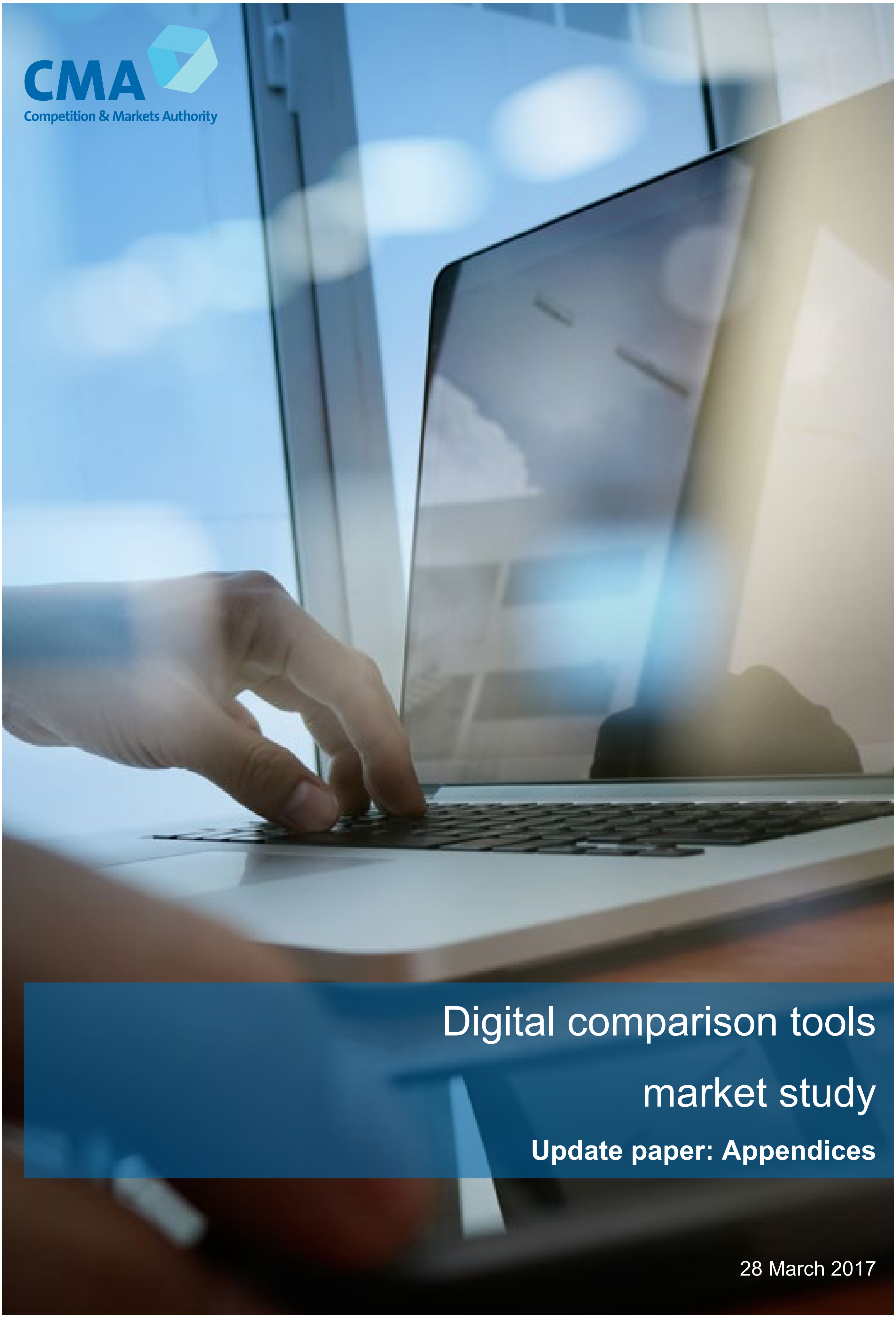

Competition & Markets Authority

Digital comparison tools market study

Update paper: Appendices

28 March 2017

Appendices

Contents

Appendix 1: Our approach

1. On 29 September 2016, the CMA published a Market Study Notice and Statement of Scope, along with an administrative timetable.[1]

Conduct of our study

2. Listed below is a chronological description of the conduct of our market study to the publication of our update paper:

   - We invited comments on our Statement of Scope between 29 September and 24 October 2016; and subsequently published on our website the 99 responses we received.

   - We commissioned from Kantar Public an online consumer survey, with fieldwork being conducted between November and December 2016. Kantar Public also conducted qualitative research for us in October 2016 and January 2017.

   - We commissioned mystery shopping research from GfK Ltd, with fieldwork being conducted between December 2016 and January 2017. As part of this work, we asked GfK to analyse the results of a websweep of 35 DCT websites we conducted near the start of the study.

   - Between September 2016 and March 2017, we held meetings with over 50 parties to discuss the issues and evidence.

   - Between September 2016 and January 2017 we sent requests for information to 11 DCTs and 19 suppliers in our case study sectors and held a large number of clarification and follow-up discussions with them.

   - In December 2016 we held two workshops attended by representatives from a total of 24 DCTs, 23 suppliers and some sector regulators.

   - In January 2017 we held a workshop with 13 trade and consumer bodes as well as ten regulators and two government departments.

   - Between September 2016 and March 2017, we held five meetings of the Sector Regulators Working Group on DCTs.

   We would like to thank all who have assisted in our market study to date.

[1] See the CMA's case page for the market study.

Our research

3. We commissioned Kantar Public to conduct consumer research.[2] This comprised quantitative and qualitative elements:

   (a) An **online survey** of 4,083 consumers (users and non-users of DCTs). It involved first selecting addresses from the Postal Address Files using a probability sampling approach. Sampled addresses were then sent invitation letters and up to four adults in the household were invited to take part. The results have been weighted to the target population of all UK internet users.[3] The online survey was supplemented by a face-to-face Omnibus survey conducted to collect reasons for not using comparison sites.

   (b) 32 in-depth **interviews** with users and non-users of DCTs (half before and half after the online survey). Interviews were conducted face-to-face in respondents' homes and lasted around an hour. They included an observational exercise, whereby respondents completed a comparison exercise talking the interviewer through their thought process.

4. We commissioned GfK to conduct a **mystery shopping** exercise. This involved 477 assessments of 56 DCTs, where 124 mystery shoppers enacted typical shopping scenarios in seven example sectors (including our case study sectors). The shoppers looked for particular products according to these scenarios on the DCT and recorded their experiences – including what information was requested by the DCT, how the results were presented, how suppliers' quotes compared to those on the DCT and what happened when they revisited the sites.

5. As part of this work, we also commissioned GfK to assess and report on the main results of a **websweep** of 35 DCTs conducted by the CMA near the start of the study. This sweep was conducted by CMA officials using an online questionnaire to record what general information DCTs provided – for example, whether reviewers could find contact details, information about the sites' market coverage, how often they update offers and handle complaints, etc.[4]

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[2] We have published the results of this research alongside our update paper. See: Annex A: Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.
[3] While this survey by definition could not be completed by the one-in-seven consumers without internet access, it ensured that we could focus on consumers who can use DCTs and either do so, or do not. Survey methods to capture non-internet users would not have enabled us to achieve the necessary sample sizes at sector level without being prohibitively expensive, and would not have allowed us to ask the volume of detailed questions possible with an online survey.
[4] We expect to publish the results of the websweep and mystery shopping research in due course.

Appendix 2: Previous work on digital comparison tools

1. The CMA and its predecessor organisations, the Office of Fair Trading (OFT) and the Competition Commission (CC), have carried out a number of projects in which DCTs have played an important part.

Legal services, 2016

2. The CMA's market study concluded that competition in legal services for individual consumers and small businesses was not working well. In particular, there was not enough information available on price, quality and service to help those who need legal support choose the best option. It set out a package of measures to help customers better navigate the market and get value for money. These changes were drawn up after discussions with key stakeholders, including the Legal Services Board and the eight frontline legal regulators in England and Wales. In relation to DCTs, the measures included facilitating the development of comparison sites and other intermediaries to allow customers to compare providers in one place by making data already collected by regulators available. At present only 22% of people compare the services on offer before appointing a lawyer.[5]

Banking, 2016

3. The CMA's market investigation concluded that older and larger banks did not have to compete hard enough for customers' business, and smaller and newer banks found it difficult to grow. Central to the CMA's remedies are measures to ensure that customers benefit from technological advances and that new entrants and smaller providers are able to compete more fairly. The key measures include requiring banks to implement Open Banking by early 2018 – enabling personal customers and small businesses to share their data securely with other banks and with third parties, enabling them to manage their accounts with multiple providers through a single digital 'app', to take more control of their funds and to compare products on the basis of their own requirements. The CMA also supported an initiative by the independent charity Nesta to launch a 'challenge prize' that could stimulate the development of comparison services and other advisory services for SME banking, by requiring banks to provide Nesta with financial backing and technical support.[6]

[5] CMA, *Legal services market study*, December 2016.
[6] CMA, *Retail banking market investigation: Final report*, August 2016.

Energy, 2016

4. The CMA's market investigation's findings included that 70% of domestic customers of the six largest energy firms were still on an expensive 'default' standard variable tariff. It also found that certain aspects of the 'simpler choices' component of Ofgem's Retail Market Review (RMR) rules reduced retail suppliers' ability to compete and innovate in designing tariff structures to meet demand, in particular, over the long term, and by softening competition between PCWs. The rules stop PCWs from negotiating cheaper exclusive tariffs with retail energy suppliers (possibly in exchange for lower commission rates), or offering discounts or cashback offers funded by the commissions from suppliers. The CMA's remedies include a recommendation to Ofgem to remove the Whole of the Market Requirement in its Confidence Code (requiring PCWs to list all tariffs on the market) and a number of relevant RMR conditions, including the ban on complex tariff structures; the four-tariff rule; the restrictions on the offer of discounts; and the restrictions on the offer of bundled products.[7]

Hotel online booking, 2015

5. The CMA investigated suspected breaches of competition law relating to discounting restrictions in arrangements between hotels and online travel agents (OTAs). The CMA decided to close the investigation on administrative priority grounds. However, its continued monitoring includes observing the effects of Europe-wide changes introduced by Booking.com and Expedia, removing from their contracts with hotels certain 'price parity' or 'most-favoured-nation' (MFN) restrictions that prevented hotels from offering cheaper room rates on competing online travel agents' sites than they offered on Booking.com or Expedia.[8]

Payday lending, 2015

6. The CMA's market investigation found that a lack of price competition between lenders had led to higher costs for borrowers. Most borrowers did not shop around – partly because of the difficulties in accessing clear and comparable information on the cost of borrowing and a lack of awareness of late fees and additional charges. The CMA also found that many borrowers wrongly believed that lead generators were themselves lenders or PCWs. Its remedies included an order for online payday lenders to publish details of

[7] CMA, *Energy market investigation: Final report*, June 2016.
[8] CMA, *Hotel online booking investigation: Case closure summary*, September 2015.

their products on at least one PCW which is authorised by the FCA. If one or more such PCWs did not emerge, lenders would be obliged to set up an FCA authorised PCW.[9]

Private motor insurance, 2014

7. The CMA's market investigation included a finding that some price parity clauses in contracts between PCWs and motor insurers prohibited insurers from making their products available more cheaply on other online platforms, with the effect of restricting competition and leading to higher car insurance premiums overall. Its remedies included a ban on agreements between PCWs and insurers which stop insurers from making their products available more cheaply on other online platforms.[10]

Review of price comparison sites, 2012

8. The OFT's report found that PCWs represented a major step forward for consumers, enabling them to secure better value when buying goods and services, but that some people were missing out on potential savings because of a lack of trust. The OFT conducted a websweep of 55 PCWs, which found that a number of them could improve their privacy policies and their complaints and redress processes. It also identified scope for some sites to provide greater clarity about the way search results are presented, and clear identification of the business operating the website. It wrote to 100 leading PCWs asking them to ensure they are providing clear information to consumers; and published advice to consumers on how to use PCWs.[11]

Extended warranties, 2012

9. The OFT's market study revealed various competition concerns in the market for extended warranties that could mean customers were not getting the best value for money – including that only around a quarter of consumers shopped around for them. To address these concerns, OFT worked with Dixons, Argos (and Comet, which is no longer in business) to agree undertakings in lieu of a reference to the CC, which included their agreement to maintain and publicise an independently operated extended warranties price comparison website (www.compareextendedwarranties.co.uk).[12]

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[9] CMA, *Payday lending market investigation: Final report*, February 2015.
[10] CMA, *Private motor insurance market investigation: Final report*, September 2014.
[11] Office of Fair Trading, *Price Comparison Websites: Trust, choice and consumer empowerment in online markets*, November 2012.
[12] Office of Fair Trading, *Extended Warranties on Domestic Electrical Goods*, February 2012.

