

# Digital comparison tools market study

Final report



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The Competition and Markets Authority has excluded from this published version of the market study report information which it considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂].

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*Supporting papers*

Paper A: Consumer views, behaviour and experiences

Paper B: How digital comparison tools treat consumers

Paper C: The application of the law and regulation to DCTs

Paper D: Making comparison easier and more effective

Paper E: Competitive landscape and effectiveness of competition

Glossary

## Overview

1. This is the final report on our market study on comparison sites and apps (digital comparison tools / DCTs).
2. Increasing numbers of people use DCTs. They are mostly a force for good: they make it easier for people to shop around, and improve competition – which is a spur to lower prices, higher quality, innovation and efficiency. People’s experience of them is largely positive.
3. But there is more that can be done to make sure that these benefits are felt as widely as possible. We are taking some steps ourselves, and recommending other action by companies, regulators and government to ensure that this happens.
4. For DCTs to provide these benefits, they need to be reliable and consumers need to be able to trust them. Effective regulation can help achieve this. We are setting out principles which deliver positive outcomes and reflect the existing law – spelling out that DCTs should treat people fairly by being Clear, Accurate, Responsible and Easy to use (CARE). In regulated sectors, such as insurance, telecoms and energy, we recommend regulators work individually and with each other to ensure this happens. The CMA is also doing this – we have been considering consumer protection issues in the hotel booking sector and will be announcing our next steps in the coming weeks.
5. People’s experience of DCTs needs to be easy and useful. We recommend that regulators and government look at ways of freeing up information so that people can get useful comparisons as easily as possible.
6. If DCTs have to compete hard with each other to attract people to their sites, people using them are more likely to feel the benefits of lower prices and better services. We have found that competition is mostly effective, but have concerns over some types of agreements between DCTs and suppliers. We have opened a competition law case to investigate agreements which we suspect are likely to limit competition between DCTs and may result in higher home insurance prices.
7. Our recommendations and actions should help comparison tools play their part in people getting the best prices and making good choices; they should ensure DCTs compete effectively and treat people fairly.

# 1. Summary

- 1.1 DCTs aim to help consumers by bringing together a number of products or services, offering a variety of ways to help them choose between options, and sometimes to make purchases or change providers.<sup>1</sup>
- 1.2 They offer two types of benefit: first, they save time and effort for people by making searching around and comparing easier and more appealing, particularly for household services that are often complicated and not immediately interesting to people. Second, they make suppliers compete harder to provide lower prices and better choices to consumers. Overall DCTs should result in lower prices and better choices, particularly where we know from past work that people often do not shop around – such as in energy and financial services.
- 1.3 DCTs offer these benefits in a variety of ways, from the most basic ‘best buy’ tables, to the traditional ‘Price Comparison Website’ (PCW) and increasingly to more automated services enabled by newer technology. DCTs typically provide their services free of charge to consumers and make money by charging a commission to suppliers.
- 1.4 Realising the benefits for consumers depends on a number of things being in place:
  - Consumers need sufficient trust and confidence to use DCTs in the first place, and enough understanding to choose and use them effectively.
  - DCTs need to be able to offer a relevant and accurate service and a smooth consumer journey, including information both about consumers and their requirements, and about the products being compared.
  - Competition between DCTs needs to be effective, so that people can benefit from the competitive pressure DCTs bring to bear on the suppliers whose services they compare, and suppliers pay competitive prices for the services DCTs offer.
  - Regulation should support all these factors in a proportionate way, if the market does not deliver them on its own.

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<sup>1</sup> We define DCTs as ‘digital intermediary services used by consumers to compare and potentially to switch or purchase products or services from a range of businesses’.

- 1.5 We have looked at the extent to which these conditions hold. We have gathered a wide range of evidence through consumer surveys, information from companies, consumer bodies and others.
- 1.6 We provide our conclusions from this work in this document and the five supporting papers. This is our final report, building on initial findings set out in our Update Paper at the six-month point.<sup>2</sup>
- 1.7 We have focused on particular sectors where DCTs play, or could play a big role: car insurance, home insurance, energy, broadband, flights, and credit cards. Much of our analysis applies more broadly, and through talking to a wide range of suppliers and DCTs we have also touched upon other sectors including mobile phones, travel insurance, mortgages, hotels, foreign exchange transfer, car hire, event tickets and legal services.

### **Significant benefits from DCTs, but still room for improvement**

- 1.8 We have found a mostly positive picture of people's use of and attitudes to DCTs, and the ways DCTs treat people; but also concerns, especially on DCTs' transparency, accessibility and clarity about their use of personal information.
- 1.9 Our research has found that people mainly have positive views and experiences of DCTs. But many have concerns about what DCTs might do with their personal data – and this is an area where DCTs could do more to explain how they protect consumers and give them control.
- 1.10 Although some vulnerable consumers cannot access DCTs, we heard that those who are able to do so can find them helpful. However, some DCTs appear not to be doing all they could or should to make their sites user-friendly for some vulnerable people and some may not be meeting the requirements of relevant equality law.
- 1.11 We have heard concerns that DCTs might result in poorer outcomes for people who are less engaged in markets, for example by helping suppliers offer worse deals to inactive consumers. We recognise the risk that there are situations where consumers who do not use DCTs, or who shop around in other ways, get worse offers than those who do. However, we have seen no evidence that DCTs make it easier for suppliers to discriminate between active and inactive consumers.

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<sup>2</sup> CMA, [Digital comparison tools market study - update paper](#), March 2017.

- 1.12 While most sites we looked at appeared to explain their role and provide useful results, we found some examples where they could be clearer about what they do and a few instances where they appeared to be inaccurate, unclear or possibly misleading.
- 1.13 Where DCTs work well, they can offer a very easy consumer experience and useful comparisons. Among the sectors we studied, this seems to work best in car insurance, where DCTs are well established. It works least well in broadband, where DCTs are not in a position to obtain information that would support better comparisons, such as actual broadband speeds.
- 1.14 We have heard concerns that DCTs have led to the hollowing out of products, that is, a decrease in quality (eg worse insurance cover) because of an undue focus on price. In general, the evidence we have gathered does not suggest harmful hollowing out, but we did find potential issues with the presentation of excesses in insurance. Also, more could be done with quality metrics, both in terms of their content and the ways in which they are presented on DCTs, to support effective comparisons.
- 1.15 DCTs are a good way of increasing competitive pressure on energy, telecoms, financial services and other suppliers; but if competition between DCTs themselves does not work well, people may not feel the benefits. For the most part we have found competition to be effective in our focus sectors; there are a number of DCTs competing hard with each other for people's attention, particularly through advertising. They charge commission to suppliers, but their scale means commissions are lower than many suppliers' own costs of attracting new consumers directly.
- 1.16 However, we have strong concerns about some types of contract between suppliers and DCTs, which prevent suppliers from offering better prices on one DCT than on another (so-called wide price parity/Most Favoured Nation clauses) and can reduce competition between DCTs. As explained below, we are opening an investigation into this. There are several other practices which we are keeping under review (such as non brand-bidding, negative matching and non-resolicitation agreements), because they might either limit competition between DCTs or make it more difficult for DCTs to operate effectively.

### **A range of steps to make DCTs better, by the CMA, companies, government and regulators**

- 1.17 There are opportunities to add to the already considerable benefits that consumers get from DCTs. Our study provides an opportunity to coordinate across sectors between different agencies and government. We are putting



forward a range of recommendations to other bodies, as well as taking various steps ourselves, to achieve this.

- 1.18 We have identified four high-level principles for how DCTs should behave, in order to support consumer trust and informed choice between DCTs and between suppliers. DCTs **should treat people fairly**, by being **Clear**, **Accurate**, **Responsible** and **Easy to use (CARE)**. We set out what these mean in practice in Chapter 5.

<b>DCTs should treat people fairly</b>	
	<b>Explain their services and how they make money</b>
<b>Clear</b>	<ol style="list-style-type: none"> <li>1. Prominently provide a general explanation of how they make money.</li> <li>2. Clearly explain how much of the market they cover.</li> <li>3. Explain any ownership links with the suppliers they show.</li> <li>4. Clearly explain how they have ranked the results presented.</li> <li>5. Clearly state when and how commercial relationships have affected the results presented.</li> <li>6. Make the total costs, including any compulsory charges, clear to consumers.</li> <li>7. Clearly explain promotional offers.</li> <li>8. Ensure all advertising is clearly identifiable.</li> </ol>
	<b>Provide information that is complete, correct, relevant, up-to-date and not misleading</b>
<b>Accurate</b>	<ol style="list-style-type: none"> <li>1. Include in each result all the information consumers need, including price and main characteristics.</li> <li>2. Ensure information is correct, up-to-date and not misleading.</li> <li>3. Address inaccuracies promptly.</li> <li>4. Ensure results presented are relevant to the search criteria.</li> <li>5. Clearly set out assumptions made in generating the results presented.</li> <li>6. Explain limitations in the availability of the results presented.</li> </ol>
	<b>Protect people's details and be easy to deal with</b>
<b>Responsible</b>	<ol style="list-style-type: none"> <li>1. Comply with all obligations under data protection and privacy law.</li> <li>2. Explain their collection and use of consumers' data and what controls consumers can exercise.</li> <li>3. When showing reviews, have processes in place to ensure users see the full picture and be clear about how reviews are collected and checked.</li> <li>4. Deal with complaints professionally and fairly; and provide clear information about how to complain.</li> </ol>
	<b>Make information easy to find and understand</b>
<b>Easy to use</b>	<ol style="list-style-type: none"> <li>1. Present all key information in a clear, prominent and timely way.</li> <li>2. Provide contact details, including postal and e-mail addresses.</li> <li>3. Comply with all obligations under relevant equality law.</li> </ol>

- 1.19 These principles apply to all DCTs operating in any sector and reflect existing general law. In regulated sectors, we recommend that regulators have regard to the principles when assessing compliance with the general law by DCTs in

their sectors. In non-regulated sectors, other enforcers, the CMA included, should do the same.

- 1.20 We also recommend that where regulators operate voluntary accreditation schemes for DCTs, they consider updating them to remove the most potentially distorting rules – particularly on market coverage requirements – and move to a higher level of principle, to make them more applicable to likely future developments in DCTs.
- 1.21 We see significant opportunities to make more data available, to make it easier for people to make effective comparisons, and also to support people in using more than one DCT. These opportunities are greatest in sectors where DCTs are less well developed, such as telecoms, but opportunities exist even in more developed DCT sectors such as insurance. We have a number of recommendations for regulators and government in this area – see the boxes below.
- 1.22 Where we have concerns, we are taking action to enforce the law, and stop behaviour that we suspect is likely to cause harm to people using DCTs, either directly or by damaging competition. We will approach future complaints in the sector in a similar way, prioritising our work to reflect the importance of the sector and of ensuring effective competition and consumer trust.
- 1.23 We have opened a competition law investigation in relation to one DCT’s contracts with home insurers, which limit insurers’ ability to charge a lower price on one platform than on another (‘wide price parity’ / ‘most favoured nation’ (MFN) clauses).
- 1.24 We have an ongoing programme of consumer enforcement work in digital markets, including DCTs. In particular, we are continuing to work with intermediaries in the car hire sector to improve the information they display and, having been considering consumer protection issues in the hotel booking sector, we will be announcing our next steps in the coming weeks.
- 1.25 How offers are presented to consumers is determined to varying extents by the decisions of both DCT operators and product suppliers. We have identified a number of areas where these businesses may need to take action to produce better outcomes for people using DCTs.

#### **Companies: suppliers and DCT businesses**

1. All DCTs should follow the **CARE** principles to treat people fairly by being **Clear**, **Accurate**, **Responsible** and **Easy to use**, in order to help them to comply with the law and to support consumer trust – including by:

- (a) making clear to consumers how they protect their personal information and how consumers can control its use; and
  - (b) taking steps to ensure their websites and apps comply with their obligations under relevant equality law.
2. We recommend DCTs and relevant consumer and charitable organisations work more closely on how to address vulnerable consumers' needs – including providing links to sources of additional help and support.
3. We recommend DCTs work with sector regulators and suppliers to improve the effectiveness of quality metrics in order to mitigate against the risk of hollowing-out (a reduction of product quality as a result of undue focus on price).
4. We will keep MFNs, non brand-bidding, negative matching and non-resolicitation agreements under review. Companies operating DCTs or supplying services via DCTs should review their contracts in light of our comments on these agreements.
5. We have opened a competition law investigation in relation to one DCT's contracts with home insurers, which contain clauses that limit insurers' ability to charge a lower price on one platform than on another (so-called 'wide price parity / MFN' clauses).
6. We have an ongoing programme of consumer enforcement work in digital markets, of which our work on DCTs and our CARE principles form an important part. In particular, we are continuing to work with intermediaries in the car hire sector to improve the information they display and, having been considering consumer protection issues in the hotel booking sector, we will be announcing our next steps in the coming weeks.

1.26 We have outlined the importance of both general law and sector-specific regulation. Several government departments have responsibility for sponsorship of regulators as well as legislative programmes affecting specific sectors. We have identified a number of issues which may require action by government, in the form of legislation or otherwise.

## **Government**

1. BEIS: We reiterate our previous recommendation to government that it introduce civil fining powers for breaches of consumer protection law.
2. BEIS and DCMS: We recommend that the government look to bring intermediaries like DCTs into regulators' scope in energy and telecoms.

3. DCMS: We recommend the government consider how to maximise the opportunities presented by the General Data Protection Regulation (GDPR) to use data portability to support competition between intermediaries such as DCTs.

1.27 Across the UK economy each sector regulator has its own powers and responsibilities in relation to how DCTs work in its sector. We have identified a number of approaches that would help DCTs to work better for consumers (see Chapter 5 for more details).

## **Regulators**

### **All regulators**

- We recommend all regulators have regard to the CARE principles when assessing compliance with the law by all DCTs in their sectors, including apps and collective switchers as well as PCWs.
- We recommend sector regulators continue to work together to ensure that they take a consistent approach to DCTs where appropriate, for example through the UK Regulators Network.
- We recommend sector regulators consider ways to free up more data and make it easier for consumers to use DCTs, in order to support more consumer engagement and better informed choice.
- We recommend sector regulators look to work with DCTs and suppliers to improve the effectiveness of quality metrics in order to mitigate against the risk of hollowing-out (a reduction of product quality as a result of an undue focus on price).

### **FCA**

- We recommend all regulators, but the FCA in particular given the amount of information required from consumers to generate a quote, consider whether and how it would be possible to make it easier for people to get quotes from multiple DCTs, in order to support effective DCT competition.
- We recommend that the FCA consider ways to build on its existing work to facilitate accurate like-for-like comparison that incorporates non-price factors.
- We recommend the FCA consider the issue of how insurance providers and DCTs capture consumer preferences on excesses, how this is used in generating a quotation and how it is subsequently presented; and how this may affect consumers' choice of insurance products.
- We look forward to working with the FCA as the regulator with concurrent competition powers in financial services, as we pursue our enforcement case in relation to price parity / MFN clauses in home insurance.

## **Ofgem**

- Pending any legislative change, we recommend that regulators consider a number of improvements to the voluntary schemes in energy and telecoms – particularly removing the most distorting requirements such as on coverage – and in general paring back the more prescriptive requirements.
- We recommend Ofgem consider how it could make comparison more accurate and easier by supporting better access to consumer usage and tariff data, building on its existing work.

## **Ofcom**

- We strongly support Ofcom's existing initiative to make more data available for use by third parties like DCTs, including using its Digital Economy Act powers.
- Pending any legislative change, we recommend that regulators consider a number of improvements to the voluntary schemes in energy and telecoms – particularly removing the most distorting requirements such as on coverage – and in general paring back the more prescriptive requirements.
- We recommend Ofcom consider how else it might support the further development of DCTs in telecoms as a way of enabling better competition and consumer choice.

## **ICO**

- Once data protection and electronic privacy reforms are in place, we recommend that the ICO review the practices of DCTs in relation to data protection.

1.28 Most of the steps we are taking as a result of this study are for us, regulators or government. However, there are things people using, or considering using, DCTs can do to get the most out of them.

## **People thinking of using comparison sites and apps**

1. Comparison sites can save you time and money.
2. Choose carefully between comparison sites, like you would any retailer.
3. Not all sites are the same, so try more than one if you can.
4. Check how the site has ordered results.

1.29 During our study we have engaged with a range of charities and consumer bodies which seek to support consumers and particular groups of vulnerable people. There are opportunities for these bodies to help make people aware of how to get the most out of DCTs.

### **Charities and consumer bodies**

1. We ask that regulators, relevant charities and consumer bodies help spread our messages on how people should use DCTs.
2. We recommend DCTs and relevant consumer and charitable organisations work more closely on how to address vulnerable consumers' needs – including providing links to sources of additional help and support.

### **What happens next**

- 1.30 Our study comes to a close at this point, but we are talking to DCTs, regulators, government and other bodies to ensure our conclusions are understood and taken on board.

## 2. Our study

- 2.1 Digital Comparison Tools (DCTs, such as price comparison websites (PCWs)), have played an increasingly important role over the past 15 years, in sectors ranging from financial services to utilities and travel.<sup>3</sup>
- 2.2 Our consumer survey found that 85% of UK consumers with access to the internet have used a DCT at least once before<sup>4</sup> and we estimate that in 2015, consumers made 11 million transactions through the largest DCTs in four sectors alone.<sup>5</sup> Use of DCTs is on the increase – for instance, the largest DCTs for home insurance collectively saw growth of 12% in visits and 44% in sales in the three years to October 2016.<sup>6</sup>
- 2.3 Our past work has found that DCTs can increase competition and offer significant benefits to consumers – allowing them to make better, more informed choices. Our market investigations into energy<sup>7</sup> and banking<sup>8</sup> also highlighted how DCTs could be a way of increasing competition, where low levels of engagement and switching have meant that consumers have not reaped the benefits of cheaper and/or better services.<sup>9</sup>
- 2.4 However, a range of concerns have also been expressed about DCTs – including issues with consumer perceptions and trust in them, their coverage and the ways they display and compare deals, as well as how they compete and how they affect competition between suppliers.
- 2.5 In September 2016, the UK Regulators Network (UKRN) published a report on the regulatory framework for PCWs in financial services, telecoms and energy sectors,<sup>10</sup> alongside an open letter<sup>11</sup> which recommended the CMA explore: the possible application of cross-sector principles for DCTs; whether ‘hollowing out’ is taking place (a reduction in product quality as a result of an undue focus on price); competition issues; access to data; and future developments.

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<sup>3</sup> A supporting Glossary is [available on our case page](#).

<sup>4</sup> Page 37 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>5</sup> Sales completed in the broadband, credit cards, home and motor insurance sectors via Confused, GoCompare, Moneysupermarket, Comparethemarket, uSwitch, Broadbandchoices and Simplifydigital.

<sup>6</sup> The sum of visits and of sales for Confused, GoCompare, Moneysupermarket and Comparethemarket over the period November 2013 to October 2016 inclusive.

<sup>7</sup> CMA, *Energy market investigation Final Report*, June 2016.

<sup>8</sup> CMA, *Retail banking market investigation: Final report*, August 2016.

<sup>9</sup> Further information on relevant work we and our predecessor bodies have undertaken is available in the [Appendices to our Update Paper](#).

<sup>10</sup> UKRN, *Price Comparison Websites: Final Report*, September 2016.

<sup>11</sup> UKRN, *Open Letter to the CMA*, September 2016.

- 2.6 We launched our market study on 29 September 2016 to identify ways to maximise the benefits of DCTs for consumers, while ensuring that consumers were suitably protected and that DCTs competed effectively with each other, increased consumer engagement and enabled effective competition between suppliers.<sup>12</sup> Our aims were to:
- (a) produce an authoritative assessment of the role of DCTs for use by all policymakers and other stakeholders – the benefits that they offer and the merits and extent of concerns that have been raised about them;
  - (b) identify how to maximise the benefits that DCTs can deliver – for example by ensuring that consumers have sufficient and well-placed trust in them, or ensuring that regulation is proportionate and well-designed; and
  - (c) reduce barriers to the effective functioning of DCTs, such as consumer distrust, or DCTs’ access to the data they need to offer a compelling service.
- 2.7 In March 2017, we published an Update Paper setting out our progress and emerging findings.<sup>13</sup> At that stage, we also decided not to make a reference for a more in-depth market investigation because the further actions we had identified in the Update Paper could be pursued through the powers we and others have, without such an investigation.<sup>14</sup>

## Our scope

- 2.8 By DCTs, we mean digital intermediary services used by consumers to compare and potentially to switch or purchase products or services from a range of businesses.
- 2.9 DCTs act as intermediaries between consumers and suppliers, presenting a range of products or services for consumers to choose from, through a variety of platforms.<sup>15</sup> They may also offer to complete the transaction or switch for the consumer by integrating with a supplier’s systems or by issuing the relevant instructions to the new and/or existing supplier, or alternatively may redirect the consumer to the supplier to complete the transaction.

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<sup>12</sup> Market studies are conducted under the CMA’s general function as set out in section 5 of the Enterprise Act 2002. For more information on market studies see: [Market Studies Guidance on the OFT Approach](#) (OFT519) and [Market Studies and Market Investigations: Supplemental Guidance on the CMA’s Approach](#) (CMA3).

<sup>13</sup> CMA, [Digital comparison tools market study - update paper](#), March 2017.

<sup>14</sup> CMA, [Notice of decision not to make a market investigation reference](#), March 2017.

<sup>15</sup> Metasearch engines (MSEs) can also act as an intermediary between consumers and other DCTs such as online travel agents (OTAs).

