

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*	Dr
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Forename	Stelios
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Surname*	Koundouros
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Email*	[✂]
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What is your role / profession*	Director and founder of Optimor Limited t/a Billmonitor
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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
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If you are representing an organisation:

(a) What is the organisation's name?*	Billmonitor (Optimor Ltd)
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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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Optimor Ltd owns and operates Billmonitor at www.billmonitor.com which is a mobile tariff comparison engine, accredited by Ofcom since 2009. Billmonitor has been used by over 1 million UK consumers. It provides price comparisons to UK consumers in two ways

- Via its Ofcom accredited Calculator <https://www.billmonitor.com/calculator>
- Or via its bill analysis service <https://www.billmonitor.com/bill-analysis/new> which analyses the user's actual mobile phone bills (from the major networks Vodafone, O2, EE, Three, and Orange / T-mobile) to see how the user uses their phone and match them to the right contract.
- Billmonitor has analysed bills from nearly 250k UK consumers, identifying average savings of c. 40% per consumer (while fully respecting the consumer's preferences for handset, network, etc)
- This wealth of data provides Billmonitor with unique insights into the behaviour of consumers, including insights into how and why they continue to waste money on mobile phone contracts, primarily due to lack of understanding/insight into their bills,

usage and spend habits.

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?

In our view, while enhancing DCT access for your specific interest groups is of course good, the focus needs to be much wider: as explained in the “Other Comments” box below, we believe that whether consumers use DCTs frequently or not (and most do), they are still far from having access to the right information to help them make the right choices.

Use of (especially incumbent) DCTs alone, while helpful, is often not sufficient to provide consumers the appropriate information to make informed choices, especially in the mobile phone tariff market for two reasons.

First, because DCTs rely on consumers understanding of their usage/spend habits, which is often very poor.

Second, because DCTs are, incentivised by commission structures, often promoting deals that maximise their commission.

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?

In virtually all markets, PIMS (i.e. next generation DCTs), including Billmonitor, have not become established enough. Their growth has definitely fallen short of the aims of the government’s Switching/Midata Initiative.

[✂]

In short, the market of incumbent DCTs is dominant, while next generation, more insightful PIMS are not reaching enough consumers. In turn, consumers continue to make choices/comparisons based on the limited and often biased (commission-incentivised) offers recommended to them via incumbent DCTs.

If you wish to consult with Citizens Advice to understand this issue in more depth, I am happy to connect you with the researcher I was interviewed by.

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?

Regarding PIMS, two key factors are holding back consumers from using PIMS:

- 1) Awareness of PIMS and what they do - the DCT market is dominated by incumbents and it's difficult for new entrants to become visible. One thing that helps in the case of mobile telecoms is Ofcom accreditation.
- 2) Lack of trust by consumers to hand over personal data to PIMS for analysis - as discussed with Citizens Advice, both encouraging the Switching/Midata programmes to accelerate, but also to hopefully consider some form of accreditation/trust certificate for PIMS to operate under would help.

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

As above, in the case of PIMS, if the government could create either some form of accreditation/trust certificate for PIMS to operate under and/or help with educational campaigns towards the use of PIMS, we believe could be helpful.

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?

Our understanding is that incumbent DCTs offer choices/comparisons to consumer which are often biased; the offers which provide the greatest commission to the DCT by the supplier are often ranked highly. This is often self-evident by observing the ranking of deals offered on an incumbent DCT (see screenshot below). [✂] However these offers have no correlation to the needs of individual consumers.

The way around this is (1) accreditation - for example Ofcom Accreditation requires that the ranking of results is clear and impartial, not incentivised by commission - together with (2) encouraging/mandating DCTs to at least state the basis on which they rank results.

[✂]

Inputs to DCTs

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

We think you have. Additionally, we note that access to product data and to consumer usage data is also a problem in mobile telecoms. Ensuring Switching/Midata works for mobile would solve, at least, the latter issue.

Moreover, virtually all the problems you discuss for other markets, including integration with supplier systems are also true of mobile too.

Finally, in the mobile market a specific issue is the PAC code, which is severely hampering online switching. [✂] however we believe that the PAC should become supplier-led if switching (and hence DCTs) is to have a chance to operate effectively in the mobile market.

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

In the case of PIMS, yes.

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

Not sure - please let's discuss during our call.

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?

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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?

Regarding PIMS, the lack of full implementation of Switching/Midata would mean a huge, often prohibitive, overhead to tackle a new market in terms of resources required to gather and analyse personal usage/spend data.

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Agreements between DCTs and suppliers

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

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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)?

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?

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?

