

Market Study of Digital Comparison Tools

Statement of Scope

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1. Summary

- 1.1 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. Past Competition and Markets Authority (CMA) projects, including on private motor insurance and payday lending, have found that DCTs can increase competition and offer significant benefits to consumers – allowing them to make better, more informed choices. The recent CMA market investigations into energy and banking have also highlighted the potential of well-functioning DCT markets to benefit consumers by improving engagement and competition.
- 1.2 However, a range of possible concerns have also been raised in relation to the DCT sector. These include concerns relating to how DCTs compete and with consumer trust. We have therefore started a market study to consider these possible concerns. We also plan to identify ways to maximise the benefits from DCTs, while ensuring consumers are suitably protected and that DCTs compete effectively with each other, increase consumer engagement and enable effective competition between suppliers.
- 1.3 Our aims are 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.
 - (c) Reduce barriers to the effective functioning of DCTs, such as consumer distrust, or DCTs' access to the data they need in order to offer a compelling service.
- 1.4 Our study will take up to a year. During that time we expect to gather a wide range of evidence both directly from consumers and from industry. We will also work closely with sector regulators through the UK Regulators Network, which itself has just published a stock-take report on the regulatory framework for DCTs in financial services, telecoms and energy.¹
- 1.5 We plan to produce a report which will provide a clear view of the circumstances in which DCTs can offer the greatest benefits, and where any

¹ UK Regulators Network, [Price Comparison Websites: Final Report](#), September 2016.

concerns may be most evident. Where we find issues of particular concern, we may open enforcement proceedings, and/or decide that a market investigation reference is needed. Alternatively, we could make recommendations to regulators, industry or government, or decide that no further action is needed.

- 1.6 At this stage we welcome input from stakeholders on which issues they believe we should focus our attention on. We have included some questions at the end to help inform any responses, which we would welcome by 24 October. We will also be sending requests for information to several DCTs and other participants in our sectors of interest. Further details about our planned evidence-gathering are in section 6 below.

2. Purpose of the market study

DCTs' role and impact

- 2.1 DCTs, such as price comparison websites (PCWs) and apps, have played an increasing role over the past 15 years, in sectors from financial services to energy and travel. Millions of consumers now use such tools – for instance, research in 2013 found that that over half of all UK consumers (56%) had done so in the preceding two years.² And this is likely to increase with the development of new and innovative smartphone apps and other tools.
- 2.2 Our experience of looking at a range of markets has highlighted the potential of DCTs to improve consumer engagement, by making it easier to compare and switch service providers, and to improve competition. In the private motor insurance market, DCTs have played a central role in improving competition. The CMA's recent reviews into energy and banking both highlighted the potential of DCTs to improve outcomes for consumers and have put in place a number of measures to help enable this.
- 2.3 DCTs can offer direct benefits to consumers by making it easier to compare services and prices in complex markets. They may also reduce barriers to entry for new suppliers, by offering a route to market which avoids the substantial fixed costs of major advertising campaigns.
- 2.4 However, for DCTs to generate these benefits, they must compete effectively and be trusted by consumers. A range of concerns have been expressed publicly in relation to DCTs, by politicians, consumer bodies and in the media. These include issues with consumer trust, whether consumer expectations of DCTs are being met, and how effectively they compete. For example:
- (a) Concerns over the ways DCTs display and compare deals, and resulting concerns over whether consumers trust them.
 - (b) Particularly in energy, concerns over DCTs not offering consumers comprehensive market coverage, and worries over transparency.
 - (c) Lack of transparency over DCT business models, and particularly whether suppliers can influence how their products are represented.

² Consumer Futures, [Price comparison websites, consumer perceptions and experiences](#), July 2013. Page 4: '56 per cent declared they have used a PCW in the last two years; 52 per cent switched or purchased directly through a PCW.'

- 2.5 While the above concerns relate to consumer trust, there are also potential competition concerns. Our own private motor insurance (PMI) investigation demonstrated many of the benefits of DCTs for engagement, switching and entry, but also found: ‘that some of the contracts between PMI providers and price comparison websites (PCWs) contained conditions which limited price competition and innovation, and could restrict entry’.³

Purpose of the project and potential outputs

- 2.6 The overall purpose of our study is to maximise the benefits that DCTs can deliver, as well as minimising any problems that they might raise. We will do this through a cross-sector project, drawing on our past work involving DCTs as well as additional research.
- 2.7 In particular, our aims are 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.
 - (c) Reduce barriers to the effective functioning of DCTs, such as consumer distrust, or DCTs’ access to the data they need in order to offer a compelling service.
- 2.8 Market studies can result in a range of possible outputs, including a market investigation reference relating either to the whole study or part of it, consumer/competition enforcement, recommendations to government or to regulators, or a report proposing no further action.