Home credit, 2006

10. The CC's market investigation concluded that the lack of competition in the home credit market – from other credit products, new entrants, or among the home credit providers themselves – meant that customers paid higher prices for their loans than would be expected in a competitive market. Its remedies included requiring lenders to publish prices on a website where customers can compare the prices of loans on offer (www.lenderscompared.org.uk).[13]

11. Other past CC and OFT reports with findings potentially relevant to our study include:[14]

- internet shopping;[15]
- personalised pricing;[16]
- online targeting of advertising and prices;[17]
- the commercial use of consumer data;[18] and
- online reviews and endorsements.[19]

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[13] Competition Commission, *Home credit market investigation*, November 2006.
[14] This is not an exhaustive list.
[15] Office of Fair Trading, *Internet shopping: an OFT market study*, June 2007.
[16] Office of Fair Trading, *Personalised Pricing - Increasing Transparency to Improve Trust,* May 2013.
[17] Office of Fair Trading, *Online Targeting of Advertising and Prices: A market study*, May 2010.
[18] CMA, *The commercial use of consumer data*, June 2015.
[19] CMA, *Online reviews and endorsements*, June 2015.

Appendix 3: What DCTs do (Chapter 3)

The consumer experience in different sectors

1. A smooth consumer journey can be characterised by the ability to complete a transaction with minimal disruption and repetition from commencing a comparison through to purchase. Disruption may occur where following completion of a comparison a consumer has to complete the purchase through a different channel, such as by telephone, or by navigating a supplier's website to identify the specific product or bundle. Repetition can occur where a consumer has to re-enter information previously provided to the DCT to complete a purchase.

2. Our initial assessment suggests that the consumer experience is smoothest in home and motor insurance. In relation to these products, although a consumer may need to complete a relatively long questionnaire, relatively few further inputs are required even once transferred to the insurer's website. Importantly, the interface between DCT and insurer means that the specific, bespoke policy is directly available for purchase without having to generate a new quotation from the insurer directly before purchase.

3. In contrast, the user experience in broadband appears to be more disjointed, with some consumers redirected to an ISP's website and then having to recommence identifying the relevant service package by navigating the ISP's website and confirming availability.

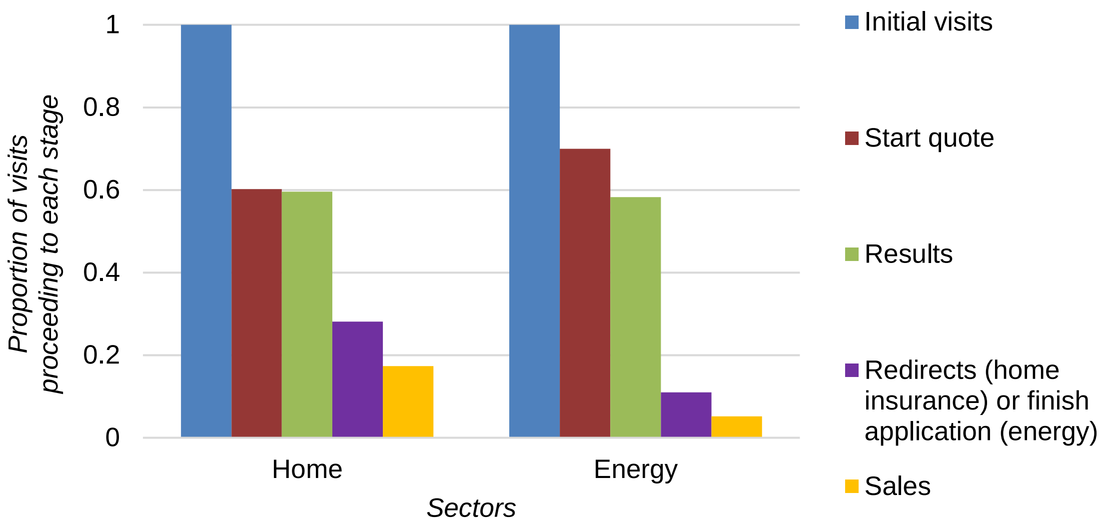
4. The ability of DCTs to offer a smooth customer journey is in part determined by the willingness of suppliers to allow DCTs to integrate with their own sales platforms, which may in part relate to issues of perceived 'ownership' of a customer relationship. As a result, the consumer journey tends to be broadly consistent across DCTs in a given sector, where those DCTs adopt a similar model of offering comparisons.

5. Where DCTs' approach to comparison in a given sector varies, the consumer experience can similarly vary between DCTs in the same sector. Travel DCTs for example, can offer very different consumer journeys. Many OTAs allow the direct booking of flights or hotels, either separately, as a package or as a 'flight plus' bundle on the OTA platform. Other travel DCTs offer much more basic functionality, with some providing only very high level information on a holiday before requiring the consumer to telephone to book.

6. As part of our research to understand consumer experiences in different sectors, we analysed data provided by DCTs on web traffic. The data provided means that we have only been able to analyse data for home

insurance and energy but our analysis, set out in Figure 3.1, indicates striking differences in behaviour. Of those consumers that visit a DCT for a specific product, significantly fewer consumers start a home insurance comparison than those looking at energy tariffs, yet more than three times as many home insurance consumers go on to purchase an insurance policy.

Figure 3.1: Consumer journey



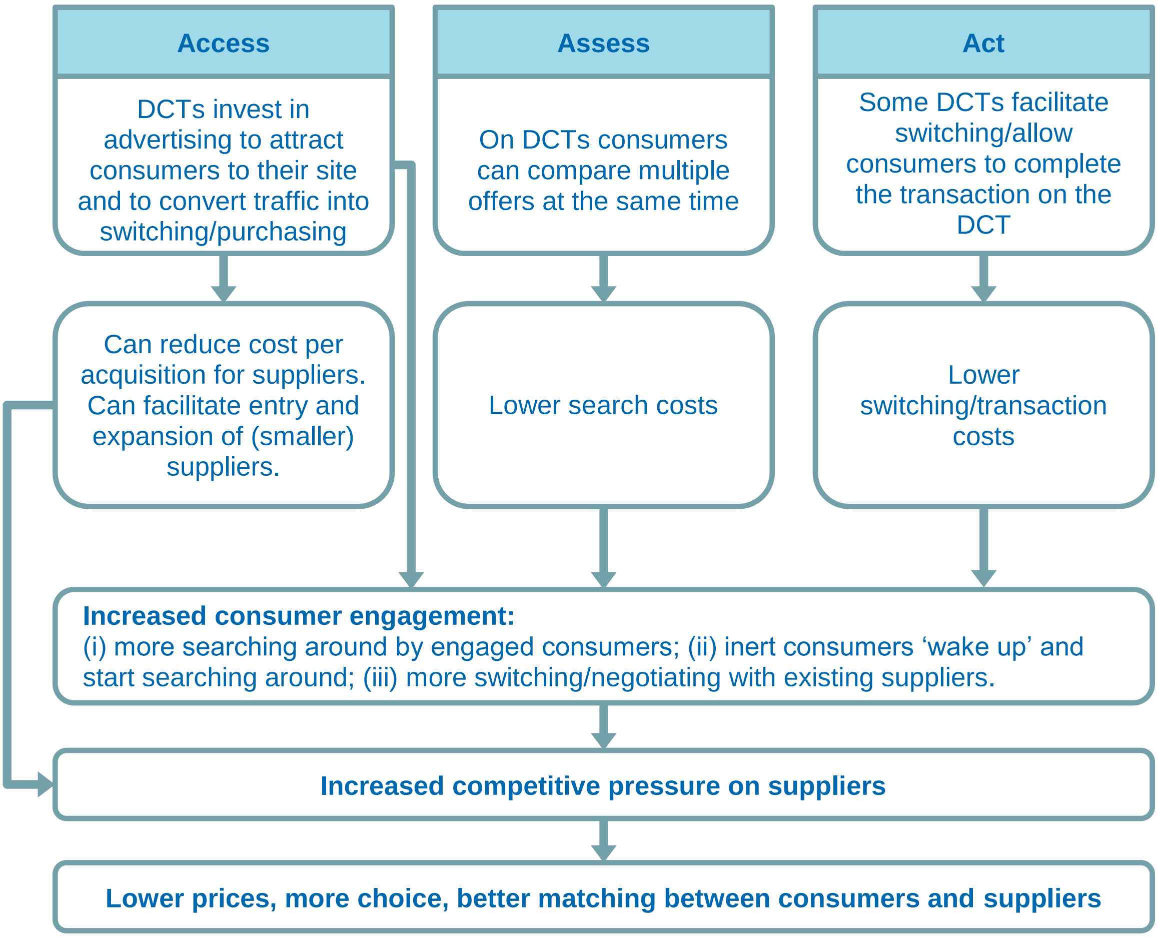
Source: CMA analysis of consumer journey data for the third quarter of 2016.
Notes:
(1) Figure shows weighted average of website visits across DCTs for the third quarter in 2016.
(2) Data may contain observations for unique visitors (ie each person counted only once), instead of website visits (each person may be counted more than once).
(3) Consumers may start the journey at different stages.
(4) DCTs included for energy: Comparethemarket, Confused, Moneysupermarket, uSwitch.
(5) DCTs included for home insurance: Comparethemarket, Confused, Moneysupermarket.

7. The drivers of these differences may be linked to the nature of consumer input. In home insurance users must complete a fairly lengthy questionnaire, whereas energy consumers have the ability to provide a figure for their energy usage from a bill (and one DCT suggested that around 85% of consumers completing an energy switch had entered bill information rather than by using the questionnaire).

Appendix 4: The benefits DCTs can offer (Chapter 4)

1. In Chapter 4 we described the potential benefits of DCTs. The figure below illustrates the mechanisms through which DCTs can deliver these benefits.

Figure 4.1: Potential benefits of DCTs for consumers and suppliers



Source: CMA analysis based on analysis of stakeholder views and evidence gathered.

Attempts to quantify benefits arising from DCTs

2. We have not attempted to quantify the benefits arising from DCTs. Identifying what consumers would have done and what offers they could have considered in the absence of DCTs is inherently difficult. Any robust methodology to attempt to do this would require at least (i) detailed information about the characteristics and behaviour of individual consumers; (ii) data on the available options to consumers in the period of interest; and (iii) controlling for a number factors that might affect the use of DCTs and the gains from using DCTs (such as consumer characteristics). It is not practical to achieve this within the timeframe of our market study. Any quantification of

benefits that is not taking a robust approach towards establishing what consumers would have done absent DCTs should be interpreted with caution.

3. Some large DCTs had produced high-level estimates of the benefits to consumers from using their comparison services, which they shared with us. They had produced these assessments mainly for their own internal purposes and for investors. As we discuss below, these monetary saving calculations may overestimate some elements of potential consumer savings, but also underestimate others. We have not therefore used them to come up with an overall benefit number.

4. Consumers who purchase via a DCT derive benefits in three ways:

- Monetary savings a consumer obtains when they buy the same or equivalent product for less, or a more suitable product because of easier comparability of offers.
- Time and effort savings.
- Longer-term benefits from increased supplier competition.

Monetary savings

5. The estimates we received from large DCTs on the monetary savings consumers had achieved from using their comparison services were typically calculated with reference to the current (or renewal) price for the product consumers were using immediately prior to the switch. Thus for products purchased on an annual basis, such as car and home insurance, this would translate into a one-off savings figure relating to a 12-month period.

6. In aggregate, the DCTs suggested that consumers had made savings of at least £2 billion in 2016 from switching as a result of using their comparison services:

(a) One DCT estimated that consumers who had switched energy supplier through it during 2016 had saved over £320 million on their energy bills.

