

Consultation on emerging trends

A report prepared for the OFT by GfK NOP

June 2008

OFT1000

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1 EXECUTIVE SUMMARY

- 1.1 In order to pre-empt potential medium term competition and consumer issues and ensure that its analysis of markets is future proofed, the OFT needs to ensure that it is up to date with emerging trends that could affect business practices and consumer behaviour.
- 1.2 To help meet this intelligence need, the OFT invited a panel of senior figures from a range of fields to discuss emerging social, economic, political and technological trends, and their impacts on consumers, businesses and the relationship between markets and governments.
- 1.3 This report presents some of the highlights of the discussion that took place.
- 1.4 In order to minimise the burdens of participation, the exercise took place in a structured online discussion forum over a period of three weeks. Chapter two discusses the methodology used in detail.
- 1.5 Chapters three and four cover the substantive content of the discussions. It is important to emphasise that this report includes only high level areas of consensus and disagreement, and is not intended to reflect the complete breadth of comments that were made.
- 1.6 It is also important to make clear that the views expressed are derived from the discussion that took place, and do not represent the OFT or any of its staff.
- 1.7 Some of the key areas of consensus, along with issues that remain open are summarised below:

Consumer behaviour and welfare

Multiple and complex options, information sources and bad choices

Points of consensus

- Consumers will be faced with a greater range of more complex options to choose from.
- Information intermediaries will play an increasingly central role in facilitating choice.
- Greater transparency about the incentives and commissions that information providers receive is desirable where possible.
- Elected politicians, and not regulators, should be making substantive decisions on social issues.

Open issues

- How detailed an understanding of complicated products and services is it reasonable to expect customers to have when making choices?
- When does *caveat emptor*¹ hold?

Vulnerability

Points of consensus

- Access to technology will recast the lines of vulnerability, which is a complex phenomenon, and difficult to clearly define.
- The lack of a clear definition creates challenges for consumer protection.

¹ 'Let the buyer beware'

Open issues

- Whether the market will respond to the needs of those who do not keep up with technological change.
- Whether vulnerability is an important issue for competition policy.
- Whether businesses will increasingly spot, and subsequently choose to avoid the unprofitable consumer.

Business practices

Price discrimination, tailored direct marketing, and product customisation

Points of consensus

- As firms have access to more information about their customers, price discrimination and product customisation are likely to increase. Some consumers will benefit, others will not.

Open issues

- Whether competition authorities should be concerned about fairness aspects of price discrimination.
- The affect of increased price discrimination on foreclosure of markets.
- The impact of increased price discrimination on the number and type of 'marginal' consumers, and therefore the level of competitive pressure that firms face.

The balance of costs

Points of consensus

- In many markets the fixed costs of production will increase while the marginal costs will decrease.

- This is likely to lead to more markets that are dominated by one or two firms, and more goods that appear to be 'free'.

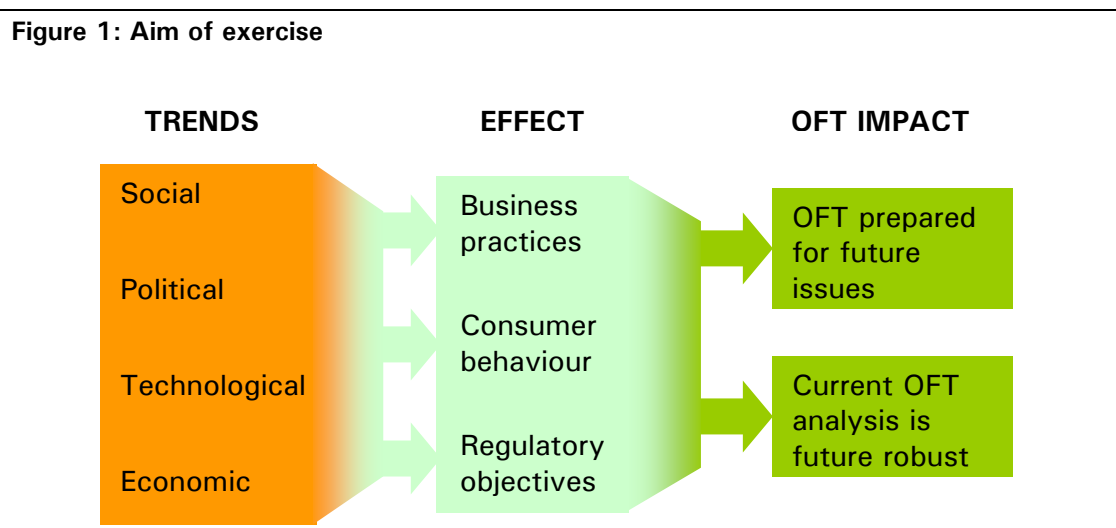
Open issues

- How competition authorities should react to the changing economics of market equilibrium in high fixed cost, low marginal cost markets.
- The approach of competition authorities to network effects and intellectual property.
- How to ensure that consumers get 'value for value' when supplying non-financial value to firms in exchange for ostensibly 'free' goods.

2 BACKGROUND AND METHODOLOGY

Aim of exercise

- 2.1 The Office of Fair Trading (OFT) commissioned GfK NOP to consult a panel of stakeholders and senior figures from a variety of fields² on what medium-term trends the OFT should be aware of to ensure that its analysis of market issues is timely, cutting edge and future proofed.
- 2.2 The discussion was not intended to reach concrete conclusions, but rather to provide insights into the kind of issues the OFT should explore further.

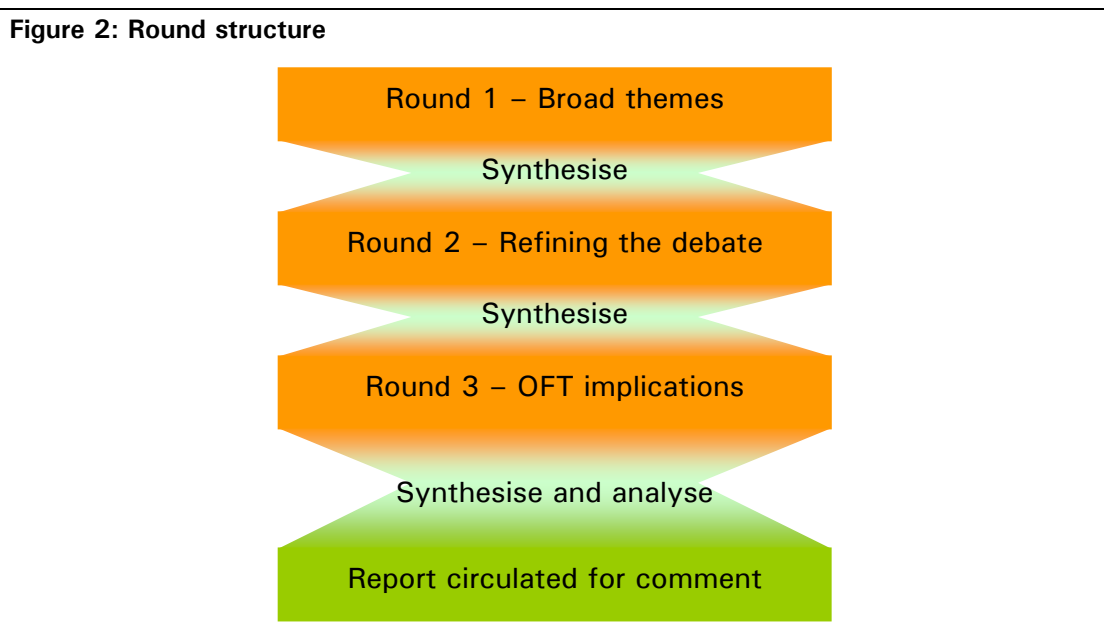


² This panel of 'experts' was called the 'OFT Futures Advisory Board'. See Annexe A for a full list of participants.

Methodology

Method of consultation

- 2.3 The consultation was conducted through three iterative rounds of online discussion.³ Participants were also able to comment on a draft version of the report that summarised this discussion.



