers as a result of both the low level of brand loyalty and the high level of multi-homing by consumers comparing insurance products.

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

7.1 Consumers expect DCTs to provide a comprehensive, accurate, reliable and transparent comparison of the market in order for them to easily find the best deal without the need to search and compare across the individual websites and other direct sales channels of suppliers. A 2013 report by RS Consulting found that consumers expect PCWs to be accurate and reliable, as well as easy to use, with half of consumers (52%) specifying “getting accurate and reliable information” as one of the three factors that is most important to them when they use a PCW.<sup>43</sup> As set out at paragraphs 5.10 to 5.12 above, narrow MFNs in contracts between DCTs and suppliers are necessary to fulfil the expectation of consumers that they can compare the prices actually available on the suppliers' websites through using DCTs.

7.2 Consumers expect DCTs to offer a sufficiently high level of market coverage in order for them to be confident that they have found the right product at the right price. It would be apparent to consumers if a DCT did not list a sufficiently broad selection of suppliers, and consumers would be likely to migrate away as a result of this deficiency. DCTs must therefore be careful to offer as wide as possible coverage to attract consumers, and are constrained in negotiations with suppliers as a result. As set out in paragraph 5.8, Gocompare advertises its business on the basis of enabling consumers to access and assess a wide range of products, and this is part of Gocompare's customer promise. To be transparent about Gocompare's market coverage, consumers are able to see a list of the insurer brands offered on Gocompare.com for those sectors where Gocompare operates its own website platform and has direct relationships with suppliers (including car and home insurance), as demonstrated by the screenshots in Figure 1 above.

7.3 However, consumers do not expect DCTs to compare all of the products and prices available in a particular sector. If consumers did have such an expectation, then consumers would not use multiple DCTs. As outlined in paragraphs 6.1 to 6.2, the majority of consumers use more than one DCT, which indicates that consumers do not

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<sup>40</sup> [ ].

<sup>41</sup> [ ].

<sup>42</sup> [ ].

<sup>43</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page iv.

generally expect DCTs to list all the products of all suppliers in the relevant sector. This has been recognised by the CMA in its response to Ofgem’s Confidence Code Review 2016<sup>44</sup>, where the CMA found that:

*“...the majority of customers who use PCWs, both in energy and other sectors, already look at more than one PCW. This suggests that these customers do not expect all PCWs to show the same (full) range of tariffs and that, in spite of this, they continue to use PCWs in order to help them search and switch. Similarly, Consumer Focus Price comparison website accreditation research and FCA insurance qualitative research both report a good level of understanding that some key suppliers are not featured within PCWs. On this basis, we think it is unlikely that removing the whole of the market requirement would undermine trust in PCWs provided that they were clear with customers over the coverage offered.”<sup>45</sup>*

7.4 The Statement of Scope indicates that questions have been raised as to whether DCTs should be required to offer the products of all suppliers.<sup>46</sup> Gocompare believes such a requirement for DCTs to show the “whole of the market” (i.e. the products of all suppliers) in their comparisons is not expected by consumers, would be extremely difficult to define and would cause significant harm to consumers for the following reasons:

(A) Undermining the business model of DCTs: A whole of the market requirement removes the incentive for suppliers to pay DCTs commission. Gocompare primarily generates revenue from fees paid by suppliers listed on Gocompare.com each time a customer completes a transaction with the supplier, after having clicked through to the supplier’s own website from Gocompare.com or after having contacted the supplier by telephone using a quote obtained from Gocompare.com. If DCTs are required to list all suppliers regardless of whether they are willing to pay DCTs such fees, then suppliers would have no incentive to pay DCTs such fees as they could still benefit from using DCTs to advertise their products without paying the DCT, particularly where the DCT (such as Gocompare) ranks comparison results by price and does not accept sponsored listings. This undermines the entire business model of DCTs, and removes their ability to invest in their business and promote the use of DCTs and the benefits of switching. Without DCTs, the significant benefits to consumers discussed in section 8 and the competitive pressure exerted on suppliers discussed in sections 10 and 11 could not be realised.

This has been recognised by the CMA in the energy market investigation where the CMA has recommended that Ofgem remove the “whole of the market” requirement from the Confidence Code. The CMA found there was a reduction in the number of tariffs in the top 10 (cheapest tariffs) that are fulfillable since the introduction of the changes to the Confidence Code, which could be evidence of a damaging impact on the business model of PCWs as it would: (i) be consistent

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<sup>44</sup> See CMA response to Ofgem’s Confidence Code Review 2016 (28 September 2016), paragraphs 25 to 33.

<sup>45</sup> See CMA response to Ofgem’s Confidence Code Review 2016 (28 September 2016), paragraph 33.

