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# Price comparison websites

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## Price comparison websites

**Abstract:** Price comparison websites, also known by a variety of phrases including aggregators and comparators, are an established part of the digital marketing landscape. They have a dual appeal. Consumers benefit from lower search costs and the ability to compare products whilst retailers benefit from a ready supply of consumers with refined needs.

After the topic is introduced this chapter starts by explaining what price comparison websites are and explains the connection between this innovation and search engines. It then covers the technologies that underpin price comparison websites and their revenue models. The chapter then covers theoretical perspectives in understanding price comparison websites, criticisms that have been levelled at them and recent innovations in the field. The chapter draws on examples from around the world, though its main focus is the United Kingdom, which is seen as an advanced market for price comparison websites and has been the subject of most published research.

**Keywords:** Price comparison websites, aggregators, customer acquisition, customer loyalty, search costs.

## Introduction

Price comparison websites, also known as aggregators and comparators as well as other variants of the phrase price comparison websites (Australian Competition and Consumer Commission, 2014), are an established part of the digital marketing landscape.[1]

Price comparison websites have a dual appeal. Consumers benefit from lower search costs and the ability to compare products, according to key features, most notably price. Retailers, or product suppliers, benefit from a ready supply of consumers who are further down the decision-making process[2]. Price comparison websites can also be seen as specialised search engines, and one of the many forms of navigator that have emerged to enable users to find online information. Price comparison websites operate across service sectors, for example, travel and hotels and energy, and products, for example, electricals, but are particularly significant in the insurance sector. Price comparison websites in financial services exploited the cross-subsidisation of new customers, who were offered lower introductory prices, by existing customers who choose, through loyalty, or apathy, to stay put.

Price comparison websites raise a number of questions. A fundamental question is how price comparison websites create value for the retailer and the price comparison website and how the value created is captured by both of these parties. This division of value leads some retailers to change their product offering to appear at the top of the results, whilst some retailers decide not to use price comparison websites as a distribution channel. The latter choice means that other forms of online (and offline) marketing must be invested in much more heavily, for example, programmatic advertising and affiliate marketing.

[1] The preferred term of the Australian Competition and Consumer Commission is comparator websites.
[2] It is noted that many terms are used to describe the final seller of the product being compared, for example, retailer, supplier and product provider. This chapter uses these terms interchangeably.

Price comparison websites also present regulatory and ethical questions. The use of versioning (Shapiro and Varian, 1998), whereby customers can only click through to retailers who agree to pay commissions to the comparison website, clearly shows the conflict between offering a full comparison and generating revenues. The close relationships between price comparison websites and large retailers have also been questioned, for example the UK financial services provider BGL owns the UK price comparison website Compare the Market as well as the French price comparison website lesfurets.com. The divergence of prices across price comparison websites for the same product is something which causes further concern. Gaming the system, whereby retailers offer a cheaper basic product to appear top of the comparison list, often to add the removed features back later, is another questionable practice. Finally, regulation of the UK car and home insurance sector, whereby cross-subsidisation will become illegal in 2022 means that this route to market faces an uncertain future.

This chapter has the following structure. Firstly, it explains what price comparison websites are and explains the connection between this innovation and search engines. It then covers the technologies that underpin price comparison websites and the revenue models that are used. The chapter then goes on to cover theoretical perspectives in understanding price comparison websites, criticisms that have been levelled at them and recent innovations in the field. The chapter draws on examples from around the world, though its main focus is the United Kingdom, which is seen as an advanced market for price comparison websites (Australian Competition and Consumer Commission, 2014). Ballard (2020) argues this is because the UK deregulated financial services and utilities markets earlier. Furthermore, private equity investment in UK comparison websites, which we can take as a gauge of the relative importance of the sector "is the same as the rest of Europe put together" (Ballard, 2020, no page available).