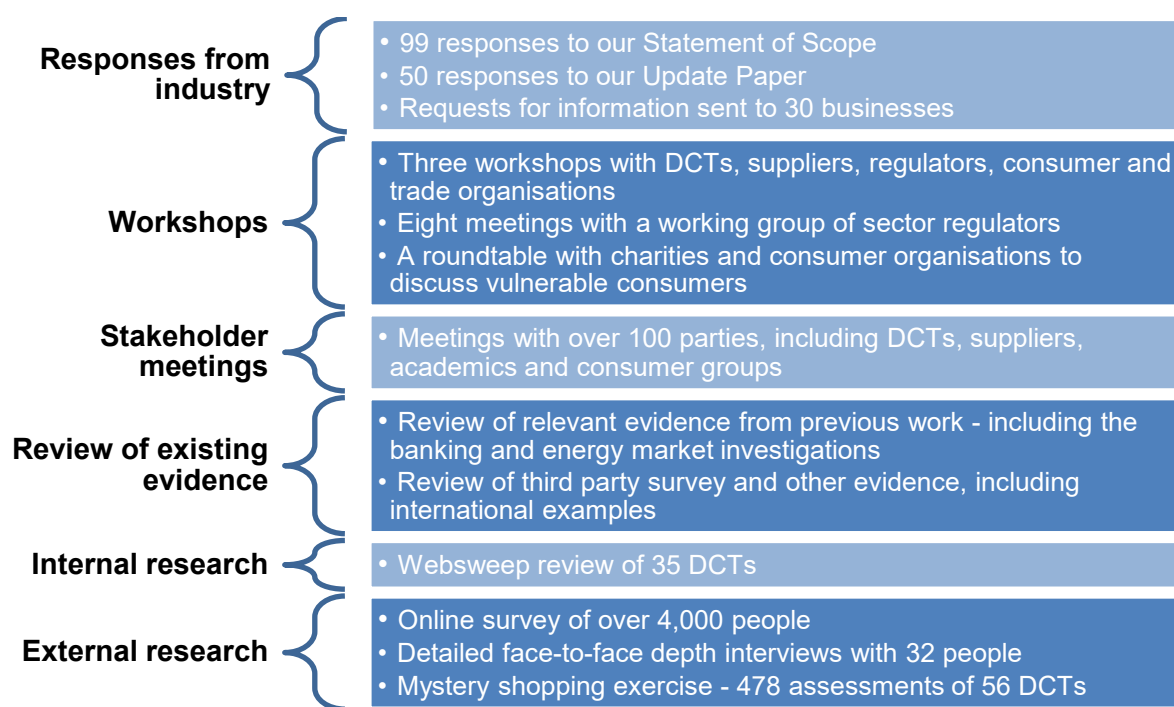


- 2.10 DCTs operate in many sectors. To keep our scope manageable, we have focused on where DCTs may have most impact on consumer engagement and thus where we can add most value. To do this we selected sectors where consumers can experience high search costs, but could make significant gains from engaging or switching, ie utilities, financial services and travel.<sup>16</sup>
- 2.11 Within these broad industries, we focused on the following four case study sectors in gathering evidence: home insurance, broadband, credit cards and flights. We have also taken account of other relevant work,<sup>17</sup> including on energy, private motor insurance,<sup>18</sup> personal current accounts, home credit, hotel online booking, extended warranties, legal services and the use of consumer data.<sup>19</sup>

## Overview of our methods and evidence sources

2.12 Figure 2.1 provides an overview of the evidence we have gathered.

**Figure 2.1: Overview of our methods and evidence sources**



<sup>16</sup> Our Statement of Scope explains our reasoning in more depth: CMA, [Market study of digital comparison tools – statement of scope](#), September 2016. We focused on DCTs intended for UK household consumers. Our scope excluded DCTs providing services to businesses, as well as sharing economy sites, review/feedback-driven sites, and offline comparison services.

<sup>17</sup> Further information on relevant work we and our predecessor bodies have undertaken is available in the [Appendices to our Update Paper](#).

<sup>18</sup> We have particularly drawn on evidence from our investigations into energy and private motor insurance. Where we include these alongside our four case studies we refer to these six sectors as our ‘focus sectors’.

<sup>19</sup> We explained in our [Statement of Scope](#) (paragraph 5.16) that we were excluding shopping comparison from the scope of this study, in part because of the European Commission’s antitrust investigation into Google’s comparison shopping service. Since we published our Update Paper, the European Commission [announced in June 2017 that it is imposing a fine of €2.42 billion against Google](#) in its shopping price comparison case.

## **This report**

2.13 This is our final report setting out our findings and recommendations from our market study. The rest of the report has the following structure:

- Chapter 3 explains what DCTs do and who uses them;
- Chapter 4 is our assessment of DCTs and conclusions, including where action is needed; and
- Chapter 5 sets out our recommendations and actions addressing the issues we identify.

2.14 Our report is also accompanied by five supporting papers covering:

- Paper A: Consumer views, behaviour and experiences.
- Paper B: How digital comparison tools treat consumers.
- Paper C: The application of the law and regulation to DCTs.
- Paper D: Making comparison easier and more effective.
- Paper E: Competitive landscape and effectiveness of competition.

### **3. What DCTs do and who uses them**

3.1 In this chapter we explain how DCTs work, who uses them and how they fit into the sectors where they operate (for more information, please see the supporting papers indicated):

- (a) How DCTs work (supporting paper D).
- (b) Number and importance of DCTs by sector (supporting paper E).
- (c) Who uses DCTs and why (supporting paper A).
- (d) The inputs DCTs need (supporting paper D).
- (e) Developments in comparison tools (supporting paper D).
- (f) How DCTs are regulated (supporting paper C).

#### **(a) How DCTs work**

3.2 DCTs help consumers compare products and services by presenting a list of relevant offers from a panel of suppliers. The way they deliver comparison services can vary enormously between individual DCTs and across sectors (and indeed between comparisons for different products on the same DCT). This variety has increased over time, particularly as new and innovative approaches have developed. Figure 3.1 on the next page captures some of this variation, highlighting some significant recent and ongoing developments. We highlight some key developments in paragraphs 3.28 to 3.31.

3.3 Some of the differences between DCTs are readily apparent to users – such as the graphical interface, or indeed the lack of one in the case of smart speakers and voice search. Users of DCTs will find DCTs offer a range of different approaches – from static lists of best buys to dynamically generated price comparison websites offering tailored quotes (as is the predominant approach in insurance and energy).<sup>20</sup> New approaches are emerging – for example matching services that undertake frequent or periodic analysis of complex usage patterns<sup>21</sup> or product specification,<sup>22</sup> while reverse auction platforms facilitate suppliers directly bidding against each other to provide a service at the lowest price. Meanwhile more established alternatives like collective switching schemes seek to harness consumers acting together to negotiate better deals.

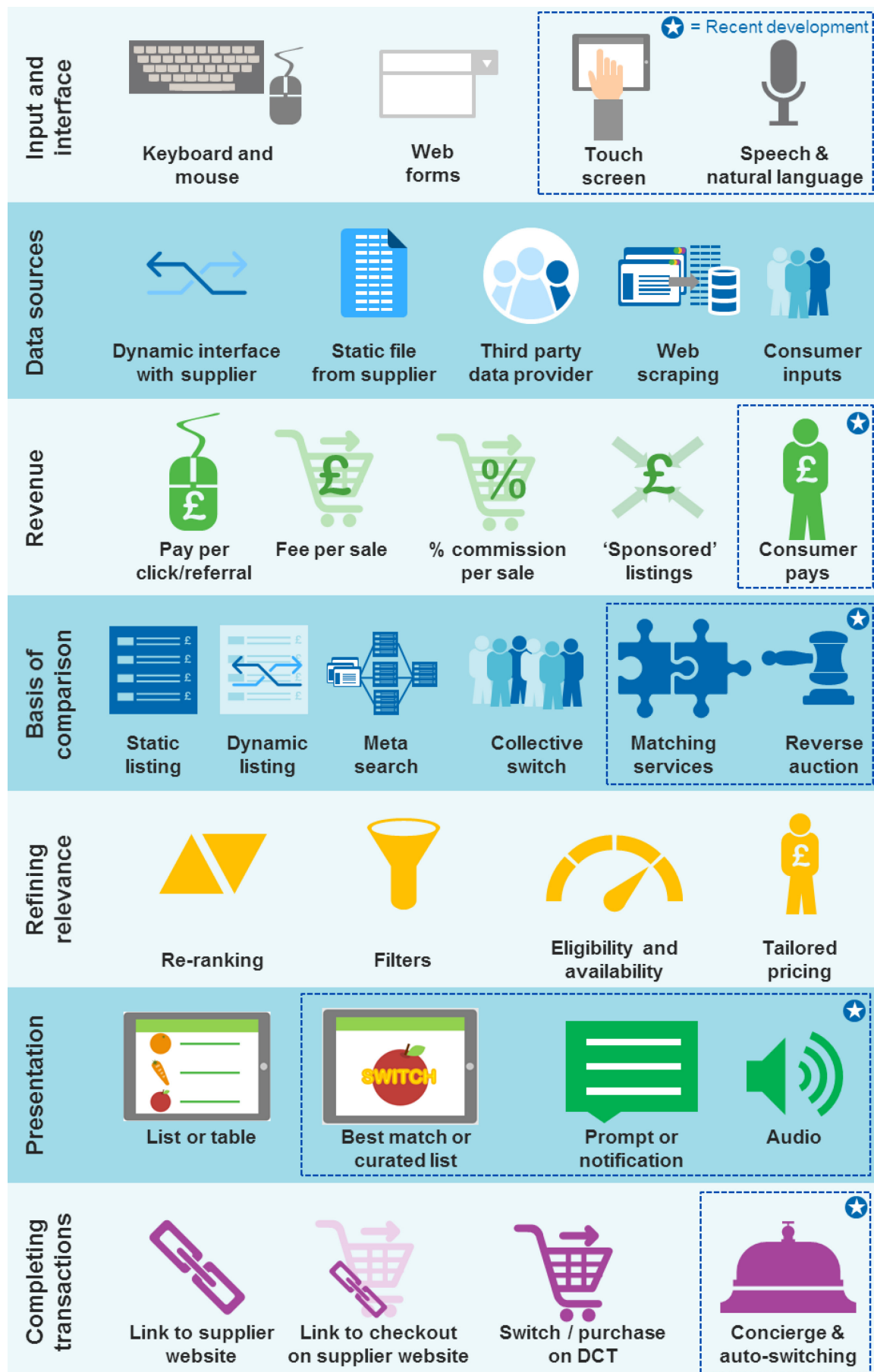
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<sup>20</sup> In insurance the quotation requires a live link with insurers' systems, whereas in energy the DCT presents a quotation based on a user entering their energy use.

<sup>21</sup> As in mobile telephones.

<sup>22</sup> In insurance this includes identifying policies which offer like-for-like cover or stripping out duplicate cover where provided by other products – such as travel insurance provided with bank accounts.

Figure 3.1: Variation across comparison services with significant developments highlighted



- 3.4 Other differences might be less apparent – for example the difference between online travel agents (OTAs), which aggregate hotel and flight offers, and metasearch engines (which aggregate OTAs and suppliers).
- 3.5 Behind the scenes, consumers have little insight into how DCTs get information from suppliers – such as whether the listings are driven by a dynamic feed, or a periodically updated data file. Likewise, while consumers might find themselves using a DCT with a familiar brand, for certain products and services, even the largest DCT operators rely on third parties such as white-label providers to provide comparison services.

## **(b) Number and importance of DCTs by sector**

- 3.6 Listing on DCTs is just one of the possible ways in which suppliers can sell to customers. Alternatives include using other third parties or selling directly to consumers.<sup>23</sup>
- 3.7 The significance of DCTs as a sales channel varies by sector. This means that in some sectors consumers have been benefiting more from using DCTs than in others; and these differences also affect how much suppliers depend on DCTs. In our focus sectors, DCTs are more important (in terms of sales volumes) in motor insurance followed by home insurance, and less important in credit cards and broadband to acquire new business (Figure 3.2).<sup>24</sup> In broadband about 10% of sales are via DCTs compared with about 55% for motor insurance, although data from an industry expert indicates an even higher proportion for motor insurance.<sup>25</sup>

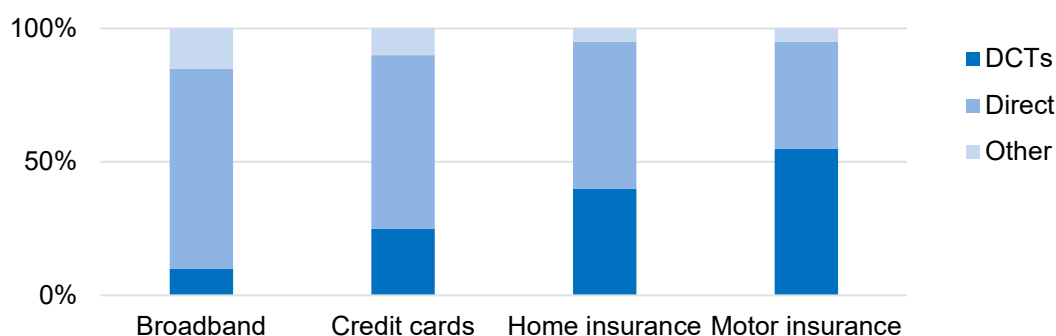
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<sup>23</sup> This could be online, phone, retail, etc.

<sup>24</sup> We did not have comparable data for flights and energy.

<sup>25</sup> Data from the industry expert also indicates a higher proportion of DCT sales in home insurance than the data from our sample of suppliers.

**Figure 3.2: The significance of DCTs as a sales channel in terms of sales volumes in 2013-2015**



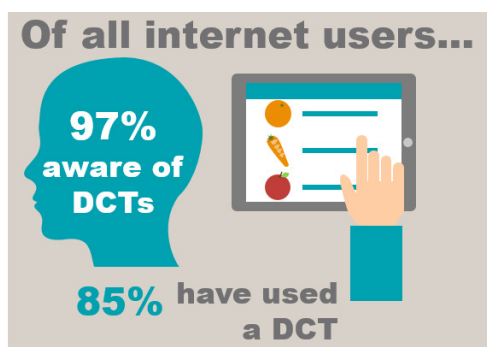
Source: CMA analysis of data received from suppliers and information from the Private Motor Insurance (PMI) report. Note: CMA analysis for broadband, credit cards and home insurance is based on a simple average of supplier acquisition channels for new business (four suppliers in broadband, six suppliers in credit cards and nine suppliers in home insurance). Each channel is rounded to the nearest 5%. Suppliers provided the proportion of new customers acquired by different channels. The data has not been weighted by volume or revenue and relates to a small number of large suppliers which list on DCTs. The analysis for motor insurance comes from the PMI market investigation.

3.8 In all our focus sectors there are a number of DCTs competing. Some of them specialise in only a few sectors (eg travel or telecommunication services) while others have a wide product portfolio. In each of the sectors we analysed in more detail,<sup>26</sup> the four or five largest DCTs account for nearly all DCT sales with one DCT<sup>27</sup> having a 40 to 60% share of DCT sales.<sup>28</sup>

### (c) Who uses DCTs and why

3.9 Most consumers have used a DCT – mainly to save money. But the extent to which people use them varies by sector and some types of consumer are heavier users than others.

**Figure 3.3 Proportion of people that know of and have used DCTs**



Source: Kantar Public Survey.<sup>29</sup>

<sup>26</sup> Energy, broadband, credit cards, motor insurance and home insurance.

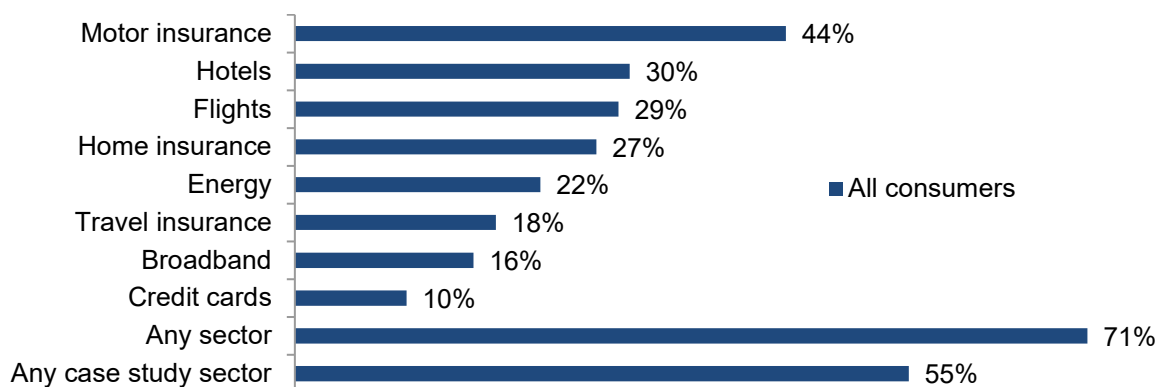
<sup>27</sup> The identity of this DCT varied by sector.

<sup>28</sup> For credit cards, we had data on share of click throughs instead of share of sales.

<sup>29</sup> Page 37 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017. This research involved an online survey of over 4,000 consumers and 32 face-to-face interviews with an observational exercise.

- 3.10 Consumers shop around more for some products than others: we found they did so more for insurance and travel than broadband or credit cards.<sup>30</sup> Those who had not shopped around said this was mainly because suppliers offered them what they wanted, or from a feeling of loyalty or having an existing relationship with a provider. Other reasons included it taking too much time and effort to shop around (particularly for sectors such as insurance and energy) or, in the case of broadband, worries about switching.<sup>31</sup>
- 3.11 Overall, where people did shop around, many used DCTs. Nearly all (97%) of internet users were aware of such tools and a large majority (85%) had used one at least once before, with 71% doing so in one of eight sectors in the last year.<sup>32</sup>
- 3.12 Consumers mainly visited DCTs to save money, compare lots of providers, save time and get a better idea about prices.<sup>33</sup> In interviews, users told us they were looking for a good or better deal, or wanted to confirm they already had a good deal. DCTs saved them the time and effort of contacting suppliers, and helped them to explore packages such as broadband ‘bundles’.<sup>34</sup>
- 3.13 Levels of usage varied by sector, in a pattern similar to that for shopping around generally – ie higher usage in insurance and travel than broadband or credit cards (see Figure 3.4).<sup>35</sup>

**Figure 3.4: Use of comparison sites in last 12 months among all internet users, by sector**



Source: Kantar Public survey. G8. And as far as you remember, when was the last time you visited a comparison site as part of shopping around for the following products or services? Please select all that apply?

Base: All consumers (4,083). Since the survey covered internet users only, ‘all consumers’ is used as a short-hand term for ‘all internet users’ here and in other charts in this chapter.

<sup>30</sup> Page 14 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>31</sup> Page 17 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>32</sup> Page 37 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>33</sup> Page 88 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>34</sup> Page 94 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>35</sup> Page 41 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

- 3.14 Overall, 41% of recent users had made a purchase through a DCT – although again this varied across sectors, being highest in hotels and home insurance and lowest in broadband.<sup>36</sup> A substantial proportion (44%) of recent users who purchased outside of comparison sites had used the results from the DCT to negotiate a better deal directly with an existing or new provider.<sup>37</sup>
- 3.15 DCTs are only one tool consumers use to shop around – the main alternative is to visit sites of individual suppliers. Other options include advice from family and friends, as well as customer review sites (eg Trustpilot).<sup>38</sup> However, three quarters of DCT users said DCTs were either their main or only source of information the last time they shopped around, and nearly a third relied solely on DCTs.<sup>39</sup>
- 3.16 People aged 25-34 were most likely to have used a DCT, with just 7% of this group never having done so.<sup>40</sup> Those with higher incomes, university degrees, and not considering themselves to be financially struggling were particularly likely to be heavy users.<sup>41</sup>
- 3.17 Conversely, younger and older consumers, those on low incomes, those who were unemployed, as well as those with lower qualifications, were least likely to use DCTs.<sup>42</sup> But non-users are not necessarily inactive or less savvy consumers; our survey indicated that they were more likely to visit supplier sites than DCT users.<sup>43</sup>
- 3.18 We also looked at how many DCTs consumers use when shopping around. Our analysis found mixed evidence of multi-homing (ie using multiple DCTs).<sup>44</sup> Consumers in our survey reported a high degree of multi-homing in terms of visiting multiple DCTs when shopping around<sup>45</sup> (64% on average),<sup>46</sup> but analysis of data from DCTs and insurers indicates that in motor and home

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<sup>36</sup> Page 147 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>37</sup> Page 157 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>38</sup> Page 21 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>39</sup> Page 30 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>40</sup> Page 49 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>41</sup> Page 47 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>42</sup> Source: *Kantar Public survey data tabulations*.

<sup>43</sup> Page 21 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>44</sup> We used our consumer research and home and motor insurance data from DCTs and a small number of suppliers.

<sup>45</sup> Our survey asked how many sites respondents visited when they shopped around. Respondents could have interpreted this question in different ways, including visiting multiple sites without asking for quotes on each site.

<sup>46</sup> Page 106 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017. In the qualitative interviews some suggested they used one site as their main information source and looked at one or two others as a quick check - page 118 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017. Our survey also shows that 43% of those who used only one DCT used another sales channel (eg suppliers' own websites) as additional source of information – see Figure A.6. in Paper A.



insurance a much smaller proportion of consumers go as far as obtaining quotes on more than one DCT (30% and 11% respectively).<sup>47</sup>

- 3.19 Our survey shows that there is a fairly high level of brand awareness and some degree of loyalty in relation to DCTs, and this influences consumers' choice of the DCTs they use. Most consumers (58%) say they went straight to a site they knew<sup>48</sup> and just under half (48%) say that they were influenced by previous experience/having used the site(s).<sup>49</sup> In addition, 44% always use the same site(s),<sup>50</sup> and our qualitative interviews also suggest that some users were loyal to one or two DCTs and reluctant to learn how to use new sites or had set up user accounts. Some of those interviewed were unaware there was a range of sites to choose from in a sector, and many saw little difference between DCTs in terms of offers and savings.<sup>51</sup>

#### **(d) The inputs DCTs need**

- 3.20 DCTs need access to what we describe as 'inputs' – which broadly refers to data and the technology needed to deliver comparisons.<sup>52</sup> Related, but separately there will be a range of other conditions that need to be in place – not least the willingness of consumers to use the DCT and suppliers to be listed.
- 3.21 We set out the landscape of inputs and examples of the different types of data and technology below in Figure 3.5 below. As DCTs have developed functionality the range and quality of inputs needed has increased. These inputs may need to be provided by consumers, suppliers or third parties and this may vary by sector.<sup>53</sup>

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<sup>47</sup> Our DCT data analysis is likely to underestimate the actual level of multi-homing because of the limitations of the data (a limited time period and lack of data on direct channels). However, the data we received from suppliers, which captures the entire consumer journey (including the direct channel), is more consistent with our DCT data analysis than with the consumer survey results.