<sup>46</sup> See Paragraph 4.3 of Statement of Scope.

with suppliers using PCWs to advertise tariffs while avoiding paying commissions, which could dampen PCWs' incentives to invest in the domestic retail energy markets; and (ii) it could be damaging to customer engagement by adding additional steps in the switching process and excluding PCWs from facilitating the switching process. The CMA found that removing the "whole of the market" requirement would promote the incentive accredited PCWs have to invest in services in the domestic retail energy markets and to promote the use of these services, helping to increase domestic customer engagement.<sup>47</sup>

- (B) Reducing ease of use and increasing consumer confusion: A "whole of the market" requirement would lead to consumers being presented with products for which they may not be eligible. Consumers would therefore need to invest more time in order to determine which product to purchase to meet their requirements. This could lead to consumer confusion and reduce the ease of use of DCTs. As a result, this would increase the barriers to consumer engagement in switching.

7.5 As set out in paragraphs 5.13 to 5.15 above, Gocompare believes that DCTs must be transparent with consumers in order to foster trust. This is vital to Gocompare's business: due to the low level of brand loyalty and the high level of multi-homing, consumers are likely to migrate to competitors if consumers lose confidence in the trustworthiness of the brand. Therefore, as described further in paragraphs 5.13 to 5.15 above, Gocompare:

- (A) clearly outlines on its website a list of the insurer brands offered on Gocompare.com for those sectors where Gocompare operates its own website platform and has direct relationships with suppliers (including car and home insurance);
- (B) clearly outlines on its website how it gets paid by suppliers;
- (C) does not accept advertising or sponsored search results from suppliers;
- (D) clearly ranks comparison results according to price;
- (E) displays product features as well as price; and
- (F) displays Defaqto reviews and customers' reviews for certain products including car and home insurance.

7.6 However, Gocompare believes that it is necessary to strike a balance in terms of transparency. The Statement of Scope indicates that questions have been raised as to whether the commission rates of DCTs should be revealed.<sup>48</sup> Gocompare does not believe it would be appropriate to require DCTs to disclose their commission rates as this would make it easy for DCTs and suppliers to monitor the commission rates paid by each supplier to each DCT, which is commercially sensitive information. There is a risk that this could facilitate tacit collusion and reduce competition between DCTs and between suppliers. For example, if DCT A regularly monitors DCT B's website, it would be able to

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<sup>47</sup> *Final Report of the CMA in the Energy Market Investigation* (June 2016), paragraphs 13.266-13.279.

<sup>48</sup> See paragraph 4.3 of Statement of Scope.

easily see when DCT B had increased commission rates, which could lead to DCT A unilaterally deciding to increase its commission rates as well, or waiting to see whether other DCTs also increase commission rates. Similarly, suppliers could regularly monitor the websites of DCTs to see the commission rates of other suppliers, and use this information to drive commission rates to a common level. Suppliers would also be disincentivised to compete on price in exchange for lower levels of commission.

- 7.7 There is also no evidence that consumers expect to receive information about the exact commission rates of DCTs or would find this information beneficial, particularly given the commission rate is not added to the prices paid by consumers when purchasing a product through a DCT. A 2013 report by RS Consulting found that many consumers admit that they don't mind how PCWs make their money, as long as they see an improvement on their current provider's offer.<sup>49</sup> Gocompare considers that displaying the exact commission rates of DCTs could lead to consumer confusion as to whether the commission amount will be added to the total price. Gocompare agrees with the following statement made by the Government in response to the recommendation from the Energy and Climate Change Select Committee on this subject:

*"The Government does not see benefit in requiring price comparison sites to display the commission they receive for each switch at point of sale. This could lead to consumer confusion as to whether the commission amount will add to the total cost they would pay on a tariff. As the cost a consumer will pay on a tariff is the same regardless of whether they switch through a comparison site or directly through the supplier, it is difficult to see how consumers would benefit from this requirement."<sup>50</sup>*

**8. 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?**

- 8.1 DCTs are working well for consumers and have brought significant benefits to consumers, including:
- (A) reductions in search time and costs;
  - (B) increased choice of suppliers to compare and choose between, including for consumers with issues that make it difficult for them to obtain a range of quotes;
  - (C) increased consumer engagement in switching; and
  - (D) increased competitive pressure between suppliers, leading to lower prices and better quality and range of products.

Reductions in search time and costs

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<sup>49</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page viii.

<sup>50</sup> *Protecting consumers: Making energy price comparison websites transparent: Government and Ofgem Response to the Committee's Seventh Report of Session 2014-15* (26 March 2015), pages 2-3.