- 2.4 GfK NOP acted as facilitators of the discussion, presenting a number of statements and questions at the beginning of each round (see Figure 3 for details). The panellists then had three days in which to comment on the statements and on each others' contributions. Participants knew that others would be active and that facilitators would be regularly looking at what was posted.
- 2.5 This created a concentration of discussion, and distinct phases to the discussion. However, the online forum was in fact left open at all times

³ The methodology can be thought of as a qualitative adaptation of a 'Delphi' survey. Introductory information about the Delphi method can be found at <http://is.njit.edu/pubs/delphibook/>.

between rounds to allow afterthoughts or to allow conversations which had been struck up to run their natural course.

Intervention and facilitation methodology

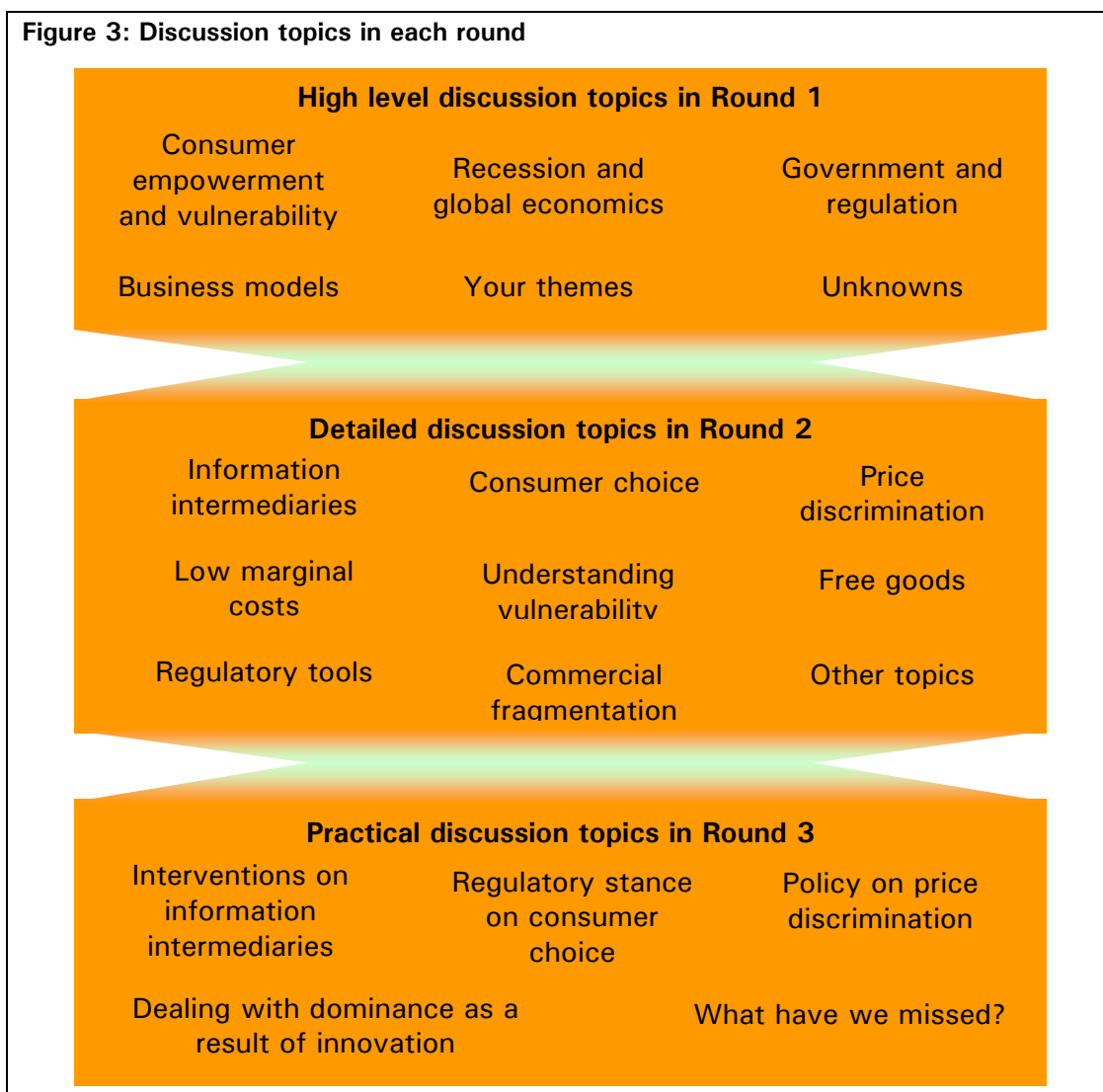
- 2.6 The rounds are central to the structure of the exercise. At the start of each new round GfK NOP and the OFT guided the discussion by setting the opening topics (see Figure 3).⁴ Within each round the debate was left largely untouched.
- 2.7 The aim of this structure was to draw as much as possible on priorities generated by participants (within the overall scope of the exercise) and to become successively more specific about the impact on regulators and their available responses
- 2.8 Round 1 was a high-level discussion aimed at drawing out as many potential topics for further discussion as possible. A major concern in designing the exercise was the desire to avoid constraining the scope of discussion to a pre-conceived agenda, and thereby reduce the possibilities for participants to suggest their own ideas and priorities. At the same time it was important not to intimidate participants with a completely blank canvas. We tried to strike this balance in two ways:
- We presented four very broad themes in Round 1, along with encouragement at every turn to consider and add topics from outside that framework – including a 'Your Themes' discussion in which participants could suggest issues that they felt were left out of other discussions, and one on 'Unknown Unknowns' to encourage speculation about what could come from left field.
 - Some use was also made of the 'masking' facility in the Forum software. This device meant that a given user would not be able to see what others had said until they made their own first posting on that particular topic. This reduced the risk that, after the first few

⁴ The technical content was often quite high, increasingly so with each passing round, requiring that facilitators confer with their OFT counterparts to ensure that responses were appropriate.

contributions, later visitors to the Forum would respond to previous posts without first suggesting their own views on what the key issues are. The masking worked well, though it was applied only to the first part of the opening round, and means that any emerging consensus in Round 1 is particularly significant.

- 2.9 Round 2 identified and built on the issues that panellists felt were most important, judging from the discussions in Round 1. In round two, the panellists were presented with more detailed questions about how these issues could affect competition and consumer policy and enforcement in the UK.
- 2.10 Round 3 took the responses to these to float more specific questions still about what regulators should actually do. This final round included a series of statements about how the OFT might deal with some of the issues raised in rounds one and two.

Figure 3: Discussion topics in each round



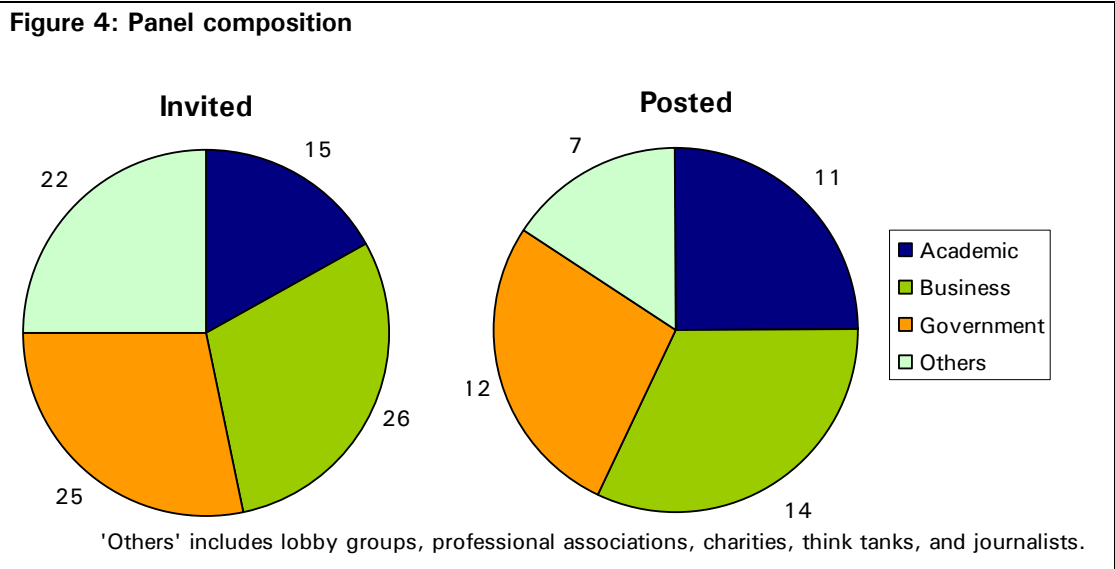
2.11 More detail on what issues were raised in each round and how the themes were progressed can be found at Annexe B.

