

DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

To whom it may concern,

Letter of Appointment

This letter of Appointment dated Friday, 28th February 2020 is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CR20012
From:	The Department for The Department for Business, energy and Industrial Strategy (BEIS), 1 Victoria Street, Westminster, London SW1H 0ET ("Customer")
To:	IFF Research Ltd a company whose registered office is at 5th Floor St Magnus House, 3 Lower Thames Street, London, UK, EC3R 6HD ("Supplier")
Effective Date:	Monday, 2 nd March 2020
Expiry Date:	Monday, 1 st June 2020
Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B.
Contract Charges (including any applicable discount(s), but excluding VAT):	£49,906.64 excluding VAT.
Insurance Requirements	Additional public liability insurance to cover all risks in the performance of the Contract, with a minimum limit of £1 million for each individual claim Additional employers' liability insurance with a minimum limit of £5 million indemnity

	Additional professional indemnity insurance adequate to cover all risks in the performance of the Contract with a minimum limit of indemnity of £1 million for each individual claim.
Liability Requirements	Suppliers limitation of Liability (Clause 18.2 of the Contract Terms);
Customer billing address for invoicing:	All invoices should be sent to should be sent to finance@services.uksbs.co.uk or Billingham (UKSBS, Queensway House, West Precinct, Billingham, TS23 2NF).

GDPR	Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects)
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FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

For and on behalf of the Supplier:

For and on behalf of the Customer:

Name and Title:

[Redacted]

Name and Title:

[Redacted]

Signature:

[Redacted]

Signature:

[Redacted]

Date: 28/02/20

Date: 09/03/20

ANNEX A

Customer Project Specification

Background

What this work will inform

The Government is considering its response to the problems in digital platform markets, as highlighted by the report of the Digital Competition Expert Panel, chaired by Jason Furman¹. This survey would help to inform our response, ensuring that any proposals are proportionate to the problems that exist in these markets.

The Expert Panel's Review found that the characteristics of digital platform markets can lead to lower levels of competition than in other markets. The combination of these characteristics can lead to extreme network effects which can 'tip' markets to be wholly dominated by one or few large incumbents, and this dominance to be entrenched due to large barriers to entering these markets. It highlighted the ability of platforms to hold significant market power over strategic 'bottleneck' markets, and to exert control over their business users, by using a number of harmful business practices. However, we do not currently know the extent and scale of harms experienced by business users of platforms.

The digital economy as a Government priority

The Consumer & Competition Policy directorate in the Department for Business, Energy & Industrial Strategy (BEIS) is responsible for ensuring that markets work effectively and in the interests of consumers and businesses. Digital markets open incredible new opportunities for innovation and growth, and BEIS is working closely with other departments, including the Department for Culture, Media & Sport (DCMS), to ensure that these markets are competitive, innovative and sustainable, resulting in good outcomes for consumers. Baroness Morgan recently outlined the government's vision for the digital economy². She highlighted the importance of competitive digital markets to ensure that 'the innumerable benefits of this digital revolution can be felt far and wide'.

The Competition and Markets Authority (CMA) is carrying out a market study into online platforms and the digital advertising market in the UK. In December, it published an update noting the significant concentration in the market for online advertising, which is dominated by Google and Facebook. Although the CMA study is collecting significant evidence in this market, the market study does not focus on other platform markets, such as e-commerce markets. Therefore, the Government is seeking evidence on these latter markets.

The evidence gap

We do not currently know the extent and scale of harms experienced by business users of e-commerce marketplaces. However, with businesses now making an estimated £10bns of

¹ <https://www.gov.uk/government/publications/unlocking-digital-competition-report-of-the-digital-competition-expert-panel>

² <https://www.gov.uk/government/speeches/baroness-morgan-speaking-on-how-we-can-make-technology-work-for-everyone>

sales through online marketplaces every year³, the scale of the market, and potential scale of harm, is large.

There exists anecdotal evidence about harmful practices by digital platforms which are able to abuse their dominant position. For example, platforms may use information learnt due to their dominant position to support their own competing ventures.

There is also some existing evidence on the business experience of using online marketplaces, for example Flash Eurobarometer 439⁴, but it is limited in scale, scope and relevance: the sample of UK companies that use online platforms is too small for statistically robust analysis. Therefore, we wish to commission a survey to collect evidence on retail businesses' experience of using online marketplaces. We suggest limiting the scope of the survey to retail businesses since a relatively high proportion of businesses in this sector sell their products on online marketplaces, a relatively high proportion of revenue in the sector can be accounted for by online marketplace sales and the sector is responsible for a large proportion of online platform sales.

Aims & Objectives of the Project

This project aims to understand the experience of using digital platforms for businesses of all sizes. For example, we wish to understand how and why they use platforms, and whether they use multiple platforms. In particular, the project aims to deliver evidence on the scale and extent of harmful practices used by digital platforms at the detriment of retail business users. Such practices can worsen outcomes for consumers, for example reducing choice and/or quality.

We also wish to gain up-to-date statistics on the level of use of online marketplaces by businesses, and the level of sales going through online marketplaces.

To this end, we wish to interview respondents from platform-using retail businesses to gather information on:

- the prevalence and scale of platform usage among businesses
- whether businesses 'multihome' (i.e. use more than 1 platform) switch between platforms, the reason businesses do these, and any difficulties associated with them.
- the importance of platform sales to businesses
- whether businesses have experienced harms (see full list in methodology section)
- the impact of these harms on businesses
- the ability of businesses to take action if they experience harms

We suggest limiting the scope of the survey to retail businesses since a relatively high proportion of businesses in this sector sell their products on online marketplaces, a relatively high proportion of revenue in the sector can be accounted for by online marketplace sales and the sector is responsible for a large proportion of online platform sales. We would be happy to discuss this with the successful contractor.

³ <https://www.retailgazette.co.uk/blog/2019/11/online-marketplace-spend-reach-39bn-next-5-years/> (Data from GlobalData)

⁴ https://data.europa.eu/euodp/en/data/dataset/S2125_439_ENG

Suggested Methodology

We expect the survey to be conducted over the telephone, with a sample size of 500 respondents, with interviews lasting c.15-20 minutes. We expect to call businesses using phone numbers from a database. We suggest using a screening question to screen for businesses that use or used platforms to sell their goods. If they have not, then the interview would finish. By recording the businesses who are screened out, we can gain more up-to-date evidence on the level of platform use.

According to Eurostat data, in 2018, 17% of UK retail businesses used online marketplaces to sell their products, so 17% of successful calls would pass the threshold. We expect the 500 completed interviews that pass the screening question to last ~15-20 minutes. Therefore, around 3,000 calls will need to be successfully made – assuming a response rate of 20%, this implies around 15,000 calls in total. We welcome suggestions for additional targeting strategies to decrease the required number of calls to achieve our sample size.

We may be interested in running the survey longitudinally (i.e. running the same or a similar survey in the future), so we welcome suggestions on how best to allow for this possibility.

We think that a phone survey will be most effective, given that we wish to ask about complex concepts which businesses may be unfamiliar with, but we would be willing to consider conducting an online survey if bidders think this would better meet our research objectives.

We expect the contractor to ask respondents about (1) the characteristics of their business, including their use of digital platforms, (2) their experience of harmful/anti-competitive practices on such platforms, and (3) their ability to take action after experience harm(s).

