

Digital Comparison Tools Market Study:

Response form

1. Thank you for taking the time to respond to the questions in the Statement of Scope for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 29 September 2016.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 October 2016**, either by:
 - Email to: comparisontools@cma.gsi.gov.uk.
 - Or by post to: Digital Comparison Tools Market Study
Competition and Markets Authority
7th floor
Victoria House
37 Southampton Row
London WC1B 4AD
3. Please note:
 - You can choose which questions to respond to, but we ask all respondents to provide a small amount of background information at the start of this form. The boxes will 'expand' to accommodate long responses if required.
 - We are particularly keen to receive evidence in support of responses. If you are able to supply evidence please attach this with your response.
 - We intend to publish responses to our Statement of Scope in full. If you wish to submit information that you consider to be confidential, this should be indicated to us clearly and an explanation given as to why you consider it to be confidential.
 - The CMA may use the information you provide for the purposes of facilitating the exercise of any of its statutory functions. This may include the publication or disclosure of the information. Prior to publication or disclosure, in accordance with its statutory duties under Part 9 of the Enterprise Act 2002, the CMA will have regard to (among other considerations) the need to exclude, so far as is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if disclosed, would or might, in our opinion, significantly harm the individual's

interests or, as the case may be, the legitimate business interests of that business (confidential information). Further information about how the CMA will use information submitted during the Market Study can be found on our [website](#).

4. If you have any questions about our Market Study or this online form please contact the team at comparisontools@cma.gsi.gov.uk.

Your details

(Fields marked * are required)

Title*	Mr
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Forename	Kevin
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Surname*	Tomlinson
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Email*	[✕]
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What is your role / profession*	Head of Risk
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Are you representing yourself or an organisation?*	An organisation
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No (please delete as appropriate)
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If you are representing an organisation:

(a) What is the organisation's name?*	Moneyfacts Group plc
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*

Background

Moneyfacts Group is the UK's leading data provider in the UK retail banking market sector. It provides this data to the Regulators, the Industry itself, the Press as well as other Aggregator sites.

Moneyfacts Group has been established for over 25 years. It offered the original price comparison service when it created the Moneyfacts publication in 1988, showing for the first time all the rates available on savings, mortgages, bank accounts and loans. It was also subsequently responsible for the development of the Best Buy Charts which we now see today in the National and Regional Press and Media.

Moneyfacts.co.uk launched in 2000 was one of the very first Aggregator sites. Moneyfacts have over the years, designed sites for other third parties including Virgin and Tesco. It is also the major provider of whole of market data to other Aggregator sites.

Moneyfacts' reputation in the market is based upon its long-standing principles of independence and impartiality, which are explained in more depth in the response to the CMA's themed questions below.

Our experience is firmly in the comparison of retail financial products such as those mentioned above, and it is from this standpoint that our response is based.

Context

Moneyfacts Group welcomes the CMA's review of comparison tools, and firmly believes that improved clarity, and greater depth of the information shown will be of benefit to consumers.

CMA has included use of comparison tools as a market remedy in a number of recent market studies and market investigations. However it needs to understand that not all comparison tools offer the kind of service that CMA appears to expect. They are not public service websites, but are commercial enterprises that need to make a profit for the benefit of owners, shareholders and staff.

This, more than any conscious attempt to mislead or confuse consumers, drives the content and presentation of results on comparison websites and other digital tools. All sites will want to maximise their revenue. They will do this by understanding how customers interact with the site as a whole, with specific sections, and individual pages of the site. By understanding this, they can present information in a manner that results in the greatest take-up of services offered.

However, there are clearly cultural differences in how commercially focussed DCTs are, and this affects how well they can compete with each other.

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

We will analyse consumers' awareness, understanding and perceptions of DCTs – for instance, how well consumers understand and/or trust DCTs, and what this means for whether they use them.

We also want to understand consumers' behaviour and experiences with DCTs, including what consumers expect to get from DCTs compared with what they actually receive. We will also look at whether 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 (knowingly or otherwise). We also plan to understand 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.

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

- Consumers use DCT's as a shortcut to gathering information from different sources to make an informed decision and get a better deal.
- Motor and home insurance renewals are a key trigger point for use of DCTs, and it is for this reason that the largest DCTs focus on these product types in their advertising. Such trigger points are not present with other markets, such as savings or credit cards; at least not to the same extent or regularity. Customers know that every year they will receive renewal information for general insurances, and many will act on this. In the other markets mentioned trigger points will be less frequent, and less visible. E.g. a savings account may have an initial bonus rate which expires after 12 months, but the account will still continue at the reduced rate. FCA's recent work in this market suggests that consumers, if they are told about the rate reduction, are not likely to act on any communication they receive. Similarly with a credit card initial introductory period for balance transfers at a rate of 0%, consumers are unlikely to be aware of when this ends. With such periods now extending well over three years, they will not necessarily act at that point to switch to another account on better terms.
- DCTs have successfully created a culture of compare and switch in the motor and home markets, but not to the same extent in other markets they serve.
- Trust is balanced against convenience and whilst consumers are becoming more aware of how DCT's operate and how they make profits, often convenience and user experience wins out over breadth and honesty of the offering.