Composition of board

2.12 A total of 88 participants were invited to join the OFT Futures Advisory Board. Recruitment was via a range of methods, many via the OFT's own network of connections and stakeholders but supplemented by recommendations from GfK NOP.

2.13 The expert panel comprised individuals who were employed in positions which require them to be able to comment with authority on forward

looking trends of relevance to the OFT. Figure 4 below provides a broad breakdown of the composition of the panel. Contributions were as individuals, not representatives of their organisations. The names of the participants were anonymised on the forum.



2.14 As a result of the discussion gradually getting more and more technical as each round progressed there was some reduction in the total numbers contributing to each round, although this was less than anticipated.

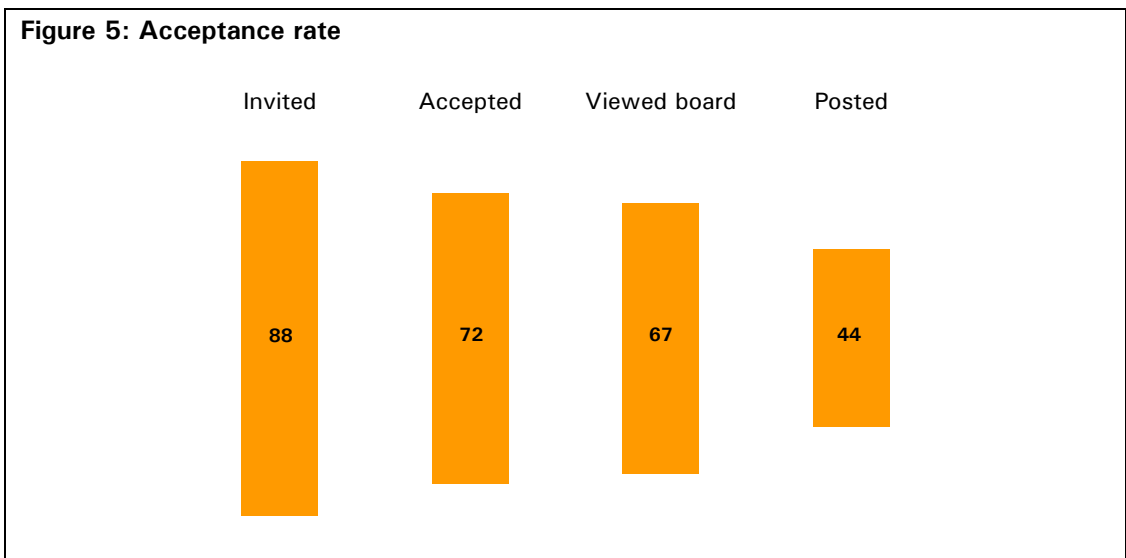
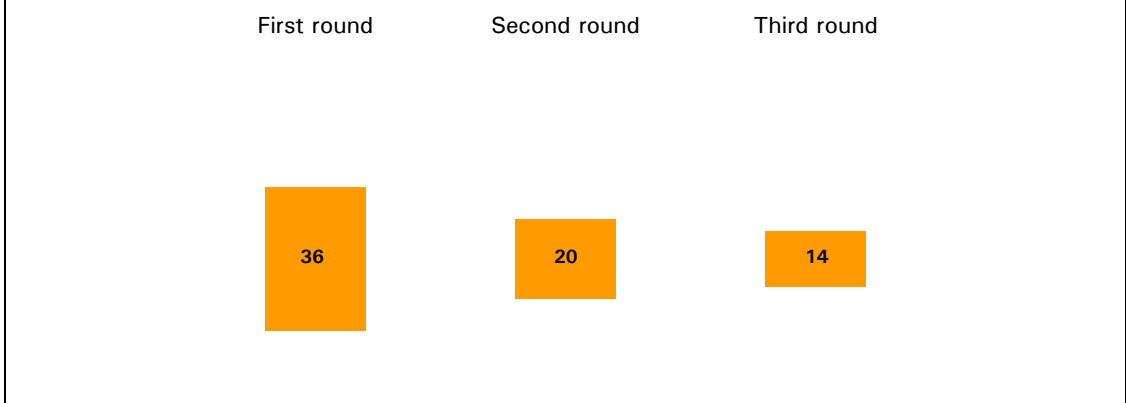


Figure 6: Post rate



- 2.15 Each participant posted just over four times on average, and most posts were substantial with an average post length across the whole Forum of 176 words.⁵
- 2.16 Participants understood from the outset that no statements would be attributed to individuals and that they could choose whether or not to be listed as a member of the Futures Advisory Board in the final report – having seen and commented on a draft.⁶

Report

- 2.17 The report presents the discussion of issues of particular relevance to consumer and competition authorities. It is by no means an exhaustive summary of the issues covered in the consultation. An anonymised transcript of the discussion will be kept by the OFT and mined for further intelligence.

⁵ This is much longer than the average post length of, say, an online consumer discussion of mobile handsets or retail customer service. It reflects the fact that most posts took the form of a consciously structured argument – whether setting out an initial position or responding to others. Whilst there was considerable variation in post length there were very few that took the form of short interjections or asides.

⁶ For a list of panellist who were happy for their names to be included in the final report see Annexe A.

2.18 As far as is possible the content of the report is an accurate reflection of participant opinion. The opinions expressed do not necessarily reflect those of the OFT or its staff.

How to read the report

2.19 In approaching the reporting we are mindful of two areas of potential bias in the process that need to be acknowledged and appraised.

- Firstly, while the direction the debate took was set by the forum participants, the effective starting points were set by GfK NOP and the OFT. Having said that, these high level discussion topics (see Figure 3) worked well in generating discussion that seemed to be largely unconstrained by the initial ideas presented by us as facilitators.
- Secondly, the 67 who viewed the forum were self-selected and would naturally follow lines of discussion closest to their own interest. Of the initial topics, *Consumer empowerment and vulnerability* generated most volume, closely followed by *Business models*. *Government and regulation* and *Recession and global economics* created lower volume. This in itself provided an indication of the direction of interest of the participants.

2.20 While some of our seeded topics provided fertile ground for wide ranging discussion, others did not gain traction, in that they were not commented on or comments did not provide sufficient evidence to move the discussion forward.⁷ Similarly, panellists raised new issues of their own, some of which were actively progressed by other participants, and some of which failed to gain traction.

⁷ These topics were: Consumer empowerment and vulnerability – complaints and litigation; Business models – need for a rethink on traditional methods of economic analysis; Recession and global economics – implications of increased fragmentation; Government and regulation – the emergence of national champions/sovereign investment funds.

- 2.21 For a more detailed description of the range of topics presented, which took off and which did not, see Annexe B.
- 2.22 The summary boxes in this report try to identify significant issues that generated either wide agreement (Consensus), disagreement or lack of agreement (Open Issues).
- 2.23 Overall, issues on which consensus was achieved can confidently be treated as the opinions of the panel. We are also reasonably confident that the panel did not think there were any other issues significantly more important than the ones discussed. However while the system worked well, momentum inevitably created its own direction, and so it would be misleading to assert that where issues were not discussed, this was because there was no interest in them.
- 2.24 Finally, where it was thought that divergences of opinion may correlate with the background of participants such that any emerging consensus applied only to a specific grouping, this has been analysed and highlighted in the report.

3 CONSUMER BEHAVIOUR AND WELFARE

- 3.1 Discussions regarding consumer behaviour and welfare clustered around two closely related issues.
- 3.2 The first concerned the sources of information upon which consumers base their choices in the face of multiple options and complex products, and situations in which the implications of 'bad' choices may be considered unacceptable.
- 3.3 The second concerned the changing and amorphous nature of vulnerability, and the difficulties this creates for those trying to understand or define it.