Screening Question

We expect the contractor to ask businesses whether they've sold their products via an online marketplace (either currently or in the past), perhaps with a requirement for sales over a particular proportional threshold. The businesses that haven't used online marketplaces will not pass the screening question, so will not be asked the following questions.

Core Questions

The contractor will write the questionnaire, to be approved by the project steering group. We provide a proposed line of questioning below.

1) Profiling/use of platforms (c.40%)

We wish to ask about businesses' usage of digital marketplaces: how many marketplaces they use or used, and which marketplaces they use(d) most. For each marketplace they sell on (up to a maximum), we expect to ask how long they have used it for, the benefits of using the platform, and what proportion of their revenues come through the platform. We are likely to use the Eurostat definition of an online marketplace: "The term 'e-commerce marketplace' refers to websites or apps used by several enterprises for trading products'. For some platforms, it may be worth disaggregating, to ask about which version of the platform service the business uses.

If the business no longer uses a platform, we will ask why this is the case. We also whether businesses operate across different platforms, and any difficulties associated with this.

Other questions could include asking about the general benefits and costs of using the platform compared to other means of selling.

2) Harmful/Anti-competitive Practices (c.40%)

We anticipate asking businesses about their experience of any harmful or anti-competitive practices on digital platforms. We propose a line of questioning relating to different 'theories of harm'. We welcome bidders' views on the most appropriate questions to meet our research objectives, with a particular focus on the impact of harmful business practices, rather than simply their perceived effect.

We suggest seeking quantitative data, by asking whether companies have experienced harmful practice, using for example a LIKERT scale. We are also likely to seek qualitative data, by asking the businesses whether they have experienced harmful practices other than those we explicitly ask about. **We expect to ask about the impact that an experienced harm has had on their business and their customers.**

The following elements could be included in questioning on harms:

- a. Terms and conditions between the platform and business.
- b. The system by which products are ranked
- c. The information received by the business and platform
- d. Any tying agreements between the business and platform
- e. How business' products are priced on the platform
- f. The removal of any products or the seller itself from a platform
- g. The sale of similar products by the platform itself

We recommend asking about whether the business had to change their activity in response to the harms, or what cost they think the harm imposed on their business.

We may also wish to ask about indirect harms, such as the posting of fake reviews, although we are unsure about businesses' ability to comment on the extent and impact of this practice.

3) Ability to take action after experiencing harm(s) (c. 20%)

We envisage asking businesses about what they are able to do if they experience harms. We will ask about whether adequate systems exist to report harms, and what action they can take if a dispute is unresolved. We will also ask about whether businesses feel able to switch platforms and whether they have experienced such harms in other contexts (offline selling or selling via their own website).

Sampling

Evidence from Eurostat suggests that most UK businesses do not use platforms. Therefore, to use resources efficiently, we recommend that the contractor focuses on just 1 sector (the retail sector) and uses a screening question. The screening question would ask whether the business uses an online marketplace to sell its goods or services, or whether it previously did so. By recording the businesses who are screened out, we can gain up-to-date evidence on the overall prevalence and scale of the harmful business practices.

We have developed a proposed sampling profile and weighting method, but welcome proposals from bidders. We suggest stratifying based on size, so that we can compare the experience of larger and smaller businesses. We are interested in understanding the business experience of using platforms and the impact this has on consumers. Therefore, we suggest using two overall weighting profiles. Under the first, business responses are weighted according to the frequency with which we would expect to find them in the population, relative to the frequency with which we are questioning them. This allows us to report the proportion of businesses in these sectors that experience a particular problem. Under the second, business responses are weighted such that each population segment's responses are weighted proportionally to the segment's turnover. This allows us to report the proportion of platform sales in these sectors that are affected by a particular problem. We believe this to be a more directly relevant metric for consumers.

We ask bidders to recommend a sampling frame such as Fame (which we have access to) or Dun & Bradstreet.

Deliverables

Early Outputs (to be delivered in March)

- 1) The contractor should provide a document detailing the methodology, and with a report on feasibility testing. It should include:
 - a. The full questionnaire to be used
 - b. Details of the sampling approach
 - c. The results of cognitive testing, demonstrating that the questionnaire meets our research requirements, with questions understood by respondents. We welcome suggestions from bidders on how they would propose to conduct cognitive testing.

Interim Outputs

- 2) The contractor should provide the dataset, with summary statistics, to BEIS in an accessible format (e.g. csv). The IP for the dataset is to be held by BEIS, and we want to explore options for sharing the data with partners such as the CMA. BEIS will own the outputs, which the supplier will not be permitted to use in future.

Final Outputs

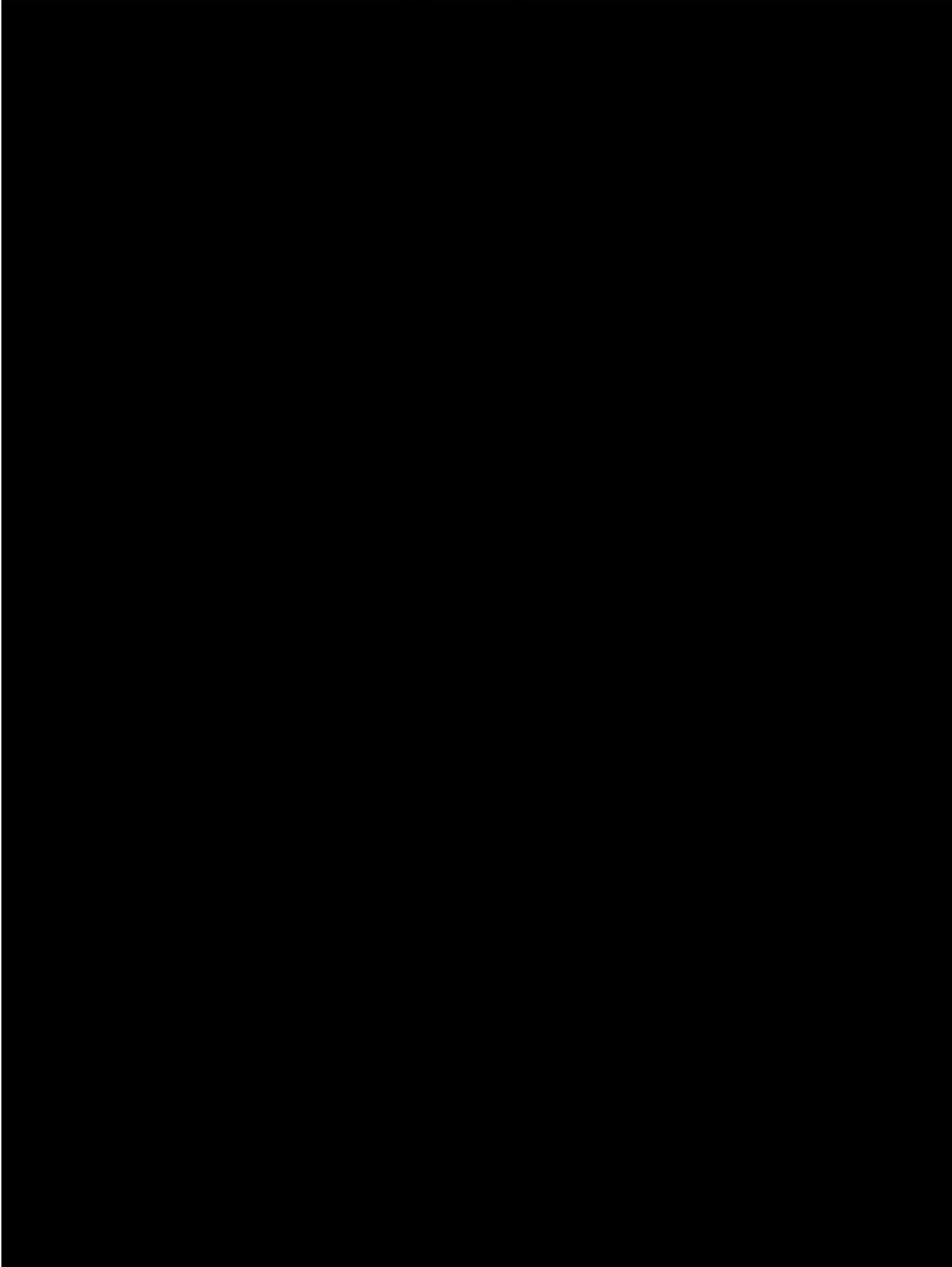
- 3) The contractor should write up the findings in a final report, which should be quality assured. This report will be published on gov.uk.
- 4) The contractor should deliver a presentation to BEIS and its partners on the results of the research, using PowerPoint slides which summarise the key findings. These PowerPoint slides should be made available for BEIS to share.