- 8.2 Before the advent of DCTs, consumers could only compare insurance products and find the best deal by searching across the individual websites of insurers or contacting insurers and brokers. It was difficult to understand and compare potentially complex products, and consumers had to invest a substantial amount of time in order to reach a properly informed purchasing decision, and to trust that they had found a competitive offer.
- 8.3 By drawing together the price and product information from individual insurers onto one platform, DCTs have substantially reduced search and switching costs for consumers by providing a platform to navigate and search across potentially complex markets and compare a wide range of quotes from suppliers. A 2013 report by RS Consulting found that the main perceived benefits of PCWs are getting better deals and saving money. The report found that: *“The majority of users think these sites make price comparisons easier and quicker to complete as they no longer need to ring numerous providers and provide the same details multiple times. It allows them to make an informed choice as they can easily compare deals in a structured manner. Some believe that the sites also show a wider range of product providers while others think they bring more freedom to do their research when it is convenient for them. Many also believe they are now more questioning of their deals since they can look at competitors’ offers.”*<sup>51</sup>
- 8.4 Gocompare estimates that the total benefit of reducing search costs for consumers using Gocompare.com to compare home insurance policies is approximately [ ] and the total benefit of reducing search costs for consumers using Gocompare.com to compare car insurance policies is approximately [ ]. This is calculated using the following methodology:
- (A) The average amount of time it takes for a user to complete the home insurance quote process on Gocompare.com is [ ] minutes. The average amount of time it takes for a user to complete the car insurance quote process on Gocompare.com is [ ] minutes.<sup>52</sup>
  - (B) The average user of Gocompare’s home insurance quote process will receive [ ] results. The average user of Gocompare’s car insurance quote process will receive [ ] results.
  - (C) As a conservative assumption, for the purposes of this calculation, it is assumed that the average amount of time it takes a user to obtain a home insurance quote directly from an insurer website is half the time required to complete the quote process on Gocompare.com – that is, [ ] minutes for home insurance and [ ] minutes for car insurance. Therefore, obtaining home insurance quotes from [ ] insurers (the average number of results that would be received by a user of Gocompare) would take approximately [ ] minutes. Obtaining car insurance quotes from

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<sup>51</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page iii.

<sup>52</sup> This is based on the period from March to October 2016 and is the average duration from site entry to results.



[ ] insurers (the average number of results that would be received by a user of Gocompare) would take approximately [ ] minutes.

- (D) Therefore, on average, a user of Gocompare's home insurance comparison service would save [ ] minutes compared to directly obtaining quotes from each insurer (i.e. the figure in paragraph (C) less the figure in paragraph (A)).

On average, a user of Gocompare's car insurance comparison service would save [ ] minutes compared to directly obtaining quotes from each insurer (i.e. the figure in paragraph (C) less the figure in paragraph (A)).

- (E) In 2015, Gocompare had [ ] unique customers for its home insurance comparisons services and [ ] unique customers for its car insurance comparison services.
- (F) Therefore, the total search time saving to consumers of using Gocompare's home insurance comparison service was [ ] hours (i.e. the number of customers that completed Gocompare's home insurance quote process multiplied by the average search time saving for each user of Gocompare's home insurance comparison service). The total search time saving to consumers of using Gocompare's car insurance comparison service was [ ] hours (i.e. the number of customers that completed Gocompare's car insurance quote process multiplied by the average search time saving for each user of Gocompare's car insurance comparison service).
- (G) One method of quantifying the economic benefit of such a search time saving is to multiply it by the minimum wage. In 2015, the minimum wage for persons 21 and over was £6.70 per hour. Multiplying this figure by the total search time saving to consumers of using Gocompare's home insurance comparison service results in a total search time saving benefit of [ ]. Multiplying this figure by the total search time saving to consumers of using Gocompare's car insurance comparison service results in a total search time saving benefit of [ ].

#### Increased choice of suppliers to compare and choose between

- 8.5 DCTs also benefit consumers by allowing them to obtain, through one quote process, information about the prices and product features of a larger range of insurance policies, compared to what the customers would have accessed through directly contacting insurers. A 2013 report by RS Consulting found that many consumers "*say that they would only know to contact a few companies for any given product or service, but on PCWs they get a wider range of options to choose from.*"<sup>53</sup>
- 8.6 As outlined above, the average user of Gocompare's home insurance quote process will receive [ ] results and the average user of Gocompare's car insurance

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<sup>53</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page 35.

quote process will receive [ ] results. Gocompare expects that this would be substantially more results than the number of quotes an average customer would obtain from directly contacting insurers.

- 8.7 DCTs therefore provide consumers with the benefit of a wider range of choice of suppliers and products, which increases the likelihood of the consumer finding the best deal without a search cost sacrifice, as consumers are able to search across a *greater* proportion of the market in *less* time.
- 8.8 In addition, DCTs benefit consumers by allowing them to quickly and easily research and compare insurers who offer insurance products for non-standard risk, and by lowering the barriers to entry and expansion for smaller insurers that specialise in non-standard risk. Certain consumers are likely to find it difficult to obtain a range of competitive quotes for insurance where their circumstances mean that they are considered higher risk (for example, in the case of home insurance where the consumer's house has been flooded). Gocompare is supportive of schemes that address insurance for non-standard risk, such as the Government's recent Flood Reinsurance scheme, which is aimed at encouraging more insurers to provide insurance for consumers that have experienced flooding. Gocompare has supported this scheme and large insurers such as [ ] and [ ] have participated in this scheme, in part because they are able to access a significant volume of consumers searching for such insurance through DCTs. As a result, consumers who were previously eligible for only a small number of quotes due to flooding are now able to find more than 11 quotes for home insurance. Furthermore, DCTs allow insurers who specialise in non-standard risk to enter the market and establish and grow their customer base without making significant upfront investments in advertising. As described further in paragraph 10.5 below, [ ] is an example of a smaller insurer specialising in non-standard risk which has been able to expand its sales using DCTs.

