

Digital Comparison Tools Market Study:

Response form

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

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

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

Your details

(Fields marked * are required)

Title*	Mr
--------	----

Forename	Ron
----------	-----

Surname*	Simms
----------	-------

Email*	
--------	--

What is your role / profession*	Director, Corporate Services (Solicitor)
---------------------------------	--

Are you representing yourself or an organisation?*	Yourself / <u>An organisation</u> (please delete as appropriate)
--	---

If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No (please delete as appropriate)
---	--

If you are representing an organisation:

(a) What is the organisation's name?*	Insurance Distribution & Outsourcing (IDO), a division of BGL Group Limited
---------------------------------------	---

(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*	
---	--

IDO is a leading insurance intermediary business and a user of digital comparison tools (DCTs), notably price comparison websites (PCWs). DCTs comprise one of a number of important routes to market for IDO's brands and those of the partners it represents. IDO is not an underwriter itself, but specialises in the provision of consumer insurance (using third party underwriters) and associated services (including legal services) under the following brands:

Junction: IDO's partnerships business, which manages the motor and home insurance offering of some of the UK's top consumer brands (M&S Bank, RAC Insurance, Post Office, HSBC, Lloyds Bank, Halifax, and Santander) using a panel of leading underwriters. Junction designs tailored insurance models for its blue chip partners based on their technology, distribution and product requirements as well as the needs of their customers.

Frontline: IDO's own-brands business, comprising the **Budget Insurance** and **Dial Direct** brands, whose core products are home, van and car insurance, underwritten by a panel of third party insurers. Frontline offers a range of additional products including Breakdown Cover, Legal Expenses, Guaranteed Replacement Car and Van, Keycare, Personal Accident Cover and Home Emergency Assistance.

Fusion: IDO's contact centre business. Fusion employs 1,300 people across sites in Peterborough and Sunderland and provides customer service expertise on behalf of IDO's other businesses, including Junction and Frontline.

Beagle Street: IDO's life insurance broker business.

IDO (alongside the leading PCW, Comparethemarket.com) comprises the UK arm of the financial services provider, BGL Group Limited (**BGL**). BGL employs over 3,000 people and is headquartered in Peterborough, with additional offices in London, York, Wakefield, Sunderland and Paris.

IDO's response to the SoS is motivated and informed by its experiences of using DCTs as a provider insurance products (including household insurance, one of the CMA's areas of focus), albeit a number of the issues raised in this response will be common to other products and services that can be compared through DCTs.

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

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

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

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

In our experience, consumers use DCTs to research and purchase our products.

The increase in usage in DCTs that we have experienced in recent years suggests that consumers find DCTs (certainly insurance PCWs) to be a valuable tool.

In terms of when consumers access DCTs, this appears to be closely related to the expiry of an existing product or the result of a change (e.g. moving house) that leads to a requirement for a new product.

The activities we are able to confirm that our customers undertake using DCTs are:

- to check prices (and other variables) from a wide variety of different providers. DCTs are convenient; their proposition is based on enabling customers to compare lots of products in one place, easily and quickly (we know this as we often return prices to the same customer a number of times in quick succession); and
- in most instances, to act on this information by facilitating the actual purchase once the comparison exercise has been completed and an appropriate product identified.

It would seem to be the case - from the increasing adoption of DCT usage in the insurance sector - that consumers are prepared to trust DCTs.

Given the simplicity of PCW customer journeys and the availability, continued development and resilience of their propositions, it is easy to understand why this level of trust should continue to grow in personal lines insurance.

We are able to observe some trends from our direct interactions with consumers that suggest to us that usage and trust in DCTs is increasing across the insurance sector. As regards usage, the development of mobile optimised journeys is likely to result in more consumers using DCTs; the ability to access product information readily may also result in greater use as well as enhanced confidence.

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

We have no specific information pertaining to how consumers choose which and how many DCTs to use. However, our own experience of consumer behaviour leads us to the view that the key factors are likely to be:

- Usability of the DCT i.e. an experience that enables the customer to obtain the product easily and relatively quickly;
- A broad product offering – the DCT needs to provide a wide choice of products or suppliers;
- Added value – customers need to receive some value from using DCTs in the form of financial savings or more appropriate products.

Our experience is that a significant proportion of consumers use more than one PCW. Ancillary offerings (movie tickets, toys etc.) could influence which DCTs are used by

customers. Other potential influencing factors would be the association of a DCT with “consumer champions” (e.g. Money Saving Expert).