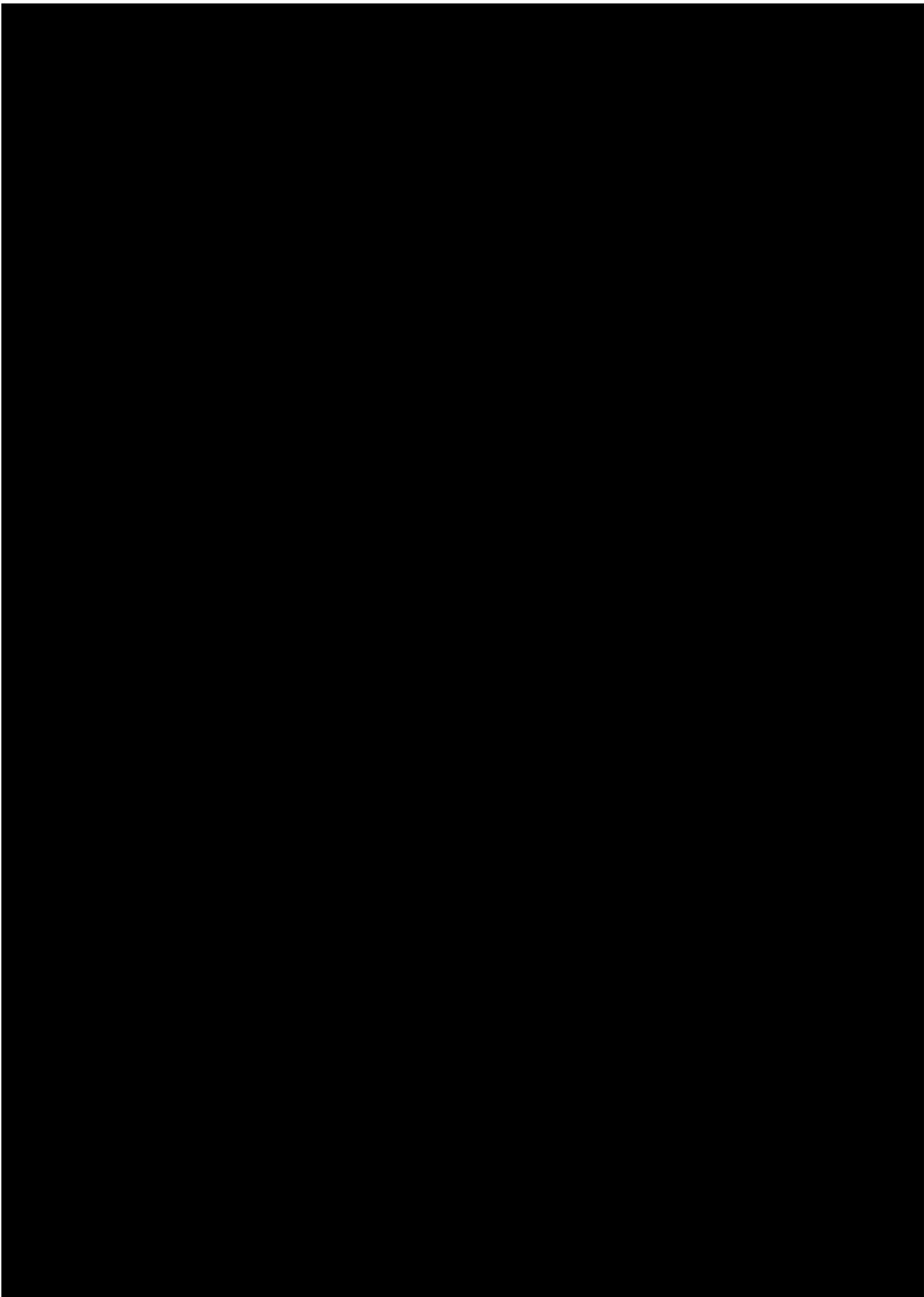
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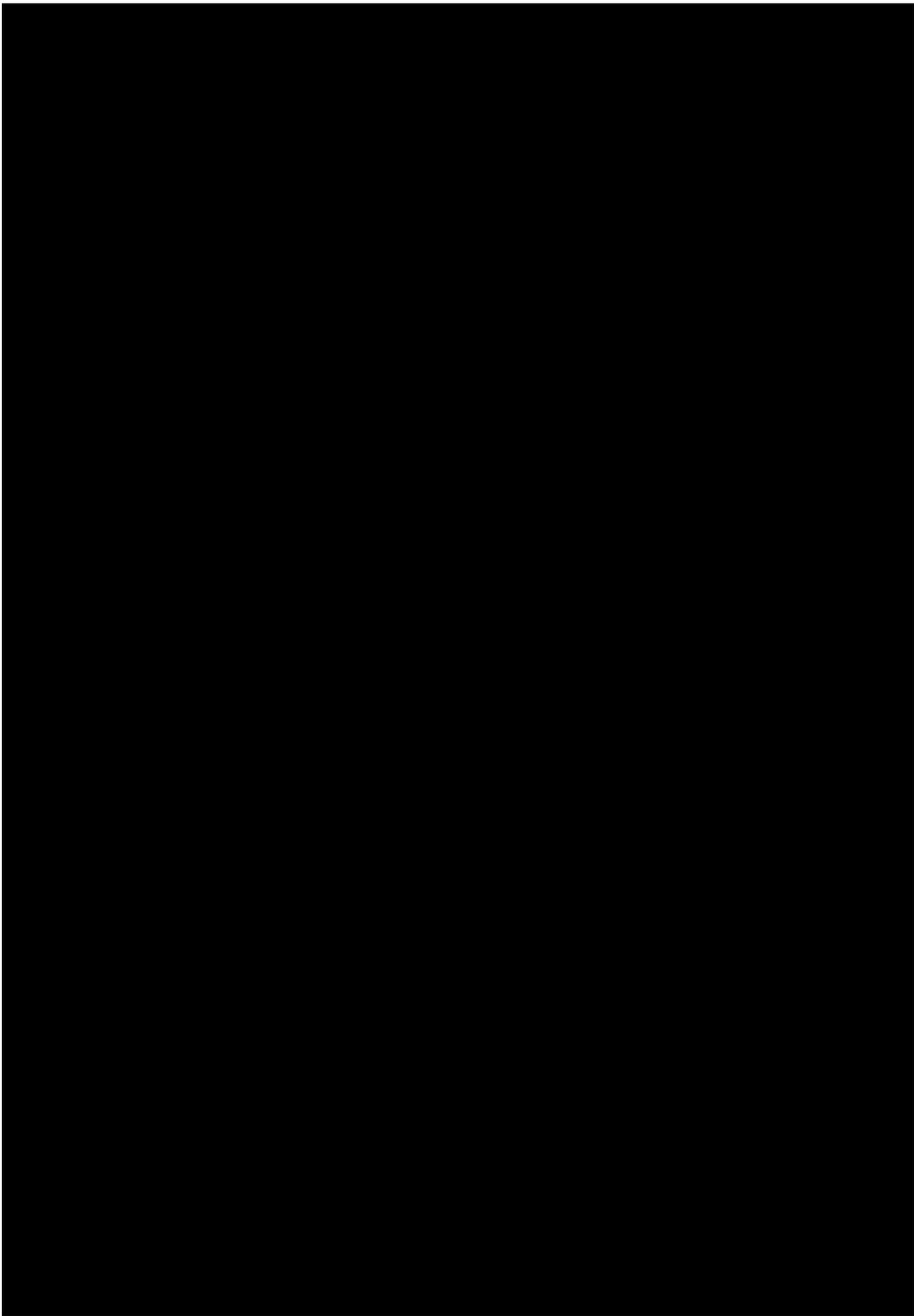
- 5) The contractor should attend a project inception meeting with BEIS at the beginning of March
- 6) The contractor should update BEIS regularly, via a weekly catch-up call.