<sup>48</sup> Page 100 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>49</sup> Page 103 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

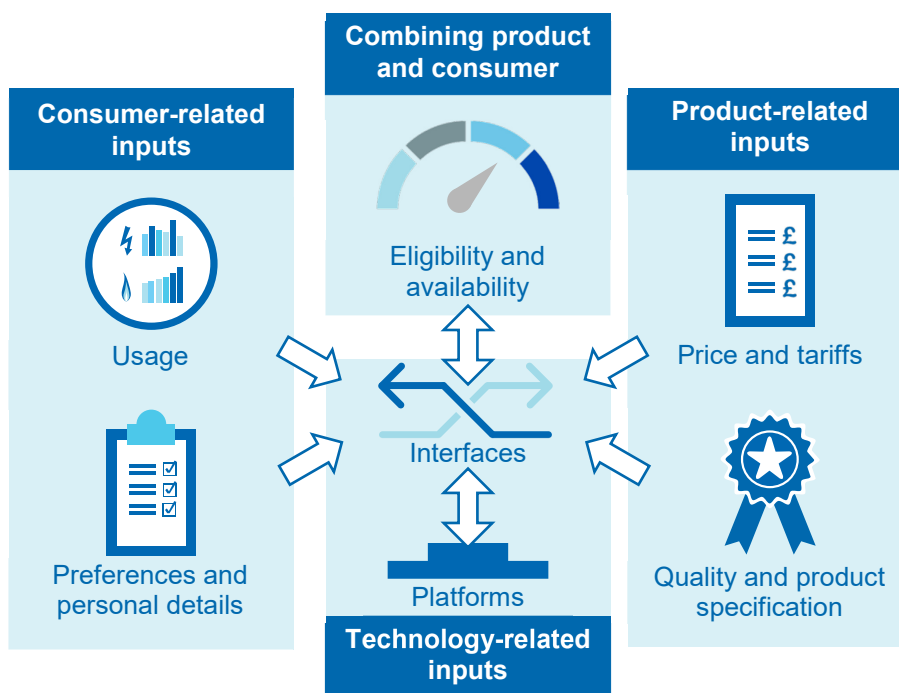
<sup>50</sup> Page 104 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>51</sup> Page 116 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>52</sup> Specifically, those inputs over and above those needed by any online business.

<sup>53</sup> For example, in general insurance DCTs tend to purchase quality and product information from third parties, while in other sectors product information is provided by suppliers either directly or indirectly through affiliate networks. An affiliate network provider is a firm which suppliers engage to help them acquire new customers through online channels. The provider signs up and pays commission fees to its affiliate marketing partners (including DCTs) and uses cookies to track potential customers' online research and purchasing journeys.

Figure 3.5: DCTs need a range of inputs that can come from different sources



Source: CMA analysis.

3.22 The importance of different inputs varies by product and sector and the service that a DCT provides. For example, insurance DCTs that provide tailored quotes need to capture a range of consumer information, send it to their panel of insurers and then return quotes. Based on our discussion with DCT operators and stakeholders our assessment of the relative importance of these inputs for current DCTs to operate is set out by sector in Table 3.1.<sup>54</sup>

Table 3.1: Importance of different types of input by sector

Sector	Consumer inputs		Product inputs		Eligibility and availability
	Usage/current provision	Personal details and preferences	Quality and product specification	Price and tariffs	
Broadband	○	○	●/◇	●	●/◇
Credit cards	●	●	○	●	●/◇
Energy	●	○	○	●	○
Flights	N/A	○	○	●	●
General insurance	●/◇	●	●	●	●

●= Important ○= secondary importance ◇= not consistently available/accessible.

Notes: Relative importance of inputs may vary depending on the service provided by the DCT and individual consumer preference and circumstances. For example, broadband availability will be a consideration for those uncertain of availability of superfast broadband or fibre networks.

<sup>54</sup> New or innovative approaches may however need a different range of inputs.

### ***Third parties can provide access to inputs***

- 3.23 DCTs access many of these inputs directly from either consumers or suppliers. However, it may be necessary or beneficial to access inputs from a third party.
- 3.24 For example, being able to access a consumer's usage from an incumbent supplier can make things much easier for the consumer and increase the likelihood of completing a comparison, or the accuracy of information provided. Where comparisons depend on analysis of complex patterns of usage, it might be unfeasible for consumers to provide that information directly.<sup>55</sup>
- 3.25 Third parties can be crucial in providing supplier or product data on a consistent basis to facilitate like-for-like comparisons. In insurance most DCTs use a third party to provide accessible consistent information on aspects of cover. In credit cards and telecoms, suppliers typically make product information available only through affiliate networks.<sup>56</sup>
- 3.26 Suppliers using affiliate networks typically set standard commission rates for all publishers.<sup>57</sup> However, DCTs may be able to negotiate exclusive deals with a supplier either directly or through the affiliate network, although this may depend on the scale of the DCT. Smaller DCTs have told us that they have struggled to develop the same direct relationships with suppliers.<sup>58</sup>
- 3.27 Platforms and comparison engines<sup>59</sup> are readily available from third parties and in many sectors DCT operators can effectively purchase a 'DCT-in-a-box' solution from a white label provider, which includes a panel of suppliers and products which can easily be rebranded. The largest multi-sector DCTs all use white label providers to offer comparison services in a wider range of

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<sup>55</sup> Although initiatives such as Midata, or authorising access to online accounts with suppliers, can make this information available. Midata is a UK government initiative to facilitate the electronic transfer of customers' data (with their consent) from a supplier's system to a third party such as a DCT using an application programming interface (API).

<sup>56</sup> This will include price and product information (potentially including graphical content) through a feed or web-portal.

<sup>57</sup> These include DCTs and other providers of web-content such as magazines and blogs. As the affiliate network handles commercial discussions with publishers, the network can significantly reduce the number of individual publishers that a supplier has to deal with directly. For example, transactional processing and payment of commission to publishers is done by the affiliate network, with the supplier making a single payment to the network.

<sup>58</sup> The volume of business generated by DCTs gives them greater bargaining power with suppliers. As both affiliates and suppliers benefit from leads generated by large DCTs, they may be more inclined to discuss exclusive promotions.

<sup>59</sup> Here we refer to a range of services including the underlying database that captures product details, the engine that extracts, presents and manipulates the results and how the results are presented to a consumer.

product markets.<sup>60</sup> Government also makes some data such as vehicle and driving licence information available.

## (e) Developments in comparison tools

3.28 The functionality of DCTs has evolved over time as new approaches to offering comparison services have emerged (for example collective switching<sup>61</sup> and concierge services<sup>62</sup>). For the large part however, the most commonly used comparison tools have retained the same table or list-based presentation, albeit with changes to functionality and presentation.

- **DCTs are offering more sophisticated ways of helping consumers identify the most suitable product.**<sup>63</sup> In credit cards for example, DCTs are working with third party providers to give indicators of eligibility and acceptance.
- **The way that consumers engage with DCTs is changing**, both through how they interact with DCTs (increasingly through touch screens and voice) but also, for ongoing services, the frequency. New digital concierge services actively prompt consumers to switch, or automatically switch when a better deal is available.
- **In some sectors there is increasing availability of consumer data** that enables DCTs to offer results tailored to a consumer's known or inferred preferences. The General Data Protection Regulation (GDPR) is likely to continue and expand this trend across sectors, as consumers will have the legal right to access data held by companies (see paragraph 3.30).
- **Some newer DCTs are using different revenue models:** a small number of DCTs have started to adopt different models.<sup>64</sup> Most DCTs currently

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<sup>60</sup> See Table 3.1 in our [Update Paper](#) for more information on which large DCTs use white-label providers for certain products.

<sup>61</sup> These schemes involve third parties coordinating a negotiation with a supplier (typically for utilities) on behalf of groups of consumers, to secure a potentially better group deal than individual consumers could otherwise have secured. In the UK, they have been particularly prominent in the energy sector in recent years – for example [The Big British Switch](#), [The Big Deal](#) and [Bigcommunityswitch](#).

<sup>62</sup> These offer a personalised service, where, the customer delegates the selection of supplier to the DCT. The DCT identifies a supplier after ascertaining which best meets the consumer's particular requirements at that time, and may automatically switch them to it or provide a shortlist of options.

<sup>63</sup> For more detail, see for example, Citizens Advice's work on next generation intermediaries: [Game Changers? A review of Next Generation Intermediary Services for Citizens Advice](#) by Richard Bates, August 2017.

<sup>64</sup> In our focus sectors DCTs typically charge suppliers a fixed amount for a completed sale or switch whereas in other sectors, such as hotels, commission may be based on a percentage of the product price. In some sectors such as flights and credit cards revenue is sometimes based on a click through. The relative cost to suppliers of generating sales from DCTs can vary significantly, which in part reflects the cost of lead generation. We set out further analysis of some drivers of commission in Chapter 4.

generate revenue from commission from suppliers although some (but not all) concierge services charge the consumer to use the service.<sup>65</sup>

- 3.29 Many of these developments mean that consumers will have greater choice of types of DCT to use either now or in the future, and in many cases comparison should be easier. As the unseen mechanics of comparison become more complex and the DCT landscape more diverse, regulators need flexibility in the scope of their regulation to ensure adequate consumer protection while not inhibiting innovation – setting high-level principles is one way to offer this flexibility (see Chapter 5 and Paper C on Regulation).
- 3.30 Concierge and automatic switching services, if used by consumers, should reduce much of the effort of shopping around and comparing products. However, they will only be able to do this if they have access to the relevant inputs including both consumer and supplier data as well as access to the necessary interfaces to facilitate switching. While GDPR should improve the availability of data, without common formats or interfaces its impact may be reduced (we discuss the role that regulators can take in this in Chapter 5).
- 3.31 Concierge-type services, if used, are likely to support higher switching levels in supplier markets. However, there is a risk that once a consumer chooses a concierge service, the task of shopping around is out of mind and there is no need for further direct engagement with the market, either with suppliers or DCTs. As a result, consumers may over time experience increasing fees or less good service. We discuss the impact on competition of consumers using only a single DCT in Chapter 4.

## **(f) How DCTs are regulated**

- 3.32 General law applies to DCTs in the same way as it does to other businesses.<sup>66</sup> Key pieces of general consumer and competition law include, respectively, the Consumer Protection from Unfair Trading Regulations 2008 (CPRs) and the Competition Act 1998 (CA98).<sup>67</sup> These laws may be enforced

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<sup>65</sup> Payment to the DCT may only be at the point that a consumer makes a purchase or generates a specified level of saving. We are also aware that some credit broking type businesses charged consumers for assistance in finding payday lenders that would offer the borrower a loan.

<sup>66</sup> By 'general law' we mean law that applies to all businesses regardless of the sector in which they operate.

<sup>67</sup> Other potentially relevant legislation includes the Consumer Rights Act 2015 (CRA), the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (CCRs), the Business Protection from Misleading Marketing Regulations 2008 (BPRs) and the Electronic Commerce (EC Directive) Regulations 2002 (ECRs).

by a range of national bodies, including the CMA and sector regulators such as the Financial Conduct Authority (FCA), Ofgem and Ofcom.<sup>68</sup>

- 3.33 Like other businesses, DCTs are also subject to the Data Protection Act 1998 (DPA), enforced by the Information Commissioner's Office (ICO); and the Equality Act 2010, overseen by the Equality and Human Rights Commission.<sup>69</sup> One notable development is reform of the data protection regime under the General Data Protection Regulation (GDPR), which will take effect in May 2018.<sup>70</sup> Of particular relevance to DCTs will be the introduction of new rights for individuals to access and control their personal data, including a right of data portability in certain circumstances; and, where consent is relied upon to process personal data, a higher standard of consent.<sup>71</sup>
- 3.34 As well as the general law, in some sectors there are additional legal rules which DCTs must comply with – notably in financial services where the rules apply to DCTs engaged in specific activities. In other sectors, for example energy and telecoms, Ofgem and Ofcom regulate only the suppliers that DCTs compare and do not directly regulate the DCTs that list them under their sector-specific rules. Instead, these regulators have established badged voluntary accreditation schemes. These schemes do not have the same status as legal rules, but they can affect the way DCTs behave.
- 3.35 The requirements of these specific legal rules and voluntary schemes vary across sectors, both in terms of their level of detail and their level of specificity to DCTs, and in the strength of enforcement mechanisms.
- 3.36 In financial services, the FCA sets both broad principles and detailed rules that are not specific to DCTs (with the exception of rules for PCWs showing high cost short-term credit),<sup>72</sup> but are applicable to different types of activity,

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<sup>68</sup> Local authority Trading Standards Services (TSS) also have enforcement powers in relation to consumer protection law. The ASA administers the Committee of Advertising Practice's mandatory [UK Code of Non-broadcast Advertising, and Direct Marketing & Promotional Marketing](#) (the CAP Code).

<sup>69</sup> The Equality and Human Rights Commission has powers to enforce the provisions of the Equality Act 2010. Further guidance on the Commission's legal powers, its regulatory approach and how it takes action can be found on the [Equality and Human Rights Commission's website](#).

<sup>70</sup> See ICO, [Overview of the General Data Protection Regulation](#) (GDPR). In August 2017, DCMS published the Government's [Statement of Intent](#) setting out its plans to for a Data Protection Bill, which will bring the GDPR into UK law.

<sup>71</sup> For other significant changes, see Paper C on Regulation.

<sup>72</sup> Following the CMA's investigation of Payday Lending (see CMA, [Payday lending market investigation: Final report](#), February 2015), the FCA implemented new rules setting out how High Cost Short Term Credit (HCSTC) products are displayed on DCTs (see FCA, [PS16/15: Feedback on CP15/33 - Consumer credit: proposals in response to the CMA recommendations on high-cost short-term credit](#), May 2016).

including those carried out by DCTs. It then has tough sanctions to back these up, providing a clear deterrent.<sup>73</sup>

- 3.37 In energy and telecoms, regulators' voluntary accreditation schemes have quite detailed requirements for DCTs, but without formal sanctions other than suspension or exclusion for non-compliance. In other sectors we looked at, there are no additional legal rules and voluntary schemes specific to DCTs.<sup>74</sup>

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<sup>73</sup> The FCA has also issued guidance specific to PCWs on general insurance – see page 7 and appendix 2 in FCA, [General Insurance Add-Ons Market Study – Remedies](#), September 2015.

<sup>74</sup> In flights, the Air Service Regulations (ASRs) apply to anyone offering flights (including intermediaries such as DCTs) and the CAA's ATOL licensing is of travel agents selling packages including flights.

## 4. Our assessment of DCTs: significant benefits, but still room for improvement

### DCTs can make it easier to shop around, and improve competition

- 4.1 In the previous chapter we explained how DCTs work. In this chapter we describe the types of benefits we might expect them to provide, and the conditions that need to be met for those benefits to be delivered. We then assess the current outcomes we see from DCTs in the sectors we have looked at.
- 4.2 DCTs offer a range of benefits to both consumers and suppliers. In general, stakeholders have told us that DCTs have intensified competition and brought benefits to consumers in the sectors where they operate, albeit to varying degrees. Table 4.1 below illustrates the potential benefits from DCTs.

**Table 4.1: Illustrative examples of benefits from DCTs**

DCTs can...	For example...
<b>...lower search, switching and transaction costs for consumers<sup>75</sup></b>	Consumers can get and compare multiple quotes with relatively low effort. For instance, data from larger DCTs show that consumers are typically presented with 41 to 48 home insurance quotations.
<b>...increase consumer engagement</b>	DCTs have made significant investments in advertising the benefits of shopping around and switching as well as using rewards to encourage ongoing comparisons. <sup>76</sup>
<b>...reduce acquisition costs for suppliers</b>	Because of their scale and incentives to invest in marketing and advertising, DCTs are a relatively low-cost sales channel to suppliers for acquiring new customers and increasing their sales volumes. This efficiency can feed into better offers to consumers if lower costs are passed on by suppliers. Our analysis confirms that for many suppliers the cost per acquisition on DCTs is lower than the cost of 'direct' acquisition. <sup>77</sup>
<b>...facilitate entry and expansion of suppliers</b>	Examples of smaller suppliers using DCTs to establish a brand and grow have been mentioned in broadband, energy and insurance. <sup>78</sup>
<b>...increase supplier competition</b>	Evidence from the PMI market investigation <sup>79</sup> and from our market study <sup>80</sup> show that the price sensitivity of consumers on DCTs is considerably higher than on other sales channels – putting competitive pressure on suppliers and resulting in better prices for consumers.

<sup>75</sup> Consumers can often achieve substantial savings by switching providers. For example, the CMA's [Energy market investigation](#) found that 70% of domestic customers could save as much as £300 a year by switching to cheaper deals. By making it easier for consumers to search around and switch, DCTs can play an important role in helping consumers to save money by switching.

<sup>76</sup> See our detailed assessment in Paper E.

<sup>77</sup> See Appendix 3 in Paper E.

<sup>78</sup> For example, across different insurance products, Comparethemarket has added more than 200 new brands to its panel since 2010.

<sup>79</sup> See CMA, [PMI Final Report](#), September 2014, paragraph 6.66.

<sup>80</sup> We gathered information on the price sensitivity of consumers on different sales channels from a number of suppliers.



- 4.3 Most of the benefits mentioned above are direct benefits to consumers using DCTs, either because they switch to, or purchase, a better offer identified on a DCT, or because they can negotiate a better deal with their existing supplier using information obtained on a DCT. Indeed, our consumer survey found that 44% of those recently using a DCT for search but not for purchase used the results from the DCT to negotiate a better deal with their existing or new supplier.<sup>81</sup>
- 4.4 DCTs may also bring benefits to consumers not using them. If suppliers' direct sales channels (or other non-DCT channels, such as brokers) compete with DCTs, the competitive pressures faced by suppliers on DCTs can spill over to these other channels. On the other hand, DCTs may not be able to help all consumers: there could be situations where consumers who do not use DCTs miss out on these benefits or are made worse off by suppliers. However, evidence we received from suppliers did not suggest that DCTs make it easier for suppliers to price discriminate between active and inactive consumers.
- 4.5 For people to gain the potential benefits of DCTs, a number of things need to work well.
- (a) **Trust.** Consumers need sufficient trust and confidence in DCTs to be prepared to use them at all.
  - (b) **Choice between DCTs.** Consumers need to be able to make sufficiently well-informed choices between DCTs, both for the sake of their individual decisions and to support effective competition between DCTs.
  - (c) **Choice between suppliers.** Consumers need to be able to use DCTs to make well-informed choices between suppliers – again both for their individual decisions and to support effective competition, this time between suppliers.
- 4.6 If the market works well, it is likely to support trust and effective choice. But where it does not, sometimes regulation can play a role.
- 4.7 We have found the following (for the full analysis and evidence please see the separate supporting papers indicated):
- (a) Mostly positive consumer experiences of and views on DCTs, but issues with both trust and understanding (supporting paper A).

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<sup>81</sup> Page 157 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

- (b) DCTs mostly treating people well, but some concerns about their clarity and whether some may be misleading, as well as how well they explain their use of consumer data (supporting paper B).
- (c) More to be done to engage non-users and help the vulnerable benefit (supporting paper A).
- (d) An easy consumer experience in many cases, but ground to make up elsewhere (supporting paper D).
- (e) Largely effective competition, but concerns about some types of DCT/supplier agreements (supporting paper E).
- (f) Room to improve the effectiveness of regulation (supporting paper C).

**(a) Mostly positive consumer experiences of and views on DCTs, but issues with both trust and understanding (supporting paper A)**

***Most consumers are confident using DCTs and satisfied with them***

- 4.8 Nine in ten (89%) of recent users were very or fairly confident in using DCTs,<sup>82</sup> with levels of confidence linked to level of experience.<sup>83</sup> Recent users generally found DCTs easy to use<sup>84</sup> and almost all (96%) were very or fairly satisfied with the experience.<sup>85</sup> DCT users were also more likely to be very satisfied with their experience of shopping around than internet users who shopped around but without using a DCT.<sup>86</sup> Most users (83%), but also a large proportion of non-users (35%), felt that using DCTs meant that they made, or would have made, a better choice.<sup>87</sup>
- 4.9 Two thirds (65%) of recent users considered that the results on the main site they had used fully matched their needs, with only 2% saying they did not.<sup>88</sup> This varied slightly by sector, with those searching for energy more content than those looking for hotels, broadband or flights.<sup>89</sup>

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<sup>82</sup> Source: [Kantar Public survey data tabulations](#).

<sup>83</sup> Source: [Kantar Public survey data tabulations](#).