#### Increased consumer engagement in switching

- 8.9 DCTs increase consumer engagement in switching by providing a platform that makes it quick and easy for consumers to compare a range of products, find the best deal and switch, thereby lowering the barriers to switching. By enabling consumers to easily and quickly identify the differences in price and non-price attributes across the market for a particular insurance product, DCTs challenge the perception of certain consumers that there is no reason to shop around, as prices do not differ substantially between suppliers. A 2013 report by RS Consulting found that *"Consumers also see PCWs as facilitating switching between providers, by making it easy to purchase products or services directly through the comparison sites and generally reducing the hassle and delays related to switching... Consumers believe PCWs have made them more questioning of the deals that they have and more likely to look at competitors' deals. They tell, how in the past, they tended simply to stay with their current provider and accept their prices. Consequently, consumers feel more empowered and feel they have more leverage over product providers after making PCWs a usual part of the selection process."*<sup>54</sup>

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<sup>54</sup> RS Consulting, Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures (2013), page 36.

- 8.10 DCTs also spend heavily on advertising their comparison services: [ ].<sup>55</sup> As the advertising by DCTs focuses on the ability of consumers to save money by using the DCT to compare products, such advertising drives consumer engagement in switching.
- 8.11 The benefits of DCTs in encouraging consumers to engage in switching is illustrated by the significant number of consumers who have switched home insurance and car insurance through DCTs. In 2015, Gocompare estimates that c. 2 million home insurance switches were performed through DCTs (representing over 65% of home insurance policy switches) and c. 7 million car insurance switches were performed through DCTs (representing 70% of car insurance policy switches). As described in paragraph 4.3, Gocompare estimates that many consumers can save up to c. £129 a year through switching building and contents insurance policies, and many consumers can save up to c. [ ] a year through switching car insurance policies.
- 8.12 Furthermore, DCTs in car insurance and home insurance provide information beyond prices in their comparison results, which increases customer engagement with features other than pricing. Gocompare does not believe that the increased use of DCTs in car insurance and home insurance leads to any problems with “hollowing-out” (i.e. an excessive focus on price, to the exclusion of other factors and to the detriment of consumers’ overall decision-making).<sup>56</sup> This may have been an issue when DCTs were only displaying price information (which was the situation prior to Gocompare’s entry) but this is no longer the case. When it entered the market in 2006, Gocompare was the first UK DCT to display both product features and prices in its searches. Ever since, Gocompare has sought to help its customers to choose the most appropriate, rather than simply the cheapest, products to meet their needs. To this end, for certain sectors (including car insurance and home insurance), consumers can view ratings provided by Defaqto (an independent financial researcher) and customer reviews (provided by Reviews.co.uk) for products where such ratings are available (see Figures 3.1 and 3.2 above). Gocompare also provides a demands and needs statement and detailed information about the cover provided by the policies in the comparison results.
- 8.13 A recent report by the UKRN found that “*price is not the only factor that drives consumer use of PCWs*” and that “*price comparison websites are used to get a ‘better deal’ and not necessarily the ‘best’ deal.*”<sup>57</sup> A 2013 report by RS Consulting found that “*Generally, however, consumers do not necessarily choose the cheapest deal: rather, they compare prices in the context of the overall deal and the information as a whole*” and “*Where results are ranked by price, consumers often distrust the cheapest results that appear at the top of the list. They seek value for money, rather than the cheapest deals, which will tend to*

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<sup>55</sup> [ ].

<sup>56</sup> Gocompare notes that the CMA has indicated that it plans to understand the extent of any problems to do with “hollowing-out” – see paragraph 4.5 of the Statement of Scope.

<sup>57</sup> *Final Report of the UK Regulators Network: Price comparison websites* (September 2016), paragraph 3.5.

*be from less well-known (and less trusted) providers*".<sup>58</sup> This indicates DCTs do not lead to problems with "hollowing-out".

Increased competitive pressure between suppliers, leading to lower prices and better quality and range of products

- 8.14 As described further in sections 10 and 11 below, DCTs:
- (A) reduce advertising and customer acquisition costs for suppliers, which enable suppliers to compete more effectively with each other on price;
  - (B) increase transparency of pricing and product features so that suppliers must ensure their offerings are sufficiently attractive to win sales from competitors; and
  - (C) increase the number of suppliers and products in the market by reducing barriers to entry and expansion for suppliers.
- 8.15 DCTs therefore promote competition by driving prices downwards and improving the quality and range of products on offer, which significantly benefits consumers.