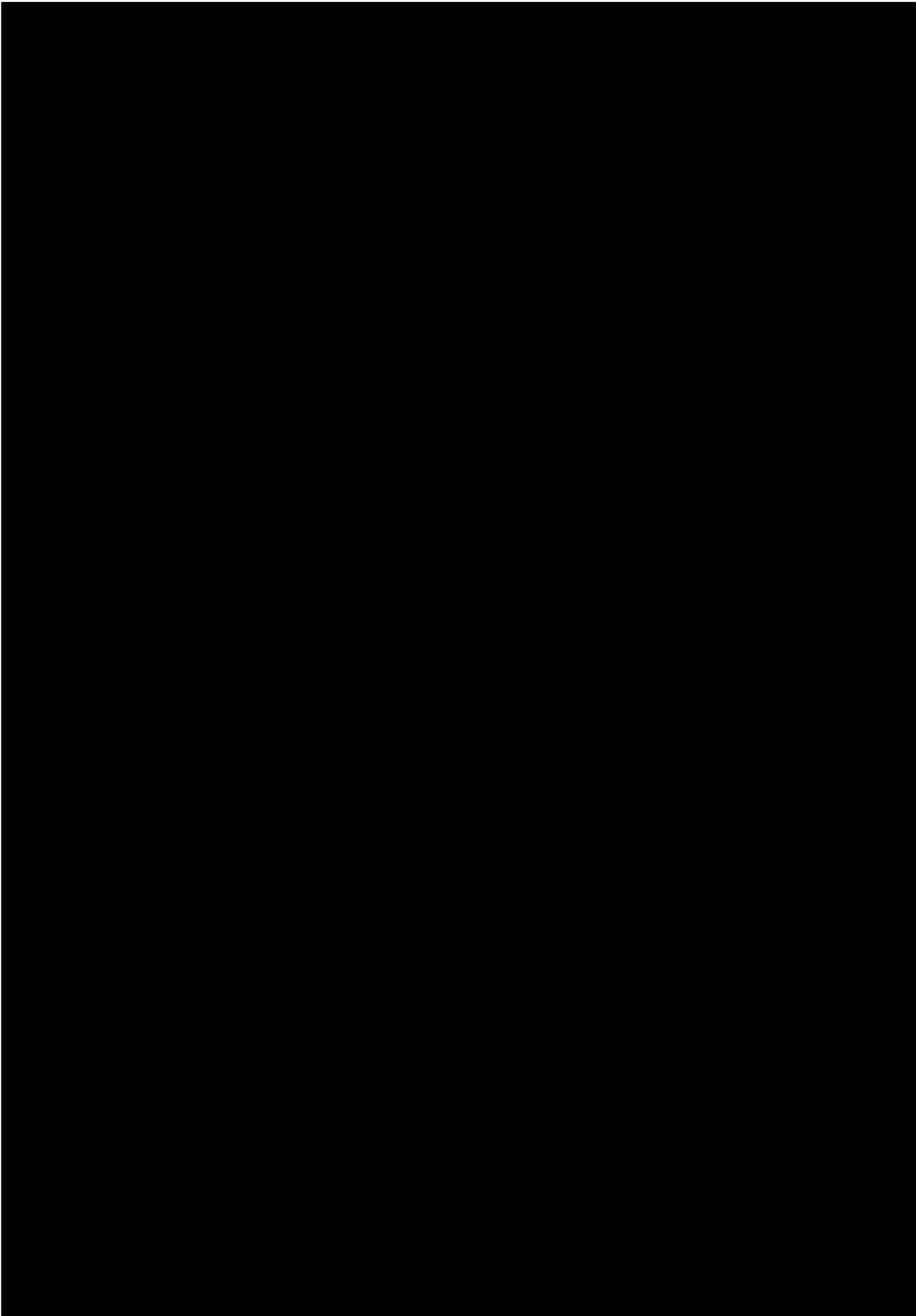
ANNEX B

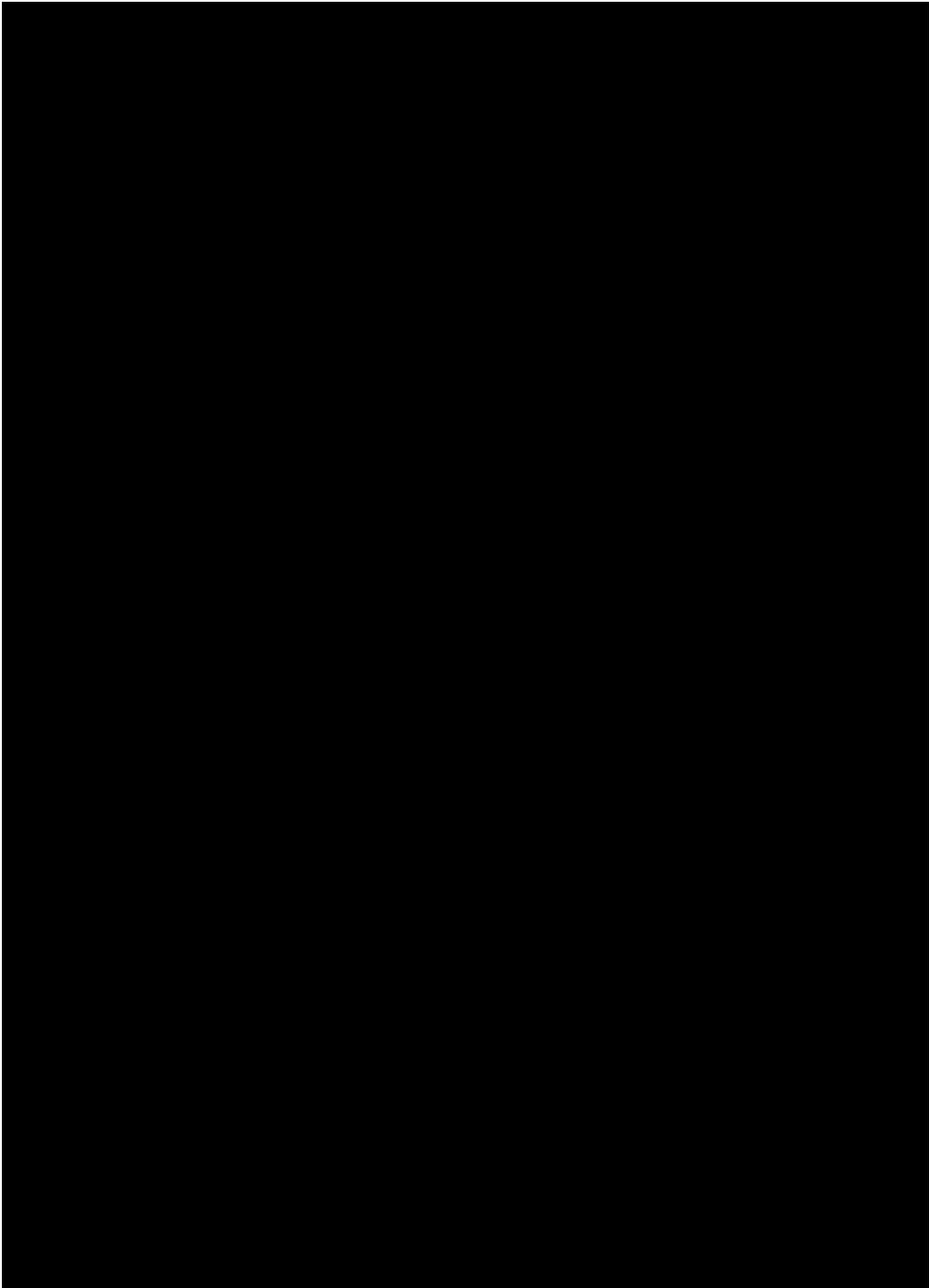