**What are price comparison websites?**

Comparison websites enable consumers to specify their product requirements along with relevant personal characteristics through the use of a form, on a website or an app. As an example for insurance products price comparison websites present a series of questions, including the level of cover that is being sought and then also personal data such as whether the driver being insured has accidents, claims, losses, or driving offences to declare. The user is then presented with a list of results, typically ordered by price, but can usually change the order according to their preferences.

Following Holland et al (2016) this chapter takes a broad view of what is included within the term price comparison website, incorporating online travel agencies (OTAs), who offer comparison services plus the ability to buy the product as well as the more conventional price comparison websites, which offer product comparisons and then enable click throughs to product providers who go on to sell the product.

Price comparison websites have become a central part of digital marketing as they lower search costs for consumers. Research in the Netherlands in 2020 showed that price comparison websites were the third most important source of research information on products consumers intended to buy, being used by 37%, behind online stores at 39% and search engines at 60% (Kunst, 2021a). This research is confirmed by other studies, with for example, 42% of consumers using price comparison websites to research products they intended to buy in Brazil (Kunst, 2021b). Price comparison websites now cater for most products and services and a range of providers across the world, as shown in table 1.

| Name | Country | Sector | Website address |
|---|---|---|---|
| Google flight finder | Various | Air travel | www.google.com/travel/flights |
| Pricerunner | Various | Wide range of products | www.pricerunner.com |
| Kakaku | Japan | Wide range of products and services | www.kakaku.com |
| Idealo | Germany/other European markets) | Wide range of products/ air travel | www.idealo.de |
| Shoppydoo | Italy | Wide range of products | https://www.shoppydoo.it/ |
| Priceza | South-East Asia | Wide range of products | www.pricezagroup.com |
| Heureka | Central/South-Eastern Europe | Wide range of products | https://www.heurekashopping.com/ |
| Compare Broadband | Australia | Broadband and pay TV | www.comparebroadband.com.au/ |
| Lowestrates.ca | Canada | Financial services | www.lowestrates.ca |
| Compare.com | United States (48 states) | Car insurance | www.compare.com |
| Buscape | Brazil | Wide range of products | www.buscape.com.br/ |
| CompareRaja | India | Wide range of products | www.compareraja.in |

**Table 1:** Selected examples of price comparison websites across the world

**Source:** Author using the websites listed

**Comparison websites as specialised search engines**

Price comparison websites dominate the results on search engines, specifically Google, for generic terms such as “car insurance”, “hotels” or “broadband” across different jurisdictions. The advertising results, which are auctioned off on a pay-per-click basis, are usually occupied by price comparison websites as they are prepared to spend heavily to acquire customers. Price comparison websites also feature prominently in the organic results, which are not paid for, and are based on Google’s algorithms. This means that consumers become aware of price comparison websites even if they do not specifically search for them, and retailers must consider price comparison websites as part of their distribution strategy (Laffey, 2010).

This connection with search enables us to explain price comparison websites as *specialised search engines*. Search engines have inherent limits in matching users to products, as most searches involve very few words, with Johnson (2021) using US data to show that the most common search query length was 2 words, representing 40% of search activity and searches with up to 3 words accounted for 80%. As an example, a search for “car insurance”, or “Hotels in Madrid” or “Cheap broadband” describes an *entire market* and will some attract some customers that do not meet the provider’s criteria (or vice-versa). This leads to a mismatch of requirements between the supplier and the potential customer and the associated waste of search time for customers and misallocated resources for the firm. The use of forms, as explained above, enables a general query, for example, car insurance, to be converted into a more specific product, for example, car insurance for young drivers with an accident record.

**Appeal to consumers**

Consumers benefit from being able to compare prices and product features from a range of providers. Research from the UK shows that the four main reasons for using price comparison websites were to save money (71%), to compare a large number of suppliers (54%), to save search time (48%) and to get a better idea about prices (46%) (Competition and Markets Authority, 2017a). In addition to this, research showed that 44% of consumers who purchased direct used the comparison websites results to negotiate a better price (Kantar, 2017). This shows how price comparison websites lower information asymmetry and can increase buyer power. As Laffey (2009) noted retailers have long had access to the kind of price information offered by price comparison websites and price comparison websites create a more equal relationship between retailers and customers. In theory price comparison websites should also lead to lower prices for consumers as providers have to compete for their business, although we later query this assumption, and show evidence that some customers pay *less* at the expense of others who pay *more*.