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

### **9. What factors influence suppliers' use and choice of DCTs and why?**

- 9.1 Due to the relatively low level of brand loyalty and the high level of multi-homing among consumers (described further in section 6 above), suppliers are able to choose the DCTs on which they want to list. Gocompare estimates that [ ]% of car insurance and home insurance suppliers appear on the four largest insurance DCTs, with distribution of the other [ ]% varying across DCTs. Certain insurers do not list certain brands on DCTs, [ ]. This is because they have sufficiently strong brand loyalty to drive business to their direct sales channel. It is a strategy of certain insurers to refrain from listing certain brands on DCTs while making the policies they provide available under different brands listed on DCTs.
- 9.2 [ ].
- 9.3 As described in section 14 below, it is necessary for DCTs to compete vigorously to attract suppliers. There is a high level of multi-homing, and multi-homing consumers would not be likely to choose a DCT which does not compare a competitive range of products with competitive prices. Gocompare only earns revenue when customers use it to purchase a product, so this provides a strong incentive to Gocompare (and similar DCTs) to have a wide range of suppliers with competitive prices on its panel.

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<sup>58</sup> RS Consulting, Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures (2013), pages iii and v.

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

- 10.1 DCTs make it significantly easier for suppliers to enter the market, attract more consumers and engage more effectively with them. DCTs have lowered barriers to entry and expansion for suppliers by providing direct access to an extremely large audience of consumers and reducing the need for new entrants to invest heavily in upfront advertising in order to increase brand awareness and drive business. By way of example, there are currently [ ] visits to PCWs each month.<sup>59</sup> Gocompare.com attracts approximately 5 million visits each month and, in the first half of 2016, there were over 15 million customer interactions on or from Gocompare.com. The pricing model of DCTs like Gocompare, whereby suppliers are, for the most part, only charged if the customer makes a purchase from the supplier, provides suppliers with direct access to consumers at a risk-free cost, and allows suppliers to capitalise on DCTs' high advertising spend. By contrast, direct advertising involves significant upfront investment with no guarantee that consumers will make a purchase. As well as opening up access to a substantial number of consumers, DCTs provide access to consumers who are likely to be engaged and looking for a better deal in relation to a particular product. The beneficial impact DCTs have on lowering barriers to entry for suppliers has previously been recognised by the CMA in the private motor insurance market investigation where the CMA found that “[n]ew PMI providers have been able to enter the market and have attracted consumers by posting competitive prices on PCWs rather than by spending money on advertising.”<sup>60</sup>
- 10.2 DCTs spend a substantial amount on advertising (see paragraph 8.10 above). [ ].<sup>61</sup> Indeed, by virtue of this halo or “billboard” effect, new entrants and lesser-known insurers may even see an increase in their direct customer acquisition (i.e. customers using DCTs to research the market and then deferring to the insurer’s individual website to purchase a product or switch) as a result of simply appearing on DCTs.
- 10.3 By providing a cost effective and efficient advertising medium for all insurers, DCTs not only reduce the costs of new entry, but also reduce the costs of expansion for a smaller insurer. Therefore, DCTs assist in creating a more even playing field for smaller insurers and new entrants to compete with more established insurers. Indeed, DCTs have a neutralising effect on incumbency advantages, as small insurers and new entrants are equally as visible to consumers searching on DCTs as incumbents that are able to spend a substantial amount on advertising. [ ].<sup>62</sup>
- 10.4 An example of an insurer that has used DCTs to expand is Hastings Group, which offers private car, van, bike and home insurance and currently has over two million policies in force. Hastings primarily distributes policies to new customers through PCWs, which

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<sup>59</sup> [ ].

<sup>60</sup> *Final Report of the CMA in the PMI Market Investigation* (September 2014), paragraph 8.4.

<sup>61</sup> [ ].

<sup>62</sup> [ ].

account for around 90% of Hastings' new business sales.<sup>63</sup> In its Annual Report 2015, Hastings has stated that one of the strengths of the Hastings business model is "*agility in a price comparison way of working*" and that its way of thinking, processes and procedures are optimised for the digital distribution and PCW market.<sup>64</sup>

10.5 An example of a smaller insurer which has been able to expand its sales using DCTs is Intelligent Insurance, which specialises in non-standard risk, e.g. damage due to flooding and storms. Due to the specific nature of its offering, it would be difficult for Intelligent Insurance to establish a customer base and expand its business without substantial investment in advertising. Intelligent Insurer do no direct marketing and are completely reliant on DCTs for sales. This is an example of the benefits DCTs can bring to consumers by lowering the barriers to entry and expansion for insurers that specialise in non-standard risk.