<sup>84</sup> Page 136 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>85</sup> Page 163 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>86</sup> Page 163 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>87</sup> Pages 159 and 161 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>88</sup> Page 133 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>89</sup> Page 135 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

### ***Few users think DCTs cover all the market and most are content with coverage***

- 4.10 Only a minority (11%) of recent comparison sites users thought that all suppliers were covered, with over half (53%) considering sites covered ‘most’ providers – although a substantial proportion (30%) did not know.<sup>90</sup> In qualitative interviews, consumers tended to think DCTs showed around two thirds of suppliers; some expected the ‘main suppliers’ would be covered but also recognised that some suppliers choose not to be listed. Some expected coverage could be higher in sectors where there were fewer suppliers.<sup>91</sup>
- 4.11 Data and views from DCTs show that they aim to list a comprehensive panel of suppliers to be able to provide a good comparison service to consumers. For example, in home and car insurance the large DCTs list more than 40 and 60 insurance groups respectively. Many of these groups list multiple brands so consumers are presented with a large number of insurance offers making it more likely they can find the ‘better deal’ they said they wanted in our qualitative research.<sup>92</sup> Some insurance groups have brands that they do not list on DCTs. As discussed above, many consumers recognise this.
- 4.12 Even though most users perceived the coverage not to be complete, a large majority (82%) considered it sufficient for their needs.<sup>93</sup> This picture was broadly consistent across our case study sectors.<sup>94</sup>

### ***Some consumers do not know how DCTs make money***

- 4.13 Our research provided mixed findings on the perceived role of comparison sites. Consumers often described DCTs as ‘unbiased’ and some even characterised DCTs as there to help consumers.<sup>95</sup>
- 4.14 More than six in ten (62%) of consumers said that DCTs recommended what to choose at least to some extent,<sup>96</sup> with two in ten (21%) saying that they recommended ‘a lot’.<sup>97</sup>
- 4.15 However, in interviews, it was clear that consumers did not typically think sites were pushing any particular supplier or product – indeed they were often described as ‘unbiased’, as merely ‘aggregators’. Our research suggested

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<sup>90</sup> Page 63 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>91</sup> Page 79 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>92</sup> Page 94 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>93</sup> Page 65 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>94</sup> Page 66 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>95</sup> Page 80 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>96</sup> Page 59 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>97</sup> Page 60 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

that not all consumers may appreciate that DCTs are typically commercial undertakings, with some characterising them as being for the benefit of consumers.<sup>98</sup> Where users did see any ‘bias’ in results, they considered they were still in control – for instance, they could ignore results they considered to be ‘sponsored’.<sup>99</sup>

- 4.16 Knowing that DCTs are often commercial enterprises and how they make money may influence how consumers use them and which ones they choose. But our qualitative research found that users generally did not know how comparison sites made money.<sup>100</sup> Being made aware that sites earn commission from suppliers appeared to have little impact on trust, although consumers thought average commissions were quite high when presented with them.<sup>101</sup>

### ***Consumers trust DCTs for many aspects, but less so for their use of data***

- 4.17 Our survey indicated that consumer trust in a number of aspects of DCT operations is reasonably high<sup>102</sup> – although consumers showed higher levels of trust in suppliers’ own sites than in DCTs for all measures except on providing the best price.<sup>103</sup>
- 4.18 Consumers showed lower levels of trust in DCTs’ storage and treatment of their personal information: 54% of users trusted sites to store their data securely and 45% to ensure data is not shared with third parties without their permission. Our survey also found that consumers trusted suppliers’ sites more than DCTs to store and not share data.<sup>104</sup> In interviews, consumers raised concerns about receiving unsolicited communications from DCTs or third parties.<sup>105</sup>
- 4.19 More generally, consumer trust is critical to new intermediary models gaining traction. In its recent report on Next Generation Intermediaries (NGIs),<sup>106</sup> Citizens Advice noted that in interviews, parties had identified that lack of

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<sup>98</sup> Page 80 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>99</sup> Page 81 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>100</sup> Page 82 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>101</sup> Page 82 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>102</sup> Page 67 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>103</sup> Page 73 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>104</sup> Page 73 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>105</sup> Page 95 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>106</sup> Citizens Advice describes NGIs as innovative intermediaries which enable consumers who lack the time or inclination to engage in markets of their own accord to say ‘do it for me’ and have an NGI go to work on their behalf. NGIs identify which offer best fits a consumer’s specific requirements and/or context of the consumer, so that the consumer doesn’t have to; presents that information in impartial, intelligible formats; enacts the consumer’s decision to switch; and offers a perpetual service by continually monitoring the market in line with criteria set by the consumer. Examples cited by Citizens Advice included Billmonitor, Carwow, CheapEnergyClub, iChoosr, Mobillity, Saveawatt and Trussle.

consumer trust acted as a brake on engagement. For the most part, NGIs remain services with relatively low profiles, low brand recognition and relatively low take-up in the sectors in which they operate. Parties had identified the need to build the profile of and trust in using new models of market engagement, not least given the centrality of consumer data to the effective functioning of NGI services.<sup>107</sup> We also note in paragraph 4.81 and in Paper E how substantial marketing investment by established DCTs may make it harder for new DCTs to enter the market.

***Only a few have complained about DCTs, although most do not know how to***

4.20 Our survey found that just 3% had made a complaint, but of those who had not, 73% did not know who they would complain to.<sup>108</sup> Overall only 12% of recent users could recall seeing evidence of accreditation or regulation on their last visit<sup>109</sup> and consumers had relatively low awareness of the Ofcom and Ofgem accreditation schemes.<sup>110</sup>

**Conclusion**

*(1) People's views of DCTs*

People mainly have positive views and experiences of DCTs, showing high levels of satisfaction. Few think individual DCTs cover all the market and most are content with the coverage of the DCTs they used – although many did not know what the coverage was for the last site they had visited.

However, some do not know how DCTs make money and many are unaware of how to complain. In addition, many had concerns about what DCTs might do with their personal data.

**(b) DCTs mostly treat people well, but we have some concerns particularly around how they explain their use of consumer data (supporting paper B)**

4.21 In the previous section we described how consumers see DCTs. We have also reviewed how DCTs communicate with and treat consumers, and how they collect and use consumers' data. More detail on our findings is in supporting paper B. In the main, many sites appeared to be treating

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<sup>107</sup> Citizens Advice, [Game Changers? A review of Next Generation Intermediary Services for Citizens Advice](#) by Richard Bates, August 2017.

<sup>108</sup> Page 75 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>109</sup> Page 76 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017. The most common accreditation or regulation that consumers recalled seeing was ATOL (7%) and ABTA (7%).

<sup>110</sup> In energy and telecoms, Ofgem and Ofcom do not regulate DCTs directly under sector-specific rules and instead have set up voluntary accreditation schemes.

consumers well in terms of most aspects of information provision and usability. While in general we have not seen evidence of significant problems, however, we have identified some potential areas of concern.

- 4.22 **The way in which important information is presented to consumers.** Our websweep suggests that important information, for example how to complain if something goes wrong, is not always in the most useful place, clearly presented or obviously signposted.<sup>111</sup> As noted below in paragraph 4.51, we also recognise concerns raised about the accessibility of some DCT sites for disabled users.
- 4.23 **Information about how DCTs make money and if they have links to suppliers.** Our evidence suggests some sites could be more transparent about how they make money. For instance, our websweep found that only about two-thirds of sites assessed appeared to provide some information on revenue sources.<sup>112</sup> In some contexts it is clear that someone is acting for commercial purposes, but our consumer research suggests that not all consumers may appreciate that DCTs are typically commercial undertakings.<sup>113</sup> Better knowledge of the nature and role of DCTs could help consumers make more informed decisions about using them.<sup>114</sup>
- 4.24 **Information about whether a DCT favours any suppliers.** Only about a third of DCTs examined in our websweep appeared to give information on whether or not financial arrangements with suppliers could influence how results are presented.<sup>115</sup> However, where they appeared, our mystery shoppers seemed to be able to identify ‘sponsored’ results and distinguish them from ‘organic’ results.<sup>116</sup>
- 4.25 **Information about how much of the market a DCT covers.** In our survey, a significant proportion of DCT users (30%) did not know how much of the

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<sup>111</sup> Pages 24 to 25 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017.

<sup>112</sup> Page 28 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017.

<sup>113</sup> Page 80 in Kantar, [Digital Comparison Tools: Consumer Research Final Report](#), March 2017.

<sup>114</sup> Although some parties suggested it, we do not consider that DCTs should have to show the actual commission they receive from suppliers, since this is more likely to be counterproductive. A 2004 Federal Trade Commission (FTC) experiment found that disclosure of mortgage broking fees led consumers to focus unduly on commission, at the expense of more important factors such as interest rates, leading to worse consumer outcomes. See Federal Trade Commission, [The Effect of Mortgage Broker Compensation Disclosures on Consumers and Competition: A Controlled Experiment](#), February 2004.

<sup>115</sup> Page 29 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017. Although it could be the case that some DCTs appeared to say nothing because commercial relationships do not affect how they rank results.

<sup>116</sup> Pages 55 to 58 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017.



market was covered by the last DCT they had used.<sup>117</sup> On the other hand, across all sectors we looked at, one-in-ten (11%) thought that the DCT had covered all suppliers and in most cases they were likely to be overestimating coverage (for instance in insurance, where we know some providers are not listed).<sup>118</sup> Low awareness may in part reflect variation in how sites explain their coverage: our websweep found that many we examined appeared silent on the issue and those that did explain their coverage did so in varying levels of detail.<sup>119</sup> We do not consider that DCTs should be required to show a fixed proportion of the market – whether this be 100% of the market or a lower percentage. As we discuss in paragraph 4.124, forcing DCTs to list suppliers may undermine their incentive to invest, by weakening their ability to negotiate with the suppliers and meaning that they may have to show poor-quality providers (and even suppliers that do not want to be listed). However, a lack of information about coverage could adversely affect consumers' decisions about which and how many DCTs to use, as well as undermining consumer trust if users find coverage is not what they expected.

- 4.26 **Information about how DCTs present results.** In most sectors we examined, DCTs typically first presented results ordered by price or level of saving. This was particularly so for insurance, flights and energy, but DCTs ranked credit cards by differing factors; and for hotels most first ranked by 'recommendation'.<sup>120</sup> Our websweep found that most DCTs appeared to provide little information up-front (ie prior to search) on their approach to ranking,<sup>121</sup> and in some cases it was not clear to mystery shoppers what default ranking criteria applied.<sup>122</sup>
- 4.27 A lack of transparency about how results are ranked may harm consumers by causing them to take poorer decisions, particularly about which products or offers to view or purchase. This issue could become more acute if the use of sophisticated ranking algorithms becomes more widespread – these might help people make decisions, but are likely to be harder for people to understand.

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<sup>117</sup> Page 63 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>118</sup> Page 64 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>119</sup> Page 33 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>120</sup> Pages 46 to 51 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>121</sup> Page 34 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>122</sup> Pages 46 to 51 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

- 4.28 We also identified some concerns about the way prices were framed (for example confusing or complicated pricing information), a lack of transparency around the existence of additional charges and whether results showed complete information about products.
- 4.29 We have been working with intermediaries in the car hire sector to improve the information they display. In 2016 we wrote to leading businesses that operate as car rental brokers or meta-search providers setting out our expectations under consumer protection law and requiring them to make any changes necessary to ensure that consumers get clear prices when they search and book car rental through an intermediary.<sup>123</sup>
- 4.30 **The accuracy of results.** In our mystery shopping exercise, some shoppers identified examples of apparent differences between DCT results and the offers on suppliers' sites when they clicked through to them – particularly in the travel sector.<sup>124</sup>
- 4.31 In some cases the mystery shoppers were shown a different product after being directed to the supplier's website, with no clear explanation why.<sup>125</sup> We also saw examples of mystery shoppers having to re-enter details when directed to a supplier and not being shown the same offer.<sup>126</sup> Although it was not always possible to carry out an exact comparison, some mystery shoppers also reported apparent differences between the information shown on DCTs and the suppliers' sites they clicked through to about the prices, features and availability of the products compared.<sup>127</sup>
- 4.32 **Complaints handling.** As we noted above, 73% of those who had not complained did not know who they would complain to.<sup>128</sup> We would expect sites to provide clear information on complaints handling, but our websweep suggested that about one-third of DCTs reviewed appeared not to provide this information.<sup>129</sup>
- 4.33 **Reviews and quality ratings.** Such ratings have the potential to play a positive role in supporting consumer choice. Of those sites that offered a

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<sup>123</sup> CMA, *Drivers to benefit as CMA takes action on car hire websites*, July 2016.

<sup>124</sup> Pages 85 to 99 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>125</sup> Pages 85 to 99 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>126</sup> For instance, see page 94 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>127</sup> Pages 85 to 99 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>128</sup> Page 75 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>129</sup> Pages 30 to 31 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.



feedback mechanism for consumers, only a small number appeared from our websweep to mention whether they took steps to verify reviews or discourage fake reviews.<sup>130</sup>

- 4.34 How **DCTs collect and use people’s personal information**. DCTs in some sectors collect substantial amounts of personal data. Compliance with data protection law is a matter for the ICO, but we reviewed DCTs’ practices to understand the likely implications for markets and consumer law.
- 4.35 We saw some weaknesses in how DCTs explain to consumers what data they, and third parties, collect and how they use it, as well as the controls they offer consumers.<sup>131</sup> Some appeared to bind users to third parties’ privacy policies, which they could not easily review. About half we looked at did not appear to offer information about how consumers could exercise control over whether third parties could contact them for marketing purposes and where they did, this appeared often by means of an opt-out rather than an opt-in mechanism.
- 4.36 Many of the DCTs we spoke to recognised the importance of these issues, and appeared to be taking steps to ensure that suppliers they deal with treat data responsibly – although not all explained this on their sites.

#### **Conclusion**

##### *(2) DCTs’ treatment of consumers*

We have not found significant or widespread concerns with DCTs’ treatment of and communication with consumers, but there are examples of apparent poor practice – in particular a lack of information about the nature of the service provided by DCTs and the presentation of results, as well as around their use of people’s personal information. Some of these practices may undermine the positive outcomes DCTs can deliver.

### **(c) More to be done to engage non-users and help the vulnerable benefit (supporting paper A)**

- 4.37 Understanding why people do not use DCTs is important to assessing whether:
- (a) the presence of DCTs makes them better or less well off;

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<sup>130</sup> Page 29 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017.

<sup>131</sup> Pages 29 to 31 in Annex A: GfK, [CMA Digital Comparison Tools \(DCT\) Mystery Shopping and Websweep Research Report](#), September 2017.

(b) they might be encouraged and supported to use DCTs and therefore benefit from DCTs (as we explain in paragraphs 4.1 to 4.4); and

(c) non-users might disproportionately be likely to be vulnerable.

4.38 Our Update Paper identified groups of consumers who do not use DCTs – either because they do not use the internet, or they use the internet but either do not shop around or shop around online but without using DCTs.<sup>132</sup> We consider these groups further below.

### ***Non-internet users***

4.39 By definition, people who do not use the internet cannot use digital tools such as DCTs. It is likely that a larger proportion of people without internet access are vulnerable than is the case for those with access. For instance, seven in eight (88%) of UK adults said they had internet access at home via any device, but this varied considerably by age and socio-economic group, with about half (53%) of those aged over 74 and 74% of those in the DE socio-economic group having access.<sup>133</sup> A recent survey also found that that one in five disabled consumers had never used the internet.<sup>134</sup>

4.40 Lack of internet use raises wider public policy questions, such as the digital divide, digital skills and mobile or broadband infrastructure, which are beyond the scope of this study to consider. Some DCTs do, however, offer offline versions of, or complements to, their services, which may help.

### ***Internet users who do not use DCTs***

4.41 Awareness of DCTs generally is very high at 97%, but our findings suggest that people particularly use them for some products; or just may not think about using one.<sup>135</sup>

4.42 The main reasons consumers had not used a DCT when they most recently shopped around (Figure 4.1) was a lack of consideration (they never thought about it), a preference for alternatives (such as dealing directly with suppliers or with one familiar supplier or looking for information elsewhere) or a range of

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<sup>132</sup> CMA, *Digital comparison tools market study - update paper*, March 2017, paragraphs 5.82–5.95.

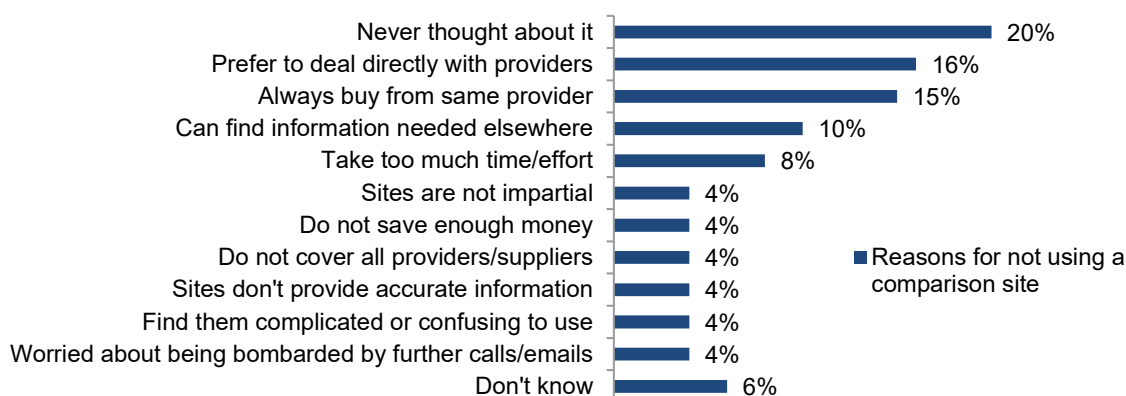
<sup>133</sup> Ofcom, *The Communications Market 2017*, August 2017, page 173. In 2017, 76% of UK consumers owned a smartphone, but again there is a significant difference in smartphone ownership between consumers in different age groups: almost all 16-24s and 25-34s own a smartphone (both 96%) compared to less than half of over-54s (47%) – see pages 174 and 175. Other research from Ofcom similarly shows that 14% of adults in the UK are non-users of the internet, and that this is more likely among over-65s (35% for 65-74s and 56% for those aged 75+) and DEs (27%). See Ofcom, *Adults' media use and attitudes*, June 2017, page 165.

<sup>134</sup> ONS, *Internet users in the UK: 2017*, May 2017.

<sup>135</sup> See page 41 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

negative views about DCTs (including it being too much effort, or sites being too complex, biased or untrustworthy).<sup>136</sup>

**Figure 4.1: Consumers' reasons for not using comparison sites**



Source: Kantar Public survey. Q3 (Omnibus survey). You said that you shopped around for [SECTOR] in the last three months but did not use a comparison site. Are there any particular reasons why you didn't use a comparison site on this occasion?  
 Base: Omnibus survey consumers who have shopped around in the last three months but did not use a comparison site (578).

4.43 In terms of online shoppers put off using DCTs by concerns, our qualitative research also revealed a range of reasons: general low confidence in using the internet, fear of being overwhelmed by information, a view that the savings would not be worth the hassle, fears about sharing information or entering it incorrectly, as well as suspicions that DCTs are not independent.<sup>137</sup>

### ***The implications for non-users***

4.44 DCTs can still benefit people who do not use them, because the deals that many suppliers offer on their direct channels are the same as those they offer on DCTs;<sup>138</sup> this means that consumers who go direct can benefit from the increased competitive pressure suppliers face on DCTs. Suppliers may also use DCTs to test new products, which non-users may also ultimately benefit from.

4.45 We heard anecdotal concerns that the presence of DCTs helps suppliers to identify inactive or less active consumers and charge them higher prices. While we cannot categorically exclude the possibility that this is happening, evidence we received from suppliers did not suggest that DCTs make it easier for suppliers to price discriminate between active and inactive consumers.

<sup>136</sup> Page 89 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>137</sup> Page 95 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>138</sup> For example, information from a large insurance provider suggests that products sold through its own channel are the same as on DCTs. Similarly, a credit card provider told us that, in general, its product offerings are the same for consumers across all channels but it sometimes tests new products on the largest DCTs and if a product is successful, the provider launches it on its own site.

- 4.46 However, suppliers can choose to offer better deals to savvy consumers than to less savvy consumers (such as standard variable tariffs, SVTs, in energy), so increasing consumer engagement can ensure that a growing number of consumers benefit from competitive deals. DCTs can be a helpful and effective tool to facilitate this.
- 4.47 Because DCTs typically get paid for each switch they have a strong commercial incentive to target, through marketing and rewards, those consumers who do not think of using a DCT or prefer alternatives. We consider in Chapter 5 what more might be done to drive up engagement.
- 4.48 It is also in the interests of DCTs to address consumers' concerns, in order to encourage engagement. Here, however, as we noted above, we identified a number of things they could be doing better – to explain their role, be clear about the results they present and how they protect consumers. We address these issues further in Chapter 5.

### ***Vulnerable consumers***

- 4.49 A particular group of consumers who may not use or may struggle to benefit from DCTs, are those who are in vulnerable circumstances. There is no agreed definition of 'vulnerable' and the term may cover many people in differing circumstances. However, as we note above at paragraph 4.39, people who are older or on lower incomes are more likely to lack internet access in the first place. We also found that that consumers in the youngest and oldest age groups, as well as those on low incomes, those who were unemployed, and those with lower qualifications were least likely to use DCTs.<sup>139</sup>
- 4.50 The competitive pressure DCTs exert can benefit users and non-users, whether or not they are vulnerable, through the resultant downward pressure on price and upward pressure on quality. However, vulnerable consumers may be most in need of such tools to help them more easily find better deals and save money. The NAO recently identified that that those who are disabled, elderly or on low incomes may be unable to access or use essential services.<sup>140</sup>
- 4.51 Stakeholders told us that DCTs particularly benefit those with mobility issues or with mental health conditions who find it difficult to speak to multiple suppliers by phone or face to face. However, they also had some concerns

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<sup>139</sup> Source: [Kantar Public survey data tabulations](#).

