

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*	[✂]
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Forename	[✂]
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Surname*	[✂]
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Email*	
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What is your role / profession*	Senior Digital Marketing Manager
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Are you representing yourself or an organisation?*	An organisation
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	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?*	[An Insurance Group A]
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*
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[✂]

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 main focus of 5.82 to 5.95 is on energy and broadband, however attempting to change consumer behaviours in each of the four Groups; non-internet users, users who don't shop around, internet users who shop around but don't use DCTs and users who only use one DCTs would be very difficult, There is also the risk if customers who are not internet savvy are buying financial service products they should have a level of knowledge in order to make sure they are fully informed about what they are buying. Also consumers are happy with DCTs as they have saved money, but only a certain % of customers' will actually find out if they are covered for their needs or not, upon trying to make a claim. A fairer comparison would be look at satisfaction post making a claim and did the insurance meet the customer's needs.

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?

DCTs do not currently play a major role in specialist insurance products such as caravan or motorhome, taxi insurance. Generally this be would due to not enough demand from consumers to buy insurance in this way and customers still shopping on traditional channels for these products. It is important to note that Confused have recently changed their offering to have a much greater focus on cars and focusing on car finance, selling of cars and insurance rather than being a traditional DCT which has a relatively equal weighting across car and home insurance. It would appear that DCTs also do not make as many web developments in the lower volume product areas as the cost benefit may not be beneficial for them to do this.

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?

The growing use of DCTs has meant the negotiation power of the DCT is more in their favour, which in-turn means contracts have narrow MFN clauses, these in turn mean the price we are able to offer its customers on the direct website is more expensive than any of the main price comparison website. Also the value of any offers which we wish to offer our direct customers also have to be considered in the overall price of the insurance. This means we are greatly restricted in offering anything to direct customers. Ultimately as the cheapest prices are available on the PCWs, customers who don't use these channel to shop around are missing out and paying more for their insurance.

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

There is very little holding consumers back from using DCTs, the advertising spend to promote four major DCTs is large, the brand awareness of all the main four DCTs is high and consumers have access to the internet in far greater scale than say eight to ten years ago. Each of the four DCTs also invest money into their online customer journeys to great better experiences. The commission to the PCWs is so large now that other channels can be more attractive if we were able to have cheaper pricing direct. If a premium is low and stable then some consumers may choose not to shop around to save time and avoid the temptation to potentially buy an inferior product on price – especially if they have had good

experience with incumbent. 5.59 actually mentions that consumers have high-levels of trust with supplier websites, except on providing the best price, where they said they trusted comparison sites more than they trusted suppliers' websites.

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

5.58 mentions that internet usage was linked to levels of trust, the higher the usage the higher the trust. To alleviate consumers concerns about data sharing could prove difficult due to the type of consumer using DCTs. Clearer messages could be presented to customers prior to obtaining a quote through a DCT. Most do this now, but this information potentially could be presented in a clearer easy to understand way, or at least provide options for customers who don't want to accept this.

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?

To encourage customers to use more than one DCT could prove difficult as some customers with higher levels of trust may be happy with one. Other customers may simply not have the time to use more than one DCT and feel that as long as they have done a level of shopping around, that they are satisfied with their insurance premium. Guides already exist on high traffic websites such as Moneysavingexpert which tell customers which DCT to use and in what order, in order to obtain full market coverage and understand if the price for their insurance is appropriate. With regards to filtering and ranking, this is linked to education of customers and informing them about the importance of a product to meet their needs, if customers don't utilise website functionality which allows filtering, there is a chance they are focused solely on price rather than also considering product benefits. Filtering and ranking tools on DCTS do not assist with products being hollowed and are not captured by tools such as Defaqto. The use of filtering and ranking tools is likely to make it easier for insurers to hollow out and the very nature of DCTs drives this behaviour to the detriment of customers. Consumers think they are getting a good deal but are buying solely on headlines, especially price.