(b) Another DCT estimated that it had saved consumers around £490 million on car and home insurance in the six months to June 2016.

(c) A third DCT suggested it had saved its customers £1.8 billion in 2016 (up from £1.6 billion in 2015), of which about half related to insurance.

7. The first two DCTs also identified savings that consumers made by leveraging DCT quote results to negotiate lower rates than their original renewal quote

directly with their existing insurer. One also suggested that other consumers, after conducting research on their site, would have gone on to achieve equivalent savings by transacting directly with the supplier.

8. We have considered the basis of these claims against what we consider these consumers would have done instead, had they not been able to rely on DCTs to help inform their choices. On one hand, these claims could overestimate the monetary savings for consumers transacting over a DCT. This is not least because some of these consumers would, absent DCTs, have shopped around using other means (eg comparing suppliers' sites or using a broker).[20] In addition, it appears that the insurance savings may be the result of some consumers purchasing a low-cost one star insurance product rather than more comprehensive, and therefore likely more expensive, products.

9. On the other hand, limiting the benefits to consumers who transact over a DCT results in an underestimate of the direct monetary savings. As our research has found, some consumers use the information they obtain from DCTs to negotiate directly with their existing suppliers.[21]

10. The amount of money saved also cannot be viewed as a goal in itself, as the consumer might instead choose to buy a differently specified product which they judge is better for them. A good consumer outcome may include a consumer paying more for a better or more suitable product, or paying less for a lower-specification product which still met their needs.

Direct time and effort savings

11. One DCT estimated that visitors to its site in 2015 had saved £500 million and £50 million in relation to car and home insurance respectively, as a result of the time they saved by not needing to contact each of the insurers on its panel.

12. While such estimates indicate the scale of DCTs' panels and the theoretical cost of shopping around to achieve a similar comparison, the actual saving to consumers in respect of time and effort is likely to have been significantly lower, as we would not expect consumers to have sought such a large number of quotes, with the marginal benefit diminishing with each additional quote received. As discussed in Table 4.1 of our report, data from large DCTs

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[20] In particular, we consider that at least some consumers who in fact had chosen to buy car insurance, home insurance and/or energy via a DCT would not have automatically accepted their existing suppliers' renewal offer. In some cases these consumers would have achieved an improved outcome against the status quo (ie accepting the renewal offer) using traditional (ie pre DCT) shopping methods.

[21] As mentioned in paragraph 5.42 of our update paper, our consumer survey found that 44% of those recently using a DCT for search, but not for purchase, used the results from the DCT to negotiate a better deal with their existing or new supplier.

suggest that consumers typically compare two to three home insurance offers in more detail on average when using DCTs, which is substantially smaller than the total number of quotes they can see (41 to 48 on average).

Longer-term benefits

13. As set out in Figure 4.1 above, DCTs have prompted a number of changes in the market which, at least in part, are likely to have resulted in lower costs of product supply, as well as changes in the nature and/or intensity of competition between suppliers and between suppliers and DCTs. All other things being the same, the lower the cost of providing and/or selling a product, and/or the stronger the competition between suppliers and DCTs, the more likely consumers are to reap the benefit of lower prices and/or higher quality products, as well as more choice and better matching. Consumers may also benefit from being drawn into a market that was not previously available or attractive to them.

14. These benefits can be much harder to quantify, as they result from the dynamics of competition that unfold over time between suppliers and DCTs. However, the dynamic benefits from competition are likely to be much more significant over the longer term than the immediate one-off savings that consumers who shop around make. For example, one reported claim was that the advent of DCTs in insurance in the UK had increased competition to such an extent that the insurance industry had earned £1 billion less over the period 2002 to 2010 due to 'unnecessary price competition'.[22] While not all of this estimate would have been passed directly onto consumers by DCTs, it seems reasonable to assume that much of it would have been. In a similar vein, one party suggested that DCTs had not become so established in France because the major insurers feared the competitive impacts if they were to make themselves available on a French DCT.

[22] See CMA, *PMI Final Report*, September 2014, paragraph 8.92. Source for the quote was Towers Watson, insurance consultancy: 'Why aren't we making money…', December 2010.

Appendix 5: Competition (Chapter 7)

1. In this Appendix we set out our current understanding of the key barriers to entry and expansion for DCTs. We then give a preliminary assessment of contract terms we have observed between DCTs and suppliers that could limit the strength of the competitive constraint on DCTs (wide and narrow MFN clauses). Finally, we set out our initial views on practices we have heard about that could limit DCTs' effectiveness to bring benefits to consumers ('hollowing out', non-brand bidding and negative matching agreements and non-resolicitation agreements).

Barriers to entry and expansion

2. There are a number of potential barriers to entry and expansion, including supplier-side, technological, consumer side and regulatory barriers. These are briefly outlined below:

   (a) Supplier-side barriers:

   (i) Having a sufficiently comprehensive panel of suppliers to be attractive to consumers (see paragraphs 5.49 to 5.50 in the update paper).

   (ii) Access to data on prices by suppliers and consumer usage data (see paragraphs 6.6 to 6.18 in the update paper).

   (b) Technological barriers:

   (i) Developing a platform where consumers can compare suppliers' offers.

   (c) Consumer-side barriers:

   (i) Developing a brand to attract customers.

   (ii) Significant brand investment and expenditure on other forms of marketing to attract consumers.

   (d) Regulatory barriers:

   (i) Costs of complying with regulation.

   (ii) Distortions of incentives due to regulation.

3. We do not consider the barriers with respect to attracting suppliers and technological barriers to be particularly high, especially as suppliers multi-

home and the technological know-how appears relatively easy to develop.[23] In addition white-labelling potentially enables a DCT to overcome these barriers, as DCTs do not need to have the technology or supplier panel themselves (see paragraphs 3.17 to 3.19 of the update paper).[24]

4. With respect to regulatory barriers, the presence of the Whole of the Market requirement in the energy sector appears to distort DCTs' incentives to invest and compete by shifting negotiating power to suppliers (see paragraphs 8.33 to 8.40 of the update paper). Similar requirements also apply to accredited DCTs in communications, albeit in the form of a 'comprehensiveness' requirement. Regulatory barriers do not appear to be a problem across all our case study sectors.

5. It appears the main barriers to entry and expansion across sectors are consumer-side barriers – in particular the need for entrants to develop a differentiated consumer brand and incur significant costs similar to (or even more than) incumbent DCTs to attract consumers (eg marketing and advertising costs). This is particularly an issue where incumbents have established brands, so that entrants would need to spend more per consumer than incumbents and have a higher risk of failure than incumbents.[25]

6. This was found to be the case in motor insurance, where advertising and marketing expenditure were found to be the most significant cost for DCTs;[26] analysis of DCTs' accounts appears to show that this is still the case (see paragraph 3.28 of the update paper).[27] In addition, as noted in the PMI report, markets in which advertising is effective in increasing demand often maintain relatively high concentration, because incumbents prefer to pay to grow their own demand through advertising rather than allowing new entrants in. This means that an entrant is likely to face incumbents increasing their advertising and marketing expenditure in response to entry.[28]

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[23] However, one DCT told us that suppliers can be unwilling to multi-home on all DCTs. We also noted in Chapter 6 of the update paper that in some cases DCTs may have limited access to product information from suppliers who list on DCTs.
[24] Affiliate networks may lower the barriers to entry by giving a DCT access to supplier information. However, a DCT would still need to build a platform for consumers to use.
[25] Where there is a significant degree of brand loyalty, advertising by incumbents can increase the barriers to entry. However where brand loyalty is lower, the ability to attract consumers through marketing and advertising may enable an entrant to overcome brand loyalty.
[26] See CMA, *PMI Final report*, September 2014, paragraphs 8.24 & 8.25.
[27] The nature of advertising expenditure will affect the degree to which it is a barrier to entry. Brand building/display advertising tends to be fixed in nature without an ability to attribute cost directly to sales. Response advertising, such as search engine pay per click, is easier to attribute to sales. If DCTs need to engage in brand-building advertising, this is likely to be a more significant barrier to entry than if they need to invest in response advertising.
[28] See CMA, *PMI Final report*, September 2014, Appendix 8.1, paragraph 58.

7. Given the need to build a differentiated brand, entry is more likely to come from a DCT operating in another sector (eg an energy-focused DCT moving into home insurance) or from a parallel service (eg TripAdvisor moved from providing hotel reviews into bookings) rather than a brand new entrant, as market players in other sectors have an existing relevant brand which they could use to attract consumers into a new sector.

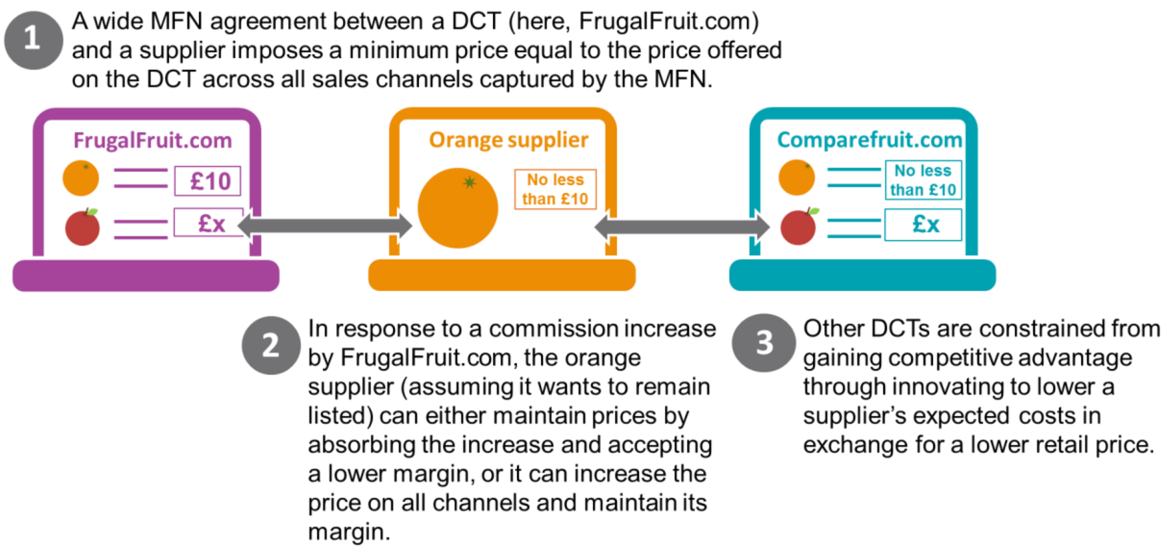
Agreements that could affect competition between DCTs

8. As part of our evidence gathering we have reviewed a number of contracts between DCTs and suppliers. In some of these contracts we have identified so-called 'wide' and 'narrow' MFN clauses. In the following paragraphs we set out our preliminary views of these clauses in the context of our case study sectors.

Wide MFNs

9. A wide MFN agreement between a DCT and a supplier specifies that a product or service may not be sold more cheaply on a supplier's own website or on any other DCT (Figure 5.1).[29]

Figure 5.1: A single wide MFN



10. We have found examples of wide MFN clauses in contracts. The CMA market investigation into private motor insurance (PMI market investigation)[30] found

[29] Some clauses may encompass other sales channels, including offline sales. Throughout this section 'MFN' is used to refer to a platform MFN – that is an agreement between a platform (the DCT) and a supplier.
[30] The market investigation into PMI was referred to the Competition Commission (CC) by the Office of Fair Trading (OFT) in September 2012. The CMA continued the investigation when it replaced the OFT and CC on 1 April 2014. The investigation was completed in March 2015.

that wide MFN clauses operating in motor insurance had an overall adverse effect on competition by reducing DCTs' incentives to compete on commissions and to innovate.[31] As a result, wide MFNs and behaviour by comparison sites seeking to replicate the anti-competitive effects of wide MFNs were prohibited in relation to private motor insurance.[32]

11. In the context of the PMI investigation, wide MFNs were found to soften competition between DCTs and between DCTs and competing channels through reducing DCTs' incentives to compete on commissions and to innovate.[33] Wide MFNs may, in general, produce these effects through the following mechanisms:

(a) **Reduced incentives to compete on commissions** – A wide MFN means that a DCT can increase the commission it charges a supplier without the risk that the supplier will respond by setting a higher price on that DCT as compared to another channel.[34] DCTs that do not have wide MFNs in their contracts with suppliers also have less incentive to keep commissions low as they cannot gain a competitive advantage (through lower retail prices) by doing so. As such, a wide MFN reduces competitive pressure on commission rates and retail prices charged to consumers (assuming some of the cost is passed on), unless suppliers de-list from the DCT with the wide MFN.[35] It may also deter entry and expansion by DCTs seeking to attract lower prices from suppliers via lower commission fees.

