

Digital Comparison Tools Market Study: Update Paper - Response form

1. Thank you for taking the time to respond to the questions in the Update Paper for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 28 March 2017.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 April 2017**, either by:
 - Email to: comparisontools@cma.gsi.gov.uk.
 - Or by post to: Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London WC1B 4AD
3. Please note:
 - You can choose which questions to respond to, but we ask all respondents to provide a small amount of background information at the start of this form. The boxes will 'expand' to accommodate long responses if required.
 - We are particularly keen to receive evidence in support of responses. If you are able to supply evidence please attach this with your response.
 - We intend to publish responses to our Update Paper in full. If you wish to submit information that you consider to be confidential, this should be indicated to us clearly and an explanation given as to why you consider it to be confidential.
 - The CMA may use the information you provide for the purposes of facilitating the exercise of any of its statutory functions. This may include the publication or disclosure of the information. Prior to publication or disclosure, in accordance with its statutory duties under Part 9 of the Enterprise Act 2002, the CMA will have regard to (among other considerations) the need to exclude, so far as is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if disclosed, would or might, in our opinion, significantly harm the individual's

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

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

Your details

(Fields marked * are required)

Title*	Miss
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Forename	Carly
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Surname*	White
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Email*	
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What is your role / profession*	Regulatory Risk Manager
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Are you representing yourself or an organisation?*	Yourself-/ An organisation <i>(please delete as appropriate)</i>
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No <i>(please delete as appropriate)</i>
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If you are representing an organisation:

(a) What is the organisation's name?*	Tesco Bank
(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*	
Tesco Bank serves the needs of Tesco customers by rewarding their loyalty and rewarding their trust. We offer a complete range of simple and convenient retail banking and insurance products and services to over 8 million customers, from our locations in Edinburgh, Glasgow and Newcastle.	

Consumers

1. Should we focus our attention on the consumer groups we identify in Chapter 5 (see paragraphs 5.82 to 5.95) and if not, what groups should we focus on?

The consumer groups identified are in line with the groups we would expect you to focus on. We consider there to be a perception amongst those consumers within group D, 'Trusting Users', that each DCT provides the same coverage across industries and therefore do not feel the need to 'shop-around' using other DCTs or otherwise.

2. In which sectors do DCTs not currently play a major role but could in principle offer substantial benefits to consumers? Why have they not become established in these sectors?

3. How has the growing use of DCTs affected suppliers' offers to consumers who do not use DCTs in our case study sectors and more broadly? What impact have DCTs had on suppliers' ability to discriminate between active and inactive consumers? What are the implications for vulnerable consumers?
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Although we recognise the benefits DCTs offer in terms of scale, the growing use of DCTs could result in consumers not receiving the best possible deals due to an increased cost per acquisition through that channel. As a consequence, suppliers have less money to invest in the product or service. Equally, the growth has led to the development of offers exclusive to the DCT site(s); this presents a risk to consumers who do not use DCTs, including vulnerable consumers, as they may not have access to all deals to be able to make an informed choice.

In regards to active and inactive consumers, some headway has been made in the insurance sector with the introduction of the FCA's Renewal Transparency requirements which included a specific remedy to target inactive consumers at renewal. Those consumers who have been with their existing provider for more than 4 years now receive a message on their renewal notice explicitly highlight that they are likely to be able to save money by switching. Therefore all insurance consumers, regardless of which DCT consumer group they fall into, will receive this message.

4. What factors, if any, have we missed that may be holding back consumers from using DCTs?
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We would like to reiterate the point that as per the report, we also believe that certain demographics and consumer groups may be unable to access DCT's due to:

- Not being able to readily access to the Internet due to financial situation or personal circumstances
- Not being able to navigate to or navigate effectively around DCT websites or apps due to technical competence and experience
- Some vulnerable customer groups

We believe that these consumer groups should not be disadvantaged by being offered a higher price for the service due to not being able to use a DCT.

5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?

We believe data sharing concerns will be addressed through the EU General Data Protection Regulation coming into force in May 2018.

6. What actions, if any, are needed to improve the way consumers use DCTs – including multi-homing and using DCTs' functionalities such as filtering and ranking?