Supplier Proposal

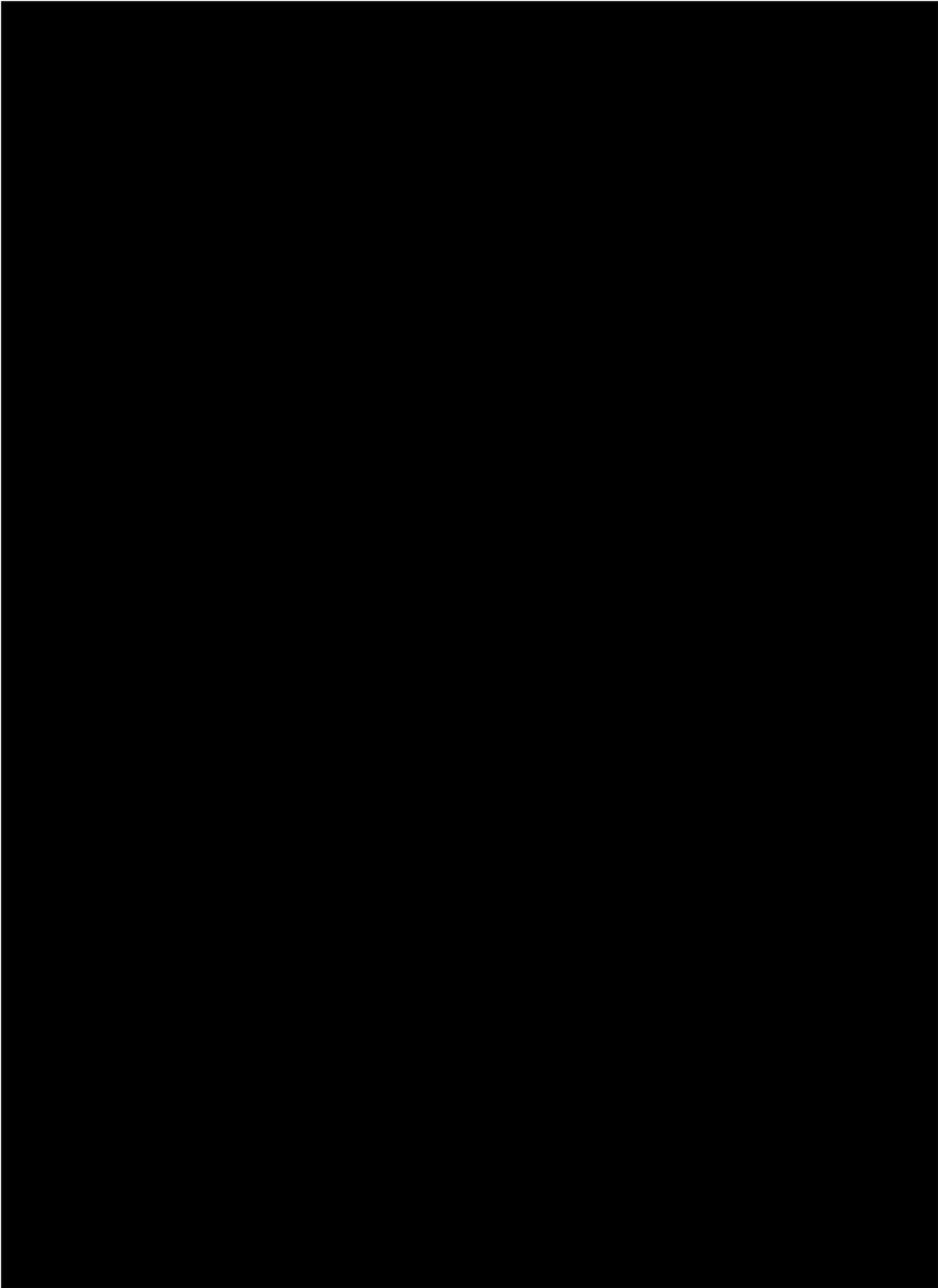


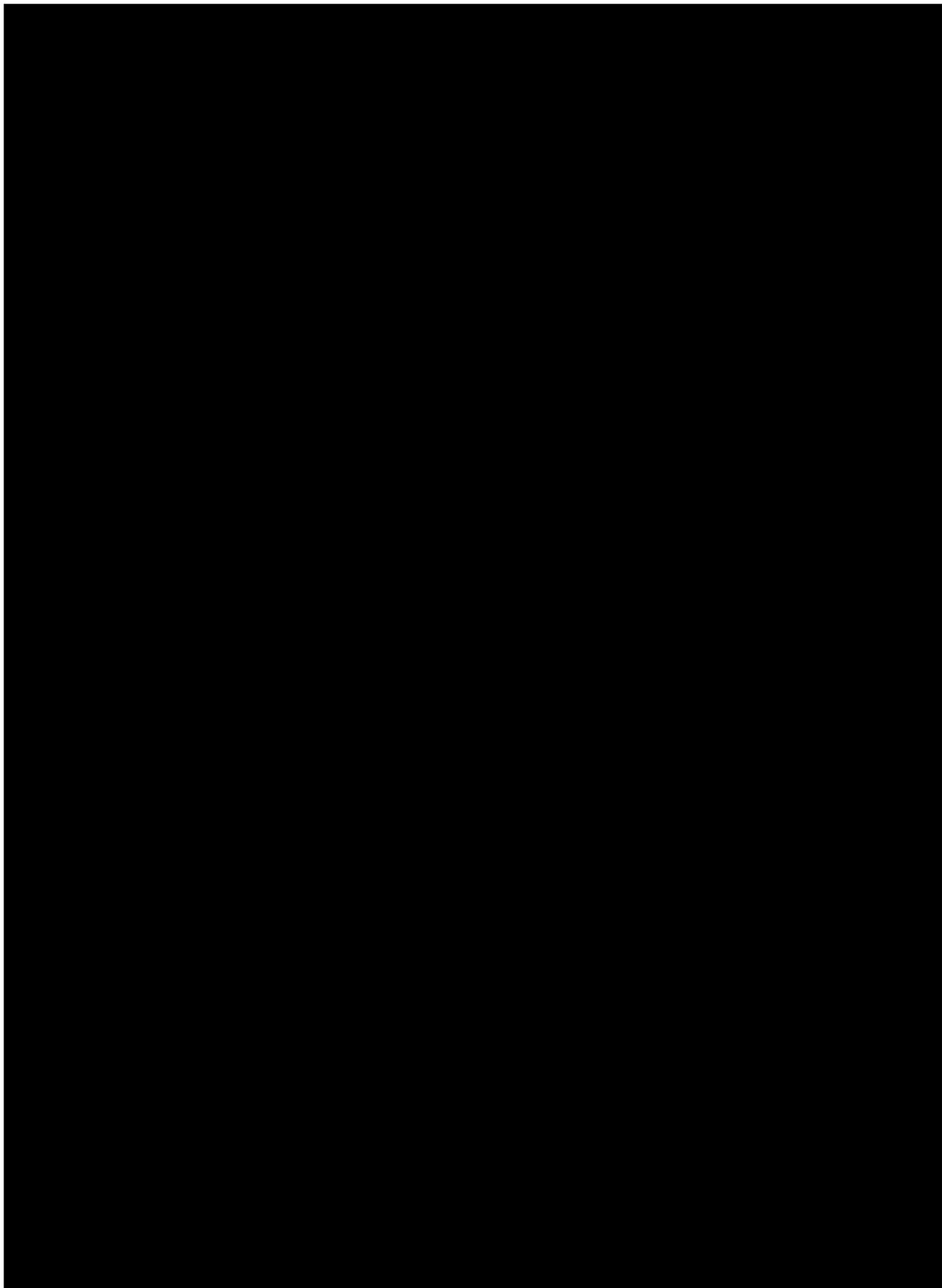


