

Digital Comparison Tools Market Study  
Competition & Markets Authority  
7<sup>th</sup> Floor, Victoria House  
37 Southampton Row  
London  
WC1BP 4AD

24 October 2016

Dear Sir or Madam,

### **Market Study of Digital Comparison Tools (DCTs): Statement of Scope**

Thank you for the invitation to comment on the above Market Study. ScottishPower is a major UK energy company with network, generation and retail supply businesses. Our comments below reflect the experience of our retail supply business, which supplies circa 5.4 million gas and electricity accounts in Great Britain. They are grouped under the four main themes set out in the Statement of Scope

#### Theme 1 Customer Experience of DCTs

**Understanding and awareness** – A number of popular price comparison websites (PCWs) are associated with individuals and organisations that have a prominent media profile – often perceived by consumers as “consumer champions” – and may be seen as providing some sort of public service. This could cause consumers to forget that these are themselves commercial entities between which they may wish to shop around. For example, in the energy sector, a third of consumers use only one PCW to select an energy supplier<sup>1</sup> but if they understood that other PCWs may have access to exclusive deals, they might be motivated to check other PCWs. We suggest the market study should examine consumer awareness and understanding of the role PCWs/DCTs play in the market and how consumers perceive the information provided, eg whether they place a higher level of trust in recommended products, assuming that they will always be cheaper or the best option.

**Levels of engagement with DCTs** – We suggest the study should also look at the proportion of consumers that use DCTs for different categories of product and service. If there are product/service categories where the proportion of consumers using DCTs is particularly low, it may be useful to consider the reasons for this.

**Collective Switching** – In the energy market, the largest collective switching schemes tend to be run by PCWs (USwitch, Moneysupermarket, MoneySavingExpert etc). We suggest the study should also look at the role of DCTs in promoting collective switching schemes and whether this raises any particular consumer protection or competition issues. For example, is sufficient information provided to consumers and suppliers involved in collective switches about the criteria used to select the collective switch

<sup>1</sup> CMA Energy Market Investigation, [paper on PCWs](#), 26 February 2015, para 75

partner and how they have been applied? We consider there should be at least as much transparency in collective switch schemes as in normal PCW operations.

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

**Non-price criterion** – We believe the market study should consider how PCWs/DCTs incorporate non-price criteria, such as customer service, into their comparison services, and how these are presented in the comparison results. Given that assessments of non-price criteria are likely to be more subjective than of price, it is important that DCTs are transparent in their methodology and approach. For example, it would be good practice if users of the tool could click through (if interested) for a full explanation of any metric, including information on sampling, sample size, period to which it relates etc.

#### Theme 3 Competition between DCTs

**Market Power** – We would expect the market study to make an assessment of the intensity of competition (and any resulting market power) between DCTs on both an overall basis and for individual product/service markets. As part of this assessment, we would recommend that the CMA assess current levels of profitability and trends over time, as well as looking at market concentration on a similar basis.

It may also be helpful to consider the nature and extent of barriers to entry. The need to invest considerable sums in advertising to raise brand awareness is clearly a barrier, as will be the need to compete with rivals who have built up a detailed understanding of their users' purchasing behaviours and preferences. However, neither of these is obviously problematic in competition terms.

#### Theme 4 The Regulatory Environment

**Whole of Market Requirement** – We support the CMA's recommendation in its energy market investigation for Ofgem to remove the Whole of Market (WoM) requirement on PCWs. The WoM rule removes the incentive for suppliers to pay commission and allows suppliers to free ride on the PCW's advertising platform. Without commission, PCWs will see revenue from energy sales fall and, other things being equal, will be likely to shift their investment in marketing and product development away from energy towards more profitable products/services. PCWs are well placed to address customer dis-engagement and removing the WoM obligation should help harness this potential.

Where the WoM view is not displayed, it is important that the explanation to customers of the range of offers displayed is clear and is not misleading. This is particularly so in the energy sector where suppliers do not generally pay commission for internal switches (and hence a PCW may have no incentive to display such tariffs), and where (following implementation of CMA's recommendations) some suppliers now offer exclusive tariffs to PCWs for new customers only. We support Ofgem's actions with accredited PCWs to ensure that messaging is transparent.

Should you wish to discuss this response please do not hesitate to contact me.

Yours faithfully,

**Rupert Steele**  
Director of Regulation