Inputs to DCTs

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

The current inputs to DCTs are relatively detailed now, with substantial information passed between DCT and suppliers, either using bespoke schemas or shared schemas from software houses. Last year when the FCA directive for add-ons was launched, certain DCTs claimed the work to integrate and comply with the FCA directive was 'too hard' and questions were also raised about whether cover extensions such as personal possessions and accidental damage needed to be split out from the main schema and presented back to the customer. In summary we felt there was a reluctance by certain DCTs to meet the standards of the directive. These changes last year were meant to address items such as 6.3 a) Access to product information. If there was reluctance in 2016 for giving more information to the consumer in order to make a balanced decision based both on price and product, we are not sure additional work in future years would be well received by certain DCTs. DCT mappings are not always consistent with each other and can lead to consumers paying more than they need in certain risks. This is referenced in this report in Figure 6.1 The only true way to ensure consistency would be to standardise question sets and ensure any mappings are also consistent. We also believe that with some DCTs the importance of correct mappings is not fully understood, with errors being made four to five times a year due to changes in the DCT online customer journey being made without them conducting thorough testing.

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

The focus of DCTs is clearly still heavily weighted to price and as such this will not give good outcomes to certain consumer groups who choose just to buy on price. A way of balancing this would be to ask additional questions based on the product needs of the consumer, to ensure that the product they were shopping for was returned in the list of suppliers. However, we do not believe any DCT would want to integrate these types of additional questions, resulting in commercial detriment due to reduced conversion. Until the prominence on price is reduced on a DCT journey, it is not fair to say DCTs will deliver good consumer outcomes to all consumer groups.

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

We are not aware of any initiative to improve DCT question mappings or reduce the focus on price.

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?

As mentioned in 7.21 'Where consumers associate more with DCTs' brands than suppliers' brands, this is likely to strengthen DCTs' and weaken suppliers' negotiating positions.' This is explained by positioning DCTs to consumers as impartial and a friend of the consumer and then spending considerable advertising budget on making consumers aware of their services. Those DCTs that have a large share then have the ability to charge higher commissions than others, which then in turn gives them the ability to keep a high share by re-investing the money into advertising.

Certain DCTs offer unique rewards to entice consumers to purchase a greater range of products through them. One DCT has recently changed their business model to not focus on a broad range of financial services products and in turn focus on a motoring proposition.

The dominance of [✂] in particular gives them significant negotiating power, which they continually utilise to have higher CPAs than other DCTs. This in turn provides additional revenue to them and allows them to maintain dominance - all ultimately paid for by consumers. We believe this should be a focus of the CMA.

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?

Certain APIs / schemas may not exist or consumers' savings on certain products may not have a significant impact due to being very low, which means there is little point in offering a comparison service. Also suppliers may not want to create this type of distribution channel due to the impacts it can have on the commercial models of certain business types.

Agreements between DCTs and suppliers

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

The removal of wide MFN's has allowed increased competition amongst the aggregators. This increased competition has benefitted the customer as insurers can now, for example, price more competitively for aggregators that charge a lower CPA. One very large DCT are still very aggressive about being cheapest for all risks, which is not reflected within their CPAs.

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)?

The narrow MFN's have had a negative impact on our direct site and our customers, as it prevents us from offering a cheaper price on our own site. Given we don't have to pay a CPA fee for direct sales the removal of the narrow MFN's would allow us to give our direct customers a better price. In summary this increases prices on our direct website and stifles our innovation and customer offers. There is also not a level playing field when rewards are taken into account. If we were to offer a reward to the consumer for using the direct website which had a value of say £10, the DCTs would require the value of the reward to be taken into account within the overall price of insurance, and in essence the core policy price would result in being £10 higher with the reward included. However, with one DCT offering [%] at a value of circa. £10 to £15 and [%] with a perceived significant consumer value, these rewards are not taken into account. This imbalance in applying a value of a reward should be looked at both ways as DCTs will continue to have more and more commercial benefit which in the long run does not result in favourable consumer outcomes.

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?

DCTs do not want to allow suppliers' to bid on their brand terms in Google Adwords. This is a relatively normal practice which would be included in most affiliate contracts. DCTs do not want suppliers to do this as a). it will push up their advertising costs as more advertisers bid on these terms and b) they do not want supplier obtaining cheaper web traffic and capitalising off their advertising successes. Whilst we do have these clauses in the contract, it is not something that causes great concern, as any traffic that were to be driven from brand bidding would not be at appropriate conversion levels. It is important though that DCTs only use their trademarked terms as part of this agreement. For example 'compare car insurance' is a valid search term which anyone should be able to bid on 'Go Compare car insurance' as a phrase which clearly contains a brand term. So it is important that true trademarked only terms are used within the constraints of the contract.

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?

Introductory offers are often sold at a loss so this would result in less competitive offers for new business customers if we had little chance of keeping the business more than a year.

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?