<sup>140</sup> National Audit Office, [Vulnerable consumers in regulated industries](#), March 2017.

about whether DCTs are fully compatible with minimum web accessibility standards;<sup>141</sup> that consumers with limited digital skills might struggle to use them;<sup>142</sup> and that some are likely to be more worried about making a costly mistake. The concerns we heard about site accessibility appear to have merit: our own high-level assessment identified examples where DCTs might not be complying with minimum standards.

- 4.52 Their suggestions included that DCTs ensure they meet accessibility guidelines,<sup>143</sup> offer advice and links to support at key points in the consumer journey (including if they delivered ‘nil’ results), and could work more with relevant consumer bodies (such as organisations supporting disabled or older people, or people with mental health problems).
- 4.53 DCTs told us that they cannot identify vulnerable consumers and that consumers do not tend to consider themselves to be vulnerable, or wish to be identified as such, but they estimated they were a small proportion of their customer base.<sup>144</sup> They considered that they comply with accessibility guidelines and some had worked with consumer organisations to improve their service.
- 4.54 Newer DCTs offering a more automated service may have even more to offer for vulnerable consumers, as they require less frequent engagement. However, as observed in a recent report for Citizens Advice, these DCTs may struggle to sign people up, because they need more personal information and therefore more trust from their customers.<sup>145</sup>
- 4.55 We consider further in Chapter 5 what more might be done to help vulnerable consumers benefit from DCTs.

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<sup>141</sup> While there is no specific legal requirement to comply with any particular set of website accessibility guidelines, the Web Content Accessibility Guidelines 2.0 have been recognised as an ISO International Standard (ISO/IEC 40500:2012 (W3C)) since 2012. In 2012, AbilityNet published a review of PCWs, which found that most of the websites were either difficult or impossible for disabled people to use - see AbilityNet, [Price Comparison Websites](#), April 2012. Some bodies we spoke to considered that while DCTs had improved since this report, there was more they could do.

<sup>142</sup> See, for instance, [Lloyds Bank Consumer Digital Index 2017](#), March 2017. This suggests that 11.5 million people in the UK lack Basic Digital Skills.

<sup>143</sup> Not meeting minimum website accessibility standards may be a breach of the Equality Act 2010. See Paper C.

<sup>144</sup> One DCT pointed out the opportunities that comparison apps can give to consumers on low incomes. While these consumers may be less likely to own computers or have broadband at home, they are likely to own a smartphone and use apps.

<sup>145</sup> [Game Changers? A review of Next Generation Intermediary Services for Citizens Advice](#), July 2017.

**Conclusion**  
*(3) Non-users*

DCTs can benefit non-users by driving competition between suppliers more generally; and we saw no evidence suggesting that DCTs make it easier for suppliers to price discriminate between active and inactive consumers. But there remains a sizeable proportion of consumers who do not use DCTs and may be missing out on their benefits – either through lack of interest, a preference to deal direct with suppliers or negative feelings towards DCTs.

*(4) Vulnerable consumers*

Although some vulnerable consumers are unable to use comparison tools, for those who can do so DCTs can often be helpful. However, some DCTs appear not to be doing all they could or should to make their sites accessible.

**(d) An easy consumer experience in many cases, but ground to make up elsewhere (supporting paper D)**

4.56 DCTs help consumer engagement by providing the means to access, assess and act on product information. For DCTs to be effective they need to present relevant and accurate information in an engaging way, while making the overall experience – ‘the consumer journey’ – easy.

4.57 For consumers to engage with information, it needs to be simple and easy to understand. The Behavioural Insights Team, for example, developed and recommends the EAST framework – Easy, Attractive, Social and Timely – to harness consumer behaviour.<sup>146</sup> In respect of DCTs, for consumers to be encouraged to adopt a behaviour, the ‘user experience’<sup>147</sup> needs to be simple and frustration-free, but users may also need sufficient prompts to understand the benefits of using DCTs and at appropriate times.

4.58 Applying the EAST framework to thinking about how to make DCTs more effective (that is, increasing or maintaining engagement from shopping around through to purchase) would suggest that a key criterion is reducing the hassle factor, or the effort required to use the DCT. The consumer journey through the DCT and where applicable through to the supplier should be simple, as short as possible, and free of repetition or disruption.<sup>148</sup> DCTs unable to offer a smooth journey will give worse consumer outcomes as consumers drop out of the process or make poor choices.

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<sup>146</sup> The Behavioural Insights Team, *EAST: Four Simple Ways to Apply Behavioural Insights*, April 2014.

<sup>147</sup> User experience (or ‘UX’) is a term used to describe a user’s perception of a website or app and reflects the ease that a user can complete tasks.

<sup>148</sup> We note for example the differences between the proportion of DCT users that reach different stages of the purchase journey in paragraphs 4.71–4.73.

4.59 Some of the barriers which may deter shopping around are set out below.

#### **Barriers to consumer engagement**

- Infrequent or weak triggers
- 'Boring' product
- Complex switching process
- Complex product or comparison
- Uncertainty about future usage
- Concern about disruption to service
- Ongoing relationship with supplier

4.60 In utilities and insurance where there is ongoing service provision, there are typically few, or weak triggers<sup>149</sup> to encourage consumer engagement, and a range of actual or perceived barriers to switching.<sup>150</sup> Consumers who try to shop around should not be discouraged and those that complete the purchase should be confident that they have got a good deal and are encouraged to shop around in future.

4.61 Our discussions with DCT operators have suggested that they try to offer a smooth journey, and test changes in the design of their services to understand how changes to a user interface or journey affect the user experience. In practice this can range from the order that users are asked questions, to how information is presented in a comparison, and striking a balance between providing useful information and avoiding information overload.<sup>151</sup>

4.62 From our engagement with stakeholders we have considered how different aspects of the user experience can lead to a loss of engagement – whether that is measured in terms of increased drop-out rates on certain services, or the extent to which consumers fully consider all aspects of a product. We have framed this loss of engagement as 'leakages' of engagement during or after the comparison process, as set out in Figure 4.2.

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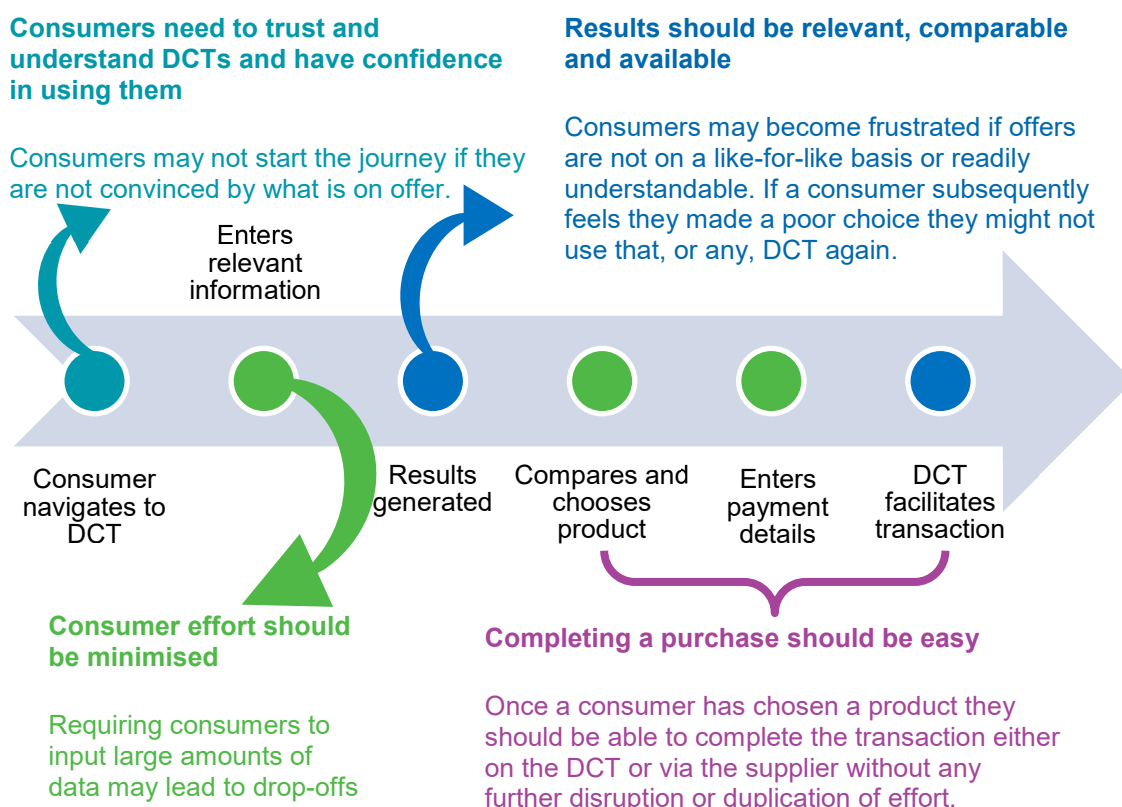
<sup>149</sup> For ongoing services, triggers might at best be annual and require consumers to read and engage with communications from suppliers. In the case of utilities with an initial fixed-term tariff, if a consumer doesn't respond to any notification of change in tariff and shop around at the end of the fixed term, there may be no future prompts to consider shopping around.

<sup>150</sup> See for example UKRN, *Consumer Engagement and Switching*, December 2014.

<sup>151</sup> An example of this was in relation to quality information in general insurance. One DCT told us it had previously included a range of information on its main results table but feedback from customers was that the extended results table, including quality scores for core policies and add-ons, was unwieldy and confusing.



**Figure 4.2: A good DCT experience needs to minimise leakages of engagement**



Source: CMA analysis.

4.63 We focus on three aspects of the consumer journey where either the user experience<sup>152</sup> of using a DCT or the comparison results give rise to ‘friction’ and potentially worse consumer outcomes. We set out in turn our observations on these three aspects:

- consumer effort required to generate comparisons;
- the quality of results; and
- completing the purchase.

4.64 The issues we have identified arise from factors including the relative bargaining position of DCTs and suppliers, technical complexities, misaligned incentives, coordination issues and the commercial viability of responding to these issues. Many of these will be sector-specific, and regulatory approaches need to reflect the specific circumstances.

4.65 Our observations are based on sector-specific challenges that DCTs need to overcome to offer a better experience. In Chapter 5 we go on to outline

<sup>152</sup> That is, the actual experience of using a DCT’s interface.



specific actions that regulators could take which might address some of these issues as well as a set of general approaches applicable across sectors.

### **Consumer effort required to generate comparisons**

- 4.66 To offer a tailored comparison, which goes beyond a simple best buy table, DCTs need to capture at least a small amount of information from consumers on their needs and preferences. In some sectors, this can be a significant volume of data. Consumer effort will, however, depend on how DCTs access this information. As discussed in Chapter 3, in some sectors consumers' own effort can be reduced by accessing consumer-related information from third parties – we discuss this further in Chapter 5 and supporting Paper D.
- 4.67 Requiring greater consumer effort will affect the use of DCTs, both in terms of overall usage and whether consumers drop out before a comparison is completed. The impact of consumer effort will be even greater on the use of multiple DCTs. Our survey found that among consumers who used only one DCT when most recently shopping around, 28% said that it took too much time/effort to use more than one.<sup>153</sup>
- 4.68 Our mystery shop found that while DCTs covering the same sector typically requested similar information from consumers, the volume and nature varied substantially between sectors – from just postcodes for broadband to large amounts of personal information and needs for energy and particularly insurance.<sup>154</sup>
- 4.69 The consumer effort required to generate comparison results appears to be relatively high in three of our focus sectors – at least in part because of the nature of the product and how it is provided:
- (a) In **home** and **motor insurance** DCTs need to capture a large amount of information from consumers to provide to insurers to generate a quote.<sup>155</sup> If a consumer wishes to use more than one DCT they are required to enter largely the same information again. In our survey, consumers shopping for home or motor insurance and who used only one DCT were particularly likely to refer to the amount of time and effort required to use a second DCT.<sup>156</sup> Where consumers already hold a home or motor insurance policy, the incumbent insurer is likely to hold most if not all the information requested by other insurers through the DCT questionnaire.

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<sup>153</sup> Page 111 of in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

<sup>154</sup> Pages 35–40 in Annex A: GfK, *CMA Digital Comparison Tools (DCT) Mystery Shopping and Websweep Research Report*, September 2017.

<sup>155</sup> DCTs currently try to reduce this in part by making certain assumptions.

<sup>156</sup> Kantar, *Digital Comparison Tools: Consumer Research*, tabulations, sector break set. March 2017.

Where consumers create an account with a DCT, that DCT may retain the data to reduce effort on renewal, but this information will not be accessible to other DCTs.

- (b) In **energy**, providing usage data is the main determinant of consumer effort. At present consumers either manually enter information from their bill or are required to provide login details for their current account to a DCT, or are required to answer a series of questions on their property, household and lifestyle to estimate usage.<sup>157</sup> DCTs do not currently have access to usage information, although the CMA made a number of recommendations in our Energy Market Investigation to address this.<sup>158</sup>

### ***Quality of results – relevance, comparability and accuracy***

4.70 The quality of results – that is, their relevance, comparability and accuracy – is subject to a DCT’s access to relevant inputs and how the DCT presents the results. We have found three sectors where the quality of results could be improved with greater access to different types of data:

- (a) In **broadband**, DCTs do not have access to accurate **property-specific data** on availability, actual speeds and network performance, all of which are important characteristics of a broadband service.<sup>159</sup> People are as a result less able to compare the quality of different services.
- (b) In **credit cards**, comparison results may be presented and filtered in a range of ways. However, not all consumers will be accepted for all products and so results may not be relevant. Eligibility checking tools can partially address this but not all suppliers choose to engage with these.
- (c) In **energy**, accurate comparison requires accurate and up-to-date usage information. Smart meters should improve the quality of captured usage information, by providing more timely and accurate data, compared to estimated bills or periodic billing, but DCTs will need access to this. The development and functionality of concierge-type services will depend on having ongoing continuous or periodic access.

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<sup>157</sup> Unless a customer provides regular meter readings or has a smart meter installed, accurate usage data may not be available at all.

<sup>158</sup> CMA, *Energy Market Investigation Final Report and Summary of AECs and remedies*, June 2016.

<sup>159</sup> Currently users can be presented with offers from Internet Service Providers (ISPs) which either do not serve an area or cannot offer a specific type of connection in that area. Speeds are presented as ‘up to’ and may not readily reflect real-world experience for a particular property. In May 2017, the ASA launched a [consultation](#) on different options to strengthen the standards around broadband speed claims.

## **Completing the purchase**

4.71 Once a consumer has chosen which product they wish to purchase, they may either complete the transaction on the DCT or on the supplier's website (or indeed over the telephone). How this final step is integrated into the rest of the journey could either act as an immediate barrier to completing a switch or affect future consumer engagement. In most of the sectors we have looked at, the execution of a purchase or switch is generally well integrated into the DCT journey. However, in two sectors we have found that this could be improved:

- (a) In **broadband**, the quality of some results can be poor. For example, consumers may find that offers presented are not relevant or available, requiring a return to the comparison results,<sup>160</sup> or are not directly comparable.<sup>161</sup> This may be further compounded by the nature of broadband which is commonly offered in a range of bundles including telephone and television services.<sup>162</sup> Furthermore, the lack of property-specific speed data (and the use of 'up to' rather than widely achievable speeds) may mean that a consumer does not get the service they expected.
- (b) In **credit cards**, people may experience repetition of data entry in completing an application,<sup>163</sup> even if this has been provided as part of any eligibility checking incorporated into the functionality of the DCT.

4.72 In these two sectors these issues appear to be caused by a lack of a direct interface between DCTs and suppliers, which may be linked to the importance of affiliate networks in managing suppliers' engagement with a range of intermediaries in these sectors.<sup>164</sup>

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<sup>160</sup> Consumers may find that they are redirected to a general broadband page, rather than the specific product or bundle selected.

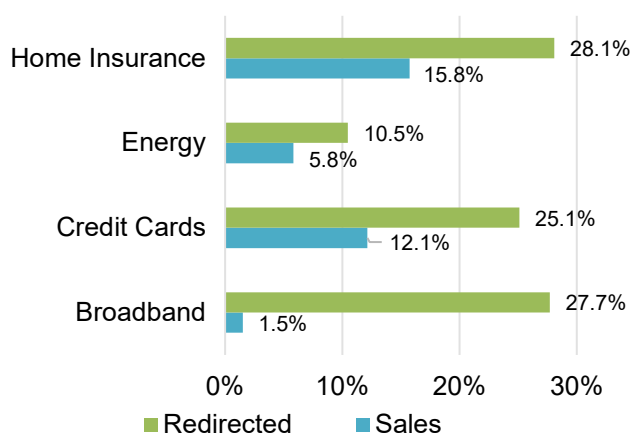
<sup>161</sup> For instance, the final transaction takes place on the supplier website and consumers may or may not be offered a range of add-ons not included or offered as part of the comparison process.

<sup>162</sup> In addition to advertised bundles, consumers may find that a range of additional services are offered as add-ons later in the consumer journey.

<sup>163</sup> Additional or more detailed information might also be requested as part of an application.

<sup>164</sup> Suppliers use affiliate networks as an efficient way of managing a large number of commercial relationships with partners who act as sales channels, while providing those partners with standard information through a feed or portal.

**Figure 4.3: Percentage of DCT users completing their journey by sector**



Source: CMA analysis.

Notes:

1. Redirected – this is where a consumer clicks through to a supplier’s website from the DCT.
2. For some DCTs in the energy sector consumers cannot click through to a supplier’s website from the DCT and for these DCTs completed applications are used.
3. This analysis is based on visits.

4.73 Figure 4.3 shows an analysis of the proportion of visitors to DCTs in different sectors and how far through the consumer journey they get. Although the consumer journeys are not directly comparable, it is noteworthy that while around 28% of visitors click through to an offer in both home insurance and broadband, ten times as many consumers go on to purchase home insurance as broadband through the DCT channel.

4.74 In different sectors the triggers to purchasing or switching may drive both levels of DCT usage and the impetus to see through and complete a transaction. In insurance, annual ‘bill shock’ on renewal and the prospect of paying hundreds of pounds in a single instalment<sup>165</sup> may overcome the ‘inertia’ of consumer effort required to generate a quote.

4.75 Broadband appears to be a sector where comparison could work better – it is a product with near universal use and relatively few features compared to products in other sectors.<sup>166</sup> However, the way in which it is sold and bundled may add complexity. Ofcom in a recent consultation identified that the availability of promotional discounts, time-limited offers, usage-based pricing and service ‘add-ons’ (such as call bundles and additional TV channels) may make it difficult for some consumers to compare the overall price of different services.<sup>167</sup> DCTs could play an important role in helping consumers to navigate the broadband choices available to them, but relatively few people use them and even fewer switch using a DCT. This might be related to

<sup>165</sup> Where instalments are offered, this may be subject to a relatively high cost of credit.

<sup>166</sup> For example, in home and motor insurance different policies will offer different types and levels of cover.

<sup>167</sup> Ofcom, *Helping consumers to engage in communications markets: call for inputs*, July 2017.

perceived disruption to switching during service or the variety of bundles and add-ons that consumers must compare.

**Conclusion**  
*(5) Consumer journeys*

People are more likely to shop around if it is easy to do so. DCTs' businesses are based on making it easier, and some have succeeded – eg in car insurance where DCTs can provide potentially tens of quotes from one set of questions – but others less so, particularly where they are unable to get hold of important types of information.

### **(e) Largely effective competition, but concerns about some types of DCT/supplier agreements (supporting paper E)**

- 4.76 A well-functioning market for DCTs should deliver the benefits we described at the start of this chapter through competition. A large part of the benefit DCTs provide is stronger competition between suppliers, which should improve choice and reduce prices for consumers. But the benefits of that competition will only be passed through to consumers if there is competitive pressure on DCTs as well.
- 4.77 If DCTs compete vigorously with each other (and with suppliers' own channels), they have stronger incentives to provide good services, innovate, and keep their commission (ie the cost per acquisition for suppliers on a DCT) low in order to offer better prices to consumers. Competition between DCTs also means that suppliers are in a relatively stronger position to negotiate more favourable commissions.<sup>168</sup>
- 4.78 DCTs can compete with each other and other sales channels (eg suppliers' own websites) to attract and sell to consumers by:
- (a) Investing in marketing and advertising, providing a good and user-friendly comparison service and, in some cases, rewards (eg toys or vouchers).
  - (b) Offering better deals to consumers by increasing competition between suppliers and via their negotiations with suppliers on commission and promotional offers. Lower commissions charged to suppliers can result in lower prices for consumers.<sup>169</sup>

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<sup>168</sup> While we want suppliers to be in a relatively strong position, eg as a result of options to use alternative DCTs, to put pressure on commissions, DCTs also need to be in a strong enough position to be able to attract suppliers, negotiate good deals with them to the benefit of consumers, and to get the inputs they need to offer a good comparison service.

<sup>169</sup> On the assumption that suppliers themselves similarly reduce their prices – which may be a condition of any reduction in commission.

4.79 In the remainder of this section we first assess how effectively DCTs compete. Then we look at agreements that could limit the strength of the competitive constraint on and between DCTs (wide and narrow retail MFNs)<sup>170</sup> and consider other agreements and practices that may affect DCTs' effectiveness in bringing benefits to consumers ('hollowing out', non-brand bidding and negative matching agreements, and non-resolicitation agreements). Our more detailed assessment of these issues is set out in Paper E.

### ***Strength of competition***

4.80 As discussed in Chapter 3, in each of our focus sectors there are a number of competing DCTs. However, in each of the sectors where we had data to analyse market shares<sup>171</sup> the four or five largest DCTs account for nearly all DCT sales, with one DCT<sup>172</sup> having a 40-60% share of DCT-based sales. In some sectors (home insurance and especially motor insurance) DCTs are in a stronger position than in other sectors (credit cards, broadband and energy), in terms of their overall share of sales to consumers relative to other sales channels. We have also found that suppliers are in a stronger bargaining position vis-à-vis DCTs in some sectors than in others (in particular in broadband but also in energy and, for some suppliers, flights). The strength of this bargaining position is driven by the role of DCTs as a sales channel as well as the importance and brand strength of suppliers.