In addition to reducing incentives to compete, MFNs may facilitate coordination or collusion by suppliers and/or by DCTs.[36]

(b) **Lower incentives for DCTs to innovate** – The presence of a wide MFN lowers other DCTs' incentives to find innovative ways of reducing suppliers' expected costs (for example, by better predicting customer characteristics), since their ability to acquire market share through offering a lower retail price to consumers is constrained.[37] Wide MFNs may also

[31] In the PMI market investigation DCTs were referred to as price comparison websites (PCWs).
[32] See CMA, *Private Motor Insurance final report*. These prohibitions apply to comparison sites generating more than 30,000 PMI sales annually. A number of national competition authorities across Europe have also recently taken action to prohibit wide MFNs in the hotel online booking sector.
[33] In the PMI market investigation DCTs were referred to as price comparison websites, or PCWs.
[34] In response to a commission increase, a supplier can either maintain prices by absorbing the increase in commission and accepting a lower margin, or it can increase the price on all channels and maintain its margin.
[35] The credibility of a supplier's threat to de-list will depend upon the importance of the DCT for customer acquisitions.
[36] This theory of harm is discussed in more detail in the CMA's submission to the OECD: CMA's submission to the OECD.
[37] Conceivably the restriction on price competition could promote innovation by requiring DCTs to compete in different ways, for example by offering cashback/other incentives, where this remains compliant with the MFN.

constrain DCTs' ability to come up with viable alternatives to the commission-based pricing model, by, for example, charging a fixed (monthly or yearly) fee to consumers in exchange for a lower retail price.

12. The greater the number of suppliers with wide MFN agreements with a DCT(s), the more likely and greater the potential harm because DCTs' incentive to compete for customer acquisitions through offering lower commissions to suppliers is more widely reduced. Further, the more suppliers that are affected, the greater the softening of overall competition, including from the direct channel. However, the level of product differentiation matters. In a market in which products and/or suppliers are considered highly substitutable, even a few suppliers without a wide MFN clause may be sufficient to maintain some competitive pressure on commissions and consequently prices, through the threat of customers switching away.

13. MFNs are also more likely to be detrimental where competition would otherwise be intense. If competition in the absence of MFNs is weak, the introduction of MFNs is unlikely to have a significant effect (both between DCTs and between DCTs and other sales channels).

14. A number of suppliers have told us that since the removal of wide MFNs in the PMI market investigation, competition in the market for motor insurance has increased. Following the removal of wide MFNs some suppliers have been able to agree exclusive deals (discounts) with selected DCTs, enabling suppliers to test different strategies across distribution channels and better target offers. Other suppliers, however, told us that wide MFNs in contracts with DCTs have been replaced with narrow MFNs which continue to restrict insurers' ability to adjust prices to reflect differences in costs of acquiring and servicing customers from different channels. We consider narrow MFNs in paragraphs 18 to 32 below.

15. In the PMI market investigation, the CMA found that wide MFNs were not necessary to deliver any potential pro-competitive benefits over and above those of narrow MFNs, namely credibility and the prevention of free-riding (discussed below in paragraph 32). In particular, in the context of PMI the CMA found:

    (a) A significant proportion of consumers multi-homing across DCTs, suggesting that consumers did not expect offers to be the same through each DCT. Our consumer survey undertaken as part of the DCT market study suggests that this finding about multi-homing holds across sectors

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However, the effect of reduced incentives to compete on commissions is likely to mean higher retail prices in equilibrium vis-à-vis a sector with no MFNs.

(see Figure 5.7 in Chapter 5 of the update paper). In addition, DCTs operating in PMI (including those that had never operated with wide MFNs) were found to have been successful in expanding.

(b) Wide MFNs do not provide any additional protection from free-riding to that available through a narrow MFN because DCTs do not provide links on their sites to competing DCTs so that investment in advertising remains necessary. However, it is conceivable that in the absence of wide MFNs, multi-homing consumers use the services of one DCT (such as consumer ratings or an eligibility indicator), but then purchase from another DCT to benefit from a lower price.

16. However, as part of this market study, one DCT has maintained that wide MFNs enable it to offer a 'strong customer proposition' and that there is a particularly strong case for wide MFNs being used to instil consumer confidence in markets where DCTs are under-developed.

17. We are interested in exploring the potential harm, as well as any efficiency arguments related to wide MFNs, in more depth in the next phase of our study.

Narrow MFNs

18. A narrow MFN clause requires a supplier to set a price on a DCT which is no higher than the price offered through its own website, but does not stipulate conditions for sales via other channels (Figure 5.2).

Figure 5.2: A single narrow MFN

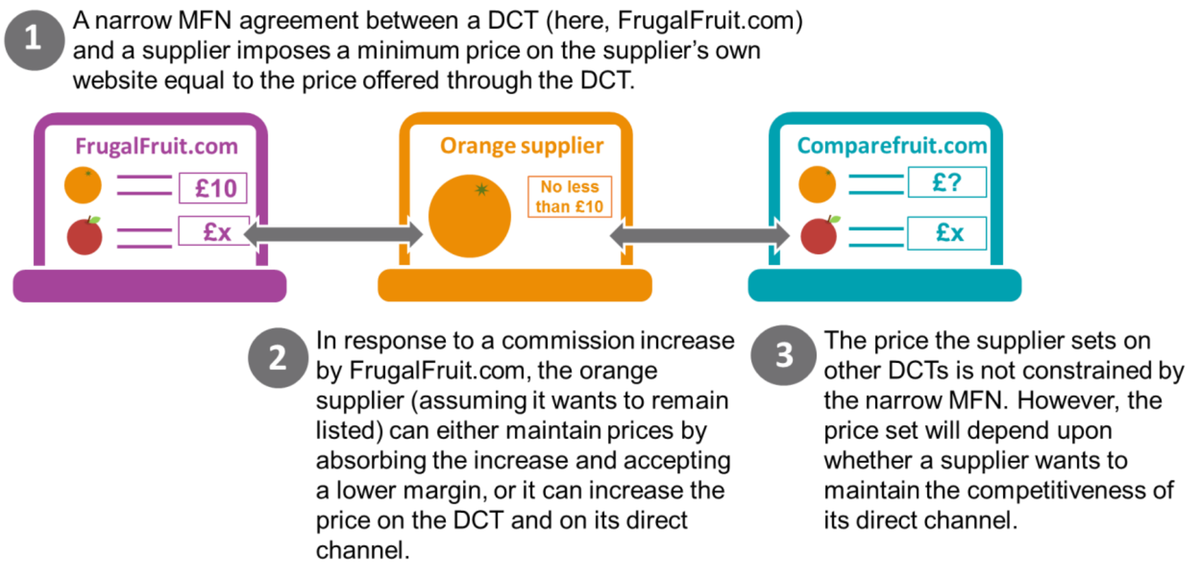

Figure 5.3: Prevalence of narrow MFNs

Sector	Narrow MFNs
Broadband	◔
Credit cards	●
Flights	◒
Home insurance	●
Key: Based on the limited sample we have analysed, ● indicates a relatively high level of prevalence, ◒ a medium level of prevalence ◔ a low level of prevalence and ○ no evidence of any narrow MFNs.	

19. As set out in Figure 5.3, we have found evidence of narrow MFNs in all of the sectors we examined.[38] The evidence we have received shows that narrow MFNs are more prevalent in the home insurance, credit card and flights sectors, and less prevalent in broadband.

20. We have also found evidence in home insurance and credit cards of provisions attached to narrow MFN clauses that prevent a supplier from offering a proposition on terms that are more favourable than those offered to the DCT (that is, the clauses apply to the product offering as a whole and not just to price). Such terms reduce a supplier's ability to circumvent a narrow MFN through non-price (eg quality) adjustments.

21. Under certain conditions, narrow MFNs may harm competition through:

    (a) lessening or eliminating competition from the direct channel; and/or

    (b) replicating the effects of a wide MFN.

22. Each of these mechanisms is discussed in turn below.

Lessening or eliminating competition from the direct channel

23. Narrow MFNs may, under certain conditions, give rise to competition concerns through removing a source of competitive constraint on DCTs.

[38] We did not look at the energy sector as part of our analysis of MFNs; Ofgem's four-tariff rule and whole of the market requirement in energy (discussed in Chapter 8) have constrained DCTs' pricing such that MFNs have not been necessary. The four-tariff rule has now been removed and the whole of the market requirement is currently being reviewed following the CMA's Energy Market Investigation.

Potential harm

24. A supplier subject to a narrow MFN with a DCT is prohibited from setting a lower price on its own website. This means that any commission increase that is passed through to the retail price by the supplier on the DCT would – under the terms of a narrow MFN – have to be mirrored by a price increase on the supplier's direct channel. This may result in a weakened competitive constraint from the direct channel, the effects of which could be:

(a) higher commissions and thus higher retail prices where some of this cost is passed on by suppliers; and

(b) lower innovation by DCTs.[39]

25. Further, if a supplier is unable to recoup the fixed costs of advertising the direct channel through its pricing (for example, by undercutting competing channels to increase direct acquisition volumes), it may reduce expenditure through this channel, further weakening the competitive constraint imposed on DCTs' pricing and service.

Conditions for harm

26. Consumer harm from narrow MFNs, as a result of weakened competition from the direct channel, is more likely where:

(a) the competitive constraint from the direct channel in the absence of MFNs is strong – The direct channel provides a greater constraint where a significant proportion of consumers compare the direct channel and at least one DCT as opposed to only comparing across DCTs (without also checking the direct channel). In our survey, 16% of recent comparison site users had used one comparison site plus other sales channels[40] when comparing offers and 38% used multiple comparison sites plus other sales channels. Consumers shopping for insurance and energy were most likely to rely solely on comparison sites for shopping around;[41]

(b) there is a weak competitive constraint from suppliers that do not have narrow MFN clauses – This includes competition from suppliers that are listed on DCTs, and those that have a direct-only proposition. The weaker

[39] Conversely, DCTs may invest (some of) the extra revenue from higher commissions and increase innovation. The overall effect would depend upon whether the benefits of investment outweighed the increase in retail prices.
[40] This is defined as visiting suppliers' own websites, phoning or emailing suppliers, checking best buy tables or using a broker or travel agent.
[41] See Figure 5.8 in Chapter 5 of the update paper.

this constraint, the greater the ability of a supplier to pass through higher commission fees as a result of an MFN to consumers;

(c) there is a weak competitive constraint from other DCTs – Even if one source of competitive constraint (from the direct channel) is removed by a narrow MFN, a DCT's behaviour may still be constrained by competing DCTs (or other sales channels). In our survey, 64% of recent comparison site users had used multiple comparison sites in their search. The proportion of those using multiple comparison sites was highest in hotels (75%);[42]

(d) suppliers have weak negotiating power vis-à-vis DCTs – MFNs are generally agreed as part of a negotiation process between DCTs and suppliers. Suppliers with a strong brand or viable outside option (eg listing on other DCTs) have a stronger negotiating position and may be able to negotiate better terms in return for accepting an MFN. This may limit the potential for harm resulting from a narrow MFN. The relative negotiating position of suppliers and DCTs may also determine the likelihood of a narrow MFN entering into contracts in the first instance. The lower incidence of narrow MFNs in broadband is consistent with our analysis of market structure and relative negotiating power in Chapter 7. In contrast, a number of providers in home insurance and credit cards have told us that they do not have any option but to agree to narrow MFNs with DCTs where they are an important acquisition channel.