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

Again we have limited direct insight into consumers' expectations of DCTs, which may vary considerably.

For some products, such as personal lines insurance, consumers are more likely to use a DCT both to compare prices etc. and then make their purchase/complete the transaction. For these products, DCTs offer consumers access to a significant proportion of the market, and well-established relationships exist between the DCTs and the suppliers.

The insurance markets where consumers' expectations appear to be being met are characterised by the following features:

- there are numerous providers and competition is intense;
- the parameters/features of the product are fairly well understood by consumers;
- consumers are used to changing their provider periodically; and
- DCTs have established relationships with providers, which ensures a smooth customer journey from comparison to purchase.

We anticipate that consumers would expect DCTs to provide a transparent shop window that creates a level playing field between the suppliers listed and that this would be the overriding consideration.

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

For the reasons set out above, we are aware that an increasing proportion of consumers seeking some insurance products find utilising DCTs to be a positive experience. For others products notably, in our experience, life insurance, more limited consumer adoption suggests that the usage experience is not as positive. As regards this last point, it is difficult to come to a definitive view and, in any event, consumers' experiences may be affected by a range of different factors.

That said, it is clear from our experience that, although price is important, customers will also select products and/or providers based on factors other than price. A significant proportion of IDO sales via DCTs are achieved when the price presented is not the cheapest on screen.

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

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

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

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

From a supplier's perspective, DCTs can offer benefits because they represent a cost effective customer acquisition channel - bringing together a large number of consumers who are in the buying window for a particular product.

It follows that DCTs can reduce barriers to new market entry and growth that product/service providers might otherwise face. We have seen significant growth in several of our brand propositions which has been facilitated by the use of DCTs. In this way, DCTs can also stimulate stronger competition and innovation between firms, with resulting benefits for consumers.

DCTs are a valuable distribution channel for the markets within which we operate. This value has to be viewed within the overall context of markets operating with a range of sustainable business models and different propositions. Our use of DCTs is based on them continuing to provide efficient acquisition but this is balanced with our objectives to retain customers by a combination of competitive pricing, a high quality digital interface and excellent customer service.

Further, although different DCTs may have different levels of market coverage or other unique features, as many of the underlying products are common across different platforms, and the comparison process itself is swift and straightforward, there is little disincentive for consumers to conduct research across multiple platforms, which in turn provides IDO access to large numbers of customers. As a supplier we use all of the DCTs that provide a sustainable service in the markets in which we operate.

We are influenced in the selection of DCTs by the following factors:

- commercial considerations – CPAs, click floors etc.;
- availability and performance of DCT sites;
- contractual terms and relationship management; and
- the profile of customers attracted to individual DCTs.

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

DCTs can make it easier for suppliers to enter the market for the products or services that they compare and/or sell by effectively reducing barriers to entry.

For example, the comparative cost, time and uncertainty associated with building a presence in a consumer market using direct marketing, search engine optimisation or other alternative strategies means that using DCTs as an alternative (or complementary) channel is a particularly attractive strategy for new entrants.

For existing market participants DCTs offer a reliable option to increase scale and reach for a fixed cost which is incurred only once these objectives have been successfully achieved.

For suppliers who have a digital proposition DCTs offer a quality interface and access to consumers who are already familiar and comfortable with accessing services using the same technology.

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

In the markets in which we participate, DCTs have helped to drive down prices by creating transparent comparison and forcing providers to reassess their business models and deliver improved efficiency. At the same time, providers have been able to identify the benefits of improvements to online customer journeys to make their propositions more attractive to consumers who purchase via this medium.

In the motor insurance market, DCTs have broken the inertia that previously existed, increasing competition between suppliers for the largely savvy customer base which frequently uses DCTs to compare and buy. We have seen a number of new entrants adding to the competition between suppliers.

The increased transparency introduced by DCTs has helped to improve consumer understanding of products that are frequently compared (e.g. motor insurance). The impact has been that product standards have been raised or maintained.

This improvement has not, in our view, been at the expense of augmented products. In fact, some of our own most successful products (e.g. Dial Direct and M&S Premier) are products with enhanced features and benefits that have been successfully distributed via DCTs where the product enhancements represent an alternative to price as a basis for selection.

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

The response to this question may vary depending on the market which is subject to comparison services.