**Appeal to retailers**

On the other hand, retailers should benefit from a supply of customers who are more suited to their particular product, and also save money which would have been spent on other forms of customer acquisition. Research by Laffey (2009) showed that price comparison websites also enable smaller brands to acquire customers as they have improved visibility, something partially supported by Kantar (Kantar 2017).

**How price comparison websites collect data**

How price comparison websites acquire their data depends on whether they have a formal arrangement with the product provider. The most basic method to acquire price and product information is to engage in screen scraping which Dogucu and Çetinkaya-Rundel (2021) note is used by some price comparison websites. This involves software visiting retailer websites on a regular basis, copying the relevant data which can then be used by the price comparison website. This is an inherently problematic process as it may not reflect changes made to the original data and if the format of the data or the page changes will not work (Myllymaki, 2001).

If a formal arrangement is in place, which is likely if commissions are being paid, then the provider will enable access to direct product feeds which have the advantage of being structured and automatically updated to ensure prices are correct. In the early days of e-commerce price comparison websites would screen scrape large retailers' sites to form part of their search data. If they gained sufficient traffic the retailer could then be approached to request payment.

**Revenue models**

PCWs generate revenue mainly from commission payments, which is a percentage of the revenue or a flat fee and is known as cost per acquisition (CPA) model (also known as cost per sale (CPS)). Payment may also come from advertising and on a pay per click (PPC) basis, when a user clicks through to a retailer's website from a comparison result.

For services which are provided on the basis of the ongoing contract, retailers are prepared to pay price comparison websites lucrative commissions as they may retain a customer for several years. For example, energy suppliers pay £30 per swich in the UK (Shannon, 2015) with car insurance commissions up to £160 (Worstall, 2019) and commissions in the hotel sector between 15% and 30% (Competition and Markets Authority, 2017b). These commissions have led to price comparison websites becoming large brands in their own right. To provide an example, the flight price comparison website Skyscanner was sold for £1.4 billion in 2016 to the Chinese travel firm CTIP (BBC News, 2016).

## Key literature on price comparison websites

| **Theme** | **Papers** |
|---|---|
| Most affected industries | Maes et al. (1999); Hancocks (2012) |
| Loyalty | Madnick and Siegel (2002); Kocas (2003, 2005); Laffey (2010) |
| Consumer decision making | Su (2007); Wan et al (2007); Gatti and Kattuman (2006a); (Gatti and Kattuman, 2006b) |
| Impact on pricing | Baye et al (2007); Ronayne (2021); (Paraskevas and Kontoyiannis, 2005) |
| Intermediaries | Laffey and Gandy (2009); Laffey (2010); Bailey and Bakos (1997); Anderson and Anderson (2002); Bailey and Bakos (2009) |
| Value configurations | Laffey and Gandy (2009); Porter (1985); Stabell and Fjeldstad (1998) |
| Coopetition perspectives | Brandenburger and Nalebuff (1995); Anderson and Anderson (2002) |

**Table 2:** Themes identified in the relevant literature

**Source:** As shown in Table 2

Table 2 identifies the key themes which emerged from searches conducted using the Web of Knowledge, Google Scholar and other online sources. These are explained below.