27. The effect of a narrow MFN removing a potential source of competitive constraint from suppliers' own websites was assessed in the PMI market investigation.[43] The CMA found that, in general, the cost of consumer acquisition through DCTs was lower than through the supplier's own website, enabling PMI providers (including entrants) to focus on being more price-competitive through this channel. The CMA also concluded that, even in the absence of narrow MFNs, suppliers have incentive to price more competitively through DCTs where price elasticity of demand was found to be greater than on direct channels. Further, the CMA concluded that competition in PMI was more effectively driven by rivalry between DCTs than between DCTs and the direct channel. Our preliminary analysis of consumer behaviour as set out in paragraph 26 suggests that this is likely to hold in our case study sectors as well.

[42] See Figure 5.7 in Chapter 5 of the update paper.
[43] See CMA, Appendix 8.1 of PMI Appendices and glossary.

Replicating the effects of a wide MFN

28. Under certain conditions, one or more narrow MFNs could theoretically replicate the effects of a wide MFN and give rise to harm as set out at paragraph 10 above.[44] A narrow MFN between a DCT and a supplier requires that a rise in the price listed on the DCT, eg as a result of an increase in the commission charged by that DCT, be matched by a simultaneous rise in the direct price. Purchasing through the direct channel then becomes less attractive to a consumer vis-à-vis purchasing from a lower-commission charging DCT (assuming cost-reflective pricing by a supplier). A supplier that is concerned with protecting the competitiveness of its direct channel will, in response to a narrow MFN, increase the price set on other DCTs. This effectively has the same implication as a wide MFN by enabling a DCT to increase its commission without becoming less competitive than other DCTs.

29. This result is crucially dependent upon a supplier wanting to maintain its direct price as the cheapest offering. Whether a supplier follows this pricing strategy is likely to depend on a number of factors, including:

   (a) competition from suppliers unaffected by MFNs – This constrains the ability of a supplier to pass through higher commission fees to consumers;

   (b) suppliers' ability to steer consumers towards lower-cost channels – A supplier has an incentive to set a lower price on a cheaper DCT to steer consumers to purchase through the low-cost channel. This requires that a sufficient number of consumers multi-home across DCTs. According to our consumer survey, 64% of comparison site users used more than one comparison site in their search, and one quarter used four or more different comparison sites.[45]

30. Assuming the above necessary condition holds, a narrow MFN is more likely to replicate the effects of a wide MFN where the DCT with which a supplier has an agreement in place charges a level of commission above that of at least one other DCT. If the DCT is the lowest-charging, the narrow MFN does not affect the price set on other DCTs (although it may still affect the direct price). Harm is also more likely where the supplier has a narrow MFN with a 'must-have' DCT. If the DCT is an important acquisition channel, the threat of

[44] While a single narrow MFN may replicate a wide MFN, the likelihood of harm increases with the number of narrow MFNs in a given sector.
[45] See Figure 5.6 in Chapter 5 of the update paper. As discussed in Chapter 7 of the update paper, not all of this 'multi-homing' by consumers will drive competition between DCTs. Further, other evidence we gathered shows much lower levels of multi-homing – see paragraphs 5.19–5.25 in the update paper.

de-listing is less credible (and the supplier's negotiating power may be weaker).

31. As set out in paragraph 14, we have been told that as a result of the removal of wide MFNs in motor insurance, providers started to offer different deals on different DCTs despite narrow MFNs still being in place. This suggests that narrow MFNs in motor insurance are not likely to have replicated wide MFNs, at least not for all providers. We are interested in exploring in more detail whether this is indeed the case. We are also interested in exploring whether the conditions for harm arising from a narrow MFN(s) replicating the effects of a wide MFN are likely to hold in other sectors with narrow MFNs in place.[46]

Potential benefits of narrow MFNs

32. While narrow MFNs can give rise to competition concerns where certain conditions are met, the PMI market investigation found that they may also deliver benefits to consumers. Our initial view is that, depending on the specific context, narrow MFNs may:

   (a) **Help to preserve DCTs' credibility and to sustain DCTs' business model** – If offering prices at least as low as those available through direct channels is necessary to attract consumers to a DCT, MFNs may be used to sustain their existence. One DCT told us that the knowledge that a consumer will not find a better deal by going direct increases consumers' trust in DCTs. We have also been told by at least one supplier and one DCT that narrow MFNs can build consumer confidence where DCTs are not established in a market.

   The evidence from our consumer survey suggests that most consumers trust DCTs to provide them with the best price. In our consumer survey 70% of those aware of comparison sites trusted DCTs to provide them with the best price[47] and 61% either had more trust in comparison sites or trusted comparison sites and supplier sites equally when it comes to providing the best price. However, almost one third (30%) of consumers had more trust in suppliers' own websites than DCTs to provide them with the best price.[48]

   (b) **Prevent free-riding** – MFNs can prevent free-riding by consumers who might use DCTs to identify suppliers and shop around (which may involve the use of tools such as eligibility checkers or customer reviews) and then

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[46] In relation to motor insurance, the CMA found that narrow MFNs were unlikely to replicate wide MFNs. Our incentives analysis is set out in Appendix 8.1 of PMI Appendices and glossary.
[47] See Figure 5.15 in Chapter 5 of the update paper.
[48] Page 73 in Annex A: Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

go directly to the supplier's site if they know that they can get a cheaper deal by doing so. However, to the extent that it is becoming easier to track customers (notwithstanding the challenges presented by device fragmentation), free-riding may be less of a concern where a feasible alternative charging model could be developed. One supplier suggested to us that clauses could exist such that a DCT is remunerated where a customer uses its site but then goes to the supplier directly to make a purchase.

What might limit or offset the benefits that DCTs could bring?

33. In the previous section we discussed agreements that might reduce the competitive pressure on DCTs. We have also been made aware of practices and agreements that could limit DCTs' ability to operate effectively and maximise the potential benefits they could bring to consumers. One such practice is related to how suppliers might change their product offerings as a result of competing with other suppliers on DCTs. We will discuss this under 'hollowing out' below. We then turn to agreements that affect the way DCTs can advertise and market their services to consumers, namely non-brand bidding and negative matching agreements and non-resolicitation agreements.

Hollowing out

34. As recommended by the UKRN,[49] we have considered whether 'hollowing out' is present in our case study sectors and, if so, the extent to which DCTs exacerbate, or in contrast, have the incentives and ability to alleviate its effects. There are two main types of practice which are often referred to as hollowing out but which may lead to different consumer outcomes. Table 5.1 sets out these practices and their potential effects on consumers.

[49] See UKRN, *Price Comparison Websites: Final Report*, September 2016; and UKRN, *Letter to the CMA*, September 2016.

Table 5.1: Types of practice and potential effects

<table>
<tr><th></th><th>Unbundling</th><th>Pure hollowing out</th></tr>
<tr><td rowspan="2">What is it?</td><td>Separating different components of what was previously a packaged offering…</td><td>Shifting consumer focus onto one product feature (typically price) at the expense of others (typically quality)…</td></tr>
<tr><td>..and pricing them separately
(eg airline tickets and luggage fees)</td><td>..such that consumers stop comparing products on potentially important aspects. This might reduce suppliers’ incentives to invest in quality.</td></tr>
<tr><th colspan="3">Potential effects on consumers</th></tr>
<tr><td rowspan="2">Detrimental</td><td>The risk of harm is greater:
- If it is not clear what is and what is not included in the offer;
- If the price of unbundled components is not transparent at the beginning of the selection process (ie partitioned pricing or drip pricing). As a result, it is:</td><td rowspan="2">x Consumer demand for higher quality products is unmet because such products are removed from the market</td></tr>
<tr><td>x Increasingly difficult for consumers to compare offers and suppliers
x Increasingly difficult for consumers to find the ‘right’ product for their needs</td></tr>
<tr><td>Beneficial</td><td>✓ More tailored products
✓ Lower prices for consumers who choose only some product components
✓ Encourage new consumers to purchase and/or consumers to purchase more</td><td>✓ Cheaper products (albeit of lower quality) encourage new or more consumer demand</td></tr>
</table>

Source: CMA.

35. Although unbundling and pure hollowing out are described separately above, in practice the distinction between these concepts may be blurred. For example, the stripping out of product components that some customers may consider key (eg flood cover for home insurance) could also be viewed as an overall reduction in quality (eg of the home insurance product), if such components are no longer widely offered.

Impact of DCTs

Unbundling

36. As set out in Table 5.1 above, unbundling is typically beneficial for consumers as it enables them to buy products and services tailored to their needs. This depends on the unbundled components being separate to the ‘core product’ that all (or nearly all) consumers wish to buy (eg the removal of checked-in luggage as a compulsory component of airline tickets allows consumers to pay the luggage fee only if and when required).

37. At the same time, in some specific circumstances set out in Table 5.1 above, unbundling could lead to consumer harm. The potential for such harm is greater if it is not clear to consumers what product components are included in the offer or the pricing of the components is not transparent. For example, some stakeholders have expressed concerns about the effects of unbundling on consumers' ability to compare offers and suppliers, particularly in the insurance and credit card sectors, where products are complex and a number of product dimensions are relevant to consumers' purchasing decisions.

38. Therefore the occurrence of the potential negative effects of unbundling depends on the way in which product information is presented to consumers. DCTs, as intermediaries that present suppliers' offers to consumers, can in theory be part of the problem by, for example, making it more difficult for consumers to understand and find the right product for their needs and/or part of the solution by implementing strategies that could simplify the comparison and choice process of consumers. To understand the impact of DCTs on unbundling, we have assessed whether DCTs have the incentives to counteract or mitigate its potential negative effects.

39. In many sectors the unbundling of products had occurred before DCTs entered the market, as a pricing strategy associated with new business models (eg the entry of budget airlines in flights). This was also the view expressed by some stakeholders. For example, one DCT said in relation to insurance that its site was created precisely to make it easier for consumers to understand what is and what is not included in the offers, by improving how offers are displayed.[50]

40. DCTs need to make sure that they meet consumers' expectations to provide easy comparison and help them find products that are suited to their needs. Indeed, our consumer survey shows that 54% of users use DCTs to compare a large number of suppliers and 37% to receive help in finding the most suitable product for their needs.[51] Since these are their primary functions, DCTs are likely to have strong incentives to help consumers navigate the complexity caused by unbundling. This is particularly the case with multiple DCTs competing to attract new and repeat customers.

41. Given these incentives, we have then considered whether, in practice, DCTs are able to mitigate the negative effects of unbundling. Some DCTs have told us that they are working to increase the transparency of product features, for

[50] Another example is the flight sector where the unbundling of offers (eg removal of luggage from the basic package and charging a separate fee for it) happened as a result of the entry of low cost carriers rather than as a result of comparison tools.
[51] Page 88 in Annex A: Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

example by allowing consumers to specify what elements to bring into the comparison at various stages of the comparison process. Other DCTs have started to show ratings, such as Defaqto's,[52] aimed at providing some indication on where a product sits in the market on the basis of a range of variables as quality and comprehensiveness of the features offered. For example, in flights some DCTs are working to allow customers to compare the price of the add-on luggage alongside the price of airline tickets. At the same time, DCTs pointed out the difficult balancing act between providing all the relevant information and avoiding information overload on consumers.

42. The evidence we have gathered to date also suggests that the extent to which DCTs can be effective in minimising any potential negative effects of unbundling in practice depends on a range of factors such as the availability of suppliers' data (see Chapter 6 of our update paper), regulation (see Chapter 8) and whether individual DCTs are able to and would find it profitable unilaterally to make changes to the presentation of their results.[53]

Pure hollowing out

43. It is unclear whether pure hollowing out is caused by and/or exacerbated by DCTs. This is because consumers' focus on price may be determined by a range of different factors, making it difficult to identify the importance of any one (such as the role of DCTs). To try to shed light on DCTs' impact on pure hollowing out, we have first considered whether consumers using DCTs are indeed mainly focusing on price.