³ CMA, [Private motor insurance final report](#), September 2014, paragraph 9.

3. Background on DCTs

3.1 In this section we provide some background on business models and our previous projects. This document accompanies the Market Study Notice: Digital Comparison Tools.⁴

The development of DCTs

3.2 While there were some early and experimental comparison sites developed during the mid-1990s, the first significant sites were established in the late 1990s and early 2000s. Moneysupermarket.com, for example, was set up in 1999, initially to provide mortgage information before expanding its coverage to personal loans, credit cards and insurance in 2004.

3.3 The number and range of comparison sites expanded relatively slowly at first, with consolidation of early start-ups. Over the last decade, however, the number of sites has grown substantially.

3.4 While many of the earliest comparison sites were simply business listings pages, some extracted product-level information from the businesses' pages and increasingly comparison site operators agreed direct data feeds from suppliers, which improved their accuracy.

3.5 In some sectors, such as insurance and travel, DCTs have come to play an extremely important role in helping consumers choose between services. The CMA's Private Motor Insurance Market Investigation found in 2013 that nearly half (46%) of buyers of motor insurance bought it online and of these three quarters (72%) bought via a PCW.⁵ We further found that PCWs had accounted for an increasing proportion of new business sales of motor insurance. In 2004, they had accounted for less than 10% of new business sales, but by the end of 2012 this had increased to around 60%.⁶

Past work on DCTs by the CMA and other authorities

3.6 The CMA and its predecessor organisations have carried out a number of projects in which DCTs have played an important part. Details of past CMA work, and that of our predecessors, relating to DCTs are provided at Annex A.

⁴ [Digital Comparison Tools Market Study case page](#).

⁵ IFF Research, *Private Motor Insurance Market Inquiry*, Report by IFF Research for the Competition Commission, June 2013 – see page 11.

⁶ CMA, *Private motor insurance market investigation: Final report*, September 2014, see paragraph 8.3.

- 3.7 We have seen DCTs as a way of increasing competition in markets, such as energy or banking, where low levels of engagement and switching have meant that consumers have not reaped the benefits of cheaper and/or better services. We have sought actively to provide opportunities for intermediaries to enter markets and assist consumers to make informed choices – for instance in consumer banking, by creating data in a format that should improve DCTs’ ability to compete, and in SME banking by seeking to establish a new DCT for SMEs through the independent charity, Nesta. In some past cases such as in payday lending and home credit, we have taken direct steps to create DCTs – again in order to increase competition and engagement.
- 3.8 We have also taken steps to address issues associated with DCTs that impede competition, such as addressing wide price parity clauses in private motor insurance –an approach that has been mirrored in various European antitrust cases on hotel booking through DCTs.⁷
- 3.9 DCTs are particularly prominent in regulated sectors, such as telecoms, energy, and financial services. Sector regulators, through the UK Regulators Network, have recently published a joint report on PCWs.⁸ This report noted that agreements or commercial relationships between PCWs and product suppliers have the potential to weaken competition between PCWs, suppliers or both. It also identified a number of potential concerns in relation to consumers’ abilities to access, assess and act on information.

Types of DCT

- 3.10 DCTs differ in terms of how they interact with suppliers and consumers. For example:
- (a) Data input: while some sites constantly trawl the internet to ‘scrape’ suppliers’ information (eg through metasearch⁹), others have agreements with suppliers – effectively marketing services on their behalf. Some use a combination of these approaches. In some sectors, sites ask consumers for relatively few parameters (such as desired specifications for a flight), while others request more personal information such as addresses or information from utility bills.
 - (b) Presentation of results: while some sites present long lists of offers tailored to consumers’ parameters, others collect consumers’ data and

⁷ See, for example, the [decision](#) by the French, Italian and Swedish Competition Authorities to accept commitments offered by Booking.com.

⁸ UK Regulators Network, [Price Comparison Websites: Final Report](#), September 2016.

⁹ Meta-search sites display prices offered by third parties to assist consumers in comparing prices.

propose the most appropriate offer(s). Some sites collect and present tailored quotes on the basis of the consumers' needs ('request to quote').