[✂] However we are unsure if this is an ongoing practice.

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)?

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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?

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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?

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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?

DCTs can provide a level field by organising their User Interfaces such that comparisons clearly compare products across all elements important to the user (which can again be specified by the consumer in the DCT UX).

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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?

Regarding the mobile telecoms market, and Ofcom accreditation, we don't feel that the scheme is complex or problematic. In fact, we can only see a potential problem if a DCT doesn't want to be truly impartial/accurate.

As discussed, we believe accreditation is useful for consumers and also for honest DCTs wanting to reach and convince more consumers to use them. In our case, it's been invaluable in helping us build trust with consumers 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?

Regarding adopting a cross-sector principles approach, as the report states in 8.46 "Smaller DCTs may be able to use accreditation to help engagement with large suppliers."

In our experience this is certainly true. However, more importantly we think that Ofcom's accreditation scheme has been critical in helping us build trust with consumers. We believe that smaller DCTs, including PIMS, in the mobile market rely on Ofcom accreditation to gain traction with consumers. Without it, and equivalent accreditation schemes in other markets, it's hard to see how smaller DCTs could have appeal/advantage over the incumbents, and therefore have a chance of reaching consumers.

If you wish to keep seeing new entrants, including smaller DCTs and PIMS in the market, we believe maintaining accreditation schemes is very important, as is accelerating the implementation of Switching/Midata.

[✂]

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

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?

At this stage, [✂] we feel that for PIMS, implementing the full vision of Switching/Midata would be good enough...without having to dream up AI or other approaches. Unfortunately the Switching/Midata programme has been 6 years running and has yet to embrace Mobile Telecoms.

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

Since 2009, Billmonitor has analysed bills from nearly 250,000 UK consumers - a large statistical sample. It's worth noting that a sizeable proportion of our users come from referrals from Money Saving Expert (e.g. see Billmonitor mentioned [here](#), and on the Martin Lewis Money Show) and from other money saving articles and tv shows. Our users are therefore proficient money savers and DCT users.

During a bill analysis, the user's preferences for handset and network are fully respected (as you can see by signing up for a bill analysis, or using the calculator). This means that, for example, if the user desires the latest iPhone or Android Galaxy phone, they get the best recommendation for this phone matching their usage habits.

With the user's stated preferences for handset and network fully factored in, Billmonitor finds average savings of c. 40%. Moreover, about three quarters of users are on the wrong contract. In addition, it's worth noting that most of these savings can be achieved without switching network, but by getting on the right contract (with their current network) matching the customer's usage.

This findings, which are consistent year on year, show that the overwhelming majority of proficient DCT users may have the impression they have a good deal (e.g. using an established DCT), while bill analysis demonstrates otherwise. In short, apparent market efficiency (including the DCT market) is quite different to actual, functional market efficiency.

This should come as no surprise if you've followed research into behavioural economics. For example, Professor Richard Thaler's (adviser to Midata) famous book, [Nudge](#), explains in depth how easily consumers can be manipulated in an apparently efficient market to make the wrong choices, simply through the choice architecture presented to them by a DCT.

We believe the way most incumbent DCTs operate, including their listing of results and

resulting choice architecture for consumers, is heavily incentivised by the commissions they receive. In turn, simply aiming at a well functioning apparent competition among suppliers and DCTs is far from sufficient to help consumers make better choices.

A good example is the mobile market, where Ofcom has found the market to be apparently competitive in terms of tariffs, and yet switching remains very low in this market, so this is actually an inefficient market. Moreover, even those users who use DCTs (and who are also Billmonitor's customers) are easily misled by incumbent DCTs and suppliers to consistently make the wrong choices.

In our view, more rather than less regulation is required for the DCT market, and we see accreditation schemes as valuable. Fully realising the vision of the Switching/Midata project would be an additional decisive step, enabling PIMS (next generation DCTs) to go deeper and arm consumers with the right information to make decisions.

At the very least, in our view this data demonstrates the requirement for the CMA to pursue a market investigation to establish whether the apparent DCT market efficiency (e.g. including competition among DCTs) translates into actual, functional market efficiency, which our data definitely demonstrates is not the case, and to then consider appropriate remedies.

NB: We had first published results of consumer inefficiency in our [National Billmonitor Mobile Report in 2011](#), and followed up with our [2012 report](#) a year later. While we've not published another major report since then, however we keep monitoring and researching our data and the pattern of inefficiency remains materially similar year on year as far as savings potential and percent of users on the wrong contract goes.

Would you be willing for us to contact you to discuss your response?*

Yes

Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

Or post it to:

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7th floor
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