44. The evidence we have gathered to date is mixed. Our mystery shoppers found that, although sites and sectors varied, DCTs typically allowed consumers to filter or re-order the results.[54] This is likely to help comparison on factors other than price. However, our analysis of DCT data shows that results ordered by price are very often not re-ordered by consumers on the basis of other product features. This appears to be consistent across our case study sectors.[55] As discussed in paragraph 5.29 of our update paper, in our survey about a quarter (27%) of recent DCT users said they did not know if they could filter or re-order results on the main site they had last used.[56] At the same time, 67% of those who were aware that they could re-order or filter

[52] See Defaqto's website.
[53] For example, in response to the FCA's findings on add-ons in general insurance, DCTs sought to cooperate to develop a standard approach with insurers.
[54] GfK, CMA Digital Comparison Tools Mystery Shopping Websweep and Research Report (forthcoming).
[55] We reviewed data from a number of DCTs across our case study sectors. Note that the only data point provided by one of the DCTs was where results were ranked by price and reordering of other possible default rankings had not been tested.
[56] Page 124 in Annex A: Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017

results said that they had done so.[57] In addition, our consumer survey showed that a large majority of comparison site users (84%) compared products on the basis of price alongside other factors and few users (10%) compared offers on the basis of price alone (paragraph 5.28 in Chapter 5 of our update paper).

45. To understand the impact of DCTs on pure hollowing out we have assessed DCTs' incentives and ability to address it. DCTs are likely to have some incentives to limit the detrimental effects of pure hollowing out. In particular, our consumer survey shows that 37% of users use DCTs to help them find the most suitable product for their needs.[58] If consumers were not to find or experience a product of adequate quality with respect to their expectations, this may deter some of them from using DCTs.

46. We have heard mixed views from stakeholders on whether DCTs mitigate pure hollowing out in practice. Generally, DCTs have stated that they do seek to avoid any tendency towards hollowing out. Some DCTs display customer reviews and star ratings aimed at providing some indication of a product's quality. Other DCTs, in particular in insurance, show customer reviews as well as Defaqto ratings of the suppliers listed.[59] Many DCTs have introduced or are seeking ways of introducing reviews and ratings for other products as well. However, some suppliers have stated that DCTs are leading to hollowing out, by focusing consumers' attention only (or mainly) on one product feature. For example, in the credit card sector a supplier stated that by allowing consumers to order results by likelihood of credit approval, DCTs make credit the new competitive element which risks triggering a race to the bottom in relation to credit risk.

47. Although DCTs are likely to have some incentives to mitigate pure hollowing out and we have heard that some of them are working to do so in practice, the extent to which this may reduce the risk and/or occurrence of pure hollowing out in practice is not clear. This is because it is not clear, first, if consumers are effectively focusing only (or mainly) on one product aspect and, second, if customer reviews and supplier ratings provide a meaningful indication of a product's quality used by consumers to consider and compare many important aspects of products (and not only one aspect).

48. Moreover, as with unbundling, DCTs' ability to mitigate effectively any potential pure hollowing out depends on the availability of supplier data on quality dimensions of the offers (eg broadband speed data) and whether

[57] However consumers did not specify whether the default ordering was price.
[58] Page 88 in Annex A: Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017
[59] The higher the star rating, the more comprehensive the product's features and benefits are.

individual DCTs are able to and would find it profitable unilaterally to make these changes. Some stakeholders have pointed out that regulation can minimise the risk of hollowing out as when a minimum quality standard is set (eg private motor insurance) there is less scope for suppliers to reduce quality in favour of other aspects.

49. As explained in Chapter 10 of our update paper, we propose to investigate further the impact that DCTs may have had on unbundling and pure hollowing out in the sectors where they operate as well as the impact of DCTs' strategies to provide more information on add-ons and the quality of offers.

Non-brand bidding and negative matching agreements

50. Search engines often display adverts (ads) that appear at the top of a results page (ie above the 'organic' search results). The ads that appear as a result of a particular search term are typically determined by an auction process relating to the words used by the consumer in their search (ie the search term).[60]

51. We have received evidence that indicates that three types of agreement between DCTs and suppliers exist regarding the auction process.[61] These agreements may affect the ads generated in response to search terms used by consumers that include brand names.[62]

52. These three types of agreement are:

    (a) **Narrow non-brand bidding** – this is where one advertiser agrees not to bid on another advertiser's brand name when the search term only includes that brand name.

    (b) **Wide non-brand bidding** – this is where one advertiser agrees not to bid on another advertiser's brand name when the search term includes that brand name alone or with other (non-brand related) words.

    (c) **Negative matching** – this is where one advertiser agrees to add another advertiser's to its 'negative keywords', which prevents its ad appearing when the search term includes that brand name alone or with other (non-brand related words).[63]

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[60] For example, see *Google AdWords* and *Bing ads*.
[61] These agreements can be reciprocal.
[62] This may include trade names, product names, etc.
[63] Keywords and negative keywords are used to determine which search terms an ad can appear in relation to. See Google AdWords or Bing ads for more information on negative keywords.

53. Although these three types of agreement are broadly similar, they differ in their impact on when a restricted advertiser's ad can appear in response to search terms used by consumers that include brand names. In particular, as set out in Figure 5.4, this is the case when a consumer's search term includes both the brand name and other (non-brand-related) words.

Figure 5.4: Impact of agreements on ads that can appear

Search term	Type of agreement	Can Brand Y's ad appear?
1. Brand name only '**Brand X**'	a) Narrow	**Brand Y** cannot bid so it cannot appear.
	b) Wide	**Brand Y** cannot bid so it cannot appear.
	c) Negative matching	**Brand Y** is automatically removed from the auction so cannot appear.
2. Brand name and other words '**Compare Brand X widget deals**'	a) Narrow	**Brand Y** can bid so can appear.
	b) Wide	? **Brand Y** may appear if it bids on the other (non-brand related) words. (ie '**compare widget deals**')
	c) Negative matching	**Brand Y** is automatically removed from the auction so cannot appear.

Source: CMA analysis.

54. Although we have separated out wide non-brand bidding and negative matching agreements, it is unclear whether this distinction applies in practice. In particular, one supplier told us that negative matching is a practical way for DCTs to ensure that wide non-brand bidding agreements are not breached.

55. This is because a DCT is treated as in breach of a wide non-brand bidding agreement, and therefore receives no commission, whenever it appears in response to a search containing that supplier's brand name. This is the case irrespective of whether the DCT actively bids on search terms containing the supplier's brand name (see scenario 2.c) in Figure 5.4). Consequently DCTs have an incentive to negative match on the supplier's brand name to ensure they do not breach the wide non-brand bidding agreement.

56. In addition, while we have observed that these agreements exist in our case study sectors, particularly broadband,[64] we have heard mixed views about their impact and the incentives of advertisers absent these agreements.[65] For example, some DCT respondents have stated that they have no commercial incentive to bid on suppliers' brand names due to the costs involved. This is because advertisers have to pay more the less relevant they are deemed by the search engine, and for searches involving suppliers' brand names the DCT is generally deemed less relevant by the search engine.

Figure 5.5: Relative prevalence of agreements by sector

Sector	Restrictions on suppliers' advertising		Restrictions on DCTs' advertising	
	Non-brand bidding	Negative matching	Non-brand bidding	Negative matching
Broadband	◓	○	●	◓
Credit cards	◓	○	◓	○
Flights	◓	○	●	○
Home Insurance	●	○	●	○

Key: Based on the limited sample we have observed ● indicates a relatively high level of prevalence, ◓ a medium level of prevalence and ○ a relatively low level of prevalence.

Source: CMA analysis of information provided by DCTs and suppliers.

57. These agreements may lead to a reduction in competition as they could decrease advertisers' visibility to consumers who make searches using the restricted brand names. This may lead to consumer harm as:

(a) An agreement that prevents a DCT appearing in response to a search that includes a supplier's brand can reduce the competitive constraint that

[64] This is consistent with our findings on negotiating power, see paragraph 7.37 of the update paper.
[65] For example, one DCT stated that these agreements are a barrier to effective competition. In contrast two DCTs have stated that these agreements have no impact as, even in the absence of these agreements, they would not engage in brand bidding and would negatively match on brands.

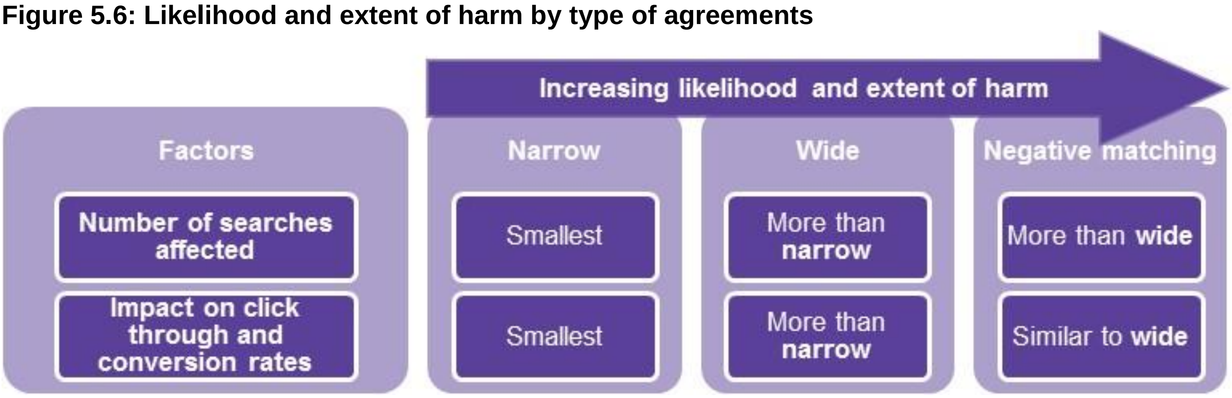
supplier faces from other suppliers listed on that DCT, which is likely to dampen competition between suppliers.

(b) An agreement that prevents a supplier appearing in response to a search that includes a DCT's brand can reduce the competitive constraint that DCT faces and could lead to increased commission fees and/or reductions in quality and innovation.

58. As set out in Figure 5.5 we have seen more evidence of the former where, as set out at paragraph 63, we would also expect consumer harm to be more likely.

59. In both cases, the potential for consumer harm depends on the extent of the competitive constraint removed by the agreements. Figure 5.6 sets out the main factors that determine this and how they differ across the three types of agreement.

Figure 5.6: Likelihood and extent of harm by type of agreements



Source: CMA analysis.

60. On the other hand, depending on the context, there may be a free-riding justification for brand-bidding agreements. In particular, such agreements may prevent rivals benefiting from each other's brand investment which may increase brand owner's incentives to invest, for example, in the quality of their product offerings. However, this justification may be less relevant in relation to negative matching agreements which prevent a rival that has not bid on the brand appearing even when the search engine has independently determined the 'restricted' rival to be relevant to the search term in question.

61. One DCT has said that these agreements have no anti-competitive effects, but do have pro-competitive effects. In particular, the DCT stated that rival advertisers' ads do not attract a material number of consumers away from that brand owner when a brand owner's name is used as a search term. In contrast, the appearance of rival advertisers does change how consumers arrive at the brand owner's site as it increases the proportion of consumers

arriving via the brand owner's ad rather than via its 'organic' search result.[66] This means that the brand owner may pay more for consumers arriving from search engines when rival advertisers appear.

62. Therefore these agreements, by preventing rival advertisers appearing, may reduce the brand owner's advertising costs and in doing so may lead to DCTs charging lower commissions to suppliers, suppliers charging lower prices to customers and DCTs and suppliers offering better services to consumers. However, at present we do not have evidence on the exact impact of these agreements on advertising costs and how this flows through to the prices paid by and services provided to consumers, including how this differs across the three types of agreements.

63. As set out in Figure 5.6 above, based on our current understanding there appears to be a greater scope for consumer harm in the case of negative matching agreements. In addition, consumer harm is more likely when these agreements:

(a) are put in place by more and larger brands, as this means the agreements are likely to affect a higher number of consumer searches.

(b) restrict the bidding behaviour of more and larger advertisers, who, absent the agreements, would not engage in negative matching.

(c) restrict the bidding behaviour of DCTs, potentially reducing their ability to increase competition between suppliers.

64. In summary, our initial view is that these types of agreements, especially negative matching agreements, have the potential to lead to consumer harm. However, it is not clear to us at this stage and on the basis of the evidence reviewed to date whether any such harm is likely to be material in practice. Therefore we will look to explore these agreements further in the second half of our study and set out some specific points we wish to explore in Chapter 10.