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

- Clearly television advertising is key in the initial engagement with consumers. Larger DCT's are able to sustain large, high profile campaigns educating consumers on the process whilst also engaging them with a strong brand message.
- More recently consumers are becoming more savvy and tend to use more than one DCT. The decision on which to use is usually reached as a result of research online, which brings organic and paid search channels in as the primary acquisition method.
- To a degree, smaller DCTs can benefit from the marketing spend of the larger ones, by ensuring they appear as high as possible in natural search results. This can be done without the need for large marketing budgets, and can help to broaden consumers' use of additional DCTs.

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

- The assumption from consumers is that DCTs show a whole of market search and have no preferential relationships with suppliers they list, other than where those suppliers are highlighted as being sponsored inclusions. Consumers are aware that DCTs share revenue with suppliers as compensation for introduction, but the overall view is that DCTs are independent.
- There are few true whole of market DCTs. There are none that have commercial links to all products available. Some offer whole of market services for some, but not all of their product lines. Others attempt to obfuscate their offerings by stating that consumers can compare hundreds or thousands of products, almost inferring whole of market, but remaining selective in what they offer.
- In terms of commercial opportunities, suppliers wish to promote only certain of their products, e.g. via cost per click or cost per application deals. This then limits what proportion of the products shown on DCTs can actually be monetised, and therefore the extent of market coverage.
- For intermediated products, for example mortgages, DCTs have the opportunity to link a broader range of products e.g. via lead generation to a brokering service, and receive remuneration per lead, or even per sale. This may be somewhat confusing for consumers if they are expecting to be able to purchase direct via the DCT, but does make a whole of market service more valuable to the DCT.

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 provide consumers with a fast one stop shop for comparing and purchasing products and services. Overall the experience is positive. It is beneficial as both a way of saving time and money, which can be achieved via the DCTs search tools.
- DCTs allow consumers to get a *better* deal, even if they don't offer the *best* deal in every case. This can still lead to significant savings for consumers.
- The generic concept of DCTs works well, i.e. that consumers can see different products from different providers compared on objective criteria, all in one place.
- Disclosure about the extent of market coverage could be improved. Consumers should be in no doubt about what information they are seeing, and the basis on which it is being shown. For example our DCT, Moneyfacts.co.uk, aims for whole of market coverage in all markets we service, and we will show this information irrespective of whether commercial links are available, and even where providers would rather it wasn't shown. Our view is, if a product is available for sale, we will show it. This can, and does, drive change in suppliers e.g. in the current savings market suppliers don't want to be in best buy charts, and will reduce or remove rates to avoid this, and the consequent volumes of business that result.

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

A critical test of DCTs' impact is whether they are improving or hindering competition between suppliers. A major way of improving competition is increasing engagement through reducing search costs. We plan to understand this effect and whether anything may be hindering it.

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.

5. What factors influence suppliers' use and choice of DCTs and why?

- Suppliers are attracted in the main by volume. Suppliers will naturally migrate to using those DCTs with the largest marketing budgets (and market share) because they can achieve their objectives of brand awareness, and product distribution more quickly. DCTs that control the largest part of the market also control the size and scale of supplier relationships.
- The desire to use a smaller number of larger DCTs is exacerbated by suppliers' increased use of digital marketing agencies to manage their online presence. The agencies can fulfil their brief more quickly and therefore more profitably by using larger DCTs. Smaller DCTs only get to pick up smaller amounts of business that are left over. This therefore creates a spiral of larger DCTs getting ever more dominant to the detriment of market choice.
- Consumer behaviour has changed in that consumers now want to see all product options together and not just single options. Therefore suppliers have almost no choice but to partner with DCTs in some context and often no choice but to partner with at least one major DCT which controls a large part of the audience.
- The types of deals offered to DCTs from suppliers vary from fixed cost advertising (as per hard copy print), cost per click models and, more commonly, cost per action models. [3<]

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

- DCTs act as a leveller in the marketplace and provide the key comparative points side by side, usually price or rate versus brand. They allow challenger brands to attract more customers at a lower cost by offering them a platform on which to compete, driving towards an ever increasingly savvy consumer. Market entry is made easier by way of a simple DCT marketing plan, with only one or two relationships to manage and usually either at a fixed cost or revenue share commercial arrangement.
- Recent new entrants into the savings market have had considerable marketing budgets for use specifically with DCTs. This can be very cost effective way of gaining considerable amounts of deposits. Often, such new market entrants will make a splash at launch, e.g. with eye-catching rates, and then quite soon become much less competitive. This may be that they have achieved their objectives, or struggle with volume in the back office, and so are forced to take action to reduce new business.