(c) Purchase assistance: some sites simply offer collated and tailored sets of offers, with consumers able to click through to those that most interest them, whereas others will help the consumer to complete a purchase or switch.

- 3.11 In order to be commercially successful, DCTs need to encourage consumers to use and transact through their websites. They can only do this if they also offer an attractive range of products.
- 3.12 DCT businesses typically attract consumers to their websites either directly by promoting their brands through advertising or indirectly by being listed in search engine results.
- 3.13 There is a wide range of DCT business models. DCT operators can generate revenues from both suppliers and consumers, although generating revenues from consumers directly is relatively uncommon. There are a number of 'white-label' providers which specialise in providing comparison engines and/or data to DCT operators. DCT operators may choose to use these white-label services for all of the comparisons they offer, or use them to extend their coverage to more sectors without needing to establish their own relationships with suppliers, or develop new software for each additional sector.
- 3.14 Generally when a DCT is remunerated by a supplier this is based on lead generation. Typical models include:
- (a) pay per click (when customers click to see information on a specific product);
 - (b) pay per introduction (where a customer transfers to the supplier's website); and
 - (c) pay per acquisition (where a customer completes a purchase).
- 3.15 Some DCTs may generate additional revenue from hosting advertising or charging a fee or a premium for increasing the prominence of a product. Like many online businesses, some DCTs may also generate revenues from the sale of consumers' data to suppliers or other third parties.
- 3.16 We are aware of some alternative types of DCT emerging. Most existing DCTs offer variations on a theme of lists of products or services listed by price or other parameters, often generating revenue on a commission basis. However, there are also newer services which offer to undertake switches on

a consumer's behalf on a delegated basis (such as [Saveawatt](#) in New Zealand), and services using different business models such as subscription charges to consumers (such as [Flipper](#) in the UK energy market).

4. Themes and possible outcomes

Themes we propose to consider

- 4.1 We propose to examine the following four themes, with a view to considering the extent to which the supply of DCT services in the United Kingdom has or may have effects adverse to the interests of consumers, and the extent to which steps can and should be taken to remedy, mitigate or prevent any such adverse effects:
- (a) Consumers' perceptions, use and experience of DCTs. What do consumers expect from DCTs? Do they trust and use DCTs and how do they benefit? Will they be likely to in the future? What, if any, are the barriers to their use? Should DCTs be required to offer products from all suppliers and disclose their commissions in order to provide a better consumer experience? What happens when consumers experience problems?
 - (b) The impact of DCTs on competition between suppliers of the services they compare. How far have DCTs provided benefits to consumers by increasing competition between suppliers, and will they be likely to do so in the future?
 - (c) Competition between DCTs. How effectively do DCTs compete with each other and will they be likely to in the future?
 - (d) The regulatory environment. How are DCTs regulated in different sectors? Does this help or hinder competition and consumer protection?
- 4.2 Paragraphs 4.3 to 4.11 represent a high-level outline of the types of issues which we expect to explore under these themes. In all of these themes, we will look at both the current situation and the effect of likely future developments in the DCT sector.

Theme 1: Consumers' perceptions, use and experience of DCTs

- 4.3 We will analyse consumers' awareness, understanding and perceptions of DCTs in the sectors of interest. For instance, some concerns have been expressed around the issue of whether consumers are sufficiently informed about what services DCTs provide. Questions that have been raised in this regard include whether PCWs should be required to offer the products of all

suppliers, and whether their commission rates should be revealed.¹⁰ We want to understand how well consumers understand and/or trust DCTs, and what this means for whether they use them.

- 4.4 We also want to understand consumers' behaviour toward and experiences with DCTs. We want to gain an understanding of what consumers expect to get from DCTs compared with what they actually receive. We will also look at the extent to which they use DCTs just to compare products and suppliers or also to switch; how many DCTs they use; how successfully they use them; and the benefits they derive from doing so. We will also want to understand what happens when something goes wrong and consumers' expectations are not met.
- 4.5 We also plan to understand the extent of any problems to do with 'hollowing-out' – whether increased use of DCTs results in excessive focus on price, to the exclusion of other factors and to the detriment of consumers' overall decision-making.

