

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*	Ms
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Forename	Helen
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Surname*	Campbell
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Email*	[✂]
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What is your role / profession*	Senior Business Manager
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Are you representing yourself or an organisation?*	An organisation
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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?*	N/A
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If you are representing an organisation:

(a) What is the organisation's name?*	Seopa Ltd
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*
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Seopa Ltd is a price comparison website established in the insurance comparison (including home and private motor) sector. We have recently entered the utilities sector comparing domestic gas and electricity and as such we have limited information to date on this sector so our responses are mainly based on the insurance industry.

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?

From our understanding for insurance, consumers use DCTs at renewal time or when purchasing a new vehicle or property, if their current renewal price has significantly increased or if they would like to shop around and save money. We feel they know they will get to compare multiple different providers by completing one form so there is a convenience aspect to using DCTs. [✂]

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

Most consumers will have seen DCTs advertised through mass marketing campaigns such as TV and radio. They are likely to use the ones with the most memorable advertising campaign [✂]

The consumer may also use online search tools such as Google to enter a brand name into the search engine or will search for a generic term that may bring up PPC ads that the user can click on. Some DCTs will purchase banner advertising which may also reinforce their brand or enable consumers to click their advertisement in order to visit their website for a quotation.

If the consumer has used a DCT before and had a good experience [✂] they may return to use it for another service. Repeat use may be also triggered after receiving a promotional email from that DCT.

From discussions with suppliers we believe consumers use 2-3 DCTs when searching for PMI.

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

Historically there was a market trend for DCTs to promote themselves mainly on the number of brands that they covered. However, with DCTs now showing more information on what is included or available as optional extras with each insurance policy, we feel that consumers are not quite so much concerned about having the absolute maximum number of brands listed, but rather that there is a substantial comparison relative to the size of the market (perhaps a good standard would be 100+ PMI providers to be searched for PMI). We feel that the consumers do understand that the DCTs provide an impartial comparison of the suppliers they list.

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 our opinion we believe that consumers would expect to get a range of premiums returned from a range of different providers/suppliers. Consumers will expect well-known insurance providers to feature on DCTs, however they also understand through television marketing that some brands choose not to appear on DCTs. Subjectively we would believe that DCTs provide an efficient way to compare many insurance providers in a large market saving the consumer time as well as saving money. [✂]

From an energy perspective, the time and effort required to maintain energy tariff databases would be reduced if the industry adopted real time data transfer, similar to the insurance industry. This would free up resource for DCTs to explore innovative ways of adding value to the customer experience.

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?

The market share of the DCT i.e. the amount of consumers that use the site e.g. how many consumers carry out quotes on that site per month - which will largely be related to marketing budgets of the DCT's. This will allow a supplier to roughly estimate how many policies they will sell through that DCT.

The CPA that the DCT charges will be an important factor as the service has to be commercially viable for the supplier as well as the DCT.

The speed and ease of featuring the supplier prices on the DCT will be important as well as the working relationship that the DCT has with the supplier. E.g. how easy it is to make changes, what statistics can be provided etc...

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

[✂] DCT's will have relationships with the software houses that the suppliers use, which are a fast way to market for many new entrants.

As DCTs typically will charge on a CPA (Cost Per Acquisition) basis, this means that suppliers only pay per sale of a policy. This means that suppliers do not have to take large risks in conventional advertising spend in order to make their products available to the public, making it easier for them to enter the market. This is especially useful for suppliers who may only be competitive for niche risk and therefore mass marketing would not be cost effective for them.

[✂]

DCTs continue to publicise their brands, to grow their panels and to evolve their technologies to enable suppliers to enter the market and attract and engage with more consumers.

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 our opinion DCTs have enabled pricing transparency in the insurance market which has led to more information for the consumer as well as lower premiums. [✂]. See <https://www.abi.org.uk/News/Industry-data-updates/2016/04/ABI-average-motor-insurance-premium-tracker-Q1-2016-data>

Premiums have also been dropping on combined household policies since 2012 <https://www.abi.org.uk/News/Industry-data-updates/2016/08/ABI-average-quarterly-household-insurance-premium-tracker-Q2-2016-statistics>

We have found that suppliers often will enter onto a DCT with one product or brand and after realising the potential they will start to expand their product ranges or brands, knowing that a DCT is a fast way to market with an already established customer base that they can sell to.

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

The nature of DCTs creates competition between the suppliers that feature on it. Barriers may be that a supplier does not have the technology to appear on a DCT but there are now many software providers that can facilitate this.

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?

Our opinion is that DCTs have greatly increased competition between suppliers and as such have raised standards & reduced pricing. [✂] The increased churn in the market due to DCTs means that suppliers must provide better value for their consumers if they are to retain them as clients.

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?

[✂] Historically there was a focus on the coverage of suppliers and saving figures but now the shift has been differentiating the DCTs through quirky or memorable marketing campaigns in order to grow market share. Some DCTs will publish savings figures, each DCT will have a slightly different user journey and experience.

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

DCTs operate by using their own quote forms to gather consumer information, then integrating with the software systems of those various suppliers in order to return prices. They compete in a similar way to other businesses by marketing either online, or offline. As such the DCTs' technical and marketing abilities are perhaps the two main factors which enable their success (again, as with other businesses).

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

We are not aware of any significant barriers to competition between DCTs that would not exist in other industries. Marketing budgets and expertise are one of the key differentiators between DCTs.

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?

The FCA regulation is beneficial for the insurance side to help put processes and procedures in place and the consumer at the forefront of the business [✂].

Ofgem is currently consulting on changes to the Confidence Code and Supply Licence in light of the CMA's orders and recommendations. This process and the resulting changes will take several months, leading to increased uncertainty in the energy market for consumers, suppliers and DCTs. Ofgem has chosen not to enforce some of the existing Supply Licence Conditions that apply to energy suppliers, without making related changes to the regulation that applies to DCTs, for example SLC 22B accredited DCTs are still required to present a whole of market view to consumers by default. [✂]

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

We are not currently aware of any such areas at present.

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

[✂] there is a good cooperative approach in the industry to try and work together to implement changes. One recent example is the add-ons working groups between the PCWs to try and provide an industry solution, which Seopa have been voluntarily involved in.

With regards to the energy market changes to the regulatory approach to DCTs are underway following the CMA's review of competition in the market and Ofgem's move towards principles based regulation. Included in the CMA's remedies was a recommendation that certain measures in Ofgem's programme to help provide domestic customers with clearer information are 'road-tested' prior to introduction [✂].

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?

One interesting and welcome development is how the insurance industry as a whole came together to create a solution to accommodate the FCA's add-on guidance. This was a welcomed step forward in the evolution of the DCT insurance industry.

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:

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Competition and Markets Authority
7th floor
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WC1B 4AD**