Non-resolicitation agreements

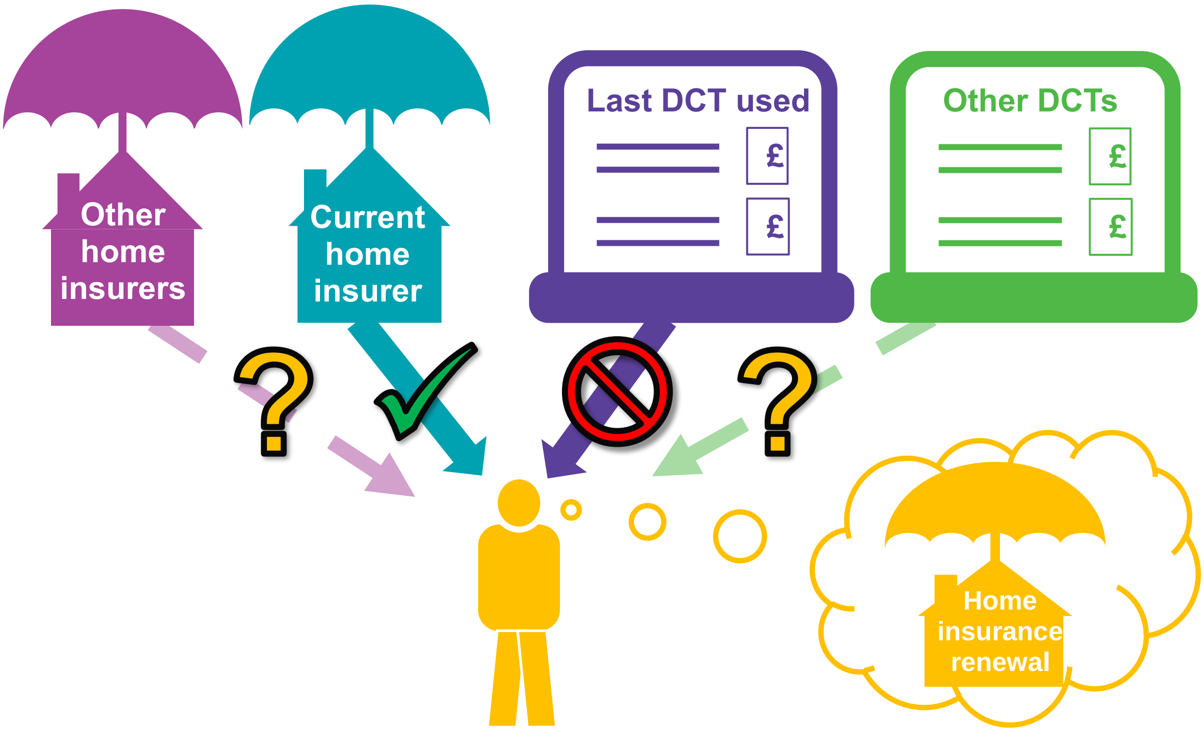
65. Non-resolicitation agreements are clauses in contracts between DCTs and suppliers whereby a DCT agrees not to contact customers who have purchased a supplier's product from that DCT (in respect of the same product type) for a certain period. Such clauses do not prevent DCTs from

[66] The DCT cited research from Simonov, A, Nosko, C and Rao J M (2015), *Competition and Cannibalization of Brand Keywords* (September 2015).

undertaking non-specific general marketing. Instead, they prevent a DCT through which a customer has purchased a supplier's product from marketing its services to that customer for the same product type.

66. As shown in Figure 5.7 the customer can still receive specific marketing material from their current supplier. Other DCTs and other/previous suppliers are still allowed to send specific market material to the customer. However, as reflected in the figure, it is unclear to what extent they are able to do this and actually do this.[67]

Figure 5.7: Non-resolicitation clauses



Source: CMA analysis.

67. A number of DCTs raised concerns about non-resolicitation agreements which, based on the evidence we have received, appear to be common in home insurance and also appear in energy, but do not appear in our other case study sectors.[68] In particular, DCTs stated that these clauses limit their ability to prompt consumers to seek alternatives to auto-renewal, and also to switch to another supplier or negotiate a better deal (without switching) mid-term.[69]

[67] For example, other DCTs can only do this where the customer has multi-homed so that they have the consumer's contact details and information about the timing of contract renewal.
[68] The specific clauses were typically negotiated as part of a package of terms with suppliers.
[69] In particular, one DCT cited research it had conducted into the potential cost to consumers of auto-renewals in car insurance.

68. In addition, research by MSM on auto-renewals in car insurance found that while auto-renewals provide consumers with the certainty of continuous cover, there is a cost to consumers. In particular, the research estimated that consumers who have been with their insurer for two to three years could have made an average saving of at least £113 if they had shopped around instead of auto-renewing.[70] This research also states that auto-renewal is increasingly being used for other insurance products such as home and travel insurance. If a similar pattern exists in home insurance and energy, this would suggest that measures which reduce auto-renewals in favour of consumers actively shopping around may also lead to consumer savings.

69. In our provisional view, non-resolicitation agreements may lead to a reduction in competition between suppliers and innovation by DCTs as follows:[71]

   (a) **Impact on competition between suppliers**: by removing the visibility of the DCT during the period covered by the restriction, these clauses may reduce the competitive constraint faced by the incumbent supplier from competing suppliers on the DCT. This may, in turn, lead to a higher price.

   (b) **Impact on innovation by DCTs**: these clauses may reduce the ability and/or incentive of DCTs to provide additional services such as automated reminders or tailored newsletters about new products coming to market (when those new products fall within the scope of the agreement).

70. However, depending on the context there may be potential efficiency justifications for such agreements. In particular, such agreements may prevent a particular supplier paying a fee to a DCT for acquiring a customer only to have that DCT approaching the same customer within a short period of time. This means that, without such agreements, suppliers may choose not to list some or all of their products on a DCT.

71. Non-resolicitation agreements may be of particular importance to a supplier where a consumer faces low barriers to switching suppliers during their contract and where a supplier incurs upfront the cost of supply for the entire duration of that consumer's contract. For example, in the Energy Market Investigation relevant considerations included the low exit fees charged by

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[70] MoneySuperMarket, *MoneySuperMarket Motor insurance auto-renewals*, 2015.

[71] In addition, these agreements may have an impact on competition between DCTs. In particular, resolicitation may turn multi-homing consumers into single-homing consumers, for example, by rewarding customers to visit the last DCT they purchased through directly rather than via a general search engine that exposes them to multiple DCTs. Therefore resolicitation may soften competition between DCTs such that these agreements may increase competition between DCTs. The extent to which this is currently the case is unclear and depends on consumer behaviour.

suppliers to consumers on fixed term contracts and the upfront costs incurred by suppliers when acquiring customers.[72]

72. However, it is not clear that non-resolicitation clauses that go beyond the start of the renewal period of the customer's initial contract with the supplier are necessary to protect the supplier's investment. In particular, the supplier's investment may be sufficiently protected while still enabling competition during renewal periods by means of non-resolicitation clauses that expire before the annual renewal period or commission models that vary depending on how long the customer stays with the supplier. In this regard, at least in home insurance, the agreements we have seen tend to last longer than a consumer's typical 12-month contract and/or may be specifically targeted at the first time a consumer renews their product.[73]

73. The impact on competition and the extent of any potential harm resulting from these clauses is fact-specific and may depend on a number of factors. The impact on competition is likely to be greater when:

(a) a larger proportion of customers are affected;

(b) the agreements prevent resolicitation for a longer period;

(c) the agreements are timed to prevent resolicitation at certain trigger points (such as renewal periods); and

(d) resolicitation is important in keeping consumers engaged because, for example:

(i) customers' contracts with their current suppliers automatically renew or roll-over;

(ii) customers receive fewer prompts from or are less actively solicited by their current supplier, rival suppliers or other DCTs;[74] or

(iii) general marketing from the last DCT a customer used is less effective in prompting consumers to engage.

74. Irrespective of the factors above, we might expect some of the impact of non-resolicitation agreement to be mitigated due to the nature of the customers affected by these agreements. In particular, by their very nature, the restrictions relate to marketing to customers who have already previously

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[72] See CMA, Appendix 9.3 of the *Energy Market Investigation Final Report*, paragraphs 78–82.
[73] In energy, the evidence indicates that the length of the non-resolicitation period is more varied.
[74] The extent to which customers receive prompts from other DCTs depends on the level of multi-homing. In particular, if customers multi-home then they are more likely to receive prompts from other DCTs.

switched using a DCT and such consumers may already be aware of the benefits of DCTs and of switching generally.

75. In summary, while these types of agreements could have potential efficiency justifications under certain conditions, our initial view is that they also have the potential to lead to consumer harm. We will look to explore these agreement further in the second half of our study and the extent to which any consumer harm is material. We set out some specific points we wish to explore in Chapter 10.

Appendix 6: Regulation (Chapter 8)

1. In this appendix we provide some further background on:

   (a) the two voluntary accreditation schemes operated by Ofgem and Ofcom; and

   (b) the European Commission's key principles for comparison tools.

2. In Chapter 8 of the update paper we note that Ofcom's and Ofgem's accreditation schemes differ in a number of ways. Table 6.1 provides a summary of the schemes' key aspects.

Table 6.1: Summary of Ofcom's and Ofgem's schemes

	Ofgem Confidence Code	Ofcom Price Comparison Accreditation Scheme
Established	• 2000	• 2006
Last revised	• 2015	• 2013
Current number of members	• 12 (of which 2 are in the Big 5) • No white labels at present. DCTs need to maintain their own tariff database and calculator to be accredited.	• 8 (of which none are in the Big 5) • Some also provide white-label services to other sites: where affiliated sites (currently over 50 – two of which are in the Big 5) use a mirror image they can display the logo.
Fees for members?	• No. DCTs do not currently bear the cost of audits.	• No. DCTs pay for audits, with fees dependent on their turnover.
Assessment	• Following audit	• Following audit • Reaccreditation 12 months after initial accreditation then every 18 months
Enforcement	• One external audit per year and a number of internal audits, as well as ad hoc checks for compliance. Audit reports are confidential.	• Audits as above • Quarterly spot checks
Publishes decisions	• No.	• No, although Ofcom has published summaries of issues encountered in past audits.
Sanctions	• Ultimately, removal of accreditation. No DCT sites have had accreditation removed.	• Removal of accreditation. Ofcom has suspended one site, which subsequently left the scheme.
Requirements placed on DCTs		
Accessibility		• Be accessible by all consumers (including disabled users). • Offer advice offline.
DCT charging policy		• Be free or only impose a reasonable charge on consumers

	Ofgem Confidence Code	Ofcom Price Comparison Accreditation Scheme
Updating requirements	• State when offers were last updated. • Add new tariff information as soon as possible (and no later than 2 working days)	• Be updated at least every 2 weeks and say when last updated
Accuracy of results	• Be accurate. • DCT takes responsibility for obtaining, updating and ensuring the accuracy of all data. • Must not be misleading or confusing.	• Calculate accurately: the methodology must be internally consistent, appropriate and correctly implemented. • Take account of consumer location. • Ensure assumptions and limitations are clearly set out. • Reflect special offers and upfront costs. • Must alert consumers that providers may increase the cost of monthly deals and that they can exit if so
Quality of service	• Can assign ratings to suppliers (but methodology must be reviewed by Ofgem), or use ratings by a recognised consumer organisation eg Citizens Advice.	• Results must include limits on data usage. • Must display 'up to' broadband speeds and explain that actual speeds may vary from these. • Provide a link to tools to assess speeds • Explain that traffic management may apply
Independence	• Must manage and control own service. • Must be independent of suppliers and provide impartial advice • Must clearly identify commission arrangements • Commission must not influence information provided • Where switching through the chosen supplier is not possible, must not recommend an alternative	• Commercial links or agreements with providers must be clear • Selections of packages should not be biased or unfair
Business model	• Must describe business model if they take commission; and explain if arrangements influence tariffs displayed.	• Must be clear how they make money – including whether they receive commissions (but not the amount).
Advertising	• Supplier advertising must not be on the home or comparison page	• Advertising is allowed but only one clearly differentiated sponsored deal is allowed at the top of the ranking.
Default presentation		• Default ranking must be price-related and Ofcom would expect it to be always a total price metric (eg first-year costs or average monthly costs)
Presentation requirements	• List on a single page at least 10 of the cheapest tariffs available in the region. • The length of the comparison period defaults to 12 months from the date of comparison.	
Filtering	• May provide opt-in filters so that consumers may search results	

	Ofgem Confidence Code	Ofcom Price Comparison Accreditation Scheme
	based on different criteria selected by the consumer.	
Sorting	• If sorted by price, this must be by the best price.	• Default ranking must be price-related. At least sorting by provider and total price metric must be available, and ideally it should be possible to sort by other relevant metrics. Ofcom expect sorting to be in the order most likely to be attractive to consumers (eg from low to high total costs).
Coverage	• All reasonable endeavours to include all available domestic tariffs (with some exclusions – eg social tariffs) and historic tariffs. • Advise Ofgem if asked by a service provider to remove a tariff that still exists.	• Reasonably comprehensive number of providers, including key players (expectation that providers' collective share exceeds 90% of subscribers) • A reasonably comprehensive number of tariffs from included providers.
Supplier selection (for inclusion on the DCT)	• Not applicable – the current WotM requirement means DCTs must show all suppliers.	• Must be transparent to the auditor and not discriminate
Complaints handling	• Effective consumer complaint and enquiry handling procedure and respond within 7 working days • Where a complaint is referred by Ofgem, Ofgem must be copied into any response to the consumer.	• Fair and timely processes. • Link to Ofcom comparative data on customer service and complaints
Other	• Provide signposting to independent sources of advice on energy efficiency matters	

Source: CMA analysis.