In markets characterised by reasonably high levels of competition and customer engagement, such as car insurance, factors which might limit or undermine the effectiveness of DCTs in increasing competition will inevitably arise from potential changes (for example, regulatory changes) that interfere with the balance between DCTs and suppliers.

In less developed markets (in terms of DCT adoption), other issues may be important, such as greater customer inertia (perhaps driven by more complex products) although switching should be regarded as an end in itself.

Examples of factors which could have an impact include:

- requiring DCTs to take on increased customer or product responsibilities – this has the potential to interfere with the beneficial role of DCTs as a shop window and/or disrupt the balance between provision of comparable information and consumer information overload;
- changes to the DCT remuneration model – DCTs appear to be most effective in increasing competition where they are free to access for consumers but sustainable by remuneration from suppliers directly related to successful sales; and
- sector specific barriers also exist for DCTs in increasing competition between suppliers for some products – for example the role of DCTs in the sale of life insurance is constrained by the limited number of market participants, the perceived complexity of the product and the lack of consumer engagement.

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

As a supplier we do not treat our consumers differently according to distribution channel. DCTs have made larger cohorts of consumers more readily available to suppliers.

IDO views DCTs as a helpful form of introduction to consumers. However, we seek to 'own' those customer relationships and high quality value adding customer experiences are central to our business model, which is based on the retention of a significant proportion of our customers at renewal.

Theme 3: Competition between DCTs

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

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

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

In our experience, DCTs tend to compete in various ways. We are aware of DCTs seeking to differentiate themselves on the basis of for example:

- coverage - DCT advertising and marketing literature refers to the volume of offers that consumers can expect to receive;
- customer journey – we regularly interface with DCTs in relation to journey changes and improvements both to the DCT sites themselves and to the ways in which those sites interact with our own;
- savings and other perceived value propositions – DCTs' widespread advertising and marketing campaigns are focused on emphasising the savings available to customers and also highlighting other value adding offers to customers, for example toys or free movie entry; and
- as a supplier, DCTs compete for our business by offering incentives in terms of the commercial proposition (e.g. CPAs and volume based incentives).

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

As set out above, DCTs compete in a range of ways both for consumers and suppliers.

We do not see data constraints as significant in relation to competition between DCTs.

Whilst we acknowledge the value in universal access to publically available data, the position in relation to proprietary data held by individual suppliers is markedly different. Each supplier will invest in obtaining data and agreeing with its customers to protect that data appropriately. Any proposal which advocates a sharing of supplier data risks both the investment on the part of the supplier and breaching the consumer trust that underpinned the original collection of such data.

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

As set out above we do not think there are significant barriers to competition between DCTs.

One issue that is worth considering as part of this study is the fact that regulatory duplication can be unhelpful to both DCT and supplier.

In this regard, we consider that it is our product and we own the relationship with the consumer. It is our responsibility to ensure that each product complies with applicable regulation. Any additional regulatory intervention at an intermediary level has the potential to blur responsibilities, cause customer confusion and potentially add unnecessary costs.

Theme 4: The regulatory environment

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

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

In our experience the DCTs operate independently one from another. This is positive in ensuring we are able to negotiate individual commercial terms. However, for suppliers such as ourselves who have valuable commercial relationships with multiple DCTs this has historically created duplication of costs, for example, in building customer journey enhancements. More recently there have been some improvements in standardising requirements e.g. the recent development of a universal approach to the provision of enhanced information relating to add-ons.

Clarity and consistency from regulators (where DCTs operate within regulated markets) is imperative in ensuring the level playing field operated by DCTs is maintained.

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

None of which we are aware.

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

We would reiterate the points we have made above relating to the danger of regulatory approaches causing confusion for customers and creating inefficiencies by blurring the distinction between the roles of DCTs and those of suppliers.

Subject to safeguarding important consumer protections, it is important that both suppliers and DCTs have the flexibility to develop and tailor their respective offerings to consumers in the way that is attractive and responds to consumer priorities. This will become all the more important as rapid developments in digital technology transform the way consumers' research and purchase products.

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

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

- Increased usage of mobile devices – this will bring heightened focus to the challenge of the provision of appropriate, balanced information to consumers.
- We expect DCTs to have access to increasing amounts of data. This may in turn allow DCTs to differentiate themselves in terms of the data provided to suppliers. This could lead to a greater level of differential pricing between DCTs.

Other comments and further contact

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

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

Yes / No
(please delete as appropriate)

Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

Or post it to:

**Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House**

**37 Southampton Row
London
WC1B 4AD**