Multiple and complex options, information sources and bad choices

Consensus: Consumers will be faced with a greater range of more complex options to choose from. Information intermediaries will play an increasingly central role in facilitating choice. Greater transparency about the incentives and commissions information providers receive is desirable where possible. Elected politicians, and not regulators, should be making substantive decisions on social issues.

Open issues: How detailed an understanding of complicated products and services is it reasonable to expect customers to have when making choices. When does *caveat emptor* hold?

Drivers of change

- 3.4 The issue of consumer choice prompted a great deal of discussion, particularly in relation to the multiple and frequently complex product options consumer face, and the abundance of information related to them.
- 3.5 As one might expect, there was a divergence of opinion on how this impacts on the consumer's ability to make choices. Where some argued that abundance of information and choices were empowering, others suggested they were more bewildering, potentially even stressful.

3.6 What there was broad agreement on, however, was that the range of choices of products and suppliers was likely to continue multiplying. In addition to the sheer number of choices, commentators also pointed out that;

- some products themselves are becoming increasingly complicated, and that as they do, the standard of technical literacy that consumers need to exercise informed choice becomes more demanding (see 3.20 – 3.22), and
- the factors that consumers bring into their choices are also expanding. In particular, information about the ethical and environmental credentials of products is becoming more important to many consumers.⁸

Implications

3.7 Two issues of relevance to competition and consumer authorities came out of these discussions, relating to the sources of information used by consumers to make choices, and the issue of 'bad' choices.

Sources of information

3.8 A fairly consistent view emerged that as the options presented to consumers become more numerous and more complex, intermediaries have an increasingly important role to play in facilitating active consumer choices, and in helping consumers make better sense of the vast amount of information that relates to these choices.

3.9 A range of intermediation services were mentioned. The most common were the aggregation of alternatives by price comparison websites, and the recommendations made on 'expert' and peer-group review sites.

⁸ It was proposed that the provenance of ethical and green credentials is very difficult to test, and that subsequently these areas could prove highly prone to unclear or even misleading claims.

Some participants also mentioned the phenomenon of consumers devolving difficult choices to concierge services or life-style gurus, although it was felt that at present these were minority services limited to the very wealthy.⁹

3.10 It was clear that the panel felt that information services of this kind, although currently in their infancy, will come play a central role in consumer choice. This, it was suggested, has the potential to make information intermediaries powerful gatekeepers to markets. Although the value of these services to consumers was heralded, several commentators could foresee problems emerging in this area:

- These issues mostly concerned consumer trust in intermediaries, and the provenance of the information provided. For instance, a common concern was that consumers may be unaware of how commercial relationships or incentive structures can influence rankings on comparison websites. Similarly, the information on consumer review websites was seen as difficult to verify, and it was pointed out that the sites themselves could be susceptible to misuse.¹⁰
- Another suggestion was that the tools used to make sense out of complexity might actually be driving it, as firms try to shield their products from 'simple' price comparisons by making them increasingly complicated in the pursuit of incommensurability.

3.11 These potential problems prompted a significant minority of commentators to suggest that public authorities should supplement these information sources themselves with 'official' and unbiased comparison information.¹¹

⁹ Having said that, according to one commentator, recommendation engines and collaborative filtering may become the automatic life-style gurus of the future for the middle classes.

¹⁰ It was suggested that the best proxy for establishing trust in this context is sheer weight of numbers.

¹¹ The FSA's comparative tables for financial products were mentioned in this context.

- 3.12 Indeed, qualitative research from the energy sector was cited, which found that consumer confidence is considerably increased if the information is provided by what is perceived to be a trusted third party such as a regulator or consumer watchdog.
- 3.13 However, the more common view was that the private sector is best placed to deliver comparison information to consumers. Several people suggested that government bodies would find it extremely difficult to try and provide robust information about complex and fast moving markets¹².
- 3.14 A further point of caution to government bodies providing information themselves was that information remedies are already regular tools of regulators, yet there is uncertainty about their effectiveness since they are rarely pre-tested or evaluated for effectiveness.
- 3.15 Nonetheless, many felt that public authorities still had a useful role to play in this area, and a (rare) point of unanimity came with the suggestion that action to promote transparency of information sources (in relation to issues of ownership, commissions and incentives) was desirable. Indeed, several people commented that this was essential to maintaining consumer trust in intermediaries.
- 3.16 Other, less widely discussed, suggestions for increasing trust in information providers included;
- the idea of official certification or accreditation of intermediaries who adhere to a code of conduct, which provoked mixed responses
 - that source codes of search and ranking sites could be inspected to identify how they are influenced by commercial interests, and

¹² There was no pattern of commonality amongst panellists who argued one way or another based on their grouping as defined in Fig.4.

- that a standard of duty (similar to the fiduciary duty recognised by law in certain relationships) could be applied to intermediation between consumers and technical goods and services in certain circumstances. Indeed, there was also a sentiment that, particularly where advice is given, consumers should have easy access¹³ to redress in the event of wrongdoing¹⁴, although this prompted some participants to warn that it could be very difficult indeed to define what constitutes 'bad' advice in relation to claims for redress.

3.17 A further interesting suggestion, slightly distinct from the issue of trust, was that where government agencies own potentially useful raw data, they should make this more easily available, to encourage competition from a level playing field among information intermediaries.¹⁵

'Bad' choices

3.18 Predictably, there was disagreement about the extent to which consumers are able to make good choices and, by extension, whether or not the market usually 'gets it right', with several examples given in either direction.¹⁶

3.19 This raised the question of when it is considered unacceptable for people to make wrong choices, and subsequently when might governments trust people to make choices themselves or when they might step in and

¹³ One commentator made the point that traditional forms of redress such as the small claims court are of little help to consumers who can't argue their case with a reasonable amount of skill, which could be exactly why they had used an intermediary in the first place.

¹⁴ Taking this one step further, one participant suggested that one of the key drivers behind taking advice was the fact that you have someone to blame and therefore, if liability is assigned to them, a degree of insurance against things going wrong.

¹⁵ Ordnance Survey was the government agency mentioned in this context.

¹⁶ There was no pattern of commonality amongst panellists who argued one way or another based on their grouping as defined in Fig.4.

'assist'¹⁷ consumers to make the right decision for all concerned. Two themes with particular relevance for consumer and competition authorities emerged.

Intervention thresholds

- 3.20 As products become more complex, circumstances begin to arise in which consumers need very high levels of technical knowledge to make good choices, or even just to avoid detriment. An example was given of free trials of software bundled into new PCs that couldn't be properly removed, and so locked consumers into a particular service provider, unless they had the capacity to edit the registry of their computer.
- 3.21 As one participant pointed out, growing complexity raises interesting questions for the intervention thresholds of consumer policy. At what point does the idea of *caveat emptor* become unreasonable?
- 3.22 Some further points relating to the thresholds for intervention which were not widely discussed, included:
- the suggestion that regulators make the mistake of using the breadth of choice as an indicator of quality in a market. However, is it always fair to assume that if consumers have lots of choice, then they should always make the right one? and
 - the idea that citizens appear to be increasingly accepting of government interference in their private lives, (such as use of CCTV, criminal tagging, number plate tracking) and that this may result in a concurrent expectation of greater government intervention in the operation of business.

¹⁷ The ethos of Cass Sunstein's 'libertarian paternalism' was mentioned – if you know people make poor decisions in certain situations, then you should 'nudge' them into making 'optimal' decisions. It argues that the state can promote 'good choices' without restricting freedom to choose in any way. Put most simply, if you know sweets are bad for people, and that having them by the checkout results in impulse buys, then move them to another aisle of the supermarket.