4.81 Besides trying to secure good deals for consumers from suppliers and providing a good comparison service, marketing and advertising is one of the most important ways in which DCTs compete for consumers. Indeed, the large DCTs have been competing vigorously with one another in terms of marketing spend and campaigns. For the most part, DCTs have stuck to their traditional areas of strength, although we have seen a few examples of DCTs increasing their advertising expenditure in sectors where they are relatively small.

4.82 DCTs' continuous investment in marketing is likely to increase brand awareness and brand loyalty, which could make it more difficult for new players to enter the market.<sup>173</sup> On the other hand, building strong brands can

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<sup>170</sup> Most Favoured Nation (MFN) clauses limit the price at which the supplier of a product can offer it through other sales channels. Narrow MFNs specify that a supplier sets a price on the DCT which is no higher than the price offered through its own website, but does not stipulate conditions for sales via other channels. Wide MFNs specify that a supplier sets a price on the DCT which is no higher than the price offered through its own website or through any other sales channel.

<sup>171</sup> Energy, broadband, credit cards, motor insurance and home insurance.

<sup>172</sup> This varied by sector.

<sup>173</sup> Marketing costs are so-called sunk costs for new entrants which the business cannot recoup if the entry is unsuccessful. The importance of brand awareness also means that any successful new entry is more likely to

also increase consumers' trust in DCTs and increase consumer engagement. Also, running a successful and innovative marketing campaign could help to enter the market or shift shares between existing players: we saw examples of this in the past. A few new DCTs, typically with new business models,<sup>174</sup> have started to provide comparison services in some of our focus sectors but it is too early to tell how successful these new entrants will be in competing with established DCTs.

- 4.83 Most DCTs make money from charging commissions to suppliers. Getting reimbursed for sales that they generate for suppliers is an important driver of DCTs' investment in their services. Our analysis shows that the commissions charged by DCTs are lower than many suppliers' direct acquisition costs, making them an efficient sales channel for acquiring customers. This efficiency is likely to drive prices down for consumers. That said, it is important that DCTs' commissions are constrained by competition from other DCTs and by their negotiations with suppliers. Commissions charged by DCTs in motor insurance and home insurance,<sup>175</sup> where DCTs are relatively more important than in other focus sectors, have been increasing over time at a higher rate than inflation. However, these commission increases have been accompanied by increasing investments in advertising by DCTs to attract consumers and an increase in the total number of consumers using them.
- 4.84 In our focus sectors where DCTs are less developed (broadband, energy and credit cards), we have fewer concerns about competition between DCTs at this stage, as suppliers are in a stronger position to put pressure on DCTs' commissions. In these sectors our concerns relate to any barriers to DCTs operating effectively to the benefit of consumers (see Conclusion (5) above).
- 4.85 In sectors where DCTs are in a particularly strong position and are less constrained by suppliers (home and motor insurance), our concerns focus on any behaviours that we have reasonable grounds to suspect appreciably restrict competition (see paragraph 4.91) and, more generally, on strengthening competition between DCTs.
- 4.86 A key driver of competition is the presence of active consumers who check multiple sites and are not loyal to a single DCT. This is a crucial discipline on DCTs, incentivising them to keep commissions competitive and negotiate

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come from market players who already have a significant customer base or can otherwise leverage their position to start providing comparison services (eg banks, insurers or companies running campaigns with the help of newspapers).

<sup>174</sup> See Figure 3.1 in Chapter 3.

<sup>175</sup> We did not have comprehensive datasets to carry out a robust analysis of commissions in our other focus sectors.

better deals from suppliers, and to compete with each other to provide better services to consumers. Consumer multi-homing also means that DCTs are more 'substitutable' from the suppliers' point of view, which constrains DCTs' negotiating power. As discussed in Chapter 3, a high proportion of consumers visit multiple sites when shopping around but a much lower proportion get as far as requesting quotes from multiple DCTs in motor, and especially home insurance. In addition, there is some degree of consumer loyalty.<sup>176</sup>

- 4.87 The first form of multi-homing (ie visiting multiple sites) incentivises DCTs to compete on dimensions which are immediately visible to consumers (eg ease of use, coverage if they present information on it upfront, rewards, etc). Checking multiple sites, even if not going through the whole comparison process, can also signal less loyalty, which increases DCTs' ability and incentives to compete for these multi-homing consumers. Therefore, the high proportion of consumers who visit multiple DCTs is positive.
- 4.88 However, from the point of view of price competition, it is the second type of multi-homing (comparing quotes across DCTs) which is likely to drive competition the most.<sup>177</sup> If consumers compare quotes from multiple sites and purchase from the one with the best offer, DCTs are incentivised to compete to offer better deals and suppliers are able to negotiate more strongly with DCTs, resulting in lower commissions and better prices for consumers.<sup>178</sup>
- 4.89 In this respect, there appears to be room for improvement in the sectors we have analysed. Our main concern relates to the gap between consumers 'superficially' checking multiple sites and requesting quotes, which could limit the competitive pressure on DCTs, especially in insurance where consumers are required to input a significant amount of information to get a quote.

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<sup>176</sup> Consumers who use apps instead of websites may be even more likely to single-home or to be loyal to a particular app as it is unlikely they would download multiple apps with the same functionality. New business models and other technological developments could also affect the degree of multi-homing. For example, voice recognition may make it less burdensome for some consumers to enter the information required to obtain quotes and this may lead to them using multiple DCTs. On the other hand, some of the new DCT models, eg concierge-type services, may increase consumers' reliance on a single DCT. While these services are likely to increase the number of consumers who search around and switch between suppliers (and hence put additional competitive pressure on them), they might increase the number of single-homing consumers in terms of DCT use. This could have an impact on the strength of competition between DCTs in the long run.

<sup>177</sup> This is likely to be particularly important in sectors where consumers shop around infrequently and have a less clear idea about what counts as a good offer.

<sup>178</sup> While requesting quotes from multiple DCTs is likely to increase the time a consumer has to spend searching for and comparing offers, consumer multi-homing leads to more intense competition between DCTs and, overall, better prices for consumers. In addition, individual consumers may benefit directly from using multiple DCTs as they may find better deals on one DCT than on others (eg because of promotional offers). The simpler the comparison process, the less effort and time it takes to use multiple DCTs.



**Conclusion**  
*(6) Strength of competition*

In the sectors we have looked at, there are four or five large DCTs competing vigorously to attract consumers, which has led to an increase in the number of consumers who benefit from these tools.

It is important that the competitive pressure on DCTs is maintained so that they seek to offer the best possible deals to consumers. A key driver of this competition is to have a sufficiently large group of consumers who are not loyal to any single DCT and multi-home when using these sites. While there are some positive signs in this respect, there is still some room for improvement.

***Agreements that can restrict competition***

4.90 During our study we reviewed a number of contracts between DCTs and suppliers; we have found examples of narrow MFNs in all our focus sectors and wide MFNs in one DCT's contracts with home insurance providers. A wide MFN agreement between a DCT and a supplier specifies that a product or service may not be sold more cheaply on a supplier's own website or on any other DCT. A narrow MFN agreement requires a supplier to set a price on a DCT which is no higher than the price offered through its own website, but does not stipulate conditions for sales via other channels. We set out our views on these agreements in turn.

***Wide MFNs***

4.91 Our position on wide MFNs has not changed since our market investigation into private motor insurance: we are concerned that wide MFNs soften competition between DCTs and between DCTs and competing channels through reducing DCTs' incentives to compete on commissions, to innovate and to enter.<sup>179</sup> If suppliers reflect changes in commissions in the prices they set on DCTs, this increase in commissions results in increased prices for consumers.

4.92 In the context of our focus sectors, we have not found or received any evidence that there are credible efficiency justifications for wide MFNs that

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<sup>179</sup> DCTs want suppliers to set lower prices on their sites than on other DCTs to be more attractive to consumers than their rivals. Absent wide MFNs, they can achieve this by competing with each other on the commissions they charge to suppliers. Wide MFNs effectively stop this competitive process by creating a price floor across DCTs: a DCT cannot gain a competitive advantage by lowering its commissions as any subsequent price reduction would also benefit its rivals with wide MFNs. In addition, DCTs with wide MFNs can increase their commissions without the fear that they become more expensive than their rivals, as any price increase by the suppliers would need to be reflected in price increases on rival DCTs.

cannot be achieved through less restrictive means (ie narrow MFNs, which we discuss below).

- 4.93 Because of their harmful impact on competition, our PMI market investigation prohibited wide MFNs (or equivalent behaviours) in private motor insurance and, as a result, all the large DCTs removed or no longer enforce their wide MFN clauses.<sup>180</sup>
- 4.94 We have carried out econometric analysis to assess the impact of the removal of wide MFNs on the commissions charged by DCTs (see Paper E). Our results indicate that since the removal of wide MFNs, with narrow MFNs still widely in place, commissions in motor insurance have been lower than they would have been with the wide MFN clauses in place.<sup>181</sup> This evidence supports our view that wide MFNs are likely to soften competition between DCTs. The views we have received from stakeholders have been mixed but mainly positive. Many of the suppliers we spoke to said that the removal of wide MFNs had had a positive impact on competition between DCTs and that they had been able to negotiate exclusive deals and set different prices on different DCTs. On the other hand, some suppliers said that there had been no impact or a negative impact, mainly due to the presence of narrow MFNs, which we discuss below.

**Conclusion**  
(7) *Wide MFNs*

Our concern remains that wide MFNs soften competition between DCTs and can lead to higher prices to consumers, and hence are likely to be anticompetitive. This view is supported by evidence from the motor insurance sector where our analysis shows that competition between DCTs increased as a result of the removal of wide MFNs. In the context of our focus sectors, we have not found or received any evidence that there are credible efficiency justifications for wide MFNs that cannot be achieved through less restrictive means (ie narrow MFNs).

*Narrow MFNs*

- 4.95 We discuss two potential concerns in relation to narrow MFNs. First, whether narrow MFNs may replicate wide MFNs, because suppliers would not lower their prices on DCTs unless they can undercut DCT prices on their direct channel. Second, whether narrow MFNs restrict competition even if they do

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<sup>180</sup> Wide MFNs and behaviour by comparison sites seeking to replicate the anti-competitive effects of wide MFNs were prohibited in relation to PMI. The prohibition on behaviour by comparison sites seeking to replicate the anti-competitive effects of wide MFNs only applies to comparison sites generating more than 300,000 PMI sales annually. See CMA, [Private Motor Insurance final report](#).

<sup>181</sup> Wide MFNs increased commissions by around 3 to 4% on average during 2010 to 2016.

not replicate wide MFNs, by removing a competitive constraint (the direct channel) on DCTs.

- 4.96 As discussed in paragraphs 4.93 and 4.94, narrow MFNs have not replicated wide MFNs in motor insurance since the removal of wide MFN clauses. More generally, narrow MFNs may replicate wide MFNs only under specific conditions which we discuss in Paper E. In cases where narrow MFNs do replicate wide MFNs, we would be concerned about these clauses.
- 4.97 When narrow MFNs do not replicate wide MFNs, we would have stronger concerns about these agreements, and hence the weakening of the competitive pressure from the direct channel, if DCTs were not facing constraints from other channels (notably, from other DCTs). Our evidence suggests that in our focus sectors DCTs face competitive pressure from other DCTs, unless it is restricted, eg through wide MFNs.<sup>182</sup>
- 4.98 The strength of the two main efficiencies that have come up in relation to narrow MFNs (credibility and free-riding) depends on the context. The credibility efficiency, ie the argument that DCTs' business model would be undermined if consumers could find cheaper offers on suppliers' direct channels than on DCTs, is more plausible where DCTs are new or less established.<sup>183</sup>
- 4.99 Reducing the risk of free-riding by suppliers on DCTs' comparison services is a plausible efficiency justification for narrow MFNs,<sup>184</sup> but the strength of this efficiency may be stronger in some sectors than in others, depending on how easy it is for consumers to obtain and compare quotes from multiple sites.<sup>185</sup>
- 4.100 In addition, we do not see how applying narrow MFNs to suppliers' existing customers, a concern we have heard from some suppliers, would mitigate free-riding and lead to efficiencies.<sup>186</sup> In situations where narrow MFNs apply

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<sup>182</sup> Narrow MFNs in the hotel online booking sector have been banned in a number of European countries – see for example GCR, [Italy's parliament moves to prohibit hotel parity clauses](#), May 2017. Any changes as a result of these bans will provide useful evidence on the impact of narrow MFN clauses in the hotel sector.

<sup>183</sup> Our evidence shows that where DCTs are well-established, consumers understand that they can benefit from using them for a number of reasons: besides prices the range of offers, ease of use and, in some cases, rewards also play an important role.

<sup>184</sup> If consumers use DCTs as a 'shop window' to get information about the range of offers but then complete their transaction on a supplier's website independently because they can find the same offer more cheaply, DCTs may not get reimbursed for the lead generation and are less likely to invest in their sites. Such 'free-riding' might undermine the DCT business model. By ensuring that new customers cannot find the deal cheaper on the direct channel than on a DCT, the comparison site increases the likelihood of completing the transaction on the DCT and getting reimbursed for lead generation.

<sup>185</sup> As discussed above, the cost of using multiple sites may also reduce multi-homing and the competitive pressure on DCTs. Reducing the cost of multi-homing could have a beneficial effect on competition.

<sup>186</sup> Existing customers may be consumers that the supplier already has a contract with (eg insurance contract) or consumers who participate in a supplier's loyalty program (eg in the travel sector).

more broadly than is necessary for achieving the efficiencies they can bring, we have concerns about them.

- 4.101 We have considered whether there are any practicable and less restrictive alternatives to narrow MFNs that could address the free-riding issue. If DCTs and suppliers could improve their ability to identify when a DCT generates a lead (eg by improving consumer tracking) so that the DCT gets reimbursed for the lead, it appears that at least some consumers could receive lower prices with no narrow MFNs in place. However, the overall impact of any alternative tracking and reimbursement mechanism is, for now, speculative and ambiguous. In addition, we have heard mixed views (including from insurers) whether these alternatives could be implemented.

**Conclusion**  
*(8) Narrow MFNs*

Narrow MFNs have the potential to restrict competition in some circumstances. Our assessment indicates that they are not having this effect in our focus sectors. However, we have concerns about narrow MFNs becoming broader than is necessary for achieving the efficiencies they can bring. Given this, and more generally their potential impact on competition, these clauses remain of interest to us.

### ***Practices and agreements that could limit DCTs' effectiveness***

#### *Hollowing out*

- 4.102 We have considered whether the growth of DCTs has led to the hollowing out of products (ie a decrease in quality as a result of an undue focus on price) in our focus sectors, especially in insurance, where this risk is greatest because of the nature of the product. Various stakeholders expressed strong concerns about this throughout the study, but these views were not supported by evidence.
- 4.103 We distinguish hollowing out, that is, a genuine overall reduction in quality,<sup>187</sup> from unbundling, which is the restructuring of products (eg having a baseline product and add-ons that can be purchased with it).
- 4.104 The structure of insurance products has changed over time, possibly as a result of the growing use of DCTs, resulting in more unbundled offers.<sup>188</sup>

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<sup>187</sup> For example, worse coverage of insurance policies.

<sup>188</sup> Defaqto, a provider of data on insurance products to DCTs, told us that the structure of insurance products has changed since the launch of DCTs. For example, in home insurance the accidental damage cover of TV used to be included as standard but many insurers now offer it as an optional add-on.

Unbundling can be beneficial to consumers by offering products that are more tailored to their needs. We are unlikely to be worried about unbundling if (i) all compulsory elements<sup>189</sup> of the product are clearly presented in the offer; (ii) consumers understand which components are included in the offer (transparency); (iii) consumers can easily create the bundle they want, and (iv) the unbundling is not coupled with an unavoidable reduction in quality of the individual components. DCTs appear to try to minimise any negative impact of unbundling by improving how consumers can choose add-ons, and the FCA has also done work in this area.<sup>190</sup>

4.105 In relation to the quality of products, the evidence does not suggest that DCTs have generally led to harmful hollowing out in the markets we have looked at.<sup>191</sup> In home and motor insurance, we have found no notable difference between DCTs and the direct channel in terms of the proportion of nil-claims compared to all claims made by consumers.<sup>192</sup> This suggests that on average insurance products chosen on DCTs are no less suitable for consumers than those purchased direct. The picture on the choice of add-ons is more mixed; some insurers provided data that the level of coverage chosen on the direct channel is greater than that selected on DCTs. One reason for this could be the different customer mix on different channels.

4.106 We have consistently heard that the level of voluntary excess differs between channels, with lower excesses being chosen on the direct channel compared to DCTs. This could be a result of the fact that different default levels of voluntary excess are often presented on different sales channels.<sup>193</sup> As defaults can have an impact on consumer choice,<sup>194</sup> the current way of presenting voluntary excesses raises the risk of consumers not choosing the offer that is best suited to their needs. In addition, the way in which variable levels of compulsory excess are currently presented alongside the voluntary excess makes it more difficult for consumers to compare offers and this is likely to affect consumers' decisions.

4.107 While our findings suggest that DCTs have not led to harmful hollowing out in general, it is important that DCTs and suppliers keep working on preventing hollowing out in the future. Consumer research shows that price is a factor of primary importance for consumers across sectors, irrespective of purchasing

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<sup>189</sup> That is, all components that the consumer has to purchase to complete the transaction (eg fees that are not optional).

<sup>190</sup> We include an overview of this in Paper D.

<sup>191</sup> In fact, we have also heard views from Defaqto that based on regular assessments, the quality of insurance products had improved over time.

<sup>192</sup> A nil claim is a claim which results in no payment by the insurer.

<sup>193</sup> Differences between consumers using the direct channel and DCTs may also influence the choice of excess on different sales channels.

<sup>194</sup> See, for example, FCA, *Applying behavioural economics in the Financial Conduct Authority*, April 2013.

on a DCT or other channels. By giving prominence to price, DCTs may increase the risk of hollowing out. This can be mitigated by presenting all relevant product dimensions, including the quality of the products, alongside price to inform consumer choice.

4.108 The five largest DCTs use a variety of quality ratings, and others are also developing them across sectors, starting with insurance. The contents of metrics currently used vary significantly, with some focusing on product characteristics and others on consumer reviews. Different DCTs present these ratings at different stages of the consumer journey, and the way the ratings are presented also differs by sector. Some DCTs offer ratings separate from the results page (eg showing the ratings once the consumer has already clicked on an offer). In these instances, consumers are less likely to consider quality ratings alongside price in their decision-making process. Consequently, the effectiveness of the tools that DCTs have started to develop to reduce the risk of hollowing out is unclear.

**Conclusion**  
*(9) Hollowing out*

Our review of the evidence does not support the concerns stakeholders raised with us. In general, the evidence does not suggest harmful hollowing out, but we did find potential issues with the presentation of excesses in insurance. Also, more could be done with quality metrics, both in terms of their use and the way in which they are presented, to support effective comparisons.

*Non-brand bidding and negative matching agreements*

4.109 We have found advertising restrictions related to paid search engine results<sup>195</sup> in all our case study sectors. These restrictions fall into three categories: narrow non-brand bidding, wide non-brand bidding and negative matching agreements. Table 4.2 summarises the differences between these types of agreement. Our detailed description and analysis of these agreements is set out in Paper E.

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<sup>195</sup> These are adverts typically appearing on top of the search engine's result pages, above the so-called organic search results.

**Table 4.2: Types of advertising restrictions**

Type of agreement	One advertiser agrees...
<b>Narrow non-brand bidding</b>	... not to bid on another advertiser's brand name when a search term <sup>196</sup> includes that brand name alone (eg 'Brand X').
<b>Wide non-brand bidding</b>	...not to bid on another advertiser's brand name when the search term includes that brand name alone or with other (non-brand related) words (eg 'compare Brand X' or 'Brand X deals').
<b>Negative matching agreement</b>	...to add another advertiser's brand name to its 'negative keywords', which prevents its ad appearing when the search term includes that brand name alone or with other (non-brand related) words (eg 'compare Brand X' or 'Brand X deals').

4.110 Our main concern is that these agreements may reduce DCTs' visibility by reducing the likelihood of their adverts appearing on top of a search engine's results page, and the impact this has on shopping around and supplier competition. On the other hand, we have heard arguments that these terms may offer some efficiencies by preventing free-riding on brand owners' investments, reducing the risk of consumer confusion when searching for a particular brand and reducing marketing costs to brand owners.

4.111 The free-riding efficiency could hold for narrow non-brand bidding but it is less credible for wide non-brand bidding and especially negative matching agreements. While plausible, we have not seen any evidence on the other claimed efficiencies.

4.112 At the same time, the potential harm increases as we move from less restrictive terms (narrow non-brand bidding) towards more restrictive terms (negative matching agreements): with negative matching agreements a DCT cannot appear even if it is otherwise relevant for the given search term.<sup>197</sup> Therefore we are more likely to be concerned about negative matching agreements than about (narrow) non-brand bidding agreements.

<sup>196</sup> Search terms are the words used by the consumers in their search process on a search engine.

<sup>197</sup> For example, if a consumer uses the search term 'compare Brand X widget deals', a DCT could be relevant for the non-brand related part of the search term ('compare widget deals'). However, a negative matching agreement would prevent the DCT from appearing in the ad results because the search term also includes a brand name.

**Conclusion**  
*(10) Non-brand bidding and negative matching agreements*

The evidence we have gathered as part of this study does not suggest that these agreements are currently having a significant impact on consumers. However, because of the prevalence of these agreements and their potential negative impact (especially of negative matching agreements), this remains an area of interest to the CMA.