We do not have a response to this question

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)?

Not that we are aware of.

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?

The use of tiering products (e.g. bronze, silver, gold) has increased over time. This enables consumer choice and a trade-off between price and product quality. DCTs predominantly compare price and providers know the higher up the table the higher the conversion to their products. Tiering can be done in many ways e.g. bundling add-ons, product hollowing etc. When tiering is carried out with the consumer in mind the lower product should give the consumer a good level of cover for the features they require and remove 'extras' that they don't need e.g. consumers without a garden do not need garden cover etc. However some providers will strip out some of the fundamentals such as trace and access cover etc.

Some providers can increase hidden excesses i.e. those not shown on DCTs

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?

DCTs have tried to improve their benefit comparison other than price. Consumers have told us that they don't tend to buy on price alone and that product quality is important to them when purchasing home insurance. Price display pages don't tend to compare product features and tend to be used more for general add-ons such as legal expenses and home emergency. Further info takes consumers through to more specific product details such as new for old, money cover etc

Some DCTs offer filtering, however when one of the filter options is 'new for old' and all providers offer this then the filtering becomes a tick box exercise to show that they offer product comparison and becomes meaningless.

Some DCTs use their own quality scoring and others use Defaqto. Both of these can cause issues as providers will tend to alter their products to fit these ratings e.g. locks cover could potentially give a score of 20 but set replacement does not feature within the scoring mechanism – this can lead to a false impression of quality. Again this can be misleading in that points are gained for upping cover limits when this is not required – this can lead to providers boosting products to obtain scoring with no value to the consumer.

DCTs also tend to show whether a product benefit is included or not included e.g.

Alternative accommodation – the cover limits for this feature can vary e.g. if a provider covers up to £5k they will receive a 'tick' but other provider could include this at up to £100k etc but there is no comparison which shows this on the price display page.

By having such tools has made it easy for some insurance providers to hollow out their products and have cover in the 'right' areas to obtain scoring at the detriment of consumers.

This leads to consumers buying their home insurance solely on headlines, especially price, even though they believe they are getting a good deal for a quality product. Plus consumers are having to pay a higher marketing cost than before.

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?

Product tiering and removing cover can be beneficial to customers as long as they are aware of what they are covered for and what they are not covered for – if it is a purchase of choice then this is fine, however if a customer believes they are getting more than they think this leads to detriment. The nature of DCTs will drive low prices and some DCTs allow customer to click direct to the provider from the price display page.

Other research suggests consumers do not know what they are covered for under their home insurance ([36]) and DCTs offer little to support consumers. Although difficult to solve, as price is still the main factor of purchasing home insurance, DCTs could work with the industry more to determine which features are actually used by customers in a claim situation and feature these more heavily. DCTs could also use average claim costs for feature types (across the industry as a whole rather than individual providers).

Do DCTs know which features are important to consumers – by asking this upfront and returning prices from providers who offer this could lead to a better customer outcome, however this would lengthen the journey and therefore DCTs would not want to do this. Also a balance would need to be struck as too much info could be confusing especially when this is displayed for over 60 providers on the same page.

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?

In essence there is insufficient regulation of DCT's and there should be one voice/regulator for each individual sector/s

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?

A cross sector approach will not work as some are voluntary and some are not so there is no one formal approach. The most effective approach would be as per the previous answer

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

It's too complex with no consistent approach – the FCA has a stronger voice and should be solely be responsible for regulating DMT's for insurance/mortgages/loans/credit cards etc

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?

The summary detailed in section 9 has picked up on the main emerging trends we are aware of. New product offerings such as connected home insurance could be offered by DCTs either by creating a new customer journey on the DCT or by adding additional questions to the question set. What is important is through the increase in consumers using mobile more and more to buy insurance, that online customer journeys strike the right balance between presenting the key information back to the consumer and also not over-facing them, which could result in shortcuts being taken and inadequate cover being purchased. In addition, where new technology could be used to shorten question sets, this should not introduce another level of risk to consumers where mappings could lead to an inadequate products being purchased.

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

There is a danger that technology moves at such a fast pace that more consumers could be left behind, especially vulnerable customers. However, now the DCT online customer journeys are very well established this should mean this becomes a certain known standard, which in turn allows certain groups of vulnerable customers to benefit from DCTs.

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?
No further comments.

Would you be willing for us to contact you to discuss your response?*	Yes
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Thank you for taking the time to complete this form.

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