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

11.1 DCTs have increased competition between suppliers, which drives the prices offered by suppliers downwards and improves the quality and range of products offered by suppliers. This is because:

(A) DCTs reduce advertising and customer acquisition costs for suppliers. This is supported by the CMA's findings in the private motor insurance market investigation, where the CMA found that, in general, attracting customers through PCWs was cheaper for car insurance providers than direct customer acquisition – that is, for most car insurance providers, the costs of acquiring a customer directly were higher than the commission fees per sale on PCWs.<sup>65</sup> Gocompare expects that this would also be the case for home insurance providers.

By lowering the costs of business for insurers, DCTs enable insurers to lower their prices, driving prices down to the benefit of consumers. This is consistent with the CMA's findings in the private motor insurance investigation, where the CMA found that "*some insurers have reduced their advertising and become more focused on providing the best price through PCWs*" and "*[t]his evidence suggested that PCWs had had the overall effect of lowering the costs of business for PMI providers, which we expected to have led to lower PMI prices.*"<sup>66</sup>

(B) DCTs increase the transparency of pricing and product features by allowing consumers to quickly, easily and effectively search across and compare a wide range of products. This increases competition between suppliers as suppliers must ensure their offerings are sufficiently attractive to win sales from competitors. In the private motor insurance market investigation, the CMA found that 93% of consumers selected car insurance from the top five quotes on PCWs,

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<sup>63</sup> See Hastings Annual Report 2015.

<sup>64</sup> Hastings Annual Report 2015, pages 18 and 20.

<sup>65</sup> *Final Report of the CMA in the PMI Market Investigation*, paragraph 8.58 and Appendix 8.1 Annex L.

<sup>66</sup> *Final Report of the CMA in the PMI Market Investigation*, paragraphs 8.4 and 8.59

although many consumers typically do not pick the cheapest policy.<sup>67</sup> Therefore, for insurers to make a sale, their prices must be competitive and the quality of their products must be attractive. DCTs therefore drive prices down and improve the quality of products offered by suppliers.

This is consistent with the CMA's findings in the private motor insurance investigation, where the CMA found that there was strong evidence that PCWs had made the private motor insurance market more competitive.<sup>68</sup> In its final report, the CMA stated:

*“The data shows that customers’ price responsiveness on PCWs was higher than on PMI providers’ own websites. This indicated that the ability of consumers to compare directly the prices of different policies on PCWs was likely to be a major driver of interbrand competition.... it appeared to us that, in the PMI market, intrabrand competition driven by competition between PCWs was more effective overall than intrabrand competition driven by own-website to PCW competition. This is because the former included much stronger elements of interbrand competition which compelled PMI providers to price competitively on PCWs. This suggested that, other things being equal, the incentives for PMI providers to reduce prices on PCWs are higher than on the direct sales channels. This is because of the higher degree of interbrand competition faced by PMI providers on PCWs.”<sup>69</sup>*

- (C) As described in further detail in section 10 above, DCTs reduce barriers to entry and expansion, and have therefore increased the range of suppliers and products in car insurance and home insurance. By enabling the entry of more suppliers than would be possible in the absence of DCTs, DCTs encourage suppliers to compete more vigorously *and against more competitors* than would otherwise be the case. As described in paragraph 10.3, DCTs also assist in levelling the playing field between smaller insurers or new entrants and the more established insurers.

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

- 12.1 As described in paragraphs 4.1 to 4.4, c. 89% of home insurance policyholders are not engaging in switching home insurance and c. 67% of car owners are not engaging in switching car insurance. Encouraging switching in home insurance (building and contents) would save consumers up to c. £3 billion a year (calculated by multiplying 24m by c. £129 a year) and encouraging switching in car insurance would save consumers up to c. £5 billion a year (calculated by multiplying 20m by c. £256 a year).

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<sup>67</sup> *Final Report of the CMA in the PMI Market Investigation*, Appendix 8.1 paragraphs 77 to 78.

<sup>68</sup> *Final Report of the CMA in the PMI Market Investigation*, paragraph 8.6 and Appendix 8.1 paragraph 76.

<sup>69</sup> *Final Report of the CMA in the PMI Market Investigation*, paragraphs 8.62 and 8.65.

12.2 Gocompare considers that one of the barriers to consumers engaging in switching home insurance and car insurance policies and realising these significant benefits is the amount of information consumers must enter in order to obtain comparison results on a DCT or quotes from insurers. Some of this data is very specific and consumers may not readily know the information. For example, to compare home insurance, consumers must (among other things) answer the following questions when completing a quote process on Gocompare.com:

- (A) Using your best estimate, when was the property built?
- (B) What are the external walls built with?
- (C) What is the main roof made of? Is any of the roof flat? How much of the total roof area is flat?
- (D) What is the property's distance from water?
- (E) To the best of your knowledge, has the property, its outbuildings or anywhere within its boundary ever been flooded by an outside source?
- (F) What is the property's rebuild cost?
- (G) How much would it cost for replace the entire contents of your home as NEW (including all valuables and high risk items)?