Theme 2: Impact of DCTs on competition between suppliers of the services they compare

- 4.6 A critical test of DCTs' impact is whether they are improving or hindering competition between suppliers. A major way of improving competition, particularly in our sectors of interest, is by increasing engagement by reducing search costs. We plan to understand this effect and whether anything may be hindering it.
- 4.7 We also want to explore the relationships between DCTs and suppliers and to know whether DCTs are having effects on supplier behaviour. For example, we want to explore the impact of DCTs on the range, quality and pricing of their services, and the extent to which this leads to better or worse outcomes for consumers. We also want to understand the extent to which DCTs facilitate supplier entry or expansion.

Theme 3: Competition between DCTs

- 4.8 We aim to establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they

¹⁰ See for example the recommendations from the Energy and Climate Change Select Committee in its report [Protecting consumers: Making energy price comparison websites transparent](#), and the HM Treasury report [A better deal: boosting competition to bring down bills for families and firms](#).

compare. If not, we will explore what may be holding back competition in any particular market.

- 4.9 We will explore how DCTs compete both for consumers and for suppliers. We will assess what well-functioning DCT competition looks like, and the potential for DCTs or suppliers to engage in practices that may limit this.

Theme 4: The regulatory environment

- 4.10 There is a range of regulation of DCTs in place across our sectors of interest, from full regulation in financial services to voluntary accreditation in the telecoms and energy sectors. We will provide an overview of the different approaches to regulation being adopted and assess whether there are lessons to be learnt from comparing approaches.
- 4.11 We will work closely with the sector regulators through the UK Regulators Network (UKRN) to support our exploration of this theme. We will start by drawing on the recently published UKRN report on PCWs.¹¹

Possible outcomes of the market study

- 4.12 The CMA's mission is to make markets work well in the interests of consumers, businesses and the economy. It achieves this by promoting and protecting consumer interests while ensuring that businesses are fair and competitive.
- 4.13 Market studies are one of a number of tools at the CMA's disposal to examine possible competition or consumer protection issues and address them as appropriate, alongside its mergers, enforcement and advocacy activities. They are examinations into the causes of why particular markets may not be working well, taking an overview of regulatory and other economic drivers in a market and patterns of consumer and business behaviour.
- 4.14 A market study begins with the publication of a market study notice by the CMA. A market study notice must be published where the CMA is proposing to carry out its functions under section 5 of the Enterprise Act 2002 (the Act)¹² for the following purposes:

¹¹ UK Regulators Network, [Price Comparison Websites: Final Report](#), September 2016.

¹² Under section 5 of the Act the CMA has the function of obtaining, compiling and keeping under review information about matters relating to the carrying out of its functions, with a view (among other things) to ensuring the CMA has sufficient information to take informed decisions and carry out its other functions effectively.

- To consider the extent to which a matter in relation to the acquisition or supply of goods or services of one or more than one description in the UK has or may have effects adverse to the interests of consumers; and
 - To assess the extent to which steps can and should be taken to remedy, mitigate or prevent any such adverse effects.¹³
- 4.15 Market studies can lead to a range of outcomes. They may conclude that a market can be given a clean bill of health and that the initial concerns about consumer detriment are not substantiated by the information collected over the course of the study.
- 4.16 Where the market is not found to be working well, the CMA may consider several options:
- improving the quality and accessibility of information to consumers or promoting consumer awareness;
 - encouraging businesses in the market to self-regulate;
 - making recommendations to government to change regulations or public policy;
 - taking competition or consumer enforcement action;
 - making a market investigation reference;¹⁴ and/or
 - accepting Undertakings in Lieu of making a market investigation reference.
- 4.17 The above is an illustrative list of possible outcomes. The CMA retains an open mind as to which outcomes, or combination of outcomes, may be appropriate to address any concerns that it may identify during the course of this market study.
- 4.18 Further information on market studies can be found in the following guidance documents: [Market Studies Guidance on the OFT Approach](#) (OFT519) and [Market Studies and Market Investigations: Supplemental Guidance on the CMA's Approach](#) (CMA3).

¹³ Section 130A of the Act.

¹⁴ Where the findings of a market study give rise to reasonable grounds for suspecting that a feature or combination of features of a market or markets in the UK prevents, restricts or distorts competition, and a market investigation appears to be an appropriate and proportionate response, the CMA may make such a reference.

5. The scope of the market study

Scope – introduction

- 5.1 DCTs are one of many types of digital platform. We intend to focus here primarily on the distinctive features of DCTs and not on issues that are shared with other digital platforms. In particular, this project is not seeking to address more general concerns about online platforms, such as generic search, sharing economy sites or other types of intermediary.