*Non-resolicitation*

4.113 Non-resolicitation clauses in contracts between DCTs and suppliers require DCTs not to contact customers who have purchased a supplier's product from that DCT (in respect to the same product type) for a certain period. We have observed these clauses in energy, home insurance and motor insurance.<sup>198</sup>

4.114 Non-resolicitation clauses may have a negative impact on: (i) competition between suppliers by reducing the visibility of DCTs and the competing offers on that DCT; and (ii) innovation by DCTs by reducing their ability to come up with targeted marketing strategies (eg automated reminders around the time of the renewal of a policy).<sup>199</sup> These mechanisms are discussed in more detail in Paper E.

4.115 The harm from non-resolicitation clauses is more likely:

- (a) The greater the proportion of suppliers and consumers they cover.
- (b) The longer they prevent resolicitation and the more it is timed around key contract periods where a contract is in place between a consumer and the supplier (eg renewal of the contract or the end of introductory offers).<sup>200</sup>
- (c) The greater impact resolicitation would have on consumer behaviour (eg if it plays an important role influencing consumer choice and in increasing engagement).

4.116 In home insurance, the majority of the clauses we have seen prevent resolicitation for 12 or 13 months, covering the first renewal period of the policy, but there are examples of longer terms. In energy, the majority of contracts prevent resolicitation for at least 12 months or for the term of the contract, but some clauses prevent resolicitation perpetually. In addition, we have found that these clauses cover a relatively large proportion of home insurance and energy customers who purchase through a DCT. At the same

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<sup>198</sup> Only one DCT mentioned that these clauses have existed in the mobile industry.

<sup>199</sup> Note that multi-homing customers may still be contacted by other DCTs.

<sup>200</sup> We found non-resolicitation clauses in sectors where consumers typically enter into a contract with a supplier (eg energy or insurance) as opposed to making one-off purchases (eg flights).



time, we have not seen strong evidence that these clauses currently have a considerable impact on consumer behaviour and hence would result in material consumer harm in these two sectors, as discussed in paragraphs 4.125 to 4.137 of Paper E.

4.117 Stakeholders raised a number of potential efficiency justifications for non-resolicitation clauses, the most plausible of which is preventing resolicitation shortly after the purchase of the product. Ensuring that a supplier can keep the customer for a certain period of time means that the commission it pays to the DCT can be recouped and it can also incentivise the supplier to invest in the customer relationship. However, we have not seen convincing evidence of why preventing resolicitation for long periods<sup>201</sup> or perpetually would be beneficial in this sense.<sup>202</sup>

**Conclusion**  
*(11) Non-resolicitation*

DCTs resoliciting consumers who used them before can be an additional means to maintain consumer engagement, especially in markets where consumers need a push to shop around again once their initial contract period has ended.

In markets with high levels of consumer inertia, limiting the ways in which consumers can receive prompts to shop around when their contract is up for renewal (and beyond this renewal period) is unhelpful, and this negative effect does not appear to be counterbalanced by any strong efficiencies.

The evidence collected as part of this study does not suggest that these clauses currently have a material impact on consumer choices in the sectors we have looked at. However, because of their potential impact on consumer engagement and competition, these clauses remain an area of interest to the CMA.

## **(f) Room for improvement in the regulation of DCTs (supporting paper C)**

4.118 Much of what we have seen suggests DCTs have positive outcomes for consumers. But we can see the ways in which these good outcomes could be undermined, and some evidence of this apparently happening.

(a) **Trust.** If consumers are suspicious of DCTs, or DCTs do things which undermine trust, then consumers may choose not to use them and miss out on the potential benefits they can deliver. Our research suggests that

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<sup>201</sup> And, when relevant, during and beyond the first renewal window.

<sup>202</sup> This is without prejudice to the application of the European Commission's notice on ancillary restraints or the Vertical Agreements Block Exemption Regulation to these agreements.

consumers largely trust DCTs but some were put off using DCTs because of their perceptions about partial coverage, inaccuracies or complexity.<sup>203</sup> Some also had concerns about how DCTs use their data. Our websweep found that some DCTs could be clearer about how they work and how they use and handle data.

- (b) **Choice between DCTs.** If DCTs fail to provide clear and accurate information about what they do, then consumers will struggle to choose the right DCT for them, or might assume that all DCTs are the same and only use one. As noted above, our research suggests that some consumers are unclear about what DCTs do, and a significant number of people are only using one DCT. Our websweep also found that some DCTs could be clearer about what they are offering.
- (c) **Choice between suppliers.** If DCTs are not clear about how they rank results or the information about the products they compare is not accurate, then consumers will not be able to make informed choices between different suppliers. Our websweep found that some DCTs could be clearer about ranking and the effects of any commercial relationships on the way results are presented. Our mystery shopping exercise also raised some concerns about apparent differences between DCT results and the offers on suppliers' sites.

4.119 Regulation should support the outcomes described above in a proportionate way, if the market is judged not to deliver them, without itself causing problems in the market. We have therefore looked at how well regulation achieves this end.

4.120 As we noted in Chapter 3, general law applies to all DCTs. In addition, in some sectors, regulators have in place specific rules, including under voluntary schemes, which apply to DCTs. In financial services, DCTs like other intermediaries are covered by FCA regulation if they engage in specified activities and need to follow a set of high level standards as well as detailed rules. In energy and telecoms, Ofgem and Ofcom respectively do not regulate DCTs directly under their sector-specific rules and instead have set up voluntary accreditation schemes.

4.121 We are not in a position to test the necessity of these rules against a situation without any sector-specific regulation, but we have reviewed the different approaches and formed views on what works well, and what less well.

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<sup>203</sup> Page 89 in Kantar, *Digital Comparison Tools: Consumer Research Final Report*, March 2017.

- 4.122 In **financial services**, the FCA's approach to regulating DCTs appears largely effective from what we have seen. DCTs are covered by regulation in the same way as other financial services intermediaries or brokers, all based on the activities they carry out. The fact that intermediaries of various types have long been a feature of financial services appears to mean that the sector is generally comfortable with DCTs. The presence of the broad requirement to 'treat customers fairly' has attracted some positive comment from regulated firms, as has the FCA's work to become more familiar with the DCTs model. And the presence of tough sanctions creates a significant deterrent effect.<sup>204</sup>
- 4.123 The regulatory framework for DCTs in **energy** looks less effective. The context makes this perhaps not that surprising; intermediaries are a much newer feature in energy, and regulation is set up around licensed suppliers, meaning that DCTs fall outside the scope of formal regulation.
- 4.124 Some of the specific requirements in energy are likely to cause problems. The 'whole of market' requirement in energy, which Ofgem is now in the process of removing,<sup>205</sup> is the main one. At first sight, a requirement to show all suppliers might appear beneficial for consumers by creating 'one-stop shops' for energy and reducing the need to shop around. However, such requirements can undermine the benefits that DCTs can bring to consumers, because they weaken DCTs' positions in negotiations with suppliers. Suppliers know that they will automatically be listed by every DCT even if they do not integrate their systems with the DCTs or reimburse the DCTs for the business they bring to them. First, this can lead to poorer consumer experience on DCTs (eg consumers are not able to click-through to the provider's website). Second, it undermines the incentive of DCTs to invest in energy comparison services and it reduces their ability to exert competitive pressure on suppliers, which ultimately harms consumers. In addition, DCTs cannot vet providers and choose not to list those that may provide a poorer service to consumers.
- 4.125 More generally however, any prescriptive set of requirements such as the one that applies in energy is likely to be hard to get right in a changing sector such

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<sup>204</sup> It should be noted that, although the Unfair Commercial Practices Directive is a full harmonisation Directive (ie member states cannot impose more or less stringent provisions), it contains a specific exception for financial services. Because of the complexity and inherent risks associated with financial services, member states may impose a higher level of protection in this area. This means that, for example, the FCA may impose additional regulatory requirements in relation to the provision of financial services.

<sup>205</sup> Ofgem, [Decision on the partial implementation of the CMA's Whole of Market remedy and consulting on new Code requirements](#), July 2017. Under a 'partial view', accredited PCWs can have their default results page only show tariffs that can be entered into directly through their site provided consumers can easily access a results page which also includes tariffs which can be switched to outside of their site. PCWs will also need to be clear about the market coverage and list tariffs in price order unless the consumer specifically asks for them to be ordered in some other way.

as DCTs, and may hamper innovation. A rule that is right for the traditional 'PCW' model may not work for a newer app or concierge service.<sup>206</sup>

- 4.126 While regulators may be able to change scheme requirements relatively easily, this can also mean schemes come under pressure to address new policy issues. The impact of the rules in Ofgem's scheme is increased because the scheme, while nominally voluntary, becomes quasi-mandatory where suppliers require accreditation from DCTs in order to assure their own compliance with the regulations that fall on them. And despite being quasi-mandatory, the scheme is not subject to the same types of external scrutiny, challenge and review as statutory regulation.
- 4.127 Another problem may arise from the different rules and weight of enforcement that apply to different firms carrying out competing activities – in this case the sales and marketing of retail energy services. Licensed suppliers are subject to detailed rules, with strong enforcement; accredited DCTs are subject to detailed rules, but with no strict enforcement other than removal of accreditation; and other, non-accredited DCTs such as newer apps or collective switchers are not covered by any specific rules.
- 4.128 The picture in telecoms, particularly **broadband**, is more mixed than in energy. A similar 'comprehensiveness' rule exists, but set at 90% of suppliers by market share (as opposed to 100% in energy); we would expect this to have a similar distorting effect as in energy.<sup>207</sup> And some of the detailed rules – for instance determining the number of results on a page, or the sort order – are likely to raise similar risks as in energy.
- 4.129 The impact, positive or negative, of all these rules is however likely to be lower in broadband, because many DCTs, including the biggest two, covering more than 70% of DCT switches, do not sign up. This raises a different question however: that of the effectiveness of the scheme in protecting against the potential poor outcomes set out above.
- 4.130 Many of the businesses offering DCTs do so across sectors, and may as a result have to deal with several different sets of regulatory requirements. We heard arguments that this creates confusion for consumers and undue

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<sup>206</sup> In its recent report on Next Generation Intermediaries (NGIs), Citizens Advice noted examples of comments from some NGI representatives that, while the benefits of accreditation were recognised, the codes did not fit well with their models. See Citizens Advice, [Game Changers? A review of Next Generation Intermediary Services for Citizens Advice](#) by Richard Bates, August 2017.

<sup>207</sup> In a relatively concentrated market such as broadband (see Figure 2.13 in Paper E), the 90% market share threshold means that all large suppliers have to be listed by DCTs. In some respects, a requirement to show just less than the whole of the market could in fact have a worse effect than a requirement to show 100%, because it means the largest providers are guaranteed to be listed but may mean new entrant and niche providers are at a disadvantage and have to negotiate to be listed.

compliance burden for DCTs, and creates challenges for DCTs showing multi-utility bundles. While we have not seen evidence of a significant negative impact, we see general benefits from bringing greater clarity and consistency to how DCTs should behave, and what consumers should expect.

**Conclusion**  
*(12) Regulation*

Regulators' approaches to DCTs vary, reflecting different underlying frameworks. We see general benefits from bringing greater clarity and consistency.

The activity-based approach for financial services combined with high-level principles appears the most effective. The voluntary schemes adopted in energy and telecoms appear more likely respectively to lead to distortions or to lack substantial impact.

## **5. A range of steps to get more from DCTs**

5.1 In the previous chapter we explained that we see significant benefits from DCTs, but that in a number of respects we see room for improvement. In this chapter we describe a range of steps by us, regulators and government which should allow consumers to realise greater benefits from DCTs. Where necessary we are taking action to tackle undesirable behaviour by DCTs; in other areas we are recommending steps to make DCTs more effective.

5.2 In turn we cover:

- (a) Ensuring DCTs treat people well – improving regulation and investigating compliance where necessary.
- (b) Ensuring competition is effective, including enforcement action where necessary.
- (c) Making comparison easier and more effective.
- (d) Helping people get the most from DCTs.

### **(a) Ensuring DCTs treat people well**

#### ***Improving regulation***

5.3 In Chapter 4, we noted that many people were unaware of the coverage of the last DCT they visited, and that our qualitative consumer research suggested that not all consumers may appreciate that DCTs are typically commercial undertakings. Many were unaware of how to complain, and some consumers had concerns about what DCTs might do with their personal data. We found that sites could often be clearer about these issues. In our mystery shopping exercise, some shoppers identified examples of apparent differences between DCT results and the offers on suppliers' sites when they clicked through to them. While levels of consumer satisfaction were high, there was the potential for consumers to be making poorly informed decisions and for their trust to be at risk.

5.4 We also concluded that regulators' approaches to DCTs vary, reflecting different underlying frameworks. The activity-based approach for financial services combined with high-level principles appeared most effective. The voluntary schemes adopted in energy and telecoms however, appeared more likely respectively to lead to distortions or to be less effective through limited take-up.

- 5.5 As we noted in Chapter 4, while we have not seen evidence of a significant negative impact on consumers or DCTs from different sets of regulatory requirements, we see general benefits from bringing greater clarity and consistency to how DCTs should behave, and what consumers should expect.
- 5.6 We have identified four high-level principles for how DCTs should behave, in order to support consumer trust and informed choice between DCTs and between suppliers. DCTs should treat people fairly, by being **Clear, Accurate, Responsible** and **Easy to use (CARE)**.
- 5.7 DCTs being **Clear** about the nature of service they offer supports trust and informed choice between DCTs. Being **Accurate** supports well-informed choice between suppliers. Being **Responsible** with data, openness to contact by consumers and handling complaints supports consumer trust. Being **Easy to use** supports engagement and access by as many consumers as possible. We set out the CARE principles in more detail in Paper C; but the figure below shows what they mean in practice.

Figure 5.1: What the CARE principles mean in practice

<b>DCTs should treat people fairly</b>	
	<b>Explain their services and how they make money</b>
<b>Clear</b>	<ol style="list-style-type: none"> <li>1. Prominently provide a general explanation of how they make money.</li> <li>2. Clearly explain how much of the market they cover.</li> <li>3. Explain any ownership links with the suppliers they show.</li> <li>4. Clearly explain how they have ranked the results presented.</li> <li>5. Clearly state when and how commercial relationships have affected the results presented.</li> <li>6. Make the total costs, including any compulsory charges, clear to consumers.</li> <li>7. Clearly explain promotional offers.</li> <li>8. Ensure all advertising is clearly identifiable.</li> </ol>
	<b>Provide information that is complete, correct, relevant, up-to-date and not misleading</b>
<b>Accurate</b>	<ol style="list-style-type: none"> <li>1. Include in each result all the information consumers need, including price and main characteristics.</li> <li>2. Ensure information is correct, up-to-date and not misleading.</li> <li>3. Address inaccuracies promptly.</li> <li>4. Ensure results presented are relevant to the search criteria.</li> <li>5. Clearly set out assumptions made in generating the results presented.</li> <li>6. Explain limitations in the availability of the results presented.</li> </ol>
	<b>Protect people’s details and be easy to deal with</b>
<b>Responsible</b>	<ol style="list-style-type: none"> <li>1. Comply with all obligations under data protection and privacy law.</li> <li>2. Explain their collection and use of consumers’ data and what controls consumers can exercise.</li> <li>3. When showing reviews, have processes in place to ensure users see the full picture and be clear about how reviews are collected and checked.</li> <li>4. Deal with complaints professionally and fairly; and provide clear information about how to complain.</li> </ol>
	<b>Make information easy to find and understand</b>
<b>Easy to use</b>	<ol style="list-style-type: none"> <li>1. Present all key information in a clear, prominent and timely way.</li> <li>2. Provide contact details, including postal and e-mail addresses.</li> <li>3. Comply with all obligations under relevant equality law.</li> </ol>

5.8 As well as undermining positive outcomes for consumers, we are concerned that in some cases the practices outlined in Chapter 4 and Paper B may not comply with the general law. In Paper C we set out our views in more detail and summarise some of the relevant legislation.

5.9 The CARE principles also explain the CMA’s view of how general legislation applies in the specific case of DCTs; they do not introduce new requirements (or reflect every legal requirement on DCTs). All DCTs, regardless of the sector(s) they cover, must comply with the general law, in particular the



Consumer Protection from Unfair Trading Regulations 2008 (CPRs),<sup>208</sup> data protection and privacy legislation and equality legislation. If DCTs do not comply with these, the relevant enforcer can take action against them – for example any of the sector regulators can take action under the CPRs against a site in their sector of interest that may be misleading consumers. We set out in Appendix 2 of Paper C how the principles relate to the law.

- 5.10 We recommend that DCTs self-assess against these principles. If they meet the standards set out in them then we are less likely to prioritise enforcement against them. But if they breach consumer law, we may take action (see paragraph 5.20 below). We recommend that other enforcers should have regard to these principles when assessing compliance with the law by DCTs in their sectors where appropriate.<sup>209</sup> Third parties, such as consumer bodies, may also want to use the principles as the basis for assessing and reporting on how DCTs measure up.
- 5.11 As we note above, the principles do not cover every legal requirement that DCTs must comply with, and it should also be noted that in some cases DCTs may be subject to additional sector-specific legal requirements (for instance, in financial services).<sup>210</sup> We also consider that a number of the parties involved in providing the information presented on a DCT may share responsibility for ensuring that it is complete and accurate. This might include the DCT, white label providers, affiliates and suppliers. Depending on the circumstances all or some those involved may be liable for breaches of the CPRs.
- 5.12 As we discuss in Chapter 4, in some sectors, such as energy and telecoms, DCTs may also participate in voluntary accreditation schemes run by sector regulators to show that their practices meet certain standards. The requirements of some voluntary schemes may go further than the requirements of the general law.
- 5.13 Some parties questioned the powers available to enforce the CPRs. We have already said in other contexts<sup>211</sup> that there would be value in strengthening

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<sup>208</sup> What specific information is required under the CPRs depends on the particular circumstances and is assessed by reference to general categories of information. The CPRs contain principle-based provisions, which must be applied on a case-by-case basis.

<sup>209</sup> Although it should be noted that the CMA's views are not binding on the courts or other enforcers. The principles are no substitute for legal advice, and should not be relied on as such. Ultimately, only a court can decide whether a particular practice is unlawful.

<sup>210</sup> For example, the Insurance Distribution Directive, which came into force in February 2016 and must be transposed into national law by February 2018, includes information and conduct requirements which will apply to DCTs carrying out insurance distribution activities within the scope of the Directive.

<sup>211</sup> See CMA, *Response to 'Terms and conditions and consumer protection fining powers: BIS call for evidence'*, April 2016.

consumer enforcement powers with civil fines.<sup>212</sup> Doing so would give the law underlying these principles extra force and ensure better consumer protection; we reiterate our recommendation that the government legislate for these stronger powers, but the need for consumer protection in the context of DCTs is just one illustration of this wider issue.

- 5.14 The way the principles will interact with sector-specific rules varies by sector. In financial services, these requirements are broadly consistent with the FCA's rules, but we anticipate that the FCA would primarily use its sector-specific powers. We recommend however that it has regard to these principles.<sup>213</sup>
- 5.15 In energy and telecoms, we recommend that the government carry out a review as to whether DCTs and other intermediaries should be brought within regulators' scope. This would allow regulators to enforce more firmly and more quickly as well as monitor compliance better, creating a bigger deterrent effect. Where regulation of suppliers' sales and marketing activities is judged necessary, as in energy and broadband, there is a case for applying similar rules to other firms doing these activities – such as DCTs. This would create a level playing-field for all firms performing a similar function – ie selling energy or telecoms services.<sup>214</sup>
- 5.16 The more consumers move to having their primary relationship with intermediaries like DCTs as opposed to suppliers – as seems possible with newer models of DCT like 'concierges' or similar – the more important it is likely to be to address the scope of retail regulation. Rather than bringing DCTs into the scope of existing regulation, it might prove more effective to rethink the overall scope of regulation, bringing it closer to the current system in financial services, where rules apply based on the activity a firm carries out, rather than the type of firm it is and whether it holds a regulatory licence.
- 5.17 However, it might be some time before it is possible to make changes to the scope of regulation. In light of this, we recommend that regulators consider in

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<sup>212</sup> See also the European Commission's current proposal for the reform of the Consumer Protection Cooperation Regulation which includes fining powers for some breaches of consumer protection law. See European Commission, [Proposal to replace CPC Regulation 2006/2004](#), May 2016.

<sup>213</sup> The recommendation to have regard to the CARE principles relates to the FCA's role as potential enforcer under the CPRs, not in relation to its role as enforcer of its own rules or other sector specific provisions. Ultimately it will be up to the FCA to decide on the appropriate basis for any action, taking into account the particular circumstances and the FCA's policy on Enforcement and Enforcement Guide.

<sup>214</sup> There may be parallels between the sectors we have looked most closely at and others. In particular, if and when the household water retail market is opened to competition, it is possible that intermediaries may come to play a significant role. There may also be similarities between how consumers, who have been the focus of our study, and small businesses use DCTs.

the interim a number of more incremental improvements to the frameworks in energy and telecoms:

- (a) Consider ensuring that voluntary schemes remain truly voluntary, for example as a way of assuring best practice; or if quasi-mandatory as in energy, ensure that the requirements are not too prescriptive.
- (b) Consider removing the most distorting requirements – particularly ‘whole of market’ / comprehensiveness; and instead rely on making coverage clear to consumers so they can choose between DCTs and providers.
- (c) Consider paring back some of the more prescriptive rules – such as the requirement to list a minimum number of results on a page, or setting default rankings – so that the codes can be made more applicable to all types of DCT and avoid hampering innovation.

5.18 More broadly we suggest regulators continue to work together to ensure that they take a consistent approach to DCTs where appropriate (for instance where DCTs offer bundled utilities from different sectors), for example through the UK Regulators Network.

5.19 This set of recommendations should in combination result in more effective regulation: consistent high-level principles rather than several different sets of prescriptive rules, with proportionate enforcement that is applied to all DCTs.

