

Anticipated acquisition by BT Group PLC of EE Limited – Response to the CMA's Statement of Issues

Following our review of the CMA's Statement of Issues, it is not clear to us that the CMA will be taking proper account of the distinction between the direct and indirect retail channels and their role within the UK retail broadband and retail mobile market (two key areas identified by the CMA in Point 13 of the Statement of Issues document). Dixons Carphone regards this distinction as particularly important especially given the significant role that the indirect channel plays in maintaining a competitive and consumer orientated landscape within the UK retail broadband and retail mobile market.

Without the indirect channel, there would be less transparency across providers for different mobile and broadband tariffs, making it harder for consumers to compare across the market and access the best offers available to them. [Redacted]. A strong independent channel maintains competitiveness, by promoting competitively priced tariffs, providing access to all brands and propositions as well as supporting consumers in switching to the best deals. [Redacted]. In the UK the indirect channel occupies 41% of the market for post pay new subs, post pay upgrade and pre pay contracts [1]. [Redacted].

[Redacted]

The direct channel concerns sales made by MNOs to consumers through their own, single-brand (or, at least, single-provider) retail operations in physical premises, online or by telephone. The indirect channel – where Dixons Carphone operates – concerns sales made by third party intermediaries/resellers to consumers within retail stores, online and through telesales.

[Redacted], Dixons Carphone [Redacted] supports over 48 million customers per year in purchasing the right product for them. Research is crucial for the consumer when purchasing a new handset and/or tariff and 43% of customers say that staff are the most influential touch point in making the final decision. As an independent retailer, Dixons Carphone ensures all support is impartial when advising across brands, enabling our staff to focus purely on supporting the consumer and their requirements.

Not only does the indirect channel generate significant benefits for the consumer in terms of ease of comparison and competitive pricing but they also facilitate ease of switching for consumers in order for them to access the tariffs and deals they want. Switching will become harder for customers in the UK market, notably due to the perceived complexity of the process by customers. As the largest independent retailer we support consumers in comparing different providers. The merger of BT/EE will arguably give rise to an increase in multiplay and quad play deals. Multiplay and quad play contracts are lengthy and complex providing additional confusion to the customer. A strong indirect channel would support the customer in navigating the various deals, enable them to receive the best value contract and help them switch easily when their contract expires, something that would be much harder for the consumer to achieve in a direct only market. [Redacted]

[Redacted]

[Redacted] It appears to us that any change resulting from the merger that would reduce BT/EE's ability or incentive to continue to distribute through the indirect channel [Redacted] presents the risk of an SLC and therefore the withdrawal from the indirect channel should therefore be considered. [Redacted].

[Redacted]

- [Redacted]
- [Redacted]

For the reasons set out above, we believe that it will be necessary for the CMA's investigation to consider specifically the possible impact of the proposed merger on competition in the indirect retail channel, and on the extent to which the indirect channel might be expected to continue to exert a meaningful constraint on the activities of the merger parties (and of other operators) in the direct channel.

References:

[Redacted]

[Redacted]

[Redacted]

[1] Gfk (2015)