Regulators and social policy

- 3.23 Several commentators noted a growing willingness on the part of government to intervene in decisions people make which result in 'social ills' such as obesity, binge drinking, and in particular environmental and sustainability issues.
- 3.24 It was also pointed out that these social issues were starting to find their way into the agendas of regulators¹⁸. There were a variety of views in response to this, but on balance a sense of unease about 'non-elected' regulators making decisions in what are considered social policy areas. Opinion was that it is the duty of elected politicians to formulate policy, set up the framework and implement the agenda on social issues, and for regulators to operate within that framework.
- 3.25 A further point - less immediately relevant to competition and consumer authorities¹⁹ - was that the stakes involved in certain choices seem to be increasing. In particular, it was noted that as choice is extended into public services (hospitals and schools), many people will have a great deal more to lose from the bad choices that other government policies seem to acknowledge that people make. A common worry was that the most vulnerable (in this context, the least able to understand information, least engaged or least articulate) may be further disadvantaged by the added weight placed on their choices.

¹⁸ In the panel discussion it was mentioned that the Climate Change Bill, currently going through parliament, would result in Ofgem taking on climate related duties. Ofcom's work on advertising 'junk food' to children was also raised.

¹⁹ Although as the role of markets grows in these areas, so too will the prospects of intervention from authorities.

Vulnerability

Consensus: Access to technology will recast the lines of vulnerability, which is a complex phenomenon, and difficult to clearly define. The lack of a clear definition creates challenges for consumer protection.

Open issues: Whether the market will respond to the needs of those who do not keep up with technological change. Whether vulnerability is an important issue for competition policy. Whether businesses will increasingly spot, and subsequently choose to neglect, the unprofitable consumer.

Drivers of change

- 3.26 There was strong consensus that access to communications technology would increasingly recast the lines of vulnerability in relation to consumers.
- 3.27 Several participants identified instances in which those with a lack of access to this kind of technology were disadvantaged in situations where it offers a significantly lower cost way of delivering to the consumer. For example, utility, financial and transport companies were cited as offering lower charges to customers purchasing over the internet. It was suggested that these were early indicators of an emergent trend, and that the increasing importance of technology in mediating access to goods and services creates the risk of fostering a 'digital divide'.

Implications

- 3.28 Two issues for consumer and competition authorities arose from this discussion.
- 3.29 Firstly, and most straightforwardly, some participants asked whether, and at what point, the market would respond to the needs of consumers who do not keep up with the pace of technological development. Those who, for example, are unwilling or unable to access the internet. Some

participants mentioned positive developments, such as simple phones designed specifically for the elderly in Japan, but there was no strong sense of confidence that the market was about to deliver for the vulnerable. And the question was asked that if it does not, would this constitute a market failure worthy of the attention of public authorities?

3.30 Secondly, it was argued that the changing nature of its boundaries could have the effect of making a clear understanding of vulnerability elusive for public authorities. In particular, the potential for technology to dissolve traditional socio-economic group based understandings of vulnerability came through strongly.²⁰

3.31 It was felt that vulnerability is already a difficult phenomenon to define. Even on this forum a wide variety of distinct dimensions of vulnerability were suggested including, for example:

- the technologically adverse, non-enabled or inexperienced
- those who prefer to use face-to-face services
- those living in rural communities where local services have closed/are lacking in transport infrastructure
- migrant communities, who may be more likely to rely on businesses that are unaware of their obligations under consumer law
- enthusiastic environmental and ethical consumers who buy products based on their often very opaque green or ethical credentials
- those who are simply poor, and have less power in a market as a result

²⁰ One commentator suggested a further problem with group based definitions of vulnerability, namely the risk of social, demographic or identity groups over asserting the case for regulators to defend them (or promote their interests) on the basis of some statistical characteristic that qualifies them as 'vulnerable'

- the time-poor but affluent who rely on intermediaries to advise on, or even make, their purchases
- those consumers who find themselves 'locked in' to certain providers, as well as those consumers who find themselves excluded from interaction with a group
- consumers who find themselves unable to meet changing conditions such as over-indebtedness, unemployment, etc., and
- those with learning difficulties.

3.32 It was pointed out that against this complex and evolving background, interpretations of vulnerability that have been developed in relation to legal or statutory definitions can be a blunt tool. With this in mind, several felt that the working definitions used by authorities were inadequate.

3.33 It was contended that this would hinder the ability of consumer policy to protect consumer welfare, creating the risk that some sections of society could be left behind in making efficient and informed use of modern markets. And one commentator also suggested that competition policy²¹ stood to face difficulties if a clear definition of vulnerability was not reached. It is contrary to EC law to take decisions that make any material group of consumers worse off. If authorities are unable to adequately determine whether it is always the same people who lose out, they risk reinforcing vulnerability.

3.34 In response to these kinds of concern, suggestions were made that the OFT should work in partnership with others – specifically, the European Court of Human Rights (ECHR), and those engaged in the delivery of

²¹ There was disagreement about the role that vulnerability plays on the competition side. Whilst one suggestion was that it is not a concept invoked in competition debates, an alternative view was that vulnerability came into EC cases where the vulnerable were a 'significant' group.

services to the vulnerable (for instance, carers, mental health staff, social housing workers) – to review what is understood by vulnerability.

3.35 As an interesting aside to this discussion, some commentators suggested that some firms are increasingly able to identify customers that they deem to be unimportant or unprofitable²². This can mean that those with little money could be discriminated against by firms they deal with. One example of this related to the suggestion that as businesses (particularly those trading online) internalise their dispute resolution procedures, it becomes increasingly difficult to get independent third parties involved. This can allow firms to resolve small disputes in favour of valuable customers, but against less profitable ones.

²² For discussion of the growing potential for price discrimination, please see 4.5 – 4.17

4 BUSINESS PRACTICES

- 4.1 A substantial part of the debate focused on three aspects of the changing nature of business.
- 4.2 The first was the increased ability of businesses to tailor both direct marketing and the products themselves to individuals and small groups of consumers, and therefore to discriminate between customers in the prices charged.
- 4.3 The second was the effect that changes in the importance of Intellectual Property (IP) and changes in the balance of up-front and per-unit costs will have on businesses practices, and the influence that the IP protection stance of government can have on market outcomes.
- 4.4 The third focussed on the likely impact of recession. A fourth section summarises other changes in business practices that were discussed in less detail.

Price discrimination, tailored direct marketing and product customisation

Consensus: As firms have access to more information about their customers, price discrimination and product customisation are likely to increase. Some consumers will benefit, others will not.

Open issues: Whether competition authorities should be concerned about fairness aspects of price discrimination. The effect of increased price discrimination on foreclosure of markets. The impact of increased price discrimination on the number and type of 'marginal' consumers, and therefore the level of competitive pressure that firms face.

Drivers of change

- 4.5 While there was some disagreement as to which drivers were going to be most important, there was general consensus that the ability of firms to customise products, prices, and marketing to individual consumers

would increase. There was also broad consensus that firms would take advantage of this ability and that increases in price discrimination and product differentiation would continue. Participants discussed a number of drivers of change.

- Increased information is being collected on consumers, for example through store cards and the internet. In many cases consumers are providing incredibly detailed information in return for incentives such as Loyalty Points or 'free' internet services. Analysis of this information allows firms to better understand the likely willingness to pay of different consumers in different situations, for example, by being better able to spot 'lazy shoppers' or 'impulse purchases'.
- The internet allows automatically generated direct marketing content, including the ability to target different prices to different consumers.
- Increased flexibility of production allows better customisation of goods to consumers needs in a timely fashion. Aesthetic customisation in particular is becoming increasingly popular. Firms that tailor products to individual consumers will be more profitable than those that merely try to induce demand through marketing.
- The increased supply of customised products and marketing is met by an increased demand from consumers for products and shopping experiences tailored to their needs.

Implications

- 4.6 There was some consensus that there was little wrong in consumers paying extra for bespoke products, though customisation does have implications for a consumer's ability to return a product if they are unsatisfied.
- 4.7 The majority of the debate focussed on price discrimination and its implications on fairness and market dynamics.

