

## Digital Comparison Tools Market Study:

### Response form

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

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

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

## Your details

(Fields marked \* are required)

<b>Title*</b>	Mr
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<b>Forename</b>	Chris
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<b>Surname*</b>	Williams
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<b>Email*</b>	[ ]
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<b>What is your role / profession*</b>	MD Retail, Simplify Digital Ltd
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<b>Are you representing yourself or an organisation?*</b>	Organisation (Simplify Digital Ltd)
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<b>If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*</b>	Yes / No <i>(please delete as appropriate)</i>
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### If you are representing an organisation:

<b>(a) What is the organisation's name?*</b>	Simplify Digital Ltd
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<b>(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*</b>
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#### Telecoms

Comparison of residential broadband, TV and home phone products, accessible direct to consumers:

- online via our website at [www.simplifydigital.co.uk](http://www.simplifydigital.co.uk),
- offline via our UK-based contact centre.

We also provide white-label services (both online and offline) to many other UK organisations.

#### Energy

Comparison of residential energy products, accessible direct to consumers:

- via the Voltz app (iOs and Android), [www.voltzapp.com](http://www.voltzapp.com)
- offline via our UK-based contact centre

## **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?**

We believe the primary reason consumers use DCTs is the significantly reduced search effort required by the consumer to find a suitable product, and the potential for finding the best deal (such as an exclusive that may not be available elsewhere).

Broadband can be a complex market - consumers cite "hassle" as the biggest reason for not switching (Ofcom Consumer research, 2015), and anecdotal feedback from our conversations with customers in our contact centre supports this. Furthermore, customers tell us that they are looking for a new supplier/package when they have been affected by a particular "trigger", which typically will be:

- Moving home
- Price increase mid-contract
- Price increase at end of contract when introductory offer expires
- Unexplained/unexpectedly high bill
- Bills review (i.e. recent energy switchers)
- Slow broadband speed or poor quality of service

We believe there are five key factors influencing the extent that consumers trust DCTs:

- 1) Is the default ranking of packages based on the consumer's personal requirements, or is it based on a criteria defined by the DCT (and in either case is it clearly labelled or explained)
- 2) Can the consumer easily amend their ranking or search criteria to receive personalised results
- 3) Does the DCT display a selection of suppliers that the consumer may reasonably judge to cover the vast majority of the market
- 4) Is the pricing accurately displayed on the DCT, and is it mirrored on the Supplier's website when the user clicks through to complete the purchase
- 5) Does the consumer have the ability to easily contact the DCT, both for help/advice when purchasing and for post-sale queries

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

We know that many consumers will spend considerable amounts of time shopping around before choosing to switch broadband. Anecdotal feedback suggests that consumer-stated reasons for using particular sites are varied:

- Prominence in Google and other search engine results when the consumer is searching for broadband-related terms (both paid and natural)
- Increasingly, response to other forms of digital advertising
- Response to a DCT's offline marketing e.g. TV advertising
- Previous consumer experience of the site in another sector
- Strength of the packages/products on offer via one DCT vs another

We have no data on how many DCTs consumers use, but we know from talking to customers in our contact centre that many consumers will be actively looking at one or more DCTs whilst also seeking guidance from a Simplifydigital call centre specialist.

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

We believe that consumers have a reasonable expectation to see the major UK broadband providers, plus a selection of smaller Suppliers that they may not have heard of, whilst at the same time recognising that DCTs are ultimately are a commercial entity and that the market coverage reflects the extent to which commercial relationships have been established with Suppliers.

**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?**

In general, we believe that consumers' experience of using DCTs for comparing broadband products is a positive one. Many DCTs invest heavily in providing a good experience for their users, and they do a good job in promoting competition between Suppliers.

The myriad of price information and offers can occasionally be difficult to navigate, and we welcome the upcoming changes enforced by the ASA to require broadband providers to communicate an all-in pricing that includes line rental.

There are additionally many points of information that customers take into account when purchasing broadband, such as speed, traffic management policy, and when bundled with TV and home phone these factors increase, such as inclusive calls, available TV channels, capabilities of set-top box, install charges and timelines.