**Industries most affected**

In early research in this field Maes et al (1999) looked at the potential of software agents to automate the buying process and overcome the problems of information overload presented through choice. Whilst their work was broader than price comparison websites, for example including recommendations of other shoppers in the buyer's neighbourhood, the paper identified the industries that would be affected first by price comparisons, noting those dealing with perishable products, surplus inventory and commodities. Their specific list was prophetic to some degree, as they included travel and gas and electricity, although interestingly, from the

2021 perspective, there was no mention of insurance products. The paper raised the question of how far price comparisons can go identifying barriers including ambiguous content, personal preferences and disconnected parties. These barriers have been reduced with retailers having to conform to how products are described on the price comparison website (ambiguous content), improved price comparison website design addressing personal preferences and greater online access and understanding of comparison websites enabling disconnected parties to transact. However, one could query how good the comparison actually is when features are being removed or amended to suit the comparison website. How far price comparisons can go is a controversial question with dental professionals, for example, arguing strongly against use of such services in their field (Hancocks, 2012).

**Loyalty**

Madnick and Siegel (2002) outlined the challenges and opportunities posed by price comparison websites and offered advice for both price comparison websites and retailers. Kocas (2003, 2005) was an early writer to analyse loyalty and price comparison websites, arguing that loyal customers were a defence against such websites but also that price comparison websites increase customer switching.

Laffey (2010) suggests that customers acquired from price comparison websites are more likely to switch and are harder to cross-sell to, which leads to the need for new thinking. This can lead to tension between price comparison websites and product providers, which leads to competition for higher rankings in search engine results, as well as advertising as both parties aim to reach the user first.

Customer disloyalty through price comparison websites has been a matter of concern for the providers of term-based products, as the renewal notice acts as a potential trigger to switch. In the UK in 2017 the Financial Conduct Authority announced regulatory changes which gave a further boost to price comparison websites and customer switching. Insurers had to include the previous year’s premium in the renewal letter, encourage customers to consider whether they had the right level of cover and offer additional communications to consumers who had renewed four years in a row (Financial Conduct Authority, 2017).

**Consumer decision making**

Su (2007) outlined three aspects relating to the consumer decision making process when using price comparison websites: 1) expected value - which effectively is a trade-off between price, brand and expected credibility, 2) brand seeking, and 3) price aversion i.e., lowest cost. Wan et al (2007) identified what they term Product Comparison Agents (PCAs), using the analogy of the food chain, with PCAs feeding on data producers (retailers) who in turn obtain their “information food” from consumers.

Gatti and Kattuman (2006a) collected and analysed data from Kelkoo, a pan European comparison website. which highlighted the click throughs to retailers made by anonymous consumers. In an accompanying press release they made a number of recommendations for consumers including: (i) to not only look at the top listed result, which may not offer the best price or reputation, (ii) that products with more suppliers are often available at lower prices, (iii) dynamic markets offer opportunities to obtain the best price, but these must be taken quickly, and finally (iv) other things are worthy of consideration such as website quality, security and delivery (Gatti and Kattuman, 2006b).

Price comparison websites also offer product information to support consumers in making a product choice. Whilst this can be seen as a positive development if it increases the levels of financial knowledge opponents of price comparison websites argue that price comparison websites do not offer accurate enough descriptions of products. It is thus vital to understand what role price comparison websites play in research and purchase decisions.

**Impact on pricing**

Gatti and Kattuman's findings stimulated a growing interest in the subject and further exploration. In a paper which draws on US data Baye et al (2007) stress that price comparison websites increase price transparency for both a website's users and its competitors - leading to the need to avoid predictable pricing which can be exploited by rival firms. Ronayne (2021) argues that transparency should lead to competitive pricing, but the commissions paid to price comparison websites need to be recouped which in Ronayne's model leads to higher prices. The realty may be more complex in that some consumers who use price comparison websites do actually pay lower prices, with the existing customer base subsidising the more price conscious customers, though this is being made illegal in UK car and home insurance markets. The focus on price also assumes all customers have the same motivation and ignores the impact of other factors, e.g., some customers may prefer well established brands and price is not their only consideration (Paraskevas and Kontoyiannis, 2005)

**Intermediaries**

From a financial services perspective, price comparison websites can be seen as a new form of intermediation bringing together buyers and sellers (Laffey and Gandy, 2009). Interestingly, by offering consumers a range of products and prices information asymmetry may be reduced between buyers and sellers. Financial service providers have long since had their own comparison systems for informing sales discussions with customers and using such systems a call centre advisor can view the range of market prices, thus providing an advantage to the advisor during any discussions relating to discounts (Laffey, 2010).

