



Competition & Markets Authority
Digital Comparison Tools Market Study

LV= Response to the Statement of Scope

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About LV=

LV= is the UK's largest friendly society and a leading financial mutual. We employ 6,000 people and serve over 5.8 million customers with a range of financial products. We offer our services direct to consumers, as well as through IFAs and brokers, and through strategic partnerships with respected organisations.

Our General Insurance products are outlined below, the most significant business line is car insurance and we are the third largest private motor insurer in the UK with around 12% market share, based on the number of vehicles insured. In Home, LV= is currently the 12th largest insurance provider with just under 3% market share.



Observations / Points for Consideration

Our response is focused on the provision of Home Insurance.

[REDACTED]

General Feedback

Theme 1: Consumers' perceptions, use and experience of DCT's

1. When and why do consumers use DCT's? To what extent do they trust them?
 - Aggregators are the first place many consumers go to shop for insurance – [%] of consumers researched an insurance product on a PCW in the last year to switch or buy insurance [-] and [%] went on to buy from an Aggregator site
 - Convenience and choice, process is quick to get a quote
 - To compare providers and products and get the best deal
 - Home sales on Aggregators up [%] in [-] months [-] – indicates trust is growing
2. How do consumers choose which and how many DCTs to use?
 - Consumers visit on average [-] Aggregator sites for home insurance [-]
 - [%] of consumers use 1 PCW only, [%] use 2 [-]
 - [%] of the consumers just using 1 site use [-]–[-]
 - In the main, the major PCWs are considered fairly similar to each other [-]
 - Decision of which based on awareness and recognition [-] – Big 4 Aggregators spent £[-] in above the line advertising in [-] to build brand recognition
 - Brand distinction is extremely important in a sector where the major competitors offer fairly similar services
 - Advertising spend by Aggregator closely linked to visitor volumes – advertising does influence consumer choice on which Aggregator to use
3. What are consumer's expectations of DCT's – for instance in terms of market coverage and the relationships between DCT's and the suppliers they list?
 - No research on this area
 - Consumers still likely believe that DCT's cover the majority of the market but strong advertising from [-] still encourage consumers to go direct to them as well
 - Some consumers likely to still believe they will get a better deal going direct [-]
4. What are consumer's experiences of using DCT's? Do they benefit from using them and, if so, how? What works well and what could be improved?
 - Fast and easy way to compare prices, brands and products
 - All of the big 4 Aggregator pages have specific formats to promote product cover – this limits the information on benefits and drawbacks that can be displayed. [-]

- In response, the recent FCA review has recommended that more information on Add ons be given earlier in the journey to allow customers to make a more informed decision by including the selection and price of add-ons in the price comparison process
- [-]
- Potential for smaller niche comparison sites [-] – more choice and options specific to their needs would benefit consumers

Theme 2: Impact of DCT’s on competition between suppliers of the services they compare

5. What factors influence supplier’s use and choice of DCT’s, and why?
 - Market share / quote volumes
 - Quote to sale % eg how many sales can be generated
 - Cost and time of on-boarding to that Aggregator
 - Other providers on panel
 - Cost per sale
 - Product breadth – ability to add more products to panels in future
 - Customers attracted – is this a new market, eg. niche offering
 - Ease to work with

6. To what extent do DCT’s make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?
 - If new suppliers can afford / have the ability to launch on a DCT site then DCT’s can offer the opportunity to enter the market. [-]

7. How have DCT’s affected competition between suppliers? What impact has this had on price, quality, and range of products offered by suppliers?
 - Impacted prices offered – brands / products presented in price order, higher in the table the more likely to convert to sale. Therefore competitive prices need to be offered to effectively compete in this space.
 - [-]

8. What are the barriers, if any, to DCT’s increasing competition between suppliers; and how can these be overcome?
 - [-]

9. In what ways, if any, have DCT’s changed suppliers approach to consumers – for instance in terms of whether they treat consumers who use DCT’s differently to those who do not?
 - Providers will analyse the LTV and profitability of a DCT customer in the same way they would analyse consumers delivering sales from any other channel. [-]

Theme 3: Competition between DCT's

10. In what ways do DCT's compete with each other – for instance in terms of coverage, the savings consumers make, the services they provide, their ease of use, transparency and how they protect consumer's data
- The major PCWs are considered fairly similar to each other [-]. They offer very similar processes for consumers to get quotes, similar market coverage of suppliers and a similar service.
 - Some differentiation has been made to offer consumer's savings whereby DCT's have made agreements with a supplier to offer that DCT's customers a favourable price over other DCT's for a specific period of time. These discounts are advertised on the DCT's site to encourage a sale. [-]
 - Despite the lack of real differentiation, the strength of Compare The Market's (CTM) position as market leader is clear – [-]% of those who visited only one PCW visited CTM [-]. In contrast the 2nd most used PCW of those using only one site was Confused at [-]%
 - In a market where many providers offer largely the same service, differentiation comes from the distinctiveness of a company's brand rather than its ability to offer a differentiated product or service [-].
11. What factors influence how effectively DCT's can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?
- [-]
12. If there are barriers to competition between DCT's, how significant are these and how can they be overcome?
- [-]

Theme 4: The regulatory environment**LV: Please refer to our observations above**

13. Are there any areas of regulation or self-regulation applying to DCT's that lack clarity, certainty, consistency, or enforcement?
14. Do there appear to be any areas where DCT's may not be meeting competition or consumer protection requirements?
15. Do any aspects of regulatory approaches to DCT's need to change and, if so, why?
16. Finally and in relation to all the issues above, what likely developments over the next 3 years should we take in to account and why?