

Digital Comparison Tools Market Study:

Response form

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

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

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

Your details

(Fields marked * are required)

Title*	Mr
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Forename	Andrew
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Surname*	Cooper
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Email*	[]
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What is your role / profession*	Head of Compliance Regulation and Resilience
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Are you representing yourself or an organisation?*	An organisation (please delete as appropriate)
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No (please delete as appropriate)
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If you are representing an organisation:

(a) What is the organisation's name?*	Jet2.com
(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*	
<p>Jet2.com is a scheduled airline, selling flight arrangements from the UK to various destinations within Europe. It currently has 63 aircraft registered on the UK register. Jet2.com is also the owner of Jet2holidays, a subsidiary business, specialising in the sale of package holidays, which include flights on Jet2.com. On the basis that this market study is looking at the sale of flights through Digital Comparison Tools, all answers within the questionnaire and other documentation relate solely to the flight business of Jet2.com, rather than incorporating any information in relation to the Holidays business.</p>	

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 to they trust them?

We are not in a position to provide a detailed analysis of customer perceptions or motivations. We will however provide certain commentary expressing our views and opinions to the extent that it is relevant and appropriate to do so.

We perceive that customers will use DCTs as a convenient means of obtaining market understanding – to see comparative flight prices for travelling from relevant airports in their own country to their intended destination. The use of a DCT avoids the need to undertake extensive research into the different available flight options, and the relative different costs of each of those options.

We have no knowledge of whether consumers trust the information provided by different DCTs. We would observe that there are various forms of information display used by different DCTs, and we would anticipate that those which are most trusted are the DCTs which choose to display information in the most transparent fashion – which typically results in options being displayed in price order, with the lowest available prices being displayed first.

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

We have no definitive analysis or understanding of customer choice in this regard. We would suggest that the CMA seek input and advice from Google or a specialist in search behaviours on the extent to which consumers will work with search engines.

We would anticipate that most customers will start with a desired destination, and then undertake a basic search, typically say, "Flights to Tenerife". We note that a number of DCTs will appear on the opening page of Google, and we would anticipate that most consumers will use those providers as the starting point for any further searches. As we will refer to this example at further points during our response, we have taken a screen shot of a search on "Flights to Tenerife" undertaken on a computer in Leeds on 18th November. We will refer to certain information appearing on that screen shot during this response, and a copy is annexed to this response.

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 have no knowledge of consumer expectations in this regard, and again, would suggest that the CMA seek specialist advice on this topic.

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?

Again, we cannot comment. We are aware that DCTs are widely used in relation to searching for and securing flights, and as such, must have developed a level of consumer confidence.
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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?

We cannot comment generally in relation to this question, but will comment specifically about aspects of our own distribution process.

In common with most airlines, Jet2.com has various channels through which it chooses to market its product. Traditional airlines primarily marketed their seats through travel agents, historically using Global Distribution Systems (GDS), and subsequently with the growth of the internet, increasingly looked to sell direct to air travellers. Jet2.com was launched as a leisure airline in 2002, in a period which the internet had become the primary route to market for most new airlines. This was therefore the preferred distribution channel for Jet2.com

Whilst in relation to its Jet2holidays business, the company does work with third party retail travel agents, as no commission or other incentive is offered to those agents for making bookings, we do not regard third party agents as a primary means of distribution of flight seats.

However, there are a small number of large Online Travel Agents working in the UK who do purchase flight seats from Jet2.com, albeit normally through a third party distribution business, Travelfusion. We do not regard this business as falling within the CMA definition of a DCT, in that it does act as a booking engine, rather than a referral site to individual airlines. However, Travelfusion, whilst effectively a form of GDS does share some characteristics of DCTs, in that it acts as an intermediary showing price comparisons on different routes. We would take the view that whilst it does undertake B2C business, it is primarily a B2B booking tool.

In consequence, for Jet2.com, the primary distribution of our flight product is online – which is made up of a combination of repeat business – customers who use our site due to previous experience or recommendation, or follow up to the use of search tools – whether a direct search on a search engine, or a secondary search through a DCT.

Clearly, for any airline, the lowest cost form of distribution is for customers simply to start the booking process by looking at the airline's own website, as there will not be any third party costs payable for searches made by this channel.

However, if a search engine is used, the airline will start to incur costs to distribute its product, depending on how any customer moves from the search engine to the airline. We anticipate that

the CMA will have expert advice on the working of Search Engine Optimisation (SEO). The use of SEO determines where on a search page an individual business is likely to appear. Most businesses trading online will devote significant levels of resource, and therefore cost to SEO solutions.