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

- Competition has increased significantly and rather than quality reducing its more accurate to assume clarity has reduced with suppliers searching for ways to show the best deal and appear at the top of searches or lists.
- A wider base of offerings from suppliers has been evident as those suppliers understand there is value in pitching products at different places in an ordered list, so long as value is seen in the additional features offered for the price. Marketing and analytics intelligence gathered by studying consumer behaviour in the DCT environment assists suppliers to create new and more relevant products to match demand, but only if the DCT chooses to share that information.
- Our experience in a number of markets is that best buy charts, rather than search results can create competition between suppliers. (We describe best buy charts as selected products in an ordered list that is not specific to a customer. Search results relate to bringing back products that meet the users' specific needs.)
- For example in the credit card market, DCTs have enhanced competition between suppliers for both introductory balance transfer periods and transfer fees, as well as introductory purchase periods. Interest free periods have extended significantly in both areas. Suppliers are highly reactive to each other's movements in these areas, which are easily compared side by side on DCTs and in best buy tables. This has to be to consumers' overall benefit.
- Other markets do not lend themselves to such easy comparison, as CMA has identified in its recent banking review. Current accounts are more complicated and their cost highly sensitive to the individual's specific usage patterns.
- Suppliers using DCTs in non-finance markets have adapted pricing to show at the top of search results, masking the likely true cost to consumers. For example flight DCTs will show a basic price without add-ons such as extra baggage, leg room, in-flight meals and the like. This approach is adopted in the motor insurance industry also with add-ons including legal cover, glass cover not being shown, or higher voluntary excesses being assumed, that result in lower premium costs showing on DCTs. In some instances suppliers/DCTs may choose to show a basic price that constitutes a commercial loss, requiring the hard sell of add on products to break even or make profits.
- This type of approach is not possible in markets for retail financial products such as credit cards or current accounts where the concept of add-ons does not apply. DCTs are arguably much clearer in these markets because of this. This can also mean that use of multiple DCTs is less valuable in these markets, as pricing will be the same on all DCTs.

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

- Exclusive/featured relationships are a barrier. Some DCTs will favour certain suppliers and therefore protect them as much as possible from competing suppliers by omitting certain information or making it more difficult for consumers to compare certain features.
- A fairer option would be to disallow exclusivity so each DCT could feature all products and be able to earn revenue as an introducer. A DCT that is not earning revenue from an introduction, as a supplier is locked in an exclusive relationship with a competitor DCT, isn't encouraged to show that deal to consumers, resulting in sending them searching elsewhere to complete their purchase.
- Default search criteria could be improved so consumers are presented with a whole of market presentation initially, with options to then further reduce offerings based on post search filtering.

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?

- Suppliers are losing touch with consumers, the larger ones now employing their own marketing agencies to deal exclusively with the DCT on their behalf. Relationships with DCTs are becoming complicated technically and take time to manage. Some suppliers will not have definitive input on marketing products to consumers so long as the volume is kept flowing. Suppliers simply don't allow this much control in any other area of marketing. This can lead to ambiguity for the consumer as competition between DCTs to gain control of the volume audience is far greater than that between suppliers used to be. The latter being fought on the benefits of the product and the former on which method captures the biggest segment of the market as a whole.
- In some cases suppliers are pricing products differently for DCT customers. In the credit card market, 'aggregator-only' products exist, priced to feature favourably on DCT searches. This will often be to the detriment of their direct customers, so providers are drawing a distinction between customer types. One Peer-to-Peer loan provider refuses to supply their direct-to-consumer prices, and will only supply aggregator rates which are cheaper than their direct rates. This seems somewhat perverse as DCT customers will likely be less loyal than those engaging directly with the supplier's brand, yet still gain pricing benefits.
- In the most highly competitive insurance markets, considerable power is exerted by DCTs on suppliers. This can range from ensuring supplier's direct rates are less favourable than their DCT pricing, to ensuring lesser known brands do not appear at the most lucrative 'Top of Screen' position where they do not convert to new business so readily.

Theme 3: Competition between DCTs

We will aim to establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they compare. If not, we will explore what may be holding back competition in any particular market.

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 limit this.

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?