Scope – what is a DCT?

- 5.2 DCTs act as intermediaries between consumers and suppliers, presenting a range of products or services to consumers and offering a variety of digitally-presented ways to choose between them. They may also offer to complete the transaction or switch for the consumer by issuing the relevant instructions to the new and/or existing supplier, or alternatively may redirect the consumer to the supplier for fulfilment.
- 5.3 Particularly when comparing services rather than products, DCTs often gather a range of information specific to the particular consumer, to allow a tailored quote to be made – for instance consumers’ consumption patterns (eg in energy or telecoms), their stated service requirements (in insurance or travel), their address and other personal details (insurance) or their credit history (credit cards). This feature of DCTs is likely to be a major driver of potential issues around trust in DCTs, since it involves the greatest information asymmetry between DCT and consumer, and may also require consumers to release substantial quantities of personal data to an additional third party, the use of which they may be concerned about.

Scope – sector coverage

- 5.4 DCTs are present in many sectors. Our aim is to focus on the common themes, and draw conclusions that apply generally across sectors.
- 5.5 To do this we plan to start by focussing on sectors where we have experience of DCTs from recent market investigations, adding further sectors which either share key characteristics with those, or which can serve as useful comparators. We do not plan to focus on other sectors in our evidence-gathering and analysis, but we expect at least some conclusions and recommendations to be relevant more broadly. Our intention is to develop general insights on DCTs and the way consumers interact with them, but we

will need to draw on a greater depth of understanding of particular sectors in order to do so.

- 5.6 In selecting sectors to focus on as case studies, we have considered where we can add the most value. Sectors where we believe we can add most value share the following characteristics:
- (a) High search costs – where the barriers to engaging in the upstream supply market are highest. Such barriers could take many forms, including product or pricing complexity, level of choice, extensive personalisation of prices to meet consumers’ individual circumstances, or even a lack of consumer interest in the product or service in question.
 - (b) Significant potential gains from engaging and possibly switching – often where annual expenditure is high and/or where there is substantial variability in prices.
- 5.7 We would expect these characteristics also to point to where DCTs either already play a significant role in the market, or where they could do so in future.
- 5.8 Applying these characteristics to existing or past CMA work leads us first to energy, banking and private motor insurance. Private motor insurance has been the big success story for DCTs, where they play a very significant role in the market.
- 5.9 Our recent market investigations concluded that both energy and banking are characterised by a lack of engagement by consumers.¹⁵ In energy, we found limited awareness of and interest in switching, as well as complex tariff and billing information. Energy is also a very substantial consumer cost – as much as 10% of household expenditure for the poorest 10% of households – the second biggest item behind housing.¹⁶ In banking, the overall level of customer engagement in personal current accounts is low, despite the availability of substantial gains to be made from switching. Our investigation pointed to factors such as lack of transparency of prices or service quality and consumers’ lack of awareness of their own usage patterns.
- 5.10 Also sharing the characteristics above but to a lesser extent are other financial services such as extended warranties, home credit or payday lending, as well as hotel online booking and legal services.

¹⁵ CMA, [Energy market investigation: Final report](#), June 2016. [Banking market investigation: final report](#), August 2016.

¹⁶ CMA, [Energy market investigation: Final report](#), June 2016, paragraph 92.

- 5.11 Going beyond existing or past CMA work, these characteristics are likely to apply to many other parts of the financial services sector such as other types of insurance, mortgages or pensions, as well as other utilities, such as telecoms.
- 5.12 The characteristics also apply to some extent to parts of the travel sector, which may involve significant expenditure and tailored prices, but where we would expect disengagement to be less of a problem, since holidays hold more instinctive appeal than utilities. As a sector where DCTs play a big role but where there is greater engagement and no specific regulation for DCTs, we see it as a useful comparator to the other core sectors.
- 5.13 Within these broad sectors, we have selected particular sectors on which to focus our attention.
- (a) In telecoms, we propose to focus on broadband, as we expect it to share some similar characteristics to energy, and Ofcom's voluntary accreditation scheme has been taken up more widely than in mobile telecoms.
 - (b) In financial services, we propose to focus on home insurance and credit cards, as fairly substantial expenditure items where DCTs appear to play a significant role. We expect home insurance to offer a good comparator to private motor insurance. We intend to draw on the Financial Conduct Authority's (FCA) recent market study on credit cards.¹⁷
 - (c) In travel, we propose to look at flights, as a fairly large expenditure item, where DCTs play an important role.
- 5.14 Our sector focus is therefore as follows:
- (a) Past or existing work: energy, personal current accounts, private motor insurance, and to a lesser extent home credit, payday lending, extended warranties, hotel online booking and legal services.
 - (b) Additional sectors: broadband, home insurance, credit cards and flights.
- 5.15 While this approach inevitably means we will not be focusing individually on every other sector where DCTs operate, we expect that we will be able to draw important conclusions that will apply across multiple sectors. We are also interested in hearing about important issues in other sectors where DCTs operate.