In line with the findings detailed in Consumers (Chapter 5), we also believe that the vast majority of DCT users are happy with the functionalities, with the majority using more than one DCT to shop around. We do believe more could be done to improve the filter functionalities to ensure that product features i.e. benefits, rewards, fees, are more prominent, allowing consumers to be provided with the overall 'true-cost' for the product or service required.

Inputs to DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively?
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For eligibility in Credit Cards, we agree that more could be done to improve the DCT journey to ensure that consumers are given the best choice for their specific individual circumstances. Pre-approval products within DCT's would help remove any confusion over eligibility rules.

8. Do the issues identified materially affect DCTs' ability to operate effectively and deliver good consumer outcomes?

We believe the issues do not materially affect DCT's ability to operate effectively. This is reflected in the consumer feedback within the report.

9. Are current or planned initiatives sufficient to address the issues found?
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We believe that the introduction of the Open Banking API, following the CMA Retail Banking investigation, will help to address the issues identified with access to data in some markets.

Competition

DCTs' market position and barriers to entry and expansion

10. What explains the strong position of a specific DCT in each of our case study sectors? What do DCTs do to grow their business in sectors where they appear to be relatively small compared to the leading DCT of the sector?

We believe strong DCTs use their brand and marketing very effectively through TV campaigns and other methods to raise awareness and build trust. Consumers are drawn to strong DCT brands as a rich source of information, coupled with the knowledge that they are easy to use.

11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?

Established brands are able to spend more on advertising and marketing capturing a large percentage of the available market, this allows them to demand a higher cost per acquisition from suppliers but are able to offset this somewhat by offering more favourable terms to suppliers as compared to new entrant DCTs. They can then reinvest the income to further strengthen their position.

In terms of the Credit Card market, the number of DCTs is much more concentrated than in other markets. We believe that more competition in certain markets would benefit the consumer.

Agreements between DCTs and suppliers

12. What has been the impact of the removal of wide MFNs in the private motor insurance sector?

In relation to our motor insurance business, we have not observed any material impact following the removal of wide MFN's; the requirement to maintain direct pricing equal to, or higher than, that offered on an aggregator remains the underlying barrier to realising improved consumer offers.

13. What has been the impact of narrow MFNs in the sectors where we have observed them (home insurance, private motor insurance, credit cards, broadband and flights)?

Our view is that narrow MFNs indirectly impact direct channel pricing as they are influenced and led by the price of the product or service as available on the DCT site.

14. What is the commercial rationale for the non-brand bidding and negative matching agreements we have observed (in all of our case study sectors) and what is their commercial and competitive impact?

The commercial rational is that non-brand bidding can drive greater volumes of sales. The competitive impact that follows is that smaller suppliers, with less budget, are at a disadvantage.

15. What is the commercial rationale for the non-resolicitation agreements we have observed (in home insurance and energy) and what is their commercial and competitive impact?

Non-resolicitation agreements do not prevent consumers from choosing to use DCT sites. In our home insurance business we observe that more than 39% of our existing customers obtain a new business quote at renewal. These clauses are designed to prevent the DCT directly marketing to a consumer although, it does not prevent them undertaking ‘above the line’ activities such as TV, press, digital display etc.

If this clause were to be removed, it could lead to increased prices. Our expectation would be that more of our existing customers would churn back through the respective DCTs, resulting in higher acquisition costs, which we would be reflected in the proposition we are able to offer. Additionally, in our view, removal of these clauses would most likely lead to an overall reduction in competitiveness in the market. Removal of the non-resolicitation clause, without removal of the direct pricing clause, would result in a very biased contract between the supplier and the DCT.

16. In which other sectors, if any, are (i) wide or narrow MFNs; (ii) non-brand bidding or negative matching; or (iii) non-resolicitation agreements in place? What impacts do they have in these sectors?

17. Are there any other agreements in place that may affect the effectiveness of DCTs and/or the effectiveness of competition between DCTs (and competition between DCTs and other sales channels)?

We believe there may be agreements in place, particularly in the Credit Card market, whereby suppliers can pay a fee to have their product listed as the number one ranked or ‘promoted’ service where the headline APR or ‘true-cost’ may not necessarily be the best value for the consumer or reflective of their search criteria.