Laffey and Gandy (2009) applied Bailey and Bakos' (1997) theories of intermediaries to understand the operation of price comparison websites. Laffey and Gandy (2009) made the point that the advent of e-commerce had been seen as heralding a dawn of disintermediation whereby buyers would deal directly with sellers. However, Laffey and Gandy cite Bailey and Bakos (1997) who had cautioned about such predictions and also noted the views of Anderson and Anderson (2002) that the Internet actually led to more intermediation. Drawing on the work of Bailey and Bakos (2009) Laffey and Gandy (2009) applied the roles of intermediaries to price comparison websites, namely facilitation, aggregation, matching and trust. They argued that price comparison websites had increased consumer choice in general and led to downward pressure on pricing but raised a number of concerns about price comparison websites. These included whether they could aggregate enough of the market to provide customers with choice and also how effectively the matching could be carried out for more complex products, particularly those which were insurance based.

### Value configurations

Laffey and Gandy (2009) apply value configuration theories to understand price comparison websites. In this research the value chain model of Porter (1985) was amended for the online world and termed the click chain. The role of price comparison websites here was to add value to visitors, who (amending the language of the value chain) were termed inbound clicks, by matching them with the appropriate products and the providers will then pay for these refined customers, termed outbound clicks, or customers who click through from the comparison website to buy from their website. This was a contribution to knowledge in the field as the value chain had been seen as lacking relevance outside of manufacturing. Laffey and Gandy also apply the alternative value configurations identified by Stabell and Fjeldstad (1998), namely the value shop and the value network to understand price comparison websites. The value shop is seen as providing understanding into how price comparison websites deal with more complex products such as mortgages and life insurance, which are often referred to financial advisors whilst the value network, and in particular the growth of network effects, where value comes from more participants, helps to explain the growth of price comparison websites.

### Coopetition perspectives

The relationships between retailers and price comparison websites can be seen from a coopetition perspective (Brandenburger and Nalebuff, 1995). This model combines traditional views of competition around the need for many modern businesses to also cooperate with their rivals. In this case cooperation comes from the price comparison websites providing a further distribution channel for the retailer and the retailer enables the comparison website to offer choice to its users. Both parties benefit with the retailer gaining new customers and the comparison website gets paid a commission.

However, the discounted price and commission paid by the retailer means that the initial sale may have been at a loss. They need to retain the customer and for future purchases/renewals they want the customer to go direct to their websites, or call centre, and not go via the comparison website which will incur a further commission payment. This is where the competition aspect comes in as both the retailer and the comparison website will contact the consumer to achieve exclusive outcomes (retention and switching).

Comparison websites also become aware of market trends, as they see both sides of the market, and can develop new products or offer customer insights. This is a role described by Anderson and Anderson (2002) as the lookout. A statement on the Skycanner website shows the insights this can offer.

"*Unlike other data providers, we collect data from the earliest stages of the journey – so you can see demand, conversion and future trends for every market and globally*" (Skyscanner, 2021).

## Criticisms of price comparison websites

| Theme | Source |
|---|---|
| Whole of market issues | Australian Competition and Consumer Commission (2020) |
| Most favoured nation clauses | Competition and Markets Authority (2020) |
| Over emphasis on price | Competition and Markets Authority (2017c) |
| The illusion of choice | Ireland (2007); McDonald and Wren (2018) |
| Hollowing out of products | Competition and Markets Authority (2017a); Competition and Markets Authority (2017d); Competition and Markets Authority (2017e); Kantar (2017); Heidhues et al (2020); (Gamper, 2012); (Lazear, 1995) |
| Non-brand bidding | Sviták et al (2021) |
| Non-solicitation clauses | Competition and Markets Authority (2017a) |
| Poor transmission of data and the GDPR | Competition and Markets Authority (2017c); Edwards (2017) |
| Lack of clarity over costs | Competition and Markets Authority (2017c); Antal (2020); Ronayne (2021); Citizen's Advice (2018) |

**Table 3:** Criticisms of price comparison websites

**Source:** See articles listed

Table 3 outlines the key criticisms of price comparison websites which are explained as follows.