- DCTs offer similar services in the same area and thus differentiation comes from marketing, user experience and supplier relationship. The products which are compared by DCT's on the whole remain constant across all platforms and as such it becomes a situation where the consumer is buying into a mixture of the product itself and the education and buying experience offered by the DCT. Ease/speed of use is usually at the top of consumers wish lists for DCT functionality closely followed by clarity of information.
- It is assumed by consumers that their data is secure, although the user experience is not a level playing field. The movement of technology especially around platforms such as mobile and tablet devices means the wealthier the DCT the more up to date the user experience. i.e. they can invest more in constantly updating to the most recent technology. The DCTs with the biggest volumes are able to accelerate away from smaller competitors at a rate where the gap can't be closed. It is becoming increasingly difficult for a smaller DCT to compete on user experience.

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

- Product data is a key element to any DCT and also the most time consuming task to collate. Larger DCTs will often buy in data from external sources, such as Moneyfacts, or even other smaller DCTs.
- As the larger DCTs approach the same or even larger sizes than some of the suppliers, the way in which data is transmitted and received changes to suit the DCT. This is another area which makes competing difficult. Large scale Electronic Data Interchange systems are sometimes put in place by larger DCTs mean that smaller DCTs require significant investment to even receive or broadcast data services, pricing them out.
- Some markets served by DCTs do not require the DCT to have the same level of consumer data than others. For example, to return a search result for home insurance requires detailed questioning in order to arrive as the relevant premium. In the credit card market, for example, for a DCT to return a search result requires only some high level information about how they intend to use the card ie do they have an existing card balance to transfer, or are they more interested in purchase rates. No actual personal information is required. Consumers are therefore unwilling to provide such information, and so DCTs in this market simply cannot build up a picture of their users, and make targeted offers.

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

- The barriers to competition are significant and are also widening. A simple rule that if a product is available in the marketplace then all DCTs should be able to list it and earn from an introduction to it would help to level the field. Volume introduction could still be rewarded, but this would put the power of choice back into the hands of the consumer and not in the hands of the largest DCTs who have long controlled the consumer and are now beginning to control the suppliers with ever increasing negotiating power.
- Whilst this carries the risk of suppliers not using DCTs, as volume of sales would be difficult for them to control, it would allow for a truer comparison.
- [X]
- As mentioned above, the fact that retail financial products have a single price, i.e. are not underwritten to the same degree as motor or home insurances are, also creates less room for DCTs to differentiate their offerings. A supplier offering a fixed rate bond at 1.95% will use DCTs as part of its marketing effort, but the product will be priced at 1.95% on all of them. Products that are exclusively priced for DCTs are few and far between and so the consumer's decision as to which DCT to use is solely based on the user experience.
- If all DCTs were required to cover whole of market, this would allow a more even playing field. Each would have the same obligation, and consumers would more readily understand DCTs offerings. Clearly DCTs would wish to present their commercial deals more prominently. However with clear and unambiguous disclosure about how whole of market data can be viewed, this could work.

Theme 4: The regulatory environment

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.

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

- There appears to be a consistent understanding across DCTs of what their specific regulatory obligations are, i.e. technical interpretation of rules is consistent, so no DCT is getting any advantage by interpreting requirements more leniently.
- The requirement to treat customers fairly remains paramount, and this is also open to most interpretation. This is where there is considerable scope for customers to misunderstand the scope and breadth of the DCTs offering, and to assume, or be given to make the assumption, that there are more products being shown than actually are. We would support clearer, well placed, disclosures about the service being offered and believe this would certainly be of benefit to consumers.

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

- FCA and CMA's predecessor bodies such as OFT have issued numerous reports over the last few years. These have tended to focus on, among other things, how understandable the information is in terms of market coverage.
- [X]

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

- As FCA regulation is intended to be technology neutral, there is no regulation applying specifically to DCTs.
- However, DCTs do not work the same as supplier firms, or indeed other firms acting as intermediaries which, from a regulatory viewpoint, DCTs also do. DCTs present information differently than suppliers, and some rules have had to be adopted where DCTs clearly have not been a consideration in the drafting stage. For example the requirement to show a Representative Example for consumer credit products has resulted in a significant change to DCTs outputs. Surely this was not the intention. More recently, Representative Examples for mortgage products have come into being. However the regulators allowed for a single Representative Example covering a table of product information which is designed for comparative purposes. This is far more sensible and is a good example of where regulation can be changed to account for DCTs. This type of regulation should be a consideration moving forward.

In relation to all of the themes and issues set out earlier, we will look at both the current situation and the effect of likely future developments in the DCT sector.

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

- The most significant developments are actually being led by CMA, for example to development of Open Banking Standard APIs. We are yet to be convinced as to the extent to which these will be used by consumers, given concerns around the security of data.

Other comments and further contact

Do you have any other comments you would like to add?

Would you be willing for us to contact you to discuss your response?*

Yes

Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

Or post it to:

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Competition and Markets Authority
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