¹⁷ FCA, [Credit card market study – Final findings report](#), July 2016.

5.16 We intend to exclude shopping DCTs from the scope of this project. The characteristics above – high search costs in particular – apply to a lesser extent when comparing products as opposed to services that are tailored to individual needs. Moreover, many of the competition issues affecting this sector are being covered in depth elsewhere, through the European Commission’s antitrust investigation into Google’s comparison shopping service.¹⁸ Both of these reasons mean that we can add less value here than elsewhere.

Scope – types of service where we do not intend to focus

5.17 There are some types of service which we intend to exclude from the scope of the study:

- (a) DCTs for SMEs. We propose to focus on DCTs intended for household consumers rather than SMEs. In many of the sectors we propose to focus on, the upstream services offered to SMEs are quite different to consumer services, often from different suppliers, to a less stable customer base. We would expect SME DCTs also to differ substantially.
- (b) DCT services provided to non-UK consumers. We intend to include businesses based outside the UK providing DCT services to UK consumers, but not the reverse, as this fits best with the CMA’s overall remit.
- (c) Individual retailer sites. A site such as johnlewis.com may in a sense compare products from a range of manufacturers, but it purchases those products on a wholesale basis and itself maintains the main contract with the consumer, rather than acting as an intermediary which facilitates an eventual contract between the consumer and the upstream supplier.
- (d) Sharing economy sites. We see sharing economy sites as a different type of platform to DCTs with a very different business model. They are matching platforms offering peer-to-peer services, rather than intermediaries offering consumers a range of services from different businesses.
- (e) Review/feedback-driven sites. We are not focusing on feedback-driven sites, such as Trustpilot, as these are not attempting to provide a

¹⁸ See [Antitrust Case 39740 ‘Google Search’](#). The European Commission has provisionally concluded that Google has abused its dominant position by systematically favouring its comparison shopping service in its search results pages.

comparison using a range of personalised parameters. These sites have been the subject of a recent CMA project looking at online reviews and endorsements.¹⁹

- (f) Offline comparison services. We propose to focus on comparison tools provided digitally, rather than over the phone, although we are aware that some DCTs provide telephone-based support for their online tools.

Scope – definition of ‘digital comparison tools’

- 5.18 We should not expect to be able to capture the scope of the project in a single definition – there are DCTs that fall outside the focus of our project, such as shopping comparison sites, as described above. Nonetheless it is helpful to summarise what we mean by DCTs in a working definition.
- 5.19 The definition we are currently working with is as follows: ‘Web-based, app-based or other digital intermediary services used by consumers to compare and/or switch between a range of products or services from a range of businesses.’
- 5.20 Comparison parameters may include price, product characteristics or various measures of quality. DCTs typically do not enter into the primary contract with consumers.
- 5.21 The terms ‘PCWs’ and ‘price comparison websites’ have often been used to describe a number of players in this market. This has been a helpful shorthand, but is not fully accurate for 2016. Firstly, PCWs have always compared more than just price, but this appears to be an increasing trend. It is hard to compare price without also describing product characteristics, but in many contexts consumers are also likely to want other measures of quality. Apps also play a growing role – a trend that seems likely to continue, given increasingly high smartphone take-up.²⁰

¹⁹ CMA online reviews and endorsements [project page](#).

²⁰ [Ofcom Communications Market Report](#), p189 – 71% of UK households in 2016, up five percentage points since 2015.

6. Next steps

Invitation to comment on our market study notice

- 6.1 The CMA welcomes submissions on the market study from interested parties by no later than 24 October 2016. In addition to general submissions, we particularly welcome responses to the following key themes and issues, which we expect may vary between sectors.