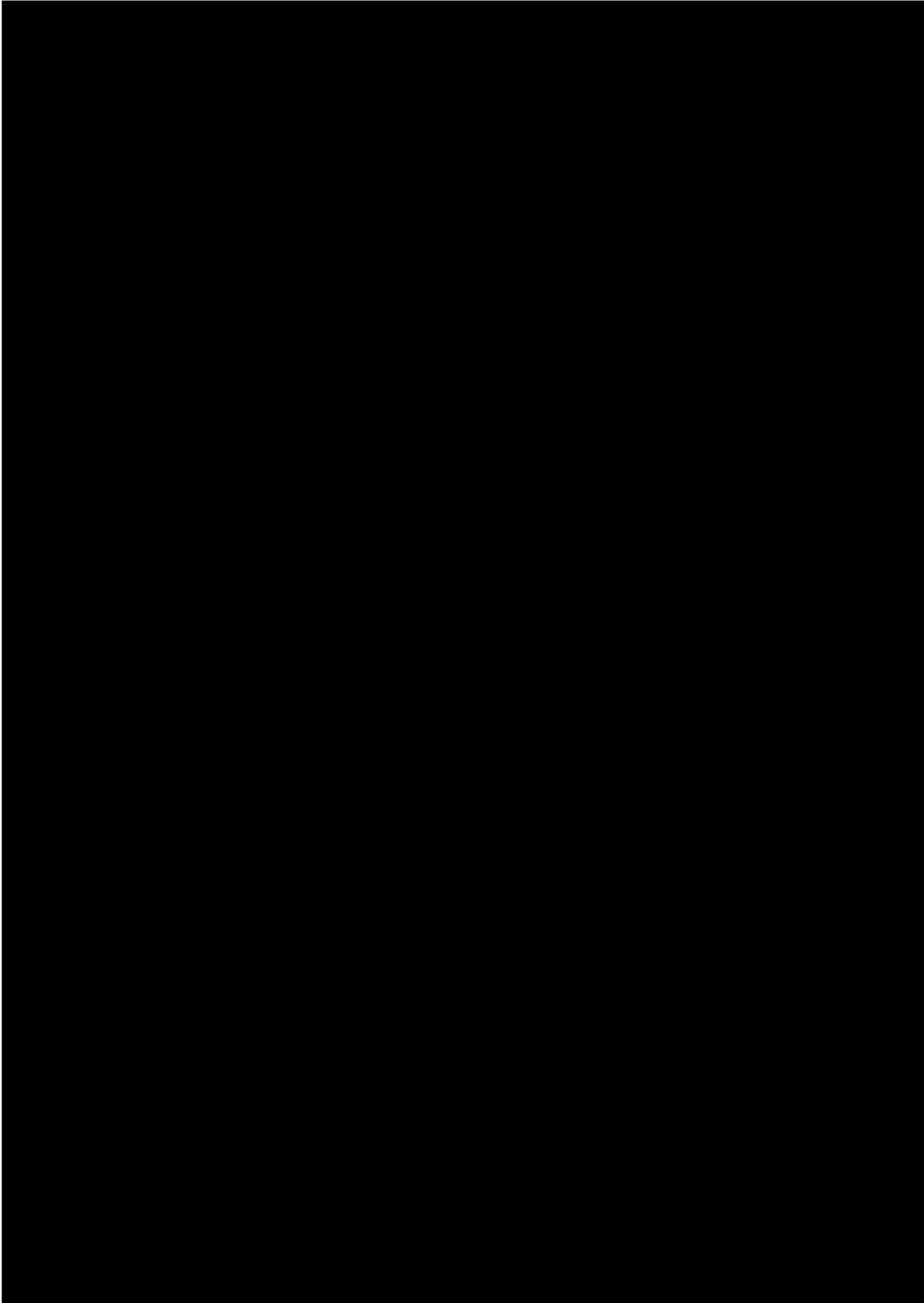


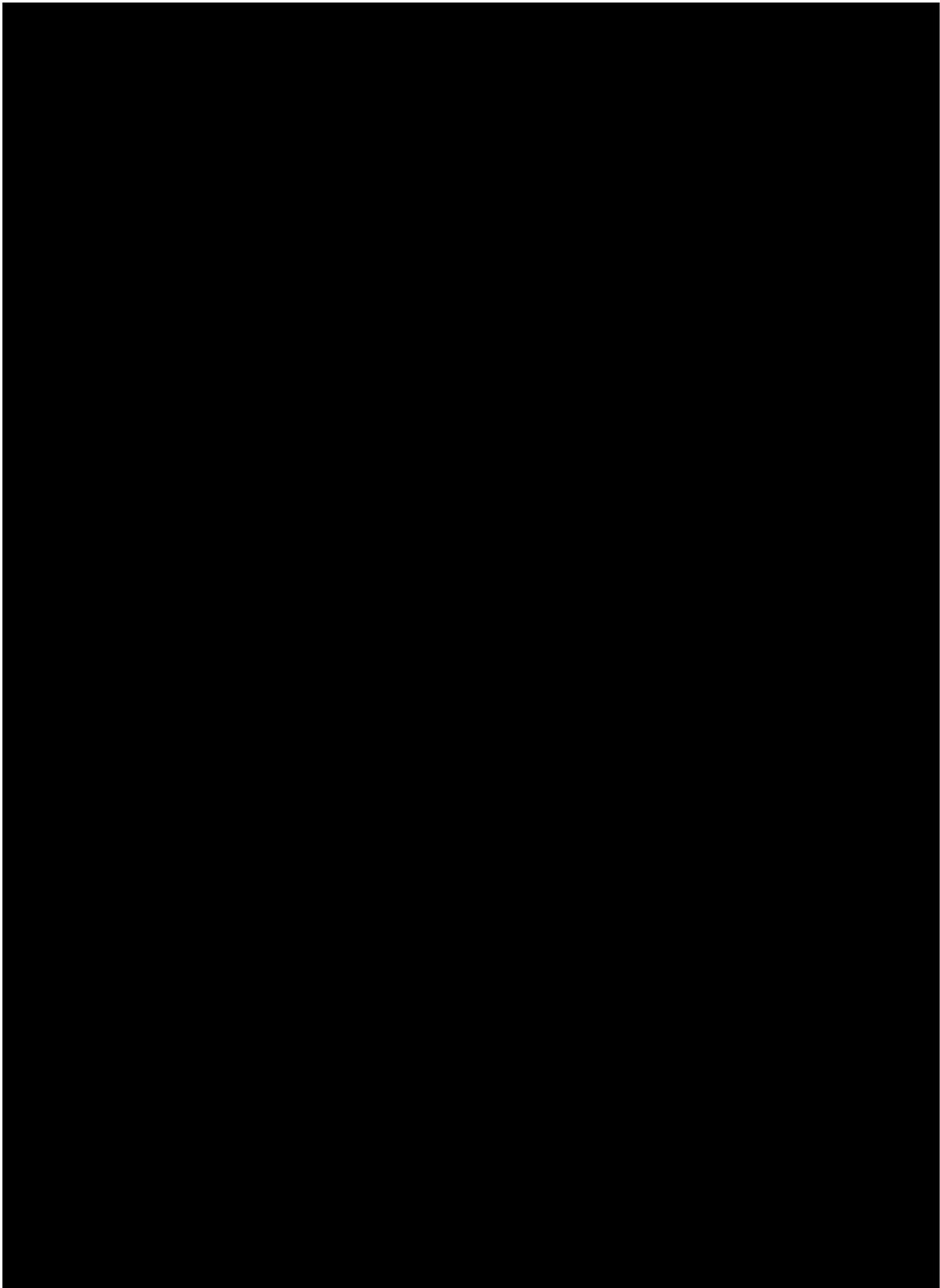


