

28th April 2017

Dear Sir/Madam,

[Redacted]

We welcome the opportunity to respond to the CMA's interim report on its market study into Digital Comparison Tools (DCTs).

We agree with much of the CMA's findings to date and look forward to supporting the regulator as it moves into its second phase of work. Our responses to the CMA's questionnaire can be found at the end of this letter.

[Redacted]

We hope you find our response helpful. If you have any questions about the information contained within this response, please do not hesitate to contact me **[Redacted]**

Yours sincerely,

[Redacted]

Answers to Questionnaire

Please could you briefly explain the role of your organisation, including the sectors in which it operates or has the most interest?

[Redacted]

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 CMA is right to focus its attention on the specific consumer groups it has identified.

- 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?**
- 4. What factors, if any, have we missed that may be holding back consumers from using DCTs?**

We do not believe there are any other factors that may be holding back consumers from using DCTs in addition to those already identified by the CMA.

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

We believe that more can always be done to improve consumers' concerns about data sharing and the extent to which they feel in control. However, we believe that [Redacted] DCTs can address these issues themselves. Consumers having trust and confidence in how [Redacted] DCTs use their data is not only good for consumers, but it also makes good business sense.

In addition to being compliant with relevant data protection and privacy laws, it should be incumbent on DCTs to make sure consumers can easily access information relating to how their customer data is used. [Redacted] We regularly look at how we present this information to ensure that consumers can access it easily.

[Redacted] Our approach to data is clear: we only request data from customers that is required to make their booking. This data is only shared with third parties who are a critical part of the booking process – such as airlines or travel insurance companies. Post-booking, we continue to store the customer's data (such as email addresses) in order to send our customers information on new offers which they are able to opt-out of whenever they want.

- 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?**

Multi-homing

Customers booking flights already display a high degree of multi-homing – they regularly compare flights across multiple DCTs and directly with the websites of airlines. This is evidenced in the CMA's own research as well as wider industry research. As a result, we do not believe that any further actions are required to improve the way consumers multi-home.

We do have one concern that could impact multi-homing that we believe the CMA should consider: namely, the increasing amount of consolidation in the online travel industry. The recent purchases of [Redacted] coupled with the growing power and importance of [Redacted] raises questions about whether consumers will be able to derive benefits from multi-homing in the future. The CMA should therefore closely monitor whether such consolidation could lead to negative outcomes for consumers when shopping around in the years to come.

Filtering and ranking

[Redacted] DCTs are always striving to improve the way they filter and rank products to deliver the best possible user experience to their customers. It is a major user experience and business priority for DCTs. Given that [Redacted] DCTs already place such emphasis on improving these areas, we do not believe that further action is required.

Inputs to DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively?

There are four specific issues that we believe are preventing [Redacted] DCTs from operating effectively. We would encourage the CMA to explore these in further detail.

Visibility of ancillary information

As the CMA knows, whilst OTAs can access information relating to flight schedules and pricing, ancillary content that is unbundled by airlines is much harder to access. With the unbundling of fares a growing feature of the aviation market, this is a major problem because it impacts the ability of OTAs to provide accurate comparisons. Consumers might use our sites to compare fees and purchase flights, but without access to ancillary information, it is possible they can incur further charges when they arrive on the supplier's site to manage their booking. The only way to avoid such outcomes is for airlines to be incentivised or mandated to give OTAs access to this information and we encourage the CMA to think about how this could be done.

[Redacted]

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

See answer to question 7.

9. Are current or planned initiatives sufficient to address the issues found?

In the travel industry, no. [Redacted] we believe that initiatives are required to address the following issues.

- Incentivising or mandating suppliers (hotels, airlines) to open up their inventories, including vital ancillary information, to DCTs.
- Stopping the ability of suppliers to levy unfair charges against OTAs that use GDS distribution channels instead of the supplier's own, as well as other restrictive [Redacted] practices [Redacted]
- [Redacted]
- A growing trend towards consolidation in the online travel industry needs to be carefully monitored by the authorities to ensure that consumers are not losing out.
- [Redacted]

Competition

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?

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?

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

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)?