Box 1: Our themes and key questions

Theme 1: Consumers' perceptions, use and experience of DCTs

1. When and why do consumers use DCTs? To what extent do they trust them?
2. How do consumers choose which and how many DCTs to use?
3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?
4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?

Theme 2: Impact of DCTs on competition between suppliers of the services they compare

5. What factors influence suppliers' use and choice of DCTs, and why?
6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?
7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?
8. What are the barriers, if any, to DCTs increasing competition between suppliers; and how can these be overcome?
9. In what ways, if any, have DCTs changed suppliers' approach to consumers – for instance in terms of whether they treat consumers who use DCTs differently to those who do not?

Theme 3: Competition between DCTs

10. In what ways do DCTs compete with each other – for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?
11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?

12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?

Theme 4: The regulatory environment

13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?

14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?²¹

15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?

16. Finally and in relation to all the issues above, what likely developments over the next three years should we take into account and why?

6.2 To respond to this invitation to comment, please either:

(a) complete our [online response form](#). This is ideal for people who have specific brief and non-confidential points to make or do not wish to attach documents to their response; or

(b) complete and email or post to us the response form found on our [website](#). Responses by post or email are most suitable if you wish to include supporting charts, tables or other evidence as part of your submission, or where your response includes material that may be confidential. Submissions by email or in writing should be made to:

Email: comparisontools@cma.gsi.gov.uk.

Post: Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London WC1B 4AD

6.3 We intend to publish responses to this statement of scope in full. In providing responses:

²¹ For an overview of compliance with competition law, see: [Quick Guide to Complying with Competition Law](#), CMA19, April 2014. Guidance on consumer protection is available [here](#).

- Please supply a brief summary of the interests or organisations you represent, where appropriate.
 - Please consider whether you are providing any material that you consider to be confidential, and explain why this is the case. Please provide both a confidential and non-confidential version of your response.
- 6.4 If you are an individual (ie you are not representing a business), please indicate whether you wish for your response to be attributed to you by name or published anonymously.
- 6.5 An explanation of how we will use information provided to us can be found on our [website](#).

Evidence-gathering

- 6.6 In addition to considering responses from interested parties to this statement of scope document, we currently intend to gather evidence through the following methods:
- Drawing together and evaluating existing research on digital comparison tools.
 - Commissioning our own consumer survey, in particular to supplement existing research.
 - Examining some DCT sites and the offers they link to on suppliers' sites.
 - Meeting key interested parties such as regulators and relevant representative groups (through bilaterals, roundtable meetings and workshops) and issuing supplementary information requests to key parties.
- 6.7 As the study progresses, we may choose to use other means of seeking additional information.
- 6.8 Information and updates about this study will be added to the [digital comparison tools market study case page](#) on a regular basis.

Annex A: Previous work on digital comparison tools

The CMA and its predecessor organisations, the Office of Fair Trading (OFT) and the Competition Commission (CC), have carried out a number of projects in which DCTs have played an important part.

Banking, 2016

The CMA's market investigation concluded that older and larger banks do not have to compete hard enough for customers' business, and smaller and newer banks find it difficult to grow. Central to the CMA's remedies are measures to ensure that customers benefit from technological advances and that new entrants and smaller providers are able to compete more fairly. The key measures include requiring banks to implement Open Banking by early 2018 – enabling personal customers and small businesses to share their data securely with other banks and with third parties, enabling them to manage their accounts with multiple providers through a single digital app, to take more control of their funds and to compare products on the basis of their own requirements. The CMA also supported an initiative by the independent charity Nesta to launch a 'challenge prize' that could stimulate the development of comparison services and other advisory services for SME banking, by requiring banks to provide Nesta with financial backing and technical support.²²

Energy, 2016

The CMA's market investigation's findings included that 70% of domestic customers of the six largest energy firms are still on an expensive 'default' standard variable tariff. It also found that certain aspects of the 'simpler choices' component of Ofgem's Retail Market Review (RMR) rules reduced retail suppliers' ability to compete and innovate in designing tariff structures to meet demand, in particular, over the long term, and by softening competition between PCWs. The rules stop PCWs from negotiating cheaper exclusive tariffs with retail energy suppliers (possibly in exchange for lower commission rates), or offering discounts or cashback offers funded by the commissions from suppliers. The CMA's remedies include a recommendation to Ofgem to remove the Whole of the Market Requirement in its Confidence Code (requiring PCWs to list all tariffs on the market) and a number of relevant RMR conditions, including the ban on complex tariff structures; the four-tariff rule; the restrictions on the offer of discounts; and the restrictions on the offer of bundled products.²³

²² CMA, [Retail banking market investigation: Final report](#), August 2016.