### Comparison websites are not necessarily whole of market

Consumers may be under the impression that they are seeing a whole of market comparison, when this most likely not the case. However, depending on the specific legal situation, price comparison websites may be breaking local laws with the claims they make. In Australia the Federal Court fined the comparison website iSelect Limited $8.5 million for misleading consumers. It had stated on its website that all electricity plans offered by its participating suppliers were available but, in reality, this was not the case (Australian Competition and Consumer Commission, 2020). This led to consumers potentially not getting the most competitive deal available. This company now states on their website "*That said, we're completely open about the fact we don't have every single brand or product available for purchase, although we're working on it!"* (iSelect, 2021)

### Most favoured nation clauses

An investigation by the UK Competition and Markets Authority found that Compare the Market had broken UK competition law between 2015 and 2017 by enacting most favoured nation clauses on home insurers which were available on its website. These clauses meant that home insurers could not offer lower prices (Competition and Markets Authority, 2020) on other websites which therefore hindered competition. Without such a clause there would have been competition over the fees charged on price comparison websites, which would enable a lower overall price to be quoted, and this clause meant Compare the Market did not face competitive pressures. It was felt that this prevented market entry and made the UK price comparison website market less competitive.

**Over emphasis on price**

Evidence from an insurance broker to the Competition and Markets Authority argued that price comparison websites core competency was not insurance and instead they were focused on price (Competition and Markets Authority, 2017c). This led, in the respondent's views, to the neglect of crucial issues which would enable risk to be accurately measured with the priority given to brief questions which delivered the cheapest price. In short point of sale was the focus rather than point of claim which insurance customers only see the importance of if they are unlucky enough to be involved in an accident.

**The illusion of choice**

Research using UK data on digital cameras from Pricerunner identifies the problem of the use of different trading names owned by the same parent company (Ireland, 2007). This can provide an impression of customer choice when, in fact, the same pricing strategies are followed. Research from McDonald and Wren (2018) supported this argument, with their work finding that 16 parent firms operating multiple brands accounted for 75% of the choice available on a car price comparison website. Attempts were made to conceal the joint ownership of brands, which gives the parent brand market power, and prices of these brands were clustered. Although the prices were lower this could be possibly explained by economies of scale. McDonald and Wren (2018) made an interesting observation that the one insurance group that openly declared its ownership of multiple brands did not have such clustered prices, which suggests that the concealing of ownership was seen as important by the brand.

**Hollowing out of products**

The Association of British Insurers (ABI) argued that price comparison websites had resulted in a hollowing out of products with greater standardisation. This is because the information that is provided on the price comparison website on each provider is inherently limited due to the range of providers compared. To get to the top of the list some firms could feel pressured to focus on price, and then recoup revenue through charges which are harder for consumers to measure, or even see as important, at the point of sale – such charges could include cancellation fees or higher excesses. The ABI argued that common add-ons, such as legal cover, courtesy cars etc, should be shown on price comparison websites (Competition and Markets Authority, 2017d).

Aviva, the UK's largest insurer which also does not offer its products through comparison websites, argued that price comparison websites were simplifying decision making, which was not in the interests of the consumer, as they were making purchase choices using low levels of information (Competition and Markets Authority, 2017e).

They went on to argue that rankings on price comparison websites should be based around levels of cover rather than on price. It should be stated, however, that the final Competition and Markets Authority report did not find evidence of the practice of hollowing out, though it found issues with the presentation of insurance excesses and felt more could be done on quality issues to enable clearer comparisons (Competition and Markets Authority, 2017a).