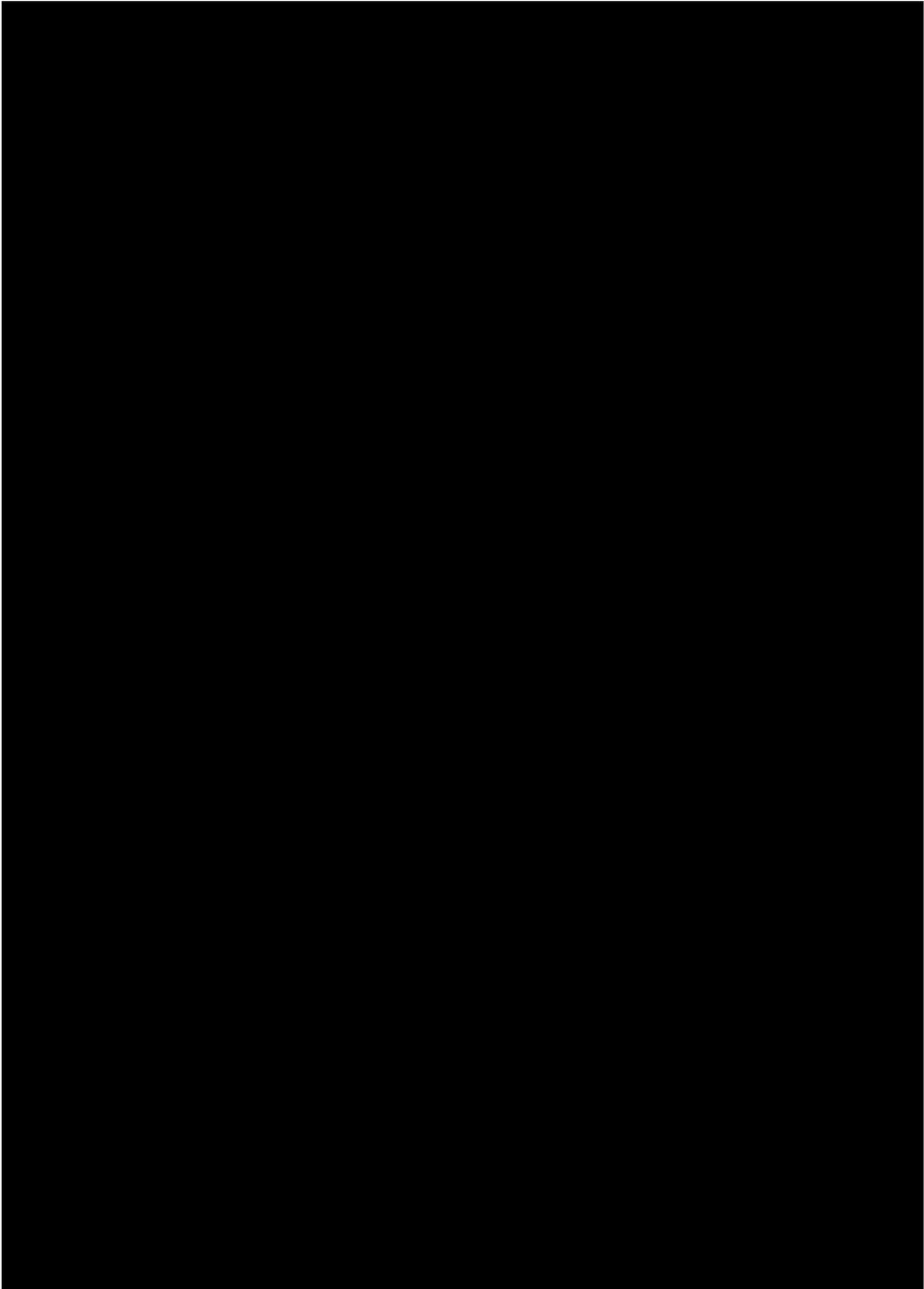


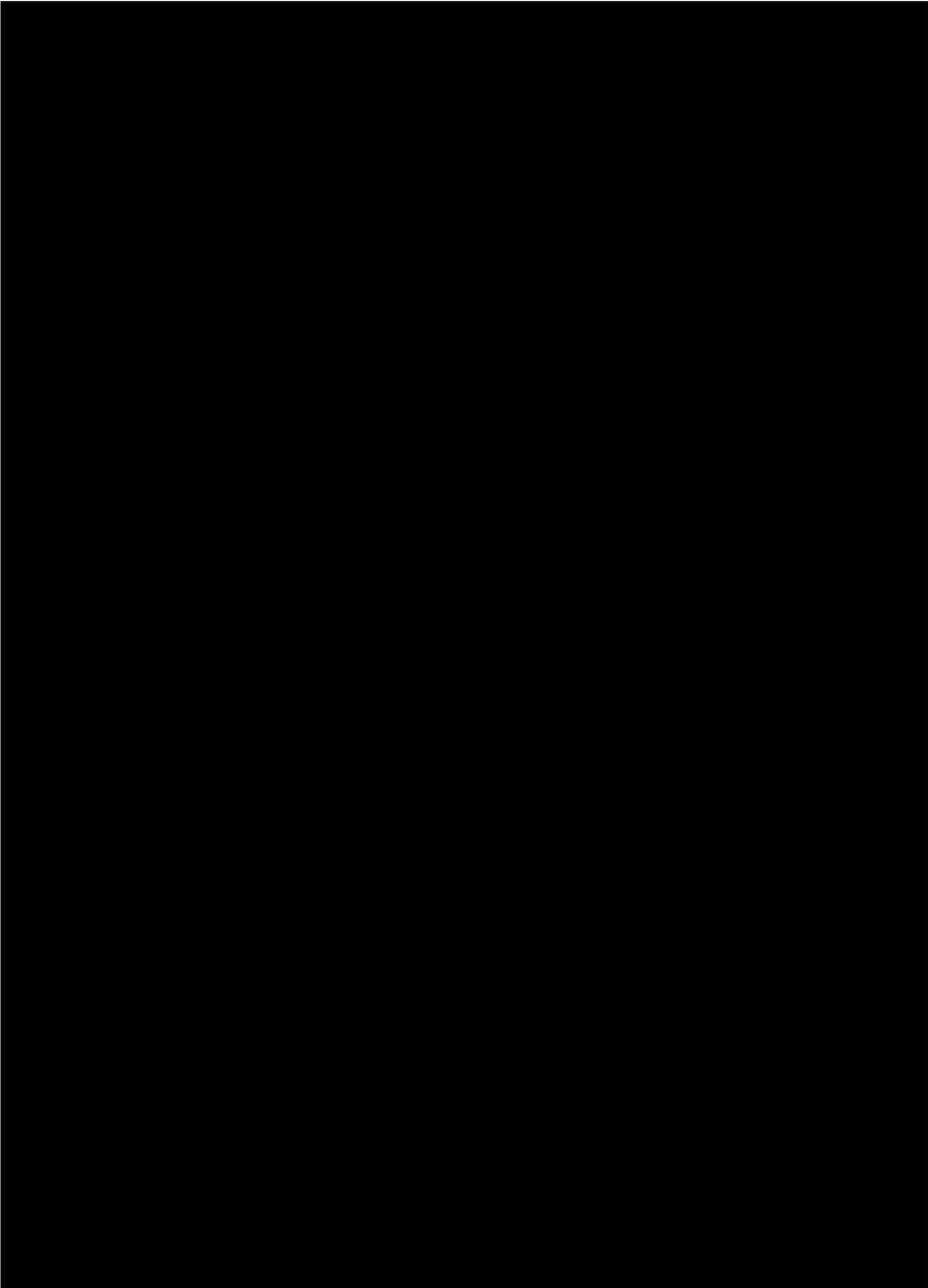


