[Redacted]

[Redacted]
Ronan Scanlan
Competition and Markets Authority
Victoria House
37 Southampton Row
London
WC1B 4AD

Dear Ronan,

Thank you for contacting Dixons Carphone regarding the upcoming Phase 2 CMA review and requesting our views on the transaction. [Redacted].

[Redacted]. As context, we have [Redacted] provided an overview of the indirect retail channel, the role it plays in the UK mobile markets and the impact it has in supporting the customer.

We also enclose a document containing additional supporting evidence, including data on the particular characteristics of the UK's mobile markets and the role of indirect retailers such as Dixons Carphone.

Importance of comparison and the assisted sale

Customers are faced with over 50,000 simultaneous variations of offers across 2,000 plans from 4 MNOs and 99 MVNOs. With device capability and technology constantly changing and evolving, consumers want to be able to compare devices and tariffs across all providers before making their decision.

In the last few years the importance of cost and tariff has grown, leading to more and more customers needing to compare deals across providers. Consumers struggle to understand tariff deals, with 65% of consumers not having clarity when asked about the tariff details at the point of purchase [1].

Therefore, there is an increasing need for expert face-to-face advice to find the right plan in a physical store where customers can look at and touch the products. Indirect retail channels provide better consumer choice, advice and a simplified buying journey to compare these options (whether online, over the phone or in a physical retail store). As well as making it easier for customers to select the right deal from those available, indirect channels also improve competition between the MNOs: by allowing customers to compare propositions side by side, the indirect provider creates an environment where MNOs must compete on price.

With product bundling advancing further and an increasing number of connected devices becoming available to consumers for their homes, impartial, expert advice is becoming more important in ensuring that consumers are able to find a solution that meets their needs.

Retail remains the preferred channel for customers

Today, there are currently over 3300 mobile specialist stores (stores that sell post-pay contracts) across the 7 major indirect and direct providers in the UK. Physical retail stores remain the preferred channel for consumers, with the UK physical retail channel accounting for 52% of post-pay connections (telesales and online account for 33% and 15% respectively).

Whilst indirect retail stores had been increasing their footprint over the last 20 years, this trend has reversed significantly over the past 12 months following the closure of Phones4U (P4U). P4U had a total of 720 stores in its portfolio before shutting down operations, with 362 of these closing down completely. In addition, Tesco has stopped selling other networks' contracts in May 2015, further reducing the number of indirect stores.

[Redacted]. Without the indirect channel, consumers would find it harder to select the most appropriate package to suit their needs, and competition in the market would be reduced.

The role of Dixons Carphone in the market

Dixons Carphone is Europe's leading specialist electrical and telecommunications retailer and services company. We employ more than 40,000 people across 12 countries (13 including our shared services in the Czech Republic) and own over 3,000 stores across our various brands.

In the UK and Ireland we have over 1000 stores employing over 27,000 people. We are one of the UK and Ireland's largest retailers, serving customers through a number of brands (such as Carphone Warehouse, Curry's PC World and mobiles.co.uk)

As a business, Dixons Carphone aims to provide customers with:

- the best possible choice of smartphones, tablets and networks; we have the widest and most relevant range of products to suit customers' needs and work closely with suppliers to showcase their latest technology and products
- simple, impartial advice to help find what is best for customers; we advise and help our customers to help them find the appropriate package of products and connections
- a comprehensive suite of services that provide customers with ongoing advice and support for their products
- competitively priced products

What is our role within the UK mobile market?

Dixons Carphone provides customers with experts in connected technology and hardware. This enables customers to compare products across the market easily, receiving impartial and professional advice as to which handset and tariff would be suitable for their specific needs.

Dixons Carphone provides this service across multiple channels (physical retail, online and phone), importantly giving customers high street access to comparison and choice.

[Redacted]

Our view of the BT/EE merger

Based on our extensive knowledge of the UK mobile market and consumer purchasing behaviour, we have outlined a number of considerations which you may want to include in Phase 2 of the inquiry.

[Redacted]

- BT/EE propositions are in line with an expected increase in customer demand for multiplay bundled services, enabling customers to benefit from a range of complementary products
- Multiplay products should enable customers to have a single bill, complementary services and bundle discounts
- Customers may benefit from lower prices as a result of efficiencies from the merger and product bundling
- Quality of experience may improve for customers if they gain access to a wider range of content, Wi-Fi hotspots and network capability
- Customers may benefit from an improved network experience through increased investment
- Customers could be able to access the best in class FMC (Fixed Mobile Convergent) network in the UK given size of Openreach and c.45% radio spectrum

[Redacted]

- Consumers may have less choice and ease of comparison across networks and tariffs if BT/EE move from a combined direct/indirect channel strategy to a ‘direct’ only channel strategy (i.e. where a network operator will only sell through its own retail outlets, website etc.)

- A move to a direct only strategy and the lack of BT retail estate may prevent customers benefiting from assisted sale from impartial experts
  - 43% of consumers stated that staff are the most influential touch point in making the final decision for phone and tariff [1]
  - The number of indirect retail stores in the UK has declined by 33% following the closure of P4U
- [Redacted]
- [Redacted]
  - [Redacted]
  - [Redacted]
- The BT/EE merger could drive the uptake of complex and lengthy quad play contracts, making it much harder for consumers to switch providers when their contract ends
- [Redacted]
- Quad play providers may offer contracts that are heavily discounted for the first few months to attract customers, creating high barriers to entry for smaller non-quad play providers (e.g. MVNOs) and thereby reducing the choice of tariffs and brands available to the consumer
- If these quad play offerings are not made available through the indirect channel in a way that does not discriminate against indirect customers, then consumers may not be able to benefit from the associated choice, comparison, price competitiveness and assisted sale services that indirect retailers are able to provide
- [Redacted]
- [Redacted]

[Redacted].

We believe it is important to ensure that the BT/EE merger does not result in the creation of any incentive to remove BT/EE products from indirect channels, to ensure that consumers remain able to benefit from mobile choice and comparison (including in respect of products from the largest fixed and mobile telecoms operator, which BT/EE would create). This will be particularly important as BT/EE will be selling complex quad play bundles and therefore the indirect channel will be vital in helping customers understand these offerings and ensuring that pricing remains competitive.

[Redacted]

[Redacted]

We look forward to hearing from you in due course and being part of the process.

[Redacted]