

# Competition & Markets Authority Market Study relating to Digital Comparison Tools (DCTs)

## Responses to the Statement of Scope

### Inspop.com Limited (trading as 'Confused.com')

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

##### 1. When and why do consumers use DCTs? To what extent do they trust them?

DCTs provide many services to consumers, including insurance, financial services and utilities products. Their use could fall into three categories: a one-off, occasional purchase; a regular/annual renewal of an insurance policy; or a change in circumstances driving them to research other potential alternatives (increase in energy rates, for example).

The reason for consumers using DCTs is a simple one – so they can obtain the best service that meets their needs at the lowest cost. 'Consumers Futures, Price comparison websites: consumer perception and experiences', a report produced by R S Consulting in 2013<sup>1</sup>, noted that the principle aims of using a DCT was to find the best deal, compare prices for specified products or to save money or reduce their costs. Ease of use and speed of service also attract consumers to use DCTs. Data collection methods are drafted in a consumer friendly way, collecting all the information needed to return multiple prices to compare removing the need to visit each underlying provider separately, answering largely the same set of questions.

In effect, a DCT allows a consumer a free, quick method to shop around for a good deal.

Generally, consumer trust in DCTs is high, although there may be variation across products. Studies have shown, for example, that there is a particularly high level of trust for well-known comparison sites when considering insurance products.

##### 2. How do consumers choose which and how many DCTs to use?

Brand recognition is important to consumers when choosing which DCTs to use. Research [38] indicates [38] of consumers are multi-homers, with [38] using three or more comparison services when comparing an insurance product. The DCT market is a highly competitive one, and effective marketing is needed to attract a consumer to use a certain service. Incentives are also offered by DCTs, in the form of secondary 'perks', to assist in the customer choosing which DCT to select, be it a toy robot, meerkat or free cinema tickets, cashback or shopping vouchers.

However, only [38] of consumers use one DCT to make a comparison indicating there is little brand loyalty when it comes to shopping around. As noted above, one reason for multi-homing is due to consumers' perception of market coverage and the best deal or incentive to purchase may be available elsewhere.

##### 3. What are consumers' expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?

---

<sup>1</sup> Please note: the views expressed in this report are not necessarily representative of the views of Inspop.com Limited

The main expectation of a DCT is noted within Q1 above: to find the best deal at the lowest cost. However, [X] notes that [X] of insurance consumers are aware that a single DCT may not search the whole market, which leads consumers to multi-home.

In an age of data security threats, there is a level of expectation that DCTs should protect and use customers' data only for necessary purposes. Using the customer data not just for initial price comparison, but to deliver positive service experiences thereafter, builds trust between the DCT and the consumer.

This in turn assists mediation of the relationship between the supplier and the consumer. Lesser known brands can advertise their products at low cost on the DCT platform, whilst the consumers' trust in the DCT can have a halo effect, by providing trust in the underlying service provider as a member of the DCT panel.

#### **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?**

DCTs have increased in popularity over the past decade, and account for [X]. Product design is an important factor with customers wanting a journey which is quick, clear and produces the results that meet their needs.

The increase in popularity means DCTs lead on the changing technology landscape. With the declining rate of households using a desktop PC, more focus has been given to optimising the tablet and mobile customer journey. This gives all-round benefits and does not provide a barrier to using a DCT.

### **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?**

As noted previously, the brand value and trust a DCT can give to the consumer has a halo effect for the supplier, so consideration must be given to how the DCT positions itself in the public eye. The data collection process and depth of available data must also be considered, and the demographic footprint of the DCT must fall within the supplier's target market and appetite.

**6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?**

There is a low barrier for suppliers to enter the market. For the majority of products, the DCTs' business model is based on a commission/fee received from the supplier for a successful placement of business. In effect, the supplier can advertise their brand, services and prices/premiums for free. This business model also allows smaller, lesser known brands to compete on the same playing field as a larger organisation, effectively minimising any upfront marketing expenditure.

**7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?**

DCTs have had a very positive impact on competition between suppliers, as suppliers have to remain competitive to fall within consumers' eye line. For products appearing on DCTs, price is a key feature when ranking suppliers. However, DCT development in recent years has moved away from pricing as a lone key factor, with quality and depth of product (for example, including or excluding add-ons) also available to compare on a like for like basis.

As DCTs operate on a model which is paid per contract, they offer the suppliers a lower customer acquisition fee than may otherwise be available through traditional marketing channels, and the price savings can be passed onto the end consumer.

**8. What are the barriers, if any, to DCTs increasing competition between suppliers; and how can these be overcome?**

For many products, there is no minimum standard so the ability to compare on a like-for-like basis is removed. Some suppliers may provide limited information on product features or present versions of products stripped of their features in order to display a lower headline price. This can make it more difficult for consumers to compare product features across different suppliers and potentially increase the cost to consumers. DCTs perform a positive role in increasing the transparency of product features, but it is a continuing challenge to display multiple features on mobile devices and new, uncommon add-ons emerging in certain markets.

**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?**

DCTs predominantly rank suppliers by price, but independent reviews (star ratings or Defaqto scores, for example) can provide insight into the depth of product or the views of existing customers. Therefore, DCTs can encourage suppliers to be more customer focused throughout the lifetime of the customer relationship, rather than only attracting customers by price.

With the wide availability of DCTs and their free to use services for consumers, suppliers have to ensure their pricing at renewal remains competitive or business could be lost to a competitor.

### **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?**

This will be addressed within our response to the Request for Information.

**11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?**

This will be addressed within our response to the Request for Information.

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

This will be addressed within our response to the Request for Information.

### **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?**

Not to our knowledge but we welcome the CMA's review of this area.

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

Not to our knowledge but we welcome the CMA's review of this area.

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

Not to our knowledge but we welcome the CMA's review of this area.

**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**

The EU General Data Protection Regulation and the use of DCTs ability to compete in digital marketing with the absence of express consent. This could create an increase in operating costs for DCTs and impact the choice and financial deals available to the end consumer.

The continuing increase of consumers' use of mobile devices with the need to balance the ability to compare a number of products versus providing a volume of information before a selection is made.