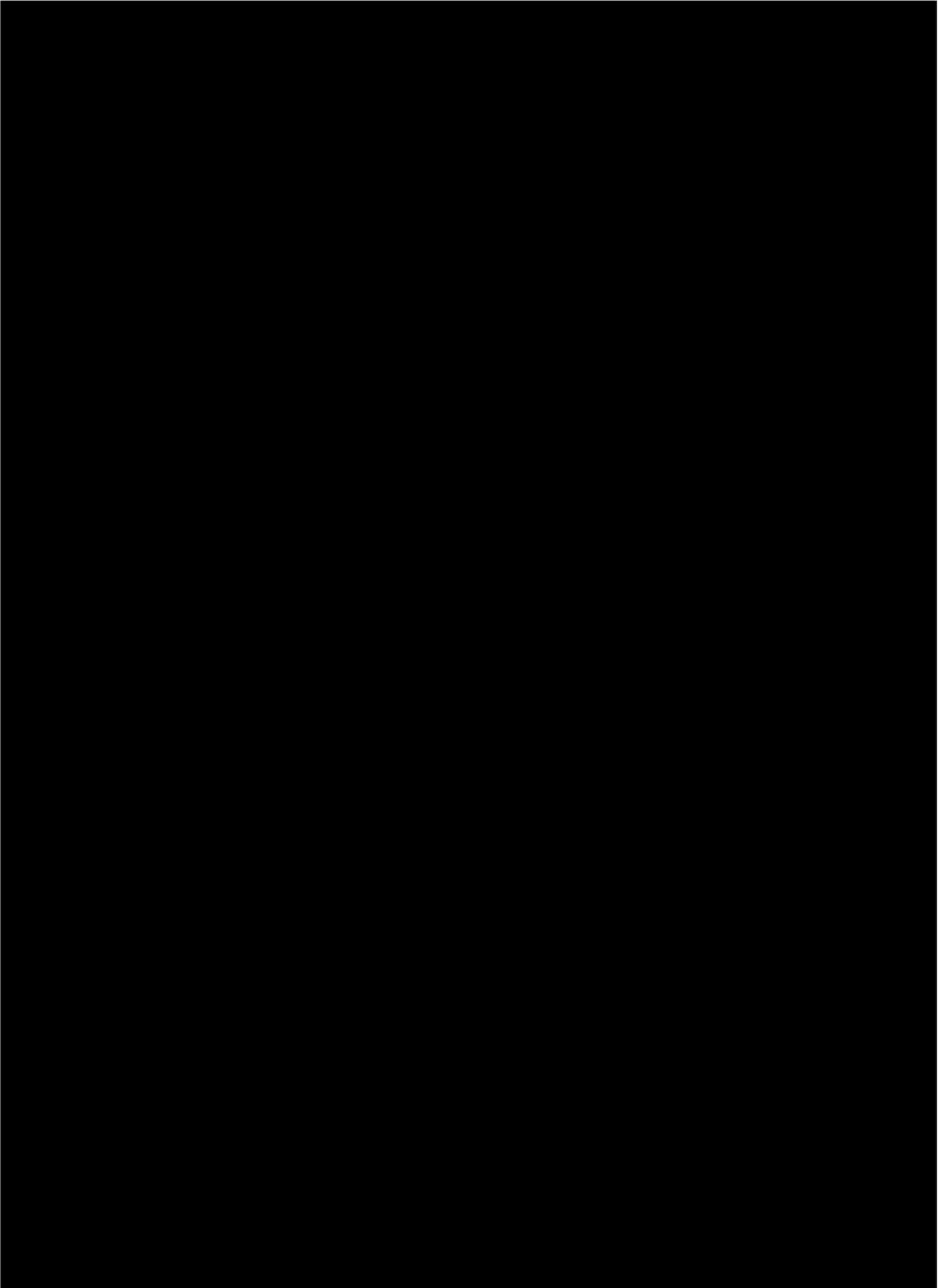












Part 2: Contract Terms



Contract Terms v6.0