12.3 These questions are asked on Gocompare.com because the answers are required in order to obtain quotes from the insurers on Gocompare's panel. Providing such information can be difficult and time-consuming for consumers; it may not be immediately accessible and may be complex to calculate or estimate. A 2013 report by RS Consulting found that consumers may become irritated when answering questions requiring specific information, which they don't have to hand or when it is not clear why the information is needed at such an early stage or how it will be used.<sup>70</sup>

**13. 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?**

13.1 As described in section 11, DCTs have changed suppliers' approach to consumers by increasing competition between suppliers, driving down advertising and customer acquisition costs, increasing transparency of price and product information and allowing customers to quickly and easily compare information about products.

13.2 As far as Gocompare is aware, suppliers do not treat consumers who use DCTs differently to those who do not. If suppliers were to treat consumers not using DCTs more favourably than those who do, for example by offering a more favourable deal on their website, this

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<sup>70</sup> RS Consulting, *Price Comparison Websites: Consumer Perceptions and Experiences. A Report by RS Consulting for Consumer Futures* (2013), page iii.



would undermine the viability of DCTs. The purpose of narrow MFNs is to ensure that this does not happen.

13.3 Gocompare agrees with the conclusions reached by the CMA in the private motor insurance market investigation about the significant pro-competitive effects of narrow MFNs and the lack of any significant anti-competitive effects from narrow MFNs.<sup>71</sup> Gocompare considers that such conclusions apply to sectors outside of car insurance, including home insurance. In particular, consistent with the findings of the CMA in the private motor insurance market investigation:

(A) Narrow MFNs are unlikely to have any significant anti-competitive effects. A narrow MFN simply ensures that the price on an insurer's website will not be cheaper than the price on the DCT. This does not prevent an insurer from offering their products on different DCTs at different prices.

(B) Narrow MFNs have significant pro-competitive effects. As discussed in paragraphs 5.10 to 5.12, narrow MFNs are a key driver of consumer trust in DCTs, as they ensure that consumers can use DCTs to compare the prices which are actually available on the insurers' websites. Without narrow MFNs, suppliers can undercut DCTs and undermine their core consumer proposition of allowing consumers to compare the prices of a wide range of suppliers. Narrow MFNs help DCTs to reduce consumers' search cost, which provides a significant benefit to consumers (as discussed in section 8). Without the reassurance provided by narrow MFNs, consumer trust in DCTs, and consequently the demand by consumers for DCTs, would be lower and consumers may stop using DCTs, leading to increased search costs for consumers and removing the benefits introduced by DCTs (discussed in section 8).

13.4 Narrow MFNs also prevent insurers from free-riding on a DCT's advertising investment. As described in paragraph 8.10, DCTs spend heavily on advertising, which drives consumer engagement in switching. If consumers could obtain better prices from insurers directly, consumers would be more likely to use DCTs as a research tool but then purchase directly from an insurer's website. If this occurs, insurers would benefit from the advertising investment of DCTs without having to pay DCTs for this (given, for the most part, DCTs only charge insurers if the consumer completes a transaction with the insurer, after having clicked through to the insurer's own website from the DCT or after having contacted the supplier by telephone using a quote obtained from the DCT). This undermines the viability of the business model of DCTs.

### **Theme 3: Competition between DCTs**

**14. 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?**

14.1 DCTs compete on two fronts: firstly for consumers, to whom DCTs provide a means of comparing a range of products, and secondly for the suppliers that are listed on DCTs.

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<sup>71</sup> See *Final Report of the CMA in the PMI Market Investigation*, section 8.

Demand from the two types of users is symbiotic: demand from consumers depends on the number of suppliers whose products are listed on the DCT and demand from suppliers depends on the number of consumers using the DCT. DCTs therefore have a substantial incentive to compete to attract a sufficient number of consumers and suppliers to remain viable and competitive.

14.2 As described in section 6 above, the majority of consumers use more than one DCT [ ]. Use of DCTs by consumers is relatively even across the largest brands, indicating a low level of brand loyalty. This means that Gocompare must compete aggressively with the other DCTs to attract and retain consumers. [ ].<sup>72</sup> DCTs compete with each other by advertising to attract consumers to DCTs' websites and some DCTs offer inducements (e.g. free soft toys) to consumers that complete transactions through the DCT. [ ].<sup>73</sup> DCTs also compete with each other for consumers on the quality of the experience for consumers using DCTs to complete a transaction, including:

- (A) the ease of use of the website, which is the reason most cited by consumers for choosing to use a particular DCT (see paragraph 6.4). Consumers are likely to have a better experience in circumstances where it is easy for them to access the comparison results and proceed to complete the transaction through the DCT and partner websites;
- (B) the quantity and quality of the suppliers listed on the DCT and the competitiveness of the prices and products offered by the suppliers on the DCT (which is affected by how successful DCTs are in attracting and retaining suppliers); and
- (C) providing consumers with the information required to make an informed choice.

