



Competition and Markets Authority
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Email: comparisontools@cma.gsi.gov.uk

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Dear Sirs,

Digital Comparison Tools (DCT) Study: Update Paper Response

Insurance Distribution and Outsourcing (IDO), part of BGL Group, welcomes the opportunity to comment on the CMA's Update Paper regarding DCTs.

IDO background

IDO is a leading insurance intermediary business and a user of DCTs, notably price comparison websites.

IDO is not an underwriter. IDO specialises in the provision of consumer insurance, including motor, home and life products etc. (using third party underwriters) as well as associated services (including legal services) under various BGL and third party brands (ranging from M&S to the Post Office).

DCTs comprise the largest of a number of routes to market for IDO's brands and those of the third party partners it represents.

Overview

IDO agrees with the CMA's conclusions set out in the Update Paper, which is that while many people are likely to be realising substantial benefits from DCTs, further analysis may be necessary to maximise those benefits, possibly with a view to creating conditions conducive to price comparison in those sectors which, unlike personal lines insurance, are characterised by a higher proportion of inert customers.

It is clear that DCTs have helped to drive down prices through enhanced transparency and have forced providers to reassess their business models and deliver improved efficiency.

At the same time, as well as enabling new providers to access markets and expand, existing providers have been able to identify the benefits of improvements to online customer journeys to make their propositions more relevant and attractive to consumers who purchase via this medium.

Rather than performing the role of an 'Intermediary', DCTs provide a 'marketplace' that enables a customer to assess the options provided by a number of participating brands, thus improving the potential customer's knowledge of alternatives at the point of purchase. It is important that the environment created by the DCT enables potential customers to obtain the headline



information required to start the buying process but the DCT does not, and should not complete the sale nor fulfil the purchased product within the personal lines insurance market.

Specific comments

With regard to a number of the questions raised by the CMA in its Update Paper response form, IDO would make the following limited observations:

- As is commonly the case, consumers who shop around (whether through DCTs or other channels) are likely to secure a more competitive deal.
- The increasing awareness of the services offered by DCTs has effectively reduced the pool of inactive consumers and provided easy access to information about alternative providers and products within the market.
- As a supplier, IDO does not treat our consumers differently according to which distribution channel, DCT or otherwise, they use to access our products.
- In our view, the ability of DCTs to compete with other channels, whether direct channels (supplier websites, call centres, automatic renewals etc.) or indirect channels (for example, traditional insurance brokerage), will depend on their ability to ensure an offering that fits with the circumstances and lifestyle of each consumer. It will also depend on DCTs' ability to offer a cost-effective customer acquisition channel.
- Narrow MFN's are an important element of the establishment of consumer trust in the market and in DCTs. It is IDO's view that the level of trust is enhanced when customers are able to obtain a similar price from a supplier's own site as they are able to obtain from a DCT or elsewhere.
- For certain consumers, perhaps those who are not as willing/able to transact online, DCTs are not their preferred means of engagement, and so it is important that the CMA continues to evaluate the alternative channels open to such consumers, rather than relying on DCTs to address all issues. This is particularly important for certain categories of consumer who have limited access to DCTs or appetite to use them.
- As regards the products themselves, we do not share the CMA's concerns around the bundling or hollowing-out of products. Although many DCTs focus on price comparison, many consumers continue to value quality and coverage.
- Consumer confidence is likely to vary between the different product areas and is therefore likely to represent a broader, market challenge regarding transparency of the offering rather than a challenge specific to DCTs.
- Indeed, notwithstanding the comments above, some of our own most successful products (e.g. Dial Direct and M&S Premier) are products with enhanced features and benefits that have been successfully distributed via DCTs where the product enhancements represent an alternative to price as a basis for selection.



- In some instances, suppliers impose restrictions on DCTs, for example, on resolicitation within a limited period following customer acquisition; however, IDO does not regard these restrictions as disproportionate or anti-competitive.
- On the contrary, they enable suppliers to compete more effectively, by means of offering a compelling proposition at the outset, without which the customer might otherwise remain on an uncompetitive premium or tariff. It is important to remember that the customer is not tied-in in any respect and can choose to switch again at any time, whether through a third party DCT or an alternative channel.
- In terms of improving the DCT service to consumers, IDO considers that DCTs need to be clearer about how personal data provided to DCTs for comparison purposes will be used (although changes to data protection laws should address this issue in time).
- The language commonly used when considering the role of DCTs has the potential to cause unhelpful confusion. In the opinion of IDO, DCTs do not complete sales and do not fulfil product promises made to customers. DCTs provide a useful and effective means for customers to acquire knowledge and an opportunity for distributors and insurers to present products and prices. The DCTs are effectively marketplaces or introduction services that are increasingly frequented by customers and utilised by insurance providers.

Should the CMA require further input from IDO, IDO would be happy to participate in any research or consultation exercise.

Yours sincerely,

Mark Townsend
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