These views were contrary to the views of consumers (Kantar, 2017) with 83% of motor insurance customers feeling they had made a better choice through using price comparison websites, and of non-users 43% felt they would have made a better choice if they had used price comparison websites. However, the question can be posed; can you evaluate a product with high credence qualities at the point of purchase when you will only know how good the choice is at the (potential) point of claim? In response to this, one could query whether consumers made better decisions prior to the use of price comparison websites.

Heidhues et al (2020) note this “gaming” approach as a problem across a range of markets. This has been seen in price comparison websites which sell physical products with delivery costs being excluded in the comparison to gain a higher position, and then added on when the customer clicks through to the retailer website (Gamper, 2012). The examples discussed here are variants of “bait and switch”, the practice of advertising products which are not available (Lazear, 1995), with the distinction here that the product is available but at a higher cost than advertised.

**Non-brand bidding**

Price comparison websites had been required by some providers to practice non-brand bidding, which means they were not allowed to bid for brand terms in paid search positions, typically Google AdWords. This lessens the chance of the consumer becoming aware of the comparison site. The practice of negative matching was also evident in some cases, whereby price comparison websites would have to specify the brand of the provider (who had imposed this condition) as a negative keyword, which then means that the price comparison’s adverts cannot appear for a search which includes a brand term, an example would be “Flights Madrid AirlineX” if AirlineX was a brand. For an explanation of non- brand bidding see Sviták et al (2021).

**Non-solicitation clauses**

This practice requires the price comparison website not to contact the consumer that they switched to the provider for a period of time. It is a response to the “loyalty problem” and the desire of the provider to recoup their commission and introductory price. However, this limits choice for the consumer and creates a barrier to switching. Of course, the consumer may be contacted by another price comparison website that did not handle the respective switch (Competition and Markets Authority. (2017a).

**Poor transmission of data**

Evidence from an insurance broker (Competition and Markets Authority, 2017c) identified problems with the transfer of data from the price comparison website to the insurer. An example was a customer being identified as claim free for motor insurance in the information sent to the insurer when the customer had stated they had claims to declare. It is fundamental to the underwriting of an insurance policy that the data is accurate.

The General Data Protection Regulation (GDPR) introduced in 2018 has major implications for price comparison websites. Edwards (2017) stated that a fine levied on the price comparison website Moneysupermarket for sending out emails to seven million customers who had opted out of direct marketing, would have been much higher under the GDPR. Price comparison websites have to be particularly careful as the users are effectively the product they sell to retailers.

**Lack of clarity over costs**

Price comparison websites have been criticised for not declaring their sources of revenue and how much they pay retailers, with insurance brokers arguing such transparency was needed (Competition and Markets Authority, 2017c) as this was what they had to do when they dealt with insurance customers.

Related to this Antal (2020) describes the price comparison website for energy in the United Kingdom as a parasite market. He argues that a single non-commercial comparison website would provide greater benefits to customers presenting data that over £100 million per year is added to energy bills to fund the commission payments that these websites are able to charge (a point referred to earlier in the paper citing Ronayne (2021)). The evidence cited above from an insurance broker argued that premiums were higher due to excessive commissions from price comparison websites (Competition and Markets Authority, 2017c).

Antal (2020) makes the point that a non-commercial price comparison website could fulfil the needs of consumers, citing the Citizen's Advice tool available at https://energycompare.citizensadvice.org.uk. This tool enables comparisons to be done but is non-transactional meaning all it enables after the comparison is a click through to the supplier websites with all the data having to be re-entered. In Australia an initiative has been the Energy Made Easy website managed by the regulator, which can be accessed at https://www.energymadeeasy.gov.au/article.

**Regulatory change**

Price comparison websites in UK financial services had based their business model around consumer switching. This is made clear by the following quote by the CEO of GoCompare.