In general, we believe DCTs do a good job of presenting this information, typically in the form of a comparison table of headline actors (such as price and speed), with additional information accessed within a single click.

However, DCTs are currently required to operate within some constraints and these could be improved.

First and foremost, DCTs have limited or no access to the estimated broadband speed that the consumer would receive at any particular address from each broadband provider. There is no central industry process for accessing this information, which leads to DCTs doing their best with limited resources (often simply display the advertised "up to" speed, or providing an estimate based on the customer's postcode, which can be inaccurate and doesn't account for differentiation in the potential speeds offered by different Suppliers.

We are currently engaging with the major broadband providers to provide a way to access and display this information for our customers, but an industry-wide process would be highly beneficial.

Secondly, whilst comparing broadband packages is relatively straightforward, the actual process of switching is not, as evidenced by "Hassle" being cited as the single biggest

reason for customers considering but not switching broadband Supplier (Ofcom consumer research 2015).

Broadband can be a complicated purchase journey, especially when bought with TV and/or home phone services. Consumers have lots of questions around ease of switching, such as the ability to retain phone number and email address and length of downtime, that mean many consumers choose to avoid the perceived hassle of switching.

The lack of consistency in switching process across different types of service is potentially also extremely confusing for customers and makes it difficult for DCTs to provide advice in a clear and concise way for customers.

For example, a Sky customer just switching fixed-line broadband follows one process, but if they also have TV they follow another. Customers switching phone, broadband and TV from BT to Sky follow one process, but switching from Virgin they follow another. This can only add to the perception that switching is conceptually simple but in practice very confusing for customers

The exact process (and lead time) is something that typically the gaining provider will provide to the customer only once they know their exact scenario (including whether or not they want to (or even can) keep their phone number). We believe that DCTs (and therefore consumers) not having access to this information puts consumers at a disadvantage.

We therefore welcome Ofcom's consultation on "Making Switching Easier and More Reliable for Consumers).

## 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?

Suppliers' use and choice of DCTs is typically influenced by:

- The reach and scale of the DCT (how many customers will see that Supplier's products, and how many customers could the DCT help acquire for the Supplier)
- The ability of the Supplier to manage a potentially large base of DCTs
- The typical characteristics of the traffic and/or customers being generated by the DCT

In our experience, most Suppliers are happy to work with as many DCTs as possible, as long as the DCT will represent the Supplier's products in a fair and accurate way. Sometimes the Suppliers will have a direct relationship with the DCTs, and sometimes it will be managed by a third party such as an affiliate network.

We have one example of a Supplier choosing to act differently, where [ ]



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

There are very little costs to display a new broadband Supplier on a DCT, and most DCTs will choose not to charge a listing fee.

However, many DCTs will have spent many years building up a reputation that they will be unwilling to risk by displaying a totally new Supplier with an unproven quality of service. As a result DCTs may not be initial routes to market unless a new Supplier can demonstrate a sufficient quality of service, and can demonstrate that it can handle the potential volume of new customers that may result from being listed on DCTs.

Overall therefore we believe DCTs make it easier for Suppliers to enter the market, as long as the Supplier can demonstrate robust quality of service and ability to handle a potentially large volume of new customers.

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

Suppliers are highly aware of how their products are ranked and displayed on DCTs, and the ease with consumers can compare products on DCTs. Frequently this leads the Suppliers to offer consumer deals that are better on DCTs than if the customer had gone direct to the Supplier.

Many suppliers will offer exclusive deals to one (or more) DCTs in order to acquire more customers. These deals may be based solely on reach (for a DCT with a high customer base) or may be tailored towards a certain type of customer or product that the DCT may help them acquire (for example fibre).

The impact of this competition tends to be on the pricing and discounts of packages rather than range or service. Recent examples would be increased length of discount, increased value of promotional voucher, and shorter contract length vs the deal on offer direct from the supplier.

In our experience suppliers tend to operate this way as it is far easier for them to amend pricing and discounts than it is to amend range or service.