In addition, Jet2.com, in common with many businesses relies on Adwords on Google, to ensure that it receives coverage and visibility on specific searches.

Using the example mentioned earlier of a search for “Flights to Tenerife”, typically search engines will start their results with a number of advertised links, where the providers have paid for specific adwords. Searching in Leeds produces 4 advertiser links, one DCT, two airlines and one online travel agency. In the case of Google, it then features its own product *Google Flights*, on which we will add some comments further in this response, as we believe that this is a form of DCT. Thereafter, websites are listed according to some form of algorithm as developed by Google. Looking at the first page of Google when making that search, there are 10 websites listed, 5 of which are DCTs (starting with Skyscanner, who are also the first advertiser to appear), and 5 of which are airlines.

In the case of Jet2.com, the first occasion on which a searcher notes our name for flights from Leeds Bradford to Tenerife is tenth on the Google search. This is despite Jet2.com having the largest capacity on this route in the winter, and representing around 40% of this market.

In consequence, if any airline wishes to ensure that customers are aware of its products, the DCTs become an essential tool for that airline. Most consumers undertaking that search are likely to start with one of the DCTs, and on the basis that Skyscanner are the most prominent on Google, they will probably be the first site at which any consumer who has not already used them will be inclined to search. Consumers who have previously used a DCT will probably have heard of Skyscanner, and will therefore be inclined to review the information available on that site.

From our own perspective, Jet2.com has relationships with Skyscanner, Cheapflights, Travel Supermarket and Trip Advisor, but no more widely. Any other DCTs who do offer the products of Jet2.com will do so either by “screen scraping” or by accessing information through Travelfusion (referred to earlier). We have no further information on business acquired through those indirect routes. The majority of our DCT business originates from Skyscanner, who are the market leader, and as such, are important to work with.

As mentioned earlier, Google Flights is effectively a form of DCT appearing on the Google website. At the moment, this product is relatively newly launched, and is at an early stage of growth. Since Google is the primary search engine of choice for most consumers (we have seen UK data which suggests that it represents around 87% of all search engine traffic in the UK), and has broad consumer trust, it is likely that Google Flights will rapidly grow its visibility and reach. It should be noted that at present, this tool does not appear to offer a comprehensive range of available flights.

The choice of Skyscanner as a business partner is simply determined by its market leadership. The site is transparent, in that flights are listed in ascending price order and simple for consumers to use. As such, Skyscanner is an important partner to Jet2.com and, we anticipate many other airlines. We note that Skyscanner has within the past week been sold to a Chinese travel business, Ctrip in a deal worth £1.4 billion.

It should be noted that there are various different pricing mechanisms used in relation to online routes to market, whether DCTs or search engines. Adwords are subject to a form of auction, but most distribution between websites is costed on one of 3 bases:

CPA: Cost per acquisition – where a fee is paid by the airline when a lead from a DCT or search engine results in a booking.
CPC – Cost per click – when a fee is paid by the airline simply for the DCT or search engine delivering a customer to the airline website
CPM – Cost per Mill – where a payment is made by the airline based on the number of thousand people who see the airline’s advert on the search engine or DCT’s website.

The amounts paid progressively reduce from CPA to CPC to CPM – and CPA is clearly the most effective, as it constitutes an actual booking being derived from the DCT.

The rates paid will vary by DCT, depending on how successful the DCT is at delivering business to the airline.

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

In relation to flights, the set up costs and regulatory requirements of an airline are the primary concern for any newly established business. Clearly, any airline will need to develop a business plan, which will need careful consideration as to how its product will be distributed, but we doubt whether the use of DCTs will be a primary choice in determining a strategy of most airlines towards entering a market. As such, we are not convinced that the existence of DCTs has any influence on whether an airline chooses to enter the market.

However, as the DCTs have grown in size and influence, we recognise that they may enable airlines either to attract more customers, or potentially to reduce the cost of securing those customers. Agreements with search engines, DCTs and other distribution channels are individually negotiated, and whilst there are probably broadly similar rates being sought by DCTs for their distribution costs (on which we will comment elsewhere in this response), we would anticipate that the cost of securing customers via DCTs will generally be lower than other forms of advertising.