²³ CMA, [Energy market investigation: Final report](#), June 2016.

Hotel online booking, 2015

The CMA investigated suspected breaches of competition law relating to discounting restrictions in arrangements between hotels and online travel agents (OTAs). The CMA decided to close the investigation on administrative priority grounds. However, its continued monitoring includes observing the effects of Europe-wide changes introduced by Booking.com and Expedia, removing from their contracts with hotels certain 'price parity' or 'most-favoured-nation' (MFN) restrictions that prevented hotels from offering cheaper room rates on competing online travel agents' sites than they offered on Booking.com or Expedia.²⁴

Payday lending, 2015

The CMA's market investigation found that a lack of price competition between lenders had led to higher costs for borrowers. Most borrowers did not shop around – partly because of the difficulties in accessing clear and comparable information on the cost of borrowing and a lack of awareness of late fees and additional charges. The CMA also found that many borrowers wrongly believed that lead generators were themselves lenders or PCWs. Its remedies included a requirement for online payday lenders to publish details of their products on at least one PCW which is authorised by the FCA. If one or more such PCWs did not emerge, lenders would be obliged to set up an FCA-authorized PCW.²⁵

Private motor insurance, 2014

The CMA's market investigation included a finding that some price parity clauses in contracts between PCWs and motor insurers prohibited insurers from making their products available more cheaply on other online platforms, with the effect of restricting competition and leading to higher car insurance premiums overall. Its remedies included a ban on agreements between PCWs and insurers which stop insurers from making their products available more cheaply on other online platforms.²⁶

Review of price comparison sites, 2012

The OFT's report found that PCWs represented a major step forward for consumers, enabling them to secure better value when buying goods and services, but that some people miss out on potential savings because of a lack of trust. The OFT conducted a websweep of 55 PCWs, which found that a number of them could improve their privacy policies and their complaints and redress processes. It also identified scope

²⁴ CMA, [Hotel online booking investigation: Case closure summary](#), September 2015.

²⁵ CMA, [Payday lending market investigation: Final report](#), February 2015.

²⁶ CMA, [Private motor insurance market investigation: Final report](#), September 2014.

for some sites to provide greater clarity about the way search results are presented, and clear identification of the business operating the website. It wrote to 100 leading PCWs asking them to ensure they are providing clear information to consumers; and published advice to consumers on how to use PCWs.²⁷

Extended warranties, 2012

The OFT's market study revealed various competition concerns in the market for extended warranties that could mean customers were not getting the best value for money – including that only around a quarter of consumers shopped around for them. To address these concerns, the OFT worked with Dixons, Argos (and Comet, which is no longer in business) to agree undertakings in lieu of a reference to the CC, which included their agreement to maintain and publicise an independently operated extended warranties price comparison website (www.compareextendedwarranties.co.uk).²⁸

Home credit, 2006

The CC's market investigation concluded that the lack of competition in the home credit market – from other credit products, new entrants, or among the home credit providers themselves – meant that customers paid higher prices for their loans than would be expected in a competitive market. Its remedies included requiring lenders to publish prices on a website where customers can compare the prices of loans on offer (www.lenderscompared.org.uk).²⁹

Other past OFT and CMA reports with findings potentially relevant to our study include:³⁰

- internet shopping;³¹
- personalised pricing;³²
- online targeting of advertising and prices;³³
- the commercial use of consumer data;³⁴ and
- online reviews and endorsements.³⁵

²⁷ OFT, *Price Comparison Websites: Trust, choice and consumer empowerment in online markets*, November 2012.

²⁸ OFT, *Extended Warranties on Domestic Electrical Goods*, February 2012.

²⁹ CC, *Home credit market investigation*, November 2006.

³⁰ This is not an exhaustive list.

³¹ OFT, *Internet shopping: an OFT market study*, June 2007.

³² OFT, *Personalised Pricing - Increasing Transparency to Improve Trust*, May 2013.

³³ OFT, *Online Targeting of Advertising and Prices: A market study*, May 2010.

³⁴ CMA, *The commercial use of consumer data*, June 2015.

³⁵ CMA, *Online reviews and endorsements*, June 2015.