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

We believe that the current inability of DCTs to provide accurate estimated broadband speeds, and inability to provide information on switching process and lead times are the key barriers as they both introduce friction into the switching market, which in turn leads to less customers switching and potentially less competition.

We believe that the way to overcome these is:

- a) A central process for third-parties to access accurate estimated broadband speeds from each provider, and;
- b) A true gaining-provider-led switching process that is standard across broadband technologies and suppliers, covering not just broadband but also TV, home phone and mobile.

**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?**

The increase in use of DCTs amongst consumers, and the relative ease of comparison of products, means that we would hope that Suppliers are more conscious of the quality of service they need to provide to consumers in order to retain them (as DCTs make it easier to compare deals from competitors). However we note that complaints to Ofcom relating to broadband, TV and home phone have been relatively static recently (albeit this may mask underlying improvements being offset by challenges with new consumer offerings such as fibre).

### 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?**

The business model in the broadband vertical is predominantly an affiliate-based commission per transaction, where the click from the last referring site to the Supplier is attributed the sales commission. As a result, competition amongst DCTs tends to be focused on generating the final click to the Supplier before the customer transacts on the Supplier site.

DCTs have therefore tended to compete with each other on the basis of the deals/offers that they can secure from Suppliers. The stronger (or more exclusive) the deal then the more likely the customer is to sign up without continuing their research on other sites.

There tends to be very little difference in terms of coverage, albeit Simplifydigital takes the strong view that providing an offline (call centre) journey is very helpful to consumers, especially in broadband/TV/phone where the purchase journey can be complicated.

Most DCTs invest heavily in user experience as a method of differentiation, and this can be seen in the varying, well thought-out designs.

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

Factors influencing effective competition between DCTs:

- Ability to access a range of Suppliers that cover the majority of the market
- Possible preferential access to broadband speed information from a supplier for one DCT vs another
- Ability to access deeper product information, such as:
  - TV channel information
  - Home telephony call rates
  - Broadband traffic management policies

If a DCT can access this information then it can compete effectively, although ultimately the ease with which a DCT can access this information and therefore provide a service to consumers is subject to the various suppliers being willing to trade commercially with a DCT. Therefore the willingness of suppliers to trade with DCTs in the broadband sector is the ultimate barrier to competition between DCTs in our view.

Requirements for the consumer to provide data to the DCT tends to be limited in broadband, as typically all that is needed is the consumer's postcode in order to provide a basic broadband availability check. Therefore there are currently no consumer data barriers to competition between broadband DCTs.

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

We do not believe that there are material barriers to competition between DCTs, save for the ability for DCTs to trade effectively with suppliers referenced in Question 11.

## **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?**

No. Voluntary accreditation in telecoms appears to be sufficient.

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

We currently have no evidence to so suggest DCTs may not be meeting competition or consumer protection requirements.

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

No.

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?**

The potential for consumers to take broadband bundled with TV, home phone and mobile means that our strong opinion is that a reliable, straightforward, gaining-provider-led switching process that covers all possible bundle combinations is the number one requirement to facilitate a well-functioning switching market.

## **Other comments and further contact**

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

Specific to energy comparison, which is a much smaller, but growing, part of our business, we'd like to emphasise the following.

Traditionally, the thrust of domestic energy regulation has been to improve the information that DCTs display to consumers and to create standards around the presentation of savings results. The other side of the coin – what happens after a consumer switches, i.e. the switching process itself – has in our view been given less attention, yet is just as important to the health of the market. We note that the Energy Switch Guarantee is a voluntary industry scheme, to which only 13 suppliers have

subscribed thus far. Our experience in working with 19 different suppliers is that their success rates in onboarding customers that have registered a switch application varies greatly. We also know anecdotally that the fear of a switch failing or something going wrong deters many consumers from switching. We believe that a robust look at the switching process, the reasons why switches fail, consumer complaints related to switching and an examination of individual supplier on-boarding processes may identify opportunities for improvement, which in turn may encourage more consumers to switch.

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

Yes

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

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

**Or post it to:**

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