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

We suspect that the flight market may be quite different to other markets in which the DCTs operate, in that airlines promote their own products through their own websites, via search engines and via DCTs, with the latter being simply one route to market. The DCTs do bring a level of market transparency – in that competitor pricing is easily visible. Most airlines operate yield maximisation policies, as airlines work on very thin profit margins, and will seek to maximise revenue from any given flights. However, if a competitor is clearly offering a similar product at substantially lower prices, this may be a factor which determines the future price of individual flights. It should be noted that it will simply be one factor – the airline’s own ability to sell, coupled with their pre-existing sales position and load factors are generally more important.

As such, the DCT is simply a tool which enables price comparison. We do not anticipate that consumers make comparisons on quality and range of flight products based on information appearing in any DCT – and in practice, flights tend to be mainly a commodity product in any event. In general, a seat on a flight with Jet2.com is measurably similar to a seat on a flight with Easyjet or Ryanair – and for most consumers travelling short haul, the differences in service and approach will not generally be sufficient to prioritise one airline against another. There may be some marginal differences which will influence customer decision making – attractiveness of flight times, inclusion of hold baggage or value for money of such baggage, but generally the primary point of decision making for most air travellers will simply be the price.

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

Distribution of flights is a relatively low cost, and barriers to entry tend to be driven more by licensing and compliance costs for the airline than distribution availability and cost. Effectively, anyone can set up as an airline if they are led by a fit and proper person, providing they can some form of distribution feed. Feed supplies are common, whether via Google, virtual GDSs or DCTs, so distribution barriers to entry are small. The bigger distribution issue for any airline is having an appropriate technology platform on which to sell their flights.

For a DCT to create effective competition, it needs to be as comprehensive as reasonably possible. The strength of a business like Skyscanner is that they work with the majority of suppliers in the market, and as such, are able to go some way towards creating perfect market knowledge. If other DCTs are working with fewer suppliers, this will reduce the level of market awareness, and therefore reduce the possibility of competition between suppliers.

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?

We do not treat customers any differently depending on which way they have chosen to access our product, and would be surprised if any airline would choose to do so.

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?

As online businesses, DCTs are subject to the same basic constraint as airlines, in that they have to drive traffic to their own websites – either directly or via search engines. The priority for all DCTs must therefore be to maximise their visibility during the search process. If a DCT is simply providing information and a link to individual airlines, the DCT is not able to quote differential prices, as it is simply linking to an airline product.

Transparency and pricing are largely driven by the breadth of contacts that the DCT is able to offer – if a major airline refuses to work with an individual DCT, this may impact on the ability of the DCT to provide a broad offering into the marketplace.

Within the DCT market, depending on what may legitimately be described as a DCT, there are some small differences. The market proposition of TripAdvisor is, for example, significantly different to other DCTs, in that its roots lie in its role as a customer review website, and it has expanded from this into a DCT.

Our understanding is that most DCTs will not collect customer data directly, and thus the question of what steps they take to protect data are at least partially irrelevant.

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

We understand that the DCTs now look to enter into contractual relationships with the airlines with whom they work, whereby they will be paid either on a CPA or CPC model. For most airlines, the determinant as to whether they would wish to work with an individual DCT will be the volume of business which that DCT will be able to provide to the airline.

For Jet2.com, as already mentioned, the only DCTs with whom we work are Skyscanner, Cheapflights, Travel Supermarket and TripAdvisor; [] the most effective DCT in delivering business to Jet2.com

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

We have no specific comments on this question, other than to repeat our earlier observation that the success of any DCT is dependent upon it being able to make available sufficient airline product to encourage customers to use the DCT as the route to find the availability of flights.

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?

We have no specific comments in relation to this question, as we anticipate that the normal rules on advertising and sale of products will apply to DCTs working in the airline sector.

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

We are not aware of any.

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

Not to our knowledge in relation to those DCTs working in the flight sector.

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?

We have commented elsewhere on the decision by Google to launch Google Flights in the UK. As Google remains the search tool of choice in the UK – representing around 87% of all search engine usage – we believe that this gives Google a significant opportunity to take significant market share in the DCT market. At present, there appears to be no clear set of rules about how this offer will work. We note that an increasing amount of our flight business is conducted on mobile devices – currently almost 40% of all traffic originates from mobile device, compared to 11% 2 years ago. Google position their product directly after advertiser entries, and as such, the product is very easy to use. Whilst at present Google Flights have made limited inroads into the DCT market, we anticipate that this market share may grow very rapidly.

Other comments and further contact

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

No

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

Yes
(please delete as appropriate)

Thank you for taking the time to complete this form.

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