

# **Extended warranties on domestic electrical goods**

A report on the supply of extended warranties  
on domestic electrical goods within the UK

Volume 3: Appendices



COMPETITION COMMISSION

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on domestic electrical goods within the UK

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**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
December 2003**



## Members of the Competition Commission as at 30 September 2003

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Mr M R Webster  
Professor S R M Wilks  
Mr A M Young

Mr R Foster (*Chief Executive and Secretary*)

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<sup>1</sup>These members formed the Group which was responsible for this report under the Chairmanship of Sir Derek Morris.

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which she considers would not be in the public interest to disclose and which, in her opinion, would seriously and prejudicially affect certain interests.

**The omissions are indicated by a note in the text or, where space does not permit, by the symbol ✂.**

# Volume 3 contents

## Part III—Appendices

*Appendices* (The numbering of the appendices indicates the chapters to which they relate.)

1.1	The reference and conduct of the inquiry .....	1
2.1	Statement of issues published on 28 February 2003 .....	3
2.2	First statement of possible remedies published on 20 May 2003 .....	47
2.3	Revised statement of possible remedies published on 23 July 2003 .....	63
2.4	Example format for quotation .....	72
2.5	Suggested content of information leaflet .....	73
2.6	Risk-free rate and equity risk premium .....	75
2.7	Analysis of five major retailers' profits .....	76
2.8	Shares of supply and the complex monopoly .....	78
5.1	BRC Code of Practice .....	86
6.1	Commissions paid to small retailers and independents .....	90
7.1	Domestic & General—financial tables .....	91
7.2	Landmark—financial tables .....	95
7.3	Allianz Cornhill – financial tables .....	98
7.4	Pinnacle—financial tables .....	102
7.5	AON/London General Insurance—financial tables .....	105
7.6	Royal & Sun Alliance—financial tables .....	109
9.1	NOP Qualitative research into Customers' Experiences of EWs .....	112
9.2	NOP Survey of Purchasers of DEGs and EWs .....	155
9.3	Dixons' EW price changes and take-up rates .....	227
9.4	Dixons average EW price and unit penetration by product category .....	228
9.5	Description of socio-demographic groups according to the MOSAIC segmentation tool .....	236
9.6	Socio-demographic profile of Dixons' customers .....	237
9.7	Socio-demographic profile of Comet customers .....	238
11.1	Data on product failure rates, by product type, brand and model .....	241
11.2	Graphs of EW price comparisons .....	253
11.3	Graphs of EW price comparisons, POS compared to non-POS .....	260
11.4	Graphs of EW price comparisons, by size of provider .....	266
11.5	PA Market Review Report—Stage 1 of the international comparative study of extended warranties .....	272
11.6	PA Market Review Report—Stage 2 of the international comparative study of extended warranties .....	320
11.7	Historical development of EW prices .....	336
13.1	Review of the academic economics literature on EWs .....	347
13.2	Gross margin analysis by product category and by price band .....	353
14.1	Summary of views—paper from Comet .....	358
14.2	Dixons Auditors report .....	364
	Glossary .....	367
	Index .....	371

Part III

# **Appendices**

## The reference and conduct of the inquiry

1. On 2 July 2002, the DGFT sent the CC the following reference:

The Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 ('the Act') hereby refers to the Competition Commission the matter of the existence or possible existence of a monopoly situation in relation to the supply of extended warranties for domestic electrical goods within the United Kingdom.

The Commission shall investigate and report on the questions whether a monopoly situation exists and, if so:

- (a) by virtue of which of the provisions of sections 6 to 8 of the said Act that monopoly situation is to be taken to exist
- (b) in favour of what person or persons that monopoly situation exists
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way
- (d) whether any action or omission on the part of that person or persons is attributable to the existence of that monopoly situation and, if so, what action or omission and in what way it is so attributable, and,
- (e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purposes of this reference:

'extended warranty' means a contract, whether backed by insurance or otherwise, which covers consumers within the meaning of section 137 of the Act for the cost of any repairs or replacements that may become necessary within a specified period beyond that covered by a manufacturer's, retailer's or importer's guarantee, and includes both contracts that provide cover during the period of the manufacturer's, retailer's or importer's guarantee, and contracts where cover commences after this period;

'domestic electrical goods' are products designed to be connected to an electricity supply or powered by batteries, and on which extended warranties are offered to consumers within the meaning of section 137 of the Act.

The Commission shall report on this reference within a period of 12 months from the date hereof.

(signed) JOHN VICKERS  
Director General of Fair Trading

2. The composition of the Group of members responsible for the present investigation and report is indicated in the list of members in the preface.
3. We sought evidence and views from manufacturers, retailers, insurers, associations, mobile phone sellers, computer sellers, other sellers of EWs and other interested organizations.
4. During the course of the inquiry CC members and staff made visits to Dixons Customer Services and Repair Centres at Nottingham and Mansfield and to Comet HQ and a store at Watford.

5. We held hearings: two each with Argos, Comet, Dixons, D&G, Littlewoods, NOP, Retra and the CA. The following also attended hearings: Apple, ABI, Allianz Cornhill, BRC, Dell, DrKW, The DTI, The FSA, the Treasury John Lewis, Landmark Insurance, PA Consulting, Phones4u, Pinnacle, Powerhouse, Sony, Warranty Direct and Whirlpool. On 25 April 2003, a number of individuals and most of the above also attended an open hearing at the IEE in London.

6. On 28 February 2003 we sent an Issues Statement to retailers, manufacturers and insurers setting out matters which had been identified by the Group for further consideration (see Appendix 2.1). The statement was made public by way of a press release and was made available on the CC's web site and by request.

7. On 20 May 2003 we issued a Remedies Statement. At that stage the CC had not reached final conclusions on any aspect of the inquiry, but it wished to consult interested parties on possible remedies in respect of any matters which it might find to operate against the public interest. The statement was sent to retailers, manufacturers and insurers. It was also made available on the CC web site and by request. A revised remedies statement was published on 23 July.

8. We should like to thank all those who helped us in our inquiry.