Further, in the motor and home insurance market, we are aware that some DCTs list their sister brands alongside the rest of the market in their search results. In some cases this can extend to up to 5 “brands” and prices being presented to consumers from the same Group of companies, by a DCT also within the same Group. We believe that in such cases, DCTs should be more transparent about their relationship with these brands enabling the users to make properly informed buying decisions.

Unbundling and hollowing out

18. How has the growth of DCTs affected product features and/or the product mix in our case study sectors over time? What specific evidence/examples indicate these changes?

In both the Credit Card and General Insurance markets, the growth of DCTs has driven a race to the bottom in terms of pricing. In reference to Credit Cards, cheaper pricing appears to be at the expense of showing the consumer the overall benefits and ‘true-cost’ of the service. Similarly in General Insurance, there has been an increased focus on policies with fewer features/benefits, higher excesses as well as other approaches aimed at reducing/removing costs.

Whilst we acknowledge that there has been a shift to suppliers offering a greater range of products and policies on DCTs, there remains the risk that consumers’ focus is disproportionately influenced by the cheapest price available, compounded by the fact there is no easy means to compare the overall value or ‘true-cost’ of a product or policy.

19. How widespread is the use of product reviews and ratings on DCTs and what has been the impact, if any, of the use of these tools?

20. What needs to be in place to prevent or mitigate any harmful impact of product unbundling or hollowing out and what can DCTs do about it?

Improving the weighting attributed to all factors that contribute to the value or ‘true-cost’ of the product or service in question including price, promotional periods or special offers, benefits and fees and charges. As previously mentioned, improvements to the functionality that would support filtering or ranking by wider range of product features/benefits/cover levels would help present a clearer picture for the consumer. We would also advocate standardising the use of Defaqto scores or Net Promoter Score (NPS) measures.

The FCA have already commenced work in the General Insurance market to test the use of 'Value measures'; whilst not currently directly targeted at consumers, this type of approach would give a more holistic view for consumers to consider beyond price, such as likelihood of a claim been paid.

Regulation

21. What are your views on the issues we list in Table 8.1 and at paragraphs 8.13 to 8.42 of Chapter 8 and how could they be addressed?

We agree you have highlighted the relevant issues in table 8.1 and believe that clear regulated accountability and liability needs to be defined between DCTs and suppliers.

22. What is the balance between potential benefits and risks in introducing a cross-sector approach? What would be the most effective approach(es), and why?

We believe all DCTs should be regulated and accountable for the information they share. However, the sectors in question are so diverse that a cross-section regulatory approach would not be appropriate or effective. Requirements may differ across sectors.

23. How could a cross-sector approach interact with existing regulatory frameworks?

We feel this would be complex given the diverse sectors within this market study, particularly if it included financial services.

The future of DCTs

24. What future developments outlined in Chapter 9 are likely to have the greatest impact in driving engagement? If there are any important developments we have missed, what are they and why are they important?

25. What future DCT-related technologies might affect or assist vulnerable consumers?

The Open Banking API and implementation of PSD2 will have significant implications for how all consumers access products and services across markets. However, where a DCT is making use of these new technologies, we believe they must give careful consideration to how they can appropriately support vulnerable consumers using their sites. This is particularly important in financial services to ensure they purchase suitable products or services that meet their needs.

Options, such as a 'live-chat' functionality within DCT sites, may help assist vulnerable consumers.

Other comments and further contact

We welcome submissions on any of the issues we address in our update paper from interested parties. We would particularly like to hear views, supported wherever possible by evidence, on the following themes if not already addressed above:

- a) What DCTs do and the benefits they can offer.
- b) Consumers' views on and use of DCTs.
- c) Inputs to DCTs.
- d) Competition between DCTs and between DCTs and the suppliers whose services they compare.
- e) Regulation of DCTs.
- f) The future of DCTs.
- g) The focus of the second part of the market study.

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

Would you be willing for us to contact you to discuss your response?*	Yes / No (please delete as appropriate)
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Thank you for taking the time to complete this form.

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Or post it to:

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