

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	Frankie
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Surname*	Evans
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Email*	[✕]
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What is your role / profession*	Policy & Press Executive, Nutmeg
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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?*	No
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If you are representing an organisation:

(a) What is the organisation's name?*	Nutmeg Saving and Investment Ltd
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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?*
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Nutmeg is an online wealth manager. We create and manage investment portfolios for customers with a minimum investment of just £500. We pride ourselves on delivering a transparent, low-cost, high-quality service.

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?

Many customers use DCTs at any time when they intend to switch supplier or take up a service for the first time, particularly in the utilities space (including finance). Other customers use these services to hunt for special offers, and others are simply directed to them from Google searches, because DCTs rank so prominently in organic and paid search. Others again simply use them to get a sense of what is available.

In our experience, consumers place enormous trust in DCTs. DCTs are typically viewed as highly authoritative and neutral arbiters between competing suppliers.

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

In our experience, consumers build a sense of which DCTs are leading in a given field, taking into account word of mouth, advertising, newspaper coverage, and organic online searches, amongst others.

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

Many consumers expect the DCT to provide comprehensive or very thorough coverage of any given market. They often expect DCT to frame comparisons in a way that serves the best interest of the consumer at all times.

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 undoubtedly raise awareness about the range of products in the market.

They generally convey accurate information to consumers in an accessible way, although comparisons could often be presented more clearly – it can be difficult to make an effective comparison of products when there are qualitative instead of simply pricing differences between them.

They also provide a space where consumers can expect to find exclusive incentives to sign up for a given service, which can help to overcome the inertia typical of many utility customers.

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?

In Nutmeg's space (stocks and shares ISAs primarily), many providers feel compelled to maximise their exposure across all DCTs insofar as budgets permit. DCTs are viewed as one of several important acquisition channels, and an attractive one at that – customers acquired via DCTs can be tracked from origin to conversion, and working with DCTs carries no "compliance risk". By this we mean that DCTs are very responsive to supplier's requests – if inaccurate information is posted, it is corrected promptly. In addition, DCTs allow us to access large audiences, and they offer an attractive pricing model – cost-per-acquisition – which minimises risk for firms like Nutmeg operating on a tight budget.

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

To a great extent, in our view – these are an important acquisition channel for us.

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

From our perspective DCTs do a great deal to enhance competition when there is a single dominant metric for measuring the quality of a given supplier – for instance, the single tariff of an energy supplier, or the main ticket price of an airline.

However, for products with more complicated schedules of benefits and costs, comparison is less effective, and consequently DCTs do less to incentivise effective competition between suppliers. We believe that DCTs could do more to bring transparency and clarity to a relatively opaque industry where fees and other product attributes are often hard to find.

We believe that DCTs do exert downward pressure on price, and upward pressure on product quality, product range, and customer incentives used in acquisition by the suppliers.

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

We believe the changes suggested below would enhance competition – but they would also reduce the revenue of the DCTs in question.

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?

We do not believe DCTs have encouraged suppliers in our field to treat consumers differently, with the exception of pushing firms to fight more fiercely to acquire customers with better rewards.

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?

Nothing to add.

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

The relative backwardness of most firms in the investment space prevents DCTs from comparing products easily using data pulled through APIs.

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

Nothing to add.

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?

No.

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

No.

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

The widespread misconception that DCTs are neutral platforms does need to be addressed, in our view.

One option would be to require (through regulation) DCTs to state yet more prominently whether they receive payment from the suppliers listed on their websites and whether the payments received has an impact on the prominence or type of the listing. Effective enforcement is key to defend the customers' interests.

DCTs would be welcome to charge different fees to different clients, in exchange for prominence or different types of listing, but this information would have to be stated prominently so that consumers can clearly understand whether the information they are seeing is influenced by affiliate payments.

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?

In the investment space, two upcoming developments might have a significant impact.

Firstly, the pensions dashboard project might begin to make the use of APIs far more widespread in the investment and savings space. This might accelerate the possible development of any DCTs for investments and pensions, which are currently not sophisticated (compared to DCTs for airlines or many utility businesses, for instance).

Secondly, MiFID II – a piece of European legislation in the pipeline – will compel providers of investment products to display all-in pricing. This will permit direct comparison (including using APIs) in a way that has not been possible to date.

Other comments and further contact

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

No further comments.

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

Yes /
(please delete as
appropriate)

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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7th floor
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WC1B 4AD**