Fairness

- 4.8 There was broad agreement that price discrimination is likely to increase economic efficiency in the short term.²³
- 4.9 To do this, price discrimination causes two people to pay different amounts for the same product. In a sense, one person is subsidising another, at least against the counterfactual of one price for all consumers. There was quite extensive disagreement on the implications of this on 'fairness'.
- 4.10 Some argued that it was not the responsibility of competition authorities to correct for such normative issues of fairness and thus that changes in the use of price discrimination should be of little concern to the OFT. Others argued that in many situations empowered consumers can take advantage of differential pricing schemes, and thus that price discriminations rewards active and informed consumers and should be encouraged.
- 4.11 However, it was noted that some price differentiation, such as the different prices that iTunes charges in different countries, can appear arbitrary and confusing²⁴ and so create a strong sense of injustice. Furthermore, there was a general acceptance that price discrimination does leave some consumers worse off, and that in some situations willingness to pay may be correlated with need or vulnerability rather than wealth. Those that considered that competition authorities do have a duty to maintain a certain level of fairness or to protect the vulnerable felt that some intervention may be necessary in these situations, even if static economic efficiency is decreased.

²³ Those with a high willingness pay more, those with a low willingness pay less. By being able to price separately firms can usually profitably sell to a greater number of people since a low price to one person to encourage them to buy a good or service does not lower the price across the board.

²⁴ There was no pattern of commonality amongst panellists who argued one way or another based on their grouping as defined in Fig.4.

- 4.12 Even those that thought such intervention may be desirable accepted that it may be difficult to ascertain what a 'fair' system or price might be, who should decide it, and how.

Market dynamics

- 4.13 Two interesting points were raised concerning the effect of price discrimination on market dynamics. These points were raised without much subsequent discussion.
- 4.14 In the absence of price discrimination, firms set prices based on the actions of a few marginal consumers. These are the active consumers who increase demand of the product if the price goes down, or decrease it if the price goes up. Two posters discussed the effect of price discrimination on increasing the number of these marginal consumers by allowing the firm to set multiple prices.
- 4.15 On the one hand, by making more consumers marginal, price discrimination gives more consumers the ability to affect the price they pay by how actively they shop around - if firms know you will leave them when they raise prices, they are less likely to raise prices. Rather than lazily rely on a few marginal consumers to discipline the market, price discrimination could empower all consumers to be able to affect the market.
- 4.16 On the other hand, some participants felt that this was a bad thing since in many markets the marginal consumers are, by definition, the most active, and that the majority of the non-marginal consumers might be relatively passive. This may lead to price discrimination decreasing the competitive pressure on firms to offer good value.

4.17 A further concern was that price discrimination could be used to close markets off from new entrants or competitors. Reasons given included:

- Raising rivals' customer acquisition costs to an extent that it becomes either unprofitable or unviable, particularly in triple and quadruple play markets with complex bundling and tie-in deals.²⁵
- 'Locking consumers in' to a supplier through loyalty schemes or differential pricing schemes which decreases the number of active marginal consumers and thus decreases the competitive pressure on firms to provide value.²⁶
- Where it creates barriers to the emergence of new markets.²⁷
- In respect of the bundling of products, where if they become a 'culture' or the norm in the market such that consumers are only offered poorly designed products or services.²⁸
- Location based technology could provide the opportunity for one company to 'digitally trespass' on another company's property, for instance, by sending adverts to the phones of people in their shop.

The balance of costs

Consensus: In many markets the fixed costs of production will increase while the marginal costs will decrease. This is likely to lead to more markets that are dominated by one or two firms, and more goods that appear to be 'free'.

²⁵ Communications providers were cited as falling into this category.

²⁶ Examples of this were given as trademark exhaustion, regional limitations/encoding, technical lock-in.

²⁷ In the telecommunications/media markets it was argued that the introduction of pay per click/use basis rather than a fixed monthly fee may work best or be 'fairer' for the majority of 'ordinary' users if it means higher charges for customers who are using significantly more bandwidth and are perhaps denying the ordinary user access to bandwidth, but the higher use customer may be an early adopter driving an emerging market.

²⁸ Financial services were cited in this context.

Open issues: How competition authorities should react to the changing economics of market equilibrium in high fixed cost, low marginal cost markets. The approach of competition authorities to network effects and intellectual property. How to ensure that consumers get 'value for value' when supplying non-financial value to firms in exchange for ostensibly 'free' goods.

Drivers of change

- 4.18 While there was no clear agreement on which drivers would be most important, there appeared to be a consensus that in a reasonably wide range of markets the equilibrium balance between upfront development costs and subsequent marginal costs of duplication would change.
- 4.19 Participants discussed a number of drivers of change:
- Physical production is being increasingly commoditised, substantially decreasing production costs for a very wide range of goods.
 - The cost of designing products in many markets is increasing as products become more complex. This is particularly pronounced in the markets for audio/visual, communication, and computing equipment.
 - An increasing number of products exhibit 'network effects' in that consumers get more utility from the product the more other consumers use it.²⁹
- 4.20 At one extreme, participants cited computer software and digital content (such as music). Marginal costs of duplication and distribution are

²⁹ Classic examples include the fax machine, but more modern examples include social networking sites and next-generation DVD formats. This has an indirect effect on upfront costs by increasing the incentives of firms to launch with a high quality offering in order to try and tip the market in their direction.

incredibly low, network effects are significant, and upfront costs can be very large.

Implications

4.21 Participants described four main possible implications of these changes on business behaviour and the role of regulators:

- Changes in cost structure may lead to more markets dominated by one or two firms.
- Increased importance of IP combined with increased speed of technological development may put pressure on current patent and IP laws to adjust with the times.
- Cost structure shocks may disrupt currently stagnant markets, and regulators should be careful not to intervene too quickly.
- The rise of 'free' goods and the difficulty consumers face in determining the value they get when they 'pay' for a good with intangible, non-monetary exchanges.

Increased dominance

4.22 Participants felt that markets that exhibit high fixed costs, low marginal costs and network effects are more likely to be dominated by one or two firms than markets where the cost balance is reversed.

4.23 There was some discussion of how this might affect competition authorities' approach to tackling abuse of a dominant position. While no clear consensus emerged, it was suggested that in the short to medium term it can be highly beneficial to consumers to allow monopolisation of an innovative growing market and that the problems only arise after consumers have been locked in and innovators are excluded as the network effects begin to bite.

4.24 When considering dominance through innovative, non-patentable, business practices, it was considered plausible that businesses should be

allowed to operate as though earning the rents from IP as long as 'business practices' were not abusive and the dominant position was not used to stifle competition.

- 4.25 Thus regulators were advised to 'stand aside' while monopolies are built and intervene with caution.³⁰ Regulators were also advised to look not so much at IP as at sector-by-sector, or technology-by-technology differences in terms of market dynamics (including the role of multi-homing³¹), and thus also the finer detail and potential heterogeneity of network effects.³²

Role and protection of IP

- 4.26 The issue of patent and copyright protection (IP) brought forth a range of diverse views regarding the length of copyright and the whole idea of protection. There was a call to shift the balance of intellectual property away from the initiator³³, possibly by reducing the duration of protection. One commentator even suggested, more radically, eliminating all intellectual property rights that go beyond prevention of passing off or what is effectively authorial copyright.
- 4.27 Other critics of the current IP regime pointed out that IP can create a barrier to entry for companies that have a much smaller patent portfolio. It was also seen as a tactic that could be used if necessary to defend territory. There were also suggestions that many firms (especially large players) do not rely on IP in the fast paced industries of today's world since by the time any right is enforced, the market has often moved on.

³⁰ In the words of one panellist intervention should only take place '*once they (monopolies) have become pathological*'.

³¹ Reference to one of the pre-conditions of competitive behaviour described by Professor Tom Eisenmann, Harvard Business School, whereby it must be difficult or expensive for a customer to affiliate with multiple network providers.

³² That is not just scale efficiencies on the cost side, but also a network or constituency of consumers who are willing to pay or choose something based on the function of the number of other customers.

³³ The work of Professor Harry First, New York University was cited here.