**Recommendations**  
*(1-6) Improvements to regulation*

All DCTs should follow the CARE principles to treat people fairly by being Clear, Accurate, Responsible and Easy to use, in order to help them comply with the law and to support consumer trust.

We recommend all regulators have regard to the CARE principles when assessing compliance with the law by all DCTs in their sectors, including apps and collective switchers as well as PCWs.

We reiterate our previous recommendation to government that it introduce civil fining powers for breaches of consumer protection law.

We recommend that the government look to bring intermediaries like DCTs into regulators' scope in energy and telecoms.

Pending any legislative change we recommend regulators consider a number of improvements to the voluntary schemes in energy and telecoms – particularly removing the most distorting requirements such as on coverage – and in general paring back the more prescriptive requirements.

We recommend sector regulators continue to work together to ensure that they take a consistent approach to DCTs where appropriate, for example through the UK Regulators Network.

***Enforcing the law where needed***

5.20 The DCT sector is important. Where necessary, we will act to ensure DCTs comply with the law, and that they are following the CARE principles.

**Action**  
*(7) Consumer law enforcement*

We have an ongoing programme of consumer enforcement work in digital markets, of which our work on DCTs and our CARE principles form an important part. In particular, we are continuing to work with intermediaries in the car hire sector to improve the information they display and, having been considering consumer protection issues in the hotel booking sector, we will be announcing our next steps in the coming weeks.

***Addressing concerns about data protection***

5.21 DCTs perform a particularly important role in relation to personal data because they operate as a gateway to large numbers of suppliers with which data is shared. In addition to incorporating data protection in the CARE principles, we recommend that DCTs take steps to increase consumer

confidence in how they and third parties collect and use consumer data, and to ensure legal compliance, by:<sup>215</sup>

- (a) Reviewing the effectiveness of their existing ‘notice and consent’ mechanisms – for instance to ensure transparency and consumer control to build trust, for example through granular control mechanisms, ‘just in time’ notices etc.
- (b) Communicating more effectively how they protect data to build trust – for example, through clear statements about contractual and other protections in place with third parties to secure and safeguard consumer data. Many of the sites we looked at said little about, or did not highlight, how they safeguard data. Some DCTs, however, told us that the responsible use of data helps build trust and that enhanced protections could be an important competitive differentiator. This aligns with evidence in our review of the commercial use of consumer data, which suggested that raising awareness and improving controls could increase consumer confidence.<sup>216</sup>
- (c) Reflecting on these issues in any ongoing or future compliance reviews – for example in anticipation of the GDPR requirement for businesses to put in place enhanced protections in relation to the processing of personal data. This includes the information they will need to provide to consumers about the collection and use of their data, as well as the controls they need to make available to them.

**Recommendations**  
(8-9) *Data protection*

DCTs should make clear to consumers how they protect their personal information and how consumers can control its use.

Once data protection and electronic privacy reforms are in place, we recommend that the ICO review the practices of DCTs in relation to data protection.

### ***Engaging non-users and vulnerable consumers***

5.22 In Chapter 4, we concluded that DCTs can benefit non-users by driving competition between suppliers more generally; and we saw no evidence suggesting DCTs making it easier for suppliers to price discriminate between active and inactive consumers (see Paper A). But there remains a sizeable proportion of consumers who do not use DCTs and may be missing out on

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<sup>215</sup> See Appendix 2 of Paper C.

<sup>216</sup> CMA, *The commercial use of consumer data*, June 2015.

their benefits – either through lack of interest, a preference to deal direct with suppliers or negative feelings towards DCTs.

- 5.23 There are also some consumers who cannot access DCTs at all because they have no internet access. While outside the focus of our study of digital tools, broader policies to help improve access or provide support – such as the government’s consideration of a possible universal service obligation for broadband<sup>217</sup> – are important to helping these people secure the benefits DCTs can provide.
- 5.24 DCTs can be a key tool in driving improvements in important markets, by moving people from being inactive to active. Encouraging this is DCTs’ core business and they have a strong commercial incentive to increase engagement. However, our recommendations in this chapter are intended also to help engagement generally and address consumer concerns through clear consumer messaging; reducing the barriers to DCTs’ effectiveness; facilitating DCTs’ expansion into sectors where they are weaker; improving the regulatory framework; and taking enforcement action where appropriate.
- 5.25 The more consumers use different DCTs, the greater the competitive pressure on DCTs to offer a good service. We recognise that many consumers will not want to use more than one DCT in the same sitting, especially where they have to enter large amounts of information.<sup>218</sup> But if some do so, and if more people try a different one the next time they shop around online, the aggregate effect on competition is likely to be positive.
- 5.26 We also found that although some vulnerable consumers are unable to use comparison tools, for those who can, DCTs can often be helpful. However, aspects of the design of some DCTs mean that some are not universally accessible, particularly for the visually impaired and those using screen readers.<sup>219</sup> Under the Equality Act 2010, DCTs cannot discriminate (directly or indirectly) against disabled customers, and must make reasonable adjustments to ensure that they can access the service. Not meeting minimum website accessibility standards may be a breach of the Equality Act 2010.

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<sup>217</sup> DCMS, [Broadband Universal Service Obligation: consultation on design](#), July 2017.

<sup>218</sup> This is a key reason for our recommendations on improving data access for DCTs and exploring the potential benefits of greater data portability.

<sup>219</sup> Screen readers convert text content into either voice or braille. With appropriate formatting screen readers should be able to process most web content. Where graphics are used ‘alt-text’ tags can be used to provide a description of the graphic. Developers not including alt-text is an example of how users of screen readers may not be presented with the same information as other users, whilst empty alt-text (where the code indicates there is alt-text but none is provided) can cause confusion as to whether there is relevant content present.

5.27 Sector regulators have already been addressing some of the wider difficulties faced by vulnerable consumers when accessing markets. For instance:

- Ofcom has a range of measures in place to protect vulnerable consumers in communications markets. It has published a guide to powers of attorney and third party bill management, which enable consumers to nominate a trusted friend or relative to act on their behalf when accessing markets.<sup>220</sup>
- Ofgem has announced plans to protect vulnerable consumers, including a possible safeguard tariff.<sup>221</sup>
- The FCA issued occasional papers on Consumer Vulnerability<sup>222</sup> and Access to Financial Services;<sup>223</sup> and recently announced a call for input on access to travel insurance for consumers who have, or have had, cancer.<sup>224</sup>

**Recommendations**  
(10) *Accessibility*

We recommend that DCTs take steps to ensure their websites and apps comply with their obligations under relevant equality law.

(11) *Vulnerable consumers and DCTs*

We recommend DCTs and relevant consumer and charitable organisations work more closely on how to address vulnerable consumers' needs – including providing links to sources of additional help and support.

## (b) Ensuring competition is effective

### *Reducing barriers to competition between DCTs*

5.28 We have found wide MFN agreements in the contracts between one DCT and insurers in relation to home insurance. We have reasonable grounds to suspect such agreements appreciably restrict competition between DCTs and may result in higher home insurance prices.

**Action**  
(12)  
*Competition law case*

We have opened a competition law investigation in relation to one DCT's contracts with home insurers, which contain MFN clauses; we look forward to working with the FCA on this, as the regulator with concurrent competition powers in financial services.

<sup>220</sup> Ofcom, *Powers of attorney and third party bill management*, June 2016.

<sup>221</sup> Ofgem, *Ofgem announces plans to deliver a fairer, more competitive market for all consumers*, July 2017.

<sup>222</sup> FCA, *Occasional Paper No. 8: Consumer Vulnerability*, February 2015.

<sup>223</sup> FCA, *Occasional Paper No. 17: Access to Financial Services in the UK*, May 2016.

<sup>224</sup> FCA, *Call for Input on access to insurance*, June 2017.

- 5.29 We have found a number of other agreements in contracts between DCTs and suppliers that might weaken the competitive pressure on and between DCTs (narrow MFNs) or make it more difficult for DCTs to operate effectively (non brand-bidding and negative matching agreements, and non-resolicitation clauses). The impact of these agreements and hence the strength of our concerns depend on the market context. In our study we have not seen evidence of significant harm from these clauses and we are not opening any investigations into any of these agreements at this stage.
- 5.30 Ensuring that consumers keep benefiting from digital tools, including DCTs, remains a priority area for the CMA. Therefore, we will keep agreements and behaviours that may limit these benefits (including those mentioned above) under review.

**Action / Recommendation**  
(13) *Contract terms*

We will keep MFNs, non brand-bidding, negative matching and non-resolicitation agreements under review. Companies operating DCTs or supplying services via DCTs should review their contracts in light of our comments on these agreements.

- 5.31 The presence of active consumers who use multiple DCTs and are not loyal to a single DCT can be an important driver of competition between DCTs.
- 5.32 If consumers compare quotes from multiple sites and purchase from the one with the best offer, DCTs are incentivised to compete to offer better deals and suppliers are able to negotiate more strongly with DCTs, resulting in lower commissions and better prices for consumers. While many consumers already visit multiple DCTs when shopping around, a much smaller proportion of consumers go all the way to obtain and compare quotes from multiple DCTs, eg in motor insurance and, especially, in home insurance. Consequently, there appears to be room for improvement in closing the gap between consumers 'superficially' checking multiple sites and requesting quotes.
- 5.33 One way to do this is to make the consumer experience of DCTs easier, reducing the effort of using multiple sites. Our recommendations to regulators, as discussed in paragraphs 5.43 to 5.50, are aimed at achieving this. It is also important that consumers understand how DCTs operate and what to expect from them, so that they can choose carefully. Our CARE principles support this (see paragraphs 5.3 to 5.19).



## **Reducing barriers to DCTs' effectiveness**

5.34 While we have not found any convincing evidence that DCTs have led to hollowing out or harmful unbundling of products in general, we did identify potential issues with the way excesses are set and presented in car and home insurance. First, many sites set different levels of voluntary excess as default when consumers request quotes, and the evidence we gathered suggests that this may influence consumers' decisions. Second, the way in which variable levels of compulsory excess are currently presented alongside the voluntary excess makes it more difficult for consumers to compare offers, and this is likely to impact on consumers' decisions.

### **Recommendation (14) Excesses**

We recommend the FCA consider the issue of how insurance providers and DCTs capture consumer preferences on excesses, how this is used in generating a quotation and how it is subsequently presented; and how this may affect consumers' choice of insurance products.

5.35 Quality metrics can in principle mitigate any risk of excessive focus on price and consequent hollowing out, and help consumers judge the overall value of a product. The metrics currently used vary significantly, with some focusing on product characteristics and others on consumer reviews. Ratings are often presented separately from price information (eg when the consumer has already selected an offer) which is likely to reduce their weight in consumers' decisions. Therefore, we recommend that regulators work with DCTs and suppliers to improve the effectiveness of quality metrics, in terms of both the types of metrics used and their presentation.

### **Recommendation (15) Quality metrics**

We recommend that sector regulators look to work with DCTs and suppliers to improve the effectiveness of quality metrics, in order to mitigate against the risk of hollowing out.

## **(c) Making comparison easier and more effective**

5.36 In Chapter 4 we said that DCTs offer a range of benefits to consumers and suppliers, but we also identified examples where the consumer experience of using DCTs is not as good as it could be. In this section we reflect on how to make DCTs easier to use and more effective for consumers.

- 5.37 Generally, DCTs have strong incentives to make comparisons easy – that is their business and they are generally better at it than regulators.<sup>225</sup> However, there may be some barriers to making effective comparisons that individual DCTs may not be able to fix easily themselves, where sector-wide action (eg the CMA’s Open Banking initiative)<sup>226</sup> is needed to facilitate useful comparisons. This often involves access to information, or setting common standards, which cannot be done by an individual company.
- 5.38 Many of the potential improvements we have been told about could be achieved by improving access to specific inputs. These improvements could lead to DCTs with enhanced functionality and a smoother journey from beginning to end. In turn this could further drive consumer engagement, competition and improve consumer outcomes.

### ***Why do we need to make comparison easier and more effective?***

- 5.39 If consumers do not shop around, they are unlikely to obtain the best or most appropriate deals available in the market. However, there are many reasons why consumers choose not to shop around or to use DCTs.<sup>227</sup>
- 5.40 Many of these barriers result in consumers finding shopping around difficult. DCTs try to reduce that difficulty by offering a way of comparing multiple deals in one place. However, as we said in Chapter 4, DCTs are not always able to offer smooth or comprehensive comparison services.
- 5.41 The easier and more effective the comparisons DCTs offer, the more likely that: (a) consumers will try one, or even better more than one, (b) consumers will generate a quote using one (or more than one), (c) consumers will follow all the way through and complete a purchase, or use DCTs for research before completing a purchase elsewhere, (d) the decision they take will be a good one for them. The combination of all of these should result in greater competitive pressure on suppliers, greater competitive pressure on DCTs, and overall better outcomes both for the individual consumer and for the market as a whole.

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<sup>225</sup> See for example Professor Amelia Fletcher for Which?, [The Role of Demand-Side Remedies in Driving Effective Competition](#), November 2016, page 7.

<sup>226</sup> See [Open API Standards for UK Banking](#) for details of the development of UK Open Banking.

<sup>227</sup> The UKRN, in its report on consumer engagement and switching, considered reasons for lack of consumer engagement and identified 12 reasons across four themes that might affect engagement: awareness, attitude, ability and cross-cutting barriers. The UKRN’s approach included consideration of consumer bias, behaviour, trust and ‘sector literacy’ and identified the greatest number of potential barriers in energy markets (6 out of 12) followed (in descending order) by retail banking and telecoms (both 4 out of 12) and general insurance and health (both 2 out of 12). See UKRN, [Consumer engagement and switching](#), December 2014. Tables 1 and 2.

5.42 We have identified a range of opportunities to enable DCTs to make shopping around easier or more effective, often by freeing up data or making the consumer journey smoother. Even where regulators do not directly or indirectly regulate DCTs there may be scope to improve consumer outcomes, for example, by supporting innovation and facilitating collaboration and cooperation to develop common standards in their sectors.

### ***General approaches to make comparison easier and more effective***

5.43 In our accompanying Paper D we discuss in detail five general approaches that regulators can take to improve consumer outcomes by facilitating and improving DCTs. In our Paper, we describe case studies, including from our market investigations into energy, banking, private healthcare and payday lending, on how such approaches could be used by regulators to improve consumer outcomes, and current examples of where improved use of data could lead to enhanced consumer outcomes.

#### **General approaches to using comparison to improve consumer outcomes**

We identify five general approaches to improving the availability and functionality of DCTs to improve consumer engagement and outcomes.

1. **Acting as a catalyst for innovation** – taking action to encourage the market to innovate by proactively encouraging and incentivising the market to address consumer detriment. This includes challenge funds and prizes and non-financial support to encourage the development of services with desired functionality.
2. **Developing infrastructure and interfaces** – putting in place the structures to develop industry-wide approaches to data interchange and access to supplier, regulatory and DCT data. This includes developing open APIs and standardised metadata.
3. **Improving DCT access to comparable product information** – taking action to make supplier data available and particularly in common formats and structure. This might vary by sector and range from working with industry to identify standard products and add-ons or in certain cases compelling the sharing of product information with DCTs and other third parties.
4. **Improving DCT access to consumer information** – taking a range of possible actions to help consumers by improving their ability to access and share data held about them. This might include taking steps to give the consumers the right to grant DCTs permission to access personal data held by incumbent suppliers, DCTs and government to deliver more accurate and relevant comparisons.

5. **Facilitating comparison with open data** – taking action to improve the availability of information on suppliers to DCTs and others. Relevant data held by regulators and government on suppliers and products should be published in a machine-readable format under a suitable open data licence with appropriate frequency.

**Recommendation**  
*(16) Getting more from DCTs*

We recommend sector regulators consider ways to free up more data and make it easier for consumers to use DCTs, in order to support more consumer engagement and better informed choice.

- 5.44 In considering these approaches regulators and government could consider the need for cross-sector or international collaboration and/or the involvement of other bodies such as the ICO and ASA.

**Recommendation**  
*(17) Making the most of better data portability*

We recommend the government consider how to maximise the opportunities presented by GDPR to use data portability to support competition between intermediaries such as DCTs.

### ***Specific recommendations to regulators***

- 5.45 This study has looked across a range of sectors and how DCTs operate in those sectors. What we have not done is assess the overall functioning of these markets, although we have considered some aspects of consumer engagement.
- 5.46 In the longer term, regulators may also need to reflect on how to reduce any friction in using multiple DCTs or switching between DCTs, especially if concierge and automatic switching services gain traction.<sup>228</sup>
- 5.47 There is scope to improve the relevance and accuracy of non-price information available to telecommunications DCTs, so that people are able better to understand the telecoms services they could receive. This might be achieved by: collecting and making available accurate and achievable internet speed data on an individual property basis wherever possible, delivering third

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<sup>228</sup> Concierge and automatic switching DCTs might drive competition between suppliers through increased switching rates though with limited competition between DCTs. This will potentially be a greater issue if such DCTs provide comparison services in a number of sectors.

party access to mobile network coverage and availability data, and developing and publishing relevant service metrics at a provider level – as currently being taken forward by Ofcom.

**Recommendations**  
*(18-19) Making comparison easier and more effective in telecoms*

We strongly support Ofcom's existing initiative to make more data available for use by third parties like DCTs, including using its Digital Economy Act powers.

We recommend Ofcom consider how else it might support the further development of DCTs in telecoms as a way of enabling better competition and consumer choice.

5.48 Similarly in energy, comparison could be made more accurate and easier by:

- (a) Supporting better access to consumer usage data, by facilitating access, identification and verification of meter numbers, and enabling ad hoc or ongoing access to consumer energy use collected via manual meter readings or from smart meters.<sup>229</sup>
- (b) Acting to ensure greater availability of tariff information in a consistent format.

**Recommendation**  
*(20) Making comparison easier and more effective in energy*

We recommend Ofgem consider how it could make comparison more accurate and easier by supporting better access to consumer usage and tariff data, building on its existing work.

5.49 In financial services, the FCA could consider building on the work it has already done to improve comparison by:

- (a) Continuing to work to support consumers in better understanding their eligibility for consumer credit as early in the consumer journey as possible.
- (b) Assessing the effectiveness of the presentation of information on the nature of cover in general insurance and their impact on market outcomes.<sup>230</sup>

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<sup>229</sup> Ofgem is working collaboratively with BEIS on the implementation of Midata, which will allow Third Party Intermediaries (TPIs), including DCTs, to access customer data.

<sup>230</sup> In response to the FCA's [thematic review of price comparison recommendations in the general insurance sector](#), a number of DCTs have incorporated standardised indicators of cover.

- (c) Continuing to develop service performance metrics, such as the general insurance value measures<sup>231</sup> currently in pilot and the FCA’s proposals, currently being consulted on, to require current account providers to publish information on service and performance.<sup>232</sup>
- (d) Identifying whether consumers need greater support in identifying like-for-like cover when renewing insurance. This might be through: identifying whether there are patterns in cover on renewal versus switching that indicate the quality of cover reduces; reviewing the availability of existing indicators and filters to identify policy cover; or working with the insurance industry to establish the feasibility of allowing third parties to access details of individual consumers’ existing policy cover.
- (e) Working with HM Treasury and the insurance industry to consider promoting and facilitating greater use of MyLicence in motor insurance. By using data that is now readily available, insurers and DCTs could make consumer journeys shorter<sup>233</sup> and remove hassle and cost from switching.<sup>234</sup> Furthermore by using accurate data in quote generation the risk of policies being found to be invalid<sup>235</sup> will be reduced and improved fraud detection will lead to lower premiums. We discuss this further in Paper D.

5.50 We observed above that there may be value in making it easier for consumers to get quotes from more than one DCT, to maximise competitive pressure on DCTs. In addition to the general measures to make comparison easier, there may be specific ways of making it easier to generate an insurance quote from more than one DCT – for instance by allowing consumers to transfer the information they put into one site to another, perhaps through APIs. The forthcoming requirements of GDPR might support this kind of data portability.

**Recommendation**  
 (21) *Supporting multi-homing – all regulators*

We recommend all regulators consider whether and how it would be possible to make it easier for people to get quotes from multiple DCTs, in order to support effective DCT competition.

<sup>231</sup> FCA, *General Insurance value measures pilot*, January 2017.

<sup>232</sup> FCA, *CP17/24: Information about current account services*, July 2017.

<sup>233</sup> This would be the case through DCT and direct channels.

<sup>234</sup> For example, consumers typically have to send paper copies of certificates of no-claims to be eligible for a no-claims discount and insurers must manually process these.

<sup>235</sup> 16% of consumers under-declare motoring convictions, which could invalidate cover, whilst 7% over-declare leading to consumers paying greater premiums than necessary.

**Recommendation**  
*(22) Supporting multi-homing – FCA*

We recommend the FCA in particular, given the amount of information required from consumers to generate a quote, consider whether and how it would be possible to make it easier for people to get quotes from multiple DCTs, in order to support effective DCT competition.

**Recommendation**  
*(23) Improving comparison in financial services*

We recommend the FCA consider ways to build on its existing work to facilitate accurate like-for-like comparison that incorporates non-price factors.

### **(d) Helping people get the most from DCTs**

5.51 Most of the steps we are taking as a result of this study are for us, regulators or government. However, there are things people using, or considering using, DCTs can do to get the most out of them.

**Recommendation**  
*(24) People's use of DCTs*

1. Comparison sites can save you time and money.
2. Choose carefully between comparison sites, like you would any retailer.
3. Not all sites are the same, so try more than one if you can.
4. Check how the site has ordered results.

**Recommendation**  
*(25) People's use of DCTs*

We ask that regulators, relevant charities and consumer bodies help spread our messages on how people should use DCTs.

### **What happens next**

5.52 Our study comes to a close at this point, but we are talking to DCTs, regulators, government and other bodies to ensure our conclusions are understood and taken on board.