14.3 As described in sections 6 and 9 above, the low level of brand loyalty and the high level of multi-homing mean that DCTs also compete aggressively with each other to attract and retain suppliers, as one of the differentiating factors that DCTs compete on is the quantity and quality of the suppliers listed on the DCT. The high levels of multi-homing also mean that insurers do not need to be on each DCT and Gocompare estimates that approximately [ ]% of car and home insurance providers are not on all of the four largest DCTs. [ ].

14.4 [ ]. Gocompare considers that if the risk of fraud is reduced, this would enable suppliers to reduce their premiums. As a result, consumers benefit from lower prices, suppliers benefit from improved conversion rates and Gocompare benefits from increased fees (from the higher conversion rates).

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<sup>72</sup> [ ].

<sup>73</sup> [ ].

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

15.1 Please see section 14 above.

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

16.1 Gocompare considers that there are low barriers to competition between DCTs. As described in section 14 above, DCTs compete aggressively with each other for both consumers and suppliers.

16.2 Gocompare notes that, while the cost of advertising may be considered a barrier to entry for DCTs wanting to enter the market using a similar business model to Gocompare, a new entrant may be able to successfully enter the market through a new “disruptive” business model or finding a low cost acquisition channel. For example, [ ] entered by providing the comparison facility on [ ] and now runs a significant number of quotes. Another example of a recent entrant is [ ], which was launched in late 2015 and is a joint venture between [ ] and the [ ]. [ ] provides [ ] with free promotion in its publications, thereby allowing it to enter the market and attract customers with lower advertising costs.

**Theme 4: The regulatory environment**

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

17.1 With the exception of the issue raised in section 19 below, Gocompare does not consider that any areas of regulation or self-regulation applying to DCTs lack clarity, certainty, consistency, or enforcement.

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

18.1 Gocompare does not consider there to be any areas where Gocompare is not meeting competition or consumer protection requirements.

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

19.1 Gocompare has concerns about the FCA's guidance on general insurance add-on sales and ICOBS rule (ICOBS 6.1.5R) (which requires firms to take reasonable steps to ensure a customer is given appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed).

19.2 The FCA's guidance provides that the most common add-ons (being at least three add-ons which are purchased most frequently by the firm's customers) should be introduced as part of the initial question set or, at the latest, on the first results page or when the customer receives a first quote.

19.3 Gocompare has implemented changes to comply with the FCA's guidance in relation to car insurance recently [ ]. Gocompare is concerned that such changes will introduce significant complexity to results pages, will reduce the ease of use of DCTs complying with the guidance and will increase customer confusion. As a result, there is a real risk that implementing the guidance would increase the barriers to consumer engagement in switching as consumers may find that it is too difficult to select a quote when confronted with a complex results page with multiple pricing information about add-ons (which have a much lower price than the price of the overall policy). The results may be more difficult to navigate as there are expanding panels and more filters. We note that the CMA has previously acknowledged, in the context of the retail banking market investigation, that in relation to the mandatory disclosure of core information: "*We know from previous research that simply providing all customers with significantly more information would not guarantee better outcomes. Overloading customers with information is a particular risk in a market characterised by low levels of engagement.*"<sup>74</sup> Gocompare is therefore concerned that implementing the changes required to comply with the FCA's guidance would be likely to reduce the number of customers using DCTs to switch insurance policies. As described in section 4, switching levels are already low and there are significant benefits to consumers of driving increased engagement in switching for car and home insurance.

## 20. Conclusion

20.1 In summary, for the reasons outlined in greater detail above, DCTs have provided significant benefits to consumers and driven competition between suppliers and are working well for consumers. In particular:

- (A) DCTs enable consumers to reduce search and switching costs by providing a platform to navigate and search across potentially complex markets and compare a wide range of quotes from suppliers.
- (B) DCTs drive prices downwards and improve the quality and range of products on offer for the benefit of consumers by (i) reducing advertising and customer acquisition costs for suppliers, which enable suppliers to compete more effectively with each other on price; (ii) increasing transparency of pricing and product features so that suppliers must ensure their offerings are sufficiently attractive to win sales from competitors; and (iii) increasing the number of suppliers and products in the market by reducing barriers to entry and expansion for suppliers. DCTs provide suppliers with direct access to consumers at a risk-free cost (as suppliers are only charged if the customer makes a purchase from the supplier) without the need to invest heavily in advertising, which assists in levelling the playing field between smaller insurers or new entrants and the more established insurers.

20.2 Gocompare does not consider that there is any feature which prevents, restricts or distorts competition in connection with the supply of DCT services in the UK which warrants a market investigation. For the reasons outlined in Gocompare's letter of 21 October 2016,

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<sup>74</sup> Final Report of the CMA in the Retail Banking Market Investigation, paragraph 13.93.

Gocompare considers that the CMA should not make a market investigation reference in relation to the supply of DCT services in the UK.