- 4.28 However, caution was advised on too radical a move on IP because of the risk to investment incentives³⁴, and it was argued that where a company has a significant R&D budget, and through it is able to drive innovation and standards and acquisition, it is likely to create healthy competition by forcing companies to compete harder in terms of innovation and relevance to consumer needs.
- 4.29 Where some consensus emerged was on the need to protect future innovation, and not necessarily historical innovators, much in the way that competition policy should protect future competition, and not necessarily current competitors.³⁵

Innovation and disruption

- 4.30 There was broad agreement that disruption of markets enhances efficiency and competition. As a result it was widely felt that where innovation was disrupting a market the most sensible route for the government to take was to watch and wait rather than make any hasty decisions on legislation and perhaps impede the disruption altogether.
- 4.31 For instance, there was a call to take care that regulation does not stifle creativity and experimentation and that regulators should actively enable 'playgrounds' or spaces for experimentation.³⁶
- 4.32 On the issue of decreasing marginal costs, it was noted that the music industry's response to falling margins has been to invoke legal proceedings and encourage governments to legislate against what they

³⁴ It was pointed out that there are only a few cases in EC law where a dominant company had been required to provide access to IP (Magill, IMS Health and Microsoft).

³⁵ In the discussion on IP there was no pattern of commonality amongst panellists who argued one way or another based on their grouping as defined in Fig.4.

³⁶ As an example of space: *'in the allocation of the radio spectrum, it might be worth considering not carving up the spectrum completely but also reserving a small part where everyone, not least the radio pirates, are free to experiment'*.

consider illegal behaviour.³⁷ The concern of panellists was that it is wrong to criminalise or try to restrain 'piracy' when in effect what was taking place in the industry was a technology-led disruption creating a new business model where newer innovative businesses take their money at a different point in the value chain. This was compared to traditional companies who were seeing their 'empires crumbling'. It was suggested that it is essentially unsustainable in a modern society to resist such structural changes through the use of state force.

'Free' goods

- 4.33 It was mentioned that those firms that have embraced the new paradigm of low marginal costs of duplication and distribution often provide end-users with services at no financial cost. This is particularly pronounced on the internet where a large number of firms with very high market capitalisation do not charge end consumers at all for most of their services (for example, news, email, search) – Google is a prime example.
- 4.34 However there was some concern that in reality 'there is no such thing as a free lunch' and that in obtaining something at no apparent cost consumers generally do something in return, such as provide content or information about themselves, or consume advertising.
- 4.35 There was general agreement that in a world where many 'free' goods are in fact paid for in kind by consumers who supply regulators should take an interest in how consumers get 'value for value' in these exchanges, in the same sense as 'value for money'³⁸.

³⁷ It was reported that the government was considering a new law allowing internet service providers to take action against users who access pirated material. *The Times*, February 12th, 2008.

³⁸ *'Businesses offering free goods are part of two-sided markets. This will have important implications for any enforcement given that it is not possible to determine what prices should be on each side of the market, i.e. they are not necessarily related to costs on each side. The linkage between the two (or multiple) sides will have significant implications for competition strategies and for how competition authorities should analyse these businesses.'*

Other issues

Recession

- 4.36 Participants discussed a number of possible impacts of a recession on businesses and regulators. These included:
- Volatility in global credit markets and a resulting long term effect on lending practices. A concurrent need for regulatory authorities to ensure transparency around the transfer of risk and the quality of assets through overseeing credit rating agencies, insurance protection, etc.
 - Changes in the availability and attitude to credit such that consumers will need to fundamentally readjust their expectations.
 - Changes in consumer expectations and buying patterns: goods that are currently normal purchases may become out of reach as prices rise, whilst cheap alternatives may no longer be available because the cost base had moved up in times of plenty.³⁹ Similarly, consumers may prefer low-price, high-risk propositions in a search for value.
 - The rise of the developing economies in China and India causing inflationary pressure may leave the UK open to significant volatility in commodity prices.⁴⁰
 - The price of energy and actions to reduce the carbon intensity of goods and services could begin to have a profound affect on consumers, business and markets in the next five years.

³⁹ The Common Agricultural Policy was suggested as an example of resulting in the loss of cheaper produce – *'(it) uses product standards to destroy 'ugly' product that otherwise would have been sold very cheaply to the poor'*.

⁴⁰ Rises in the cost of base metals, oil and wheat were cited.

4.37 A number of other issues were raised by participants, but none were extensively discussed:

- The use of data sharing between intermediaries and providers of online services to mislead consumers and/or stifle competition.
- Questions arose about the rules in consumer-to-consumer (C2C) web-based marketplaces and the responsibilities of the marketplace providers.⁴¹ For the casual C2C seller, legislation was considered inappropriate⁴² but for those who sold in volume similar standards may be relevant. That said, there is felt to be a need to look out for rogue traders and even more of a case for looking closely, but perhaps leniently, at C2C marketplaces operating as money lending platforms (Zopa was given as an example), where risks to consumers are high, but too stringent regulations could stifle an innovative and empowering business model.
- The development of virtual worlds/digital ecosystems, the clarity of the terms and conditions under which these exist, the financial systems that exist within them, and the implications of 'game addiction'.
- Rental, rather than ownership, models of business – for some consumers and in some categories ownership is no longer important.
- An increase in telecommuting, employee independence and delegation, with a concomitant decline in managerial control – this has implications for the effectiveness of compliance programmes and detection of cartels.

⁴¹ One panellist pointed out: *'eBay certainly resembles a government in many respects. It levies taxes (listing fees from people who sell goods), provides public services (a group of buyers for sellers to sell to, the infrastructure of its site, community forums, selling software), makes laws (policies on what items can be sold and how people can sell them) and punishes those who break them (suspensions, retaining fees)...'*

⁴² Distance Selling Regulations were mentioned here.

5 AFTERWORD BY AMELIA FLETCHER

- 5.1 The OFT would like to thank all of those whose participation made the discussions so lively and interesting. The feedback we have had suggests that participants found the exercise enjoyable and worthwhile, and this is very satisfying.
- 5.2 It is fair to say that the exercise has exceeded all of our expectations. Many of the discussions lent support to our existing views on issues that are likely to increase in importance, but there were several that were completely new to us, and some that directly challenged our current thinking. In this sense, the consultation has been enormously valuable to us.
- 5.3 We would like to emphasise again that this report is a brief and high level overview of some of the more common discussions, and could never hope to do justice to the rich diversity of comments and suggestions that were made on the forum.
- 5.4 Our objective now is to make sure that we extract maximum value out of the consultation. We intend to do this by:
- Presenting some of the key themes to the OFT Board, with a view to informing discussion on the principles that underlie our approach to consumers and markets.
 - Conducting further research into the evidence that would support key areas of consensus from the discussion, in order to identify any issues that might be taken further.
 - Feeding some of the specific comments on changing consumer behaviour and business practices into case teams to ensure that their analysis of markets is sensitive to likely developments.

Dr. Amelia Fletcher, Chief Economist, Office of Fair Trading

6 ANNEXE A: LIST OF PARTICIPANTS

The following are participants in the Futures Advisory Board who were happy to be named in the report.

Derek Allen – Executive Director, LACORS

Richard Ambrose – Head of Trust and Safety, eBay

Matthijs den Besten - Research Fellow, University of Oxford

Dr. Robin Bidwell – Chairman, Environmental Resources Management

Margaret Bloom - Visiting Professor, King's College London and Senior Consultant, Freshfields Bruckhaus Deringer

Jay Bregman - Founder & Chief Technical Officer, eCourier

Rhys Chesters-Lewis – Ministry of Justice

Martin Coppack - Development Manager, Financial Services Authority

Tim Danaher - Editor, Retail Week

John Davies – Chief Economist, Competition Commission

Steve Davies – Professor of Economics, University of East Anglia

Chris Davis – Management consultant

Phil Evans – Head of Consumer Policy, FIPRA

Winston Fletcher - Chair, The Royal Institution

Elizabeth France - Chief Ombudsman, tOSI

Lesley Gavin – Futurologist, BT

Stephen Gibson - Director of Economic Policy, Postcomm

Sarah Harrison – Director, Corporate Affairs, Ofgem

Geraint Howells – Professor of Law, Lancaster University

Noel Hunter – Chair, Trading Standards Institute Management Committee

Bridget M. Hutter - Professor of Risk Regulation & Director, ESRC Centre for Analysis of Risk and Regulation, London School of Economics and Political Science

