



ACCC report

# The comparator website industry in