*"[r]evenues are largely generated for us when a consumer switches to a better deal, by providing new customers to our business partners and suppliers.*" (GoCompare, 2017, p6)

The "*better deal*" referred to here is funded by revenues generated by the loyal customer base, who pay more for the same service, a form of price discrimination, which raised concerns about fairness. A super-complaint about the "loyalty penalty" was submitted by Citizen's Advice to the Competition and Markets Authority (CMA) in September 2018 (Citizen's Advice 2018). The key findings included:

- This was a common problem with 80% of consumers paying substantially more "*in at least one essential market*" for being loyal to their existing supplier. Citizen's Advice estimated the cost to consumers to be £4.1 billion per year.
- Customers were not aware of the "loyalty penalty" and faced barriers to shopping around.

- This dual pricing method punished disadvantaged members of society more; the less educated, those in older age groups and poorer consumers were more likely to pay more. These groups are less likely to be consumer literate, may not have broadband access and may also lack the confidence to switch suppliers.

The Competition and Markets Authority agreed with the arguments put forward by Citizen's Advice and the specific markets were then looked at by the respective market regulators. In their own research the Financial Conduct Authority found that 6 million consumers were being over charged for car and home insurance. In September 2020 they proposed that the "loyalty penalty" would be removed for car and home insurance (Gangcuangco, 2020) which was something due to be fully implemented by January 2022. This will end the cross-subsidisation of new customers from renewals but remove the incentive to use comparison websites leaving an uncertain future for the price comparison websites which focus on insurance.

## The future of comparison websites

### Automatic switching

A development in the services sector in the UK was the automatic switching of customers when they could save money. This specifically applied to the energy sector which does not offer term-based products, and rather customers are on an ongoing contract, although there may be an initial contract length. This is a sector where product comparisons are harder to make and has 50% of customers on expensive default tariffs (Ofgem, 2021). With automatic switching the price comparison website becomes more involved as it carries out the switching of the customer and acts on behalf of the customer in a principal-agent style relationship. The innovation of collective switching also emerged whereby a price comparison website could negotiate an attractive energy tariff on the basis that it would appeal to large volumes of customers.

### Covid 19 impact

Covid-19 had a direct impact on comparison websites by reducing demand for products which they enabled consumers to compare and purchase, most obviously in the case of travel. The German comparison website Idealo cited research that showed that 64% of Germans would not fly in 2021 (Idealo, 2021). The restrictions placed on other areas, e.g., car sales, also had a negative impact. However, the harsher economic environment would lead to an increase in searches related to getting better deals, and also an increase in traffic to comparison websites, which suggested that comparison websites would become more important to consumers in the post Covid era.

### Spread of comparison websites to new locations

As is clear in the paper the UK is the most significant market for price comparison websites. This provides opportunities, for example, to export the idea to new markets, as noted by Ballard (2020). The RVU group is an attempt to build a pan European comparison website group, with uSwitch and Confused.com in the UK, Rastreator in Spain and LeLynx.fr in France. Ballard (2020) argues that the innovation and product development in the UK price comparison sector could be adapted to European markets. As noted earlier in the paper the regulatory environment must facilitate switching as this is at the core of what comparison websites do.

## Conclusion

This chapter has covered the important topic of price comparison websites and their significance in the field of digital marketing. The chapter defined what price comparison websites are and how they are a key source of product information. This enabled the chapter to frame price comparison websites as specialised search engines and showed their connection to search, specifically Google. The dual appeal of price comparison websites was outlined whereby they connect users to retailers, who pay contractual fees with data collection methods and revenue models also analysed.

Theoretical perspectives were then covered which considered the industries most affected, loyalty, consumer decision making, pricing considerations, price comparison websites as intermediaries and the insights offered by value configurations and coopetition.

Criticisms of price comparison websites were then outlined which focus on whether the comparison is accurate and complete, the potentially damaging focus on price, restrictive practices, lack of transparency, data issues and the GDPR and whether price comparison sites actually increase prices. The chapter then looked to the future considering automatic switching, the impact of Covid-19 and the attempts to export the UK price comparison model to other markets.

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