Martin Le Jeune –Director, Open Road

Tony King – Ombudsman, Pensions Ombudsman

Sidonie Kingsmill – Global Marketing Director, Metro International

David Lawsky – Competition Correspondent, Reuters

Nick Lord – Member, Financial Services Authority Consumer Panel

Alastair Maclachlan – Investment Manager, Noble

Stefan Magdalinski – Chief Technical Officer, MOO.com

Philip Marsden – Senior Research Fellow, BIICL

Greg Marsh – Associate Director of Investment Management, Index Ventures

Andreas Pappas – Technology Analyst, OfCOM

Michael Parsons - Editorial Director, Consumer Media, CNET

Ian Pearson – Futures Consultant

Teresa Perchard – Director of Policy, Citizens Advice Bureau

Osama Rahman – Chief Economist, Ministry of Justice

Malcolm Rigg - Director, Policy Studies Institute

Shamit Saggar - Professor of Political Science, University of Sussex Visiting Professor of Public Policy, University of Toronto Senior Associate, Demos Senior Fellow, 21st Century Trust

Nikhil Shah – Consultant, Future Foundation

Leslie Sklair - Emeritus Professor of Sociology, London School of Economics

Ed Steinmueller – Professorial Fellow, Sussex University

Paul Stephany – Associate Director of Investment Management, Newton Investments

Louise Sylvan – Deputy Chair, ACCC

Peter Waller – Director of Energy Industry & Technology Unit, BERR

Simon Willis – Vice President, Global Public Sector, CISCO

David Yelding – Director, Research Institute for Consumer Affairs

ANNEXE B: HOW TOPICS EMERGED AND PERSISTED

Round 1

The following topics were introduced by the facilitators at the beginning of the exercise:

Business Models

Implications of businesses providing platforms within which people trade with each other. (Low response)

Implications of virtual worlds and virtual products. (Low response)

Exploitation of IP and corresponding regulation. (High response)

Targeting, Customisation and Personalisation. (Moderate response)

Businesses' acquisition and exploitation of consumers' data shifting power away from consumers.

Recession and Global Economics

The resilience of ethical and green commitments in the face of hard times. (Low response)

Producers' interests become favoured if the economy stagnates? (Moderate response)

Has prolonged boom left some companies ill-equipped for hard times, and should government bail some of those that go bust as a result. (Low response)

Protectionism and 'national champions' as a response to the rise of BRIC economies? (Low response)

UK markets of the future to be dominated by competition between large multinationals? (Low response)

Government and Regulation

Regulatory intrusion into individual freedom, risk, liability and demerit goods. (Moderate response)

The boundary between public and private, and the use of markets to provide public services. (High response)

Public service sectors where private and voluntary provision could turn delivery departments into regulators. (Low response)

National Champions and Sovereign Investment funds – political agendas in the economy. (Low response)

Economy and regulation – local, regional, national or international frames of reference – also 'left' and 'right'. (Low response)

Consumer Empowerment and Vulnerability (High response across the board)

Making sense of information – including green and ethical data.

Complex products and bundling creating new types of vulnerability?

Decreasing customer deference, increasing litigiousness – empowerment or troublemaking?

Ageing and diversifying society will lead to increase in numbers of 'the vulnerable'. Or will new categories of vulnerability emerge?

In response to this, participants made points which implied the following topics:

Addiction to online games and activities as an example of a new kind of demerit service.

Investment in technology where this functions as a barrier to entry by others. (Gave rise to the 'Dominance' topic)

The capacity of technology to fuel greater price discrimination in future. (Gave rise to the 'Price Discrimination' topic)

Following through the consequences in markets where technology is reducing marginal costs to (near) zero whilst fixed costs remain high.

Examining the fairness of the exchange consumers make of information for benefits.

Highly geared utilities forcing government to underwrite their risks.

The rise of 'free goods' (Resulted in the 'Rise of the Free' topic).

In hard times, national economies competing for inward investment on the basis of lighter regulation, since tax will tend towards uniformity.

The future role of the professions and that of a new species of advocates and intermediaries.

A new vulnerability which consists of lacking access to 'real people' as opposed to systems and mechanistic call centres.

How the bundling of software with other goods may result in the markets for those goods becoming more like software markets in some key respects.

Augmented reality – where technology allows data to be associated with products, places and events as they are encountered in the physical world.

The need for 'proportionate' policing of cyberspace.

A trend towards renting goods, on various models, rather than owning them outright.

The impact of telecommuting and employee dispersion or independence on compliance and liability.

The economic impact of both hikes in fuel prices and the general accounting for carbon footprints.

Web2.0 as a vehicle for 'crowdsourcing', and in particular, the distribution of labour to consumers both on commercial design/innovation and civil governance.

Private actions as a form of moderation and control... ergo of regulation.

The value of a 'lowest common denominator' approach to consumer education.

Consumers could become vulnerable to exploitation or sudden price rises due to where migrants come and go in waves.

Round 2

The following topics were independently generated by the facilitators at the beginning of the new round – as a result of analysis of the overall content of Round 1:

Information intermediaries

How powerful will they become?

Difficulties with provenance and trust where, for example, consumers couldn't even in principle work out the answer.

Are consumers without access to intermediaries significantly disadvantaged?

Does the market resemble other two-sided markets and is it likely to work well?

Is there a role for governments in providing 'official' intermediary-style information and services?

Consumer choice

Consumers devolving their choices to intermediaries?

Over consumption, leading to ill-health, obesity, environmental degradation and personal debt.

Tension between governments facilitating more free choices and wanting to see the right choices made.

Understanding vulnerability

Are there workable indicators of vulnerability which are also sufficiently flexible in the face of social and technological change?

What is the significance for consumer and competition policy of the changing nature and importance of consumer vulnerability?

Regulators and their tools

If the wisdom of 80s privatisation is called into question will mixed market regulation

also come under scrutiny?

Should pressure on markets to deliver social ends translate into the duties of regulators?
What will happen if there is a perceived conflict between the interests of consumers and of citizens.

Will regulators need new tools to cope with the new demands placed upon them.

The following topics were directly derived, by the facilitators from specific participants' posts in Round 1.

Price discrimination

Tailoring products means each consumer will have to negotiate their own price?

Should consumers be able to return goods made specially for them?

Will traditional methods of market analysis have to be rethought?

Very low marginal costs

Will more markets be monopolised – and those whole markets themselves be competed for?

What are the implications of low unit costs to regulators which resemble price regulation?

Do current IP laws provide balanced incentive for initial investment and, if not, should competition policy make up the difference.

Will traditional methods of economic analysis have to be rethought?

The rise of free goods

How will consumers' expectations change and be managed?

Is it sensible for governments to expend resources to ensure that low marginal cost products still command relatively high prices?

How will businesses monetise free products?

What is the cost to customers of 'free' products and should this be made more

transparent?

Commercial fragmentation and accountability

Should there be a unified point of accountability for a complex/componentised product or service?

How will companies ensure compliance amongst globally scattered employees who may never have been on the premises?

What are the implications for legal responsibility in the eyes of regulators? What are the implications for private actions?

The following topics are implied by discussions in Round 2

Geographical price discrimination.

A 'special' form of price discrimination affecting the very poorest.

Consider the value of free access to, or release of, government information in the pursuit of effective intermediation.

Approaches to the regulation of intermediaries.

The liberalisation of personal pension choices.

Round 3

In Round 3 the following topics were derived from analysis of the previous two rounds:

Interventions into the market for Information Intermediaries.

Default regulatory stance on the effectiveness of consumer choice.

Policy response to price discrimination. (Directly derived from posts in Rounds 1 and 2)

Dealing with dominance as a result of innovation. (Directly derived from postings in Round 1)

The following topics featured in the 'What have We Missed' section of Round 3. This explicitly asked participants to identify topics which they felt were important and should, therefore, have featured, or featured more strongly, in the discussions:

Privacy

Services which disguise or obscure sign up to contracts on what appears to be a single use instance.

Augmented reality.

The cashless systems (or alternative currency systems) of virtual worlds.

The Open Source movement and its impact.

User-generated content.