We believe that narrow MFNs can create a useful balance between the interests of suppliers, DCTs and consumers. They can do so by preventing free-riding by suppliers on the technology and marketing investments made by DCTs.

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?

Non-brand bidding and negative matching agreements represent parts of a DCT's overall marketing strategy. The commercial rationale for DCTs using agreements such as these is to stop other DCTs from attempting to poach their customers in the middle of the online search process (when the customer has searched a specific DCT) and selling that customer back to them at a higher cost. In practice, it seeks to avoid a situation in which a consumer might enter one brand name into a search engine, only to be presented with a rival brand at the top of the search results.

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?

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)?

There are four further areas that we believe the CMA should factor into their thinking.

- Google Flights and Google Hotel Finder raise serious competition concerns in relation to whether the search engine's results are biased towards its own product
- Agreements between airlines and GDS
- Commercial agreements between DCTs and airlines or hotels
- Commercial agreements between airlines or hotels and Google

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?

[Redacted]

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?

Product reviews and ratings are being used increasingly by MSEs and can have a substantial impact on the levels of traffic an OTA receives. Whilst [Redacted] we have no objections, in

principle, to being subject to MSE product reviews and ratings, we have concerns about the way [Redacted] MSEs are currently conducting their product reviews and ratings.

Our concern to date is that the methodology for such reviews and ratings is often unclear and can lack in transparency. We are also concerned that product reviews and ratings could be 'gamed' or manipulated in order so that MSEs can encourage their customers towards specific deals on their sites.

At a minimum, [Redacted] we would like MSEs to explain clearly to their suppliers the metrics for such product reviews and ratings.

[Redacted]

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?

[Redacted] a key way of preventing and mitigating any harmful impact of product unbundling is to ensure that OTAs are given full access to the inventories of airlines. Such information is not easily accessible and the CMA needs to explore ways in which airlines could be incentivised or mandated to provide such information.

Regarding preventing any harmful potential consumer impacts of 'hollowing out', customers need to understand exactly what it is they are buying. The only way to ensure this happens is for DCTs to display their prices clearly and transparently.

[Redacted]

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?

The regulatory issues identified by the CMA are legitimate, though from our experience many of them are more pressing concerns for cross-sector DCTs rather than OTAs [Redacted]. Our single industry focus does not generate the regulatory complexity experienced by cross-sector DCTs who have to work under multiple regulatory regimes.

To reduce the regulatory complexities identified in table 8.1, the CMA has proposed the introduction of new principles that could apply to DCTs across a range of industries. The headline principles – accuracy, accessibility, transparency, relevancy, responsibility – are ones that we believe all DCTs should work towards as part of their day-to-day business.

However, whilst we see the logic in introducing such principles (particularly for DCTs operating across multiple industries), we have the following concerns about how they could work for DCTs that sell flights in relation to the accuracy principle.

- The products sold by OTAs are dynamically priced by airlines. Dealing with dynamic pricing differentiates DCTs that sell flights from those DCTs that sell statically priced products in the insurance, financial services and utilities industries.
- The CMA's accuracy principle would have to accommodate the fact our prices can sometimes change quickly and, when this happens, this is not a fault of the [Redacted] DCT, but simply a reflection of the way airlines price their fares.
- Likewise, we agree that all offer information should be complete. However, as outlined in our response to question 7, the ability of OTAs to do this can be severely restricted by airlines that put limitations on OTAs accessing ancillary data.

- As currently drafted, all [Redacted] DCTs that sell flights would struggle to meet the requirements of the accuracy principles.

As relates to the transparency principle, we believe some of the sub-principles as currently drafted are aimed more at cross-sector DCTs rather than those operating in the travel industry.

[Redacted]

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?

See response to question 21.

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

For any cross-sector approach to work effectively with existing regulatory frameworks, the CMA would need to involve sector specific regulatory bodies from the outset in the future development of their principles.

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?

Of those areas listed by the CMA, we believe that the following developments are likely to have the greatest impact in driving engagement:

- Growth of mobile
- Increasing personalisation
- Artificial intelligence
- Big data

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

We believe all of the areas highlighted in our response to question 24 could help vulnerable consumers.