3. In Chapter 8 of the update paper we discuss the possible development of cross-sector principles, using the principles for comparison tools developed by the EC as a starting point.[75] Table 6.2 provides a summary of key elements of these principles.

Table 6.2: Main elements of the European Commission's key principles for comparison tools

Principle	Summary
1. Impartiality of the comparison and identification of advertising	• Advertising should be clearly identifiable • Consumers must be informed when relationship affects impartiality of results • Reference to 'advertising' or 'promoted link' whenever default ranking affected by relationships • Paid-for product reviews clearly indicated • Other advertising explicitly marked and separated visually
2. Transparency about the business model	• Transparent about business and financing models – including owners, shareholders, manufacturers, sellers or providers.

[75] European Commission, *Key Principles for Comparison Tools*, May 2016.

	• General info on whether incomes stem from advertising, pay-per-click, pay-per-order, referencing suppliers; selling data • Whether DCT is (partly) owned by, or affiliated to, relevant 3rd party • This info should be clear and easily accessible
3. Accuracy of the information provided, including price and availability	• All info accurate – especially price and availability, corresponding exactly to seller offers • No false impression of scarcity • Final product price to fullest extent possible including taxes and delivery • Price ranking to be based on final price • Updated regularly and frequently; time of last update shown • Act promptly to correct inaccuracies • Explain differences between promotional offer and normal price • Explain if availability means availability on DCT or overall • Best efforts to provide indicative information about delivery costs
4. Data collection, ranking, comparability and coverage	• Ranking criteria clearly and prominently indicated, including general info on methodology • Product differences clearly mentioned • Clear indication of completeness and coverage of the comparison. • Explain how they collect data about offers • Explain basis of ranking – eg prices, reviews, etc • Criteria of default ranking should be prominent on search page • Display same info in a uniform manner for all the products • Any additional services should be clearly indicated, including whether offered by DCT or trader • Coverage specified in terms of sectors, number of sellers and geographical scope (numbers for diverse market; names where concentrated) • Important exceptions to coverage explained (eg major player not listed) • Comparison of tested products to indicate how many tested
5. Transparency and trustworthiness of user reviews and user ratings	• Take measures to ensure trustworthiness of user reviews and ratings, and provide overview of the methodology • Paid endorsements to be made clear • Explain that user reviews are user-generated and how they are created, posted, ranked and sorted • Discourage fake reviews and ensure they are trustworthy • Show all reviews, even negative ones (not pushed to the bottom) • Sponsored reviews should be clearly distinguished and not counted in aggregated review scores. • Posting of reviews by traders, or their 3rd parties banned
6. Display of contact details	• Display contact details, including postal and e-mail address • In a dedicated ‘contact us’ section.
7. Complaint handling and access to redress mechanisms	• Easy to find info on how to complain; speedy and efficient complaint handling • Provide consumers with easy-to-find info on redress where the DCT offers possibility to purchase via its site • Provide contact details for alternative dispute resolution • Phone number for when consumer experiences a problem
8. Relevance of the information and display	• Info to be relevant for assessing and comparing offers • Info in simple language, avoiding complex legal and technical terms • Ideally layered in case consumers want more granular details • Option to personalise search – eg filters and simulation functions • Let consumers know when compared products are not identical
9. User-friendliness and accessibility	• User-friendly and simple to use interface • Accessible to the vulnerable, the disabled and the elderly; follow international guidelines on accessibility • Help consumers find info covered in these principles, irrespective of device used • Sellers could be given possibility to react to reviews posted by users

Appendix 7: Glossary

Term/abbreviation	Definition
ABTA	Association of British Travel Agents
Add-ons	Additional products sold alongside the primary product which the consumer can opt to include either on a DCT or after they click through to the supplier's website. In the case of insurance policies, the definition does not include setting an excess or sum-insured – these are not additional products that the customer may obtain in connection to the primary product.
Affiliate network provider	A firm which a supplier engages to help it acquire new customers through online channels including through DCTs. The affiliate network providers sign up and pay commission fees to affiliate marketing partners. These partners include DCTs, cashback websites and other recommendation websites. The affiliate network provider uses cookies to track potential customers' online research and purchasing journeys.
App	Application. Self-contained software programs that fulfil a particular purpose or enable a user to perform a task. Apps are normally individually downloaded and installed on a device such as a smartphone or tablet.
APR	Annual percentage rate
API	Application programming interface, a means by which to electronically transfer data from one party (eg a DCT) to another party (eg a supplier).
Artificial intelligence	A branch of computer science concerned with making computers behave more like humans. ie able to perform tasks normally requiring human intelligence such as visual perception, speech recognition, decision-making, and translation between languages.
Balance transfer	A balance transfer is when a customer transfers all or part of the balance outstanding on one credit card product to another credit card product. A fee is typically charged and added to the transferred balance.

Broker	A broker is a firm which arranges transactions between a buyer and a seller in relation to financial products, typically for a commission fee. DCTs are considered to be brokers for credit products but not for insurance policies as DCTs have commercial relationships with insurance suppliers rather than underwriters.
BEIS	The Department for Business, Energy and Industrial Strategy.
CC	Competition Commission, one of the two predecessor organisations to the CMA.
Chatbot	A sophisticated rules based, AI or natural language processing program used for practical purposes such as providing customer service or conversational interaction, replacing text based dialogue or web page interaction.
CMA	Competition & Markets Authority.
CPRs	The Consumer Protection from Unfair Trading Regulations 2008. The CPRs consist of a general prohibition of unfair commercial practices, prohibitions of misleading and aggressive practices, and 31 practices prohibited in all circumstances.
CTM	Comparethemarket.
Concierge service	Special, personalised service. In the context of DCTs, the customer delegates the choice of supplier to the DCT. The DCT selects and switches its customer to a particular supplier after ascertaining which supplier on its panel best meets an individual customer's particular requirements at that time.
Cost per acquisition	The charging structure for the commission fees that DCTs levy on suppliers for each product or policy purchased.
CRA	Credit reference agency, a firm which collects information about consumers' financial standing to inform the decisions of consumer credit firms.
DCT	Digital comparison tools. Web-based, app-based or other digital intermediary services used by consumers to

	compare and/or switch between a range of products or services from a range of businesses. Comparison parameters may include price, product characteristics or various measures of quality. DCTs typically do not enter into the primary contract with consumers.
Dimming	The practice of a DCT de-emphasising the listing for a supplier (eg through it appearing to be broken) in results returned from a search so that the hyperlink to the supplier's offerings is less prominent than other suppliers.
Dynamic pricing	Dynamic pricing is a pricing strategy in which businesses set prices based on current market demands. Businesses change prices based on algorithms that take into account competitor pricing, supply and demand, and other external factors in the market.
FCA	Financial Conduct Authority, the regulator for financial services firms and financial markets in the UK.
GC	GoCompare.
GDS	Global distribution system operator. A firm which operates a computerised-reservation system for flights and other travel products. GDSs were originally created by several of the largest airlines to distribute their flights through travel agents but have since become independent. They generate their revenues primarily from airlines.
Metasearch	In the context of DCTs, the process of searching across multiple suppliers and intermediaries for offers which match a certain specification.
MSE	Metasearch engine, an online firm which allows its users to search for offers for, for example, flights and hotels, satisfying a specification the user has requested (eg flight from London to Berlin), across a number of different suppliers and intermediaries (such as OTAs) who offer products for sale online. In general customers clickthrough/are redirected/referred to the relevant supplier/intermediary.

MFN	Most-favoured nation, a clause within a contract which limits the price at which the supplier of a product can offer it through other sales channels.
Midata	Midata is a UK government initiative to facilitate the electronic transfer of customers' data (with their consent) from a supplier's system to a third party such as a DCT using an API. This initiative is most advanced in relation to customers' energy consumption and banking transactions data.
MSM	MoneySupermarket.com.
Multi-homing	A consumer (or supplier) using more than one DCT when searching for (or advertising) a product or service.
Narrow MFN	See MFN. It specifies that a supplier sets a price on the DCT which is no higher than the price offered through its own website, but does not stipulate conditions for sales via other channels.
Negative matching	Adding another advertiser's brand name (eg that for a particular supplier) to negative keywords when bidding in a search engine auction process. This is done in order to prevent the bidder's ad appearing in the search results for a query containing the specified negative keyword.
Non-brand-bidding	Refraining from stipulating another advertiser's brand name (eg that for a particular supplier) as a keyword when bidding in a search engine auction process. This is done in order to prevent the bidder's ad appearing in the search results for a query containing the specified brand name.
Non-resolicitation agreement	Non-resolicitation agreement relates to a term in a contract between a DCT and a suppliers whereby the DCT agrees not to resolicit customers who have purchased the supplier's product via that DCT (in respect of the same product type) for a certain period.
Ofgem	The Office of Gas and Electricity Markets, the UK's energy sector regulator.
OFT	Office of Fair Trading, one of the two predecessor organisations to the CMA.

OTA	Online travel agency, an online travel firm which allows its customers to search for offers for, for example, flights and hotels, satisfying a specification the customer has requested (eg flight from London to Berlin), across a number of different suppliers with whom it has a contractual relationship. Depending on the terms negotiated between the OTA and a supplier for an individual offer, the OTA will typically either be remunerated for any purchase either on a commission basis (ie agency business model where the supplier such as a hotel sets the price payable by the customer) or earn a margin on buying the product on wholesale terms from the supplier (ie merchant business model where the OTA sets the price payable by the customer).
Personal data	Also referred to as personally identifiable information, data that can be used alone or in combination with other data to identify specific individuals.
PCW	Price comparison website, a type of DCT.
PMI report	Report published by the CMA in 2014 on the conclusion of its market investigation into private motor insurance.
Rewards	In connection with credit card products, benefits, discounts or other rewards based on customers' usage of their credit card.
Single-homing	A consumer (or supplier) using only one DCT when searching for (or advertising) a product or service, rather than multiple DCTs.
White-label DCT provider	An online firm which allows a DCT to use the comparison tool and supplier commercial relationships the firm has developed to extend the range of sectors in which the DCT offers comparison services. The online firm shares commission fees it receives from suppliers with the DCT. The online firm may or may not itself operate as a DCT under its own branding.
WotM requirement	Whole of the Market. A requirement in Ofgem's consumer confidence code. It requires DCTs to display in its search results all offers from all suppliers that are available in a particular market regardless of whether commercial

relationships exist between individual DCTs and suppliers or not.

Wide MFN	See MFN. It specifies that a supplier sets a price on the DCT which is no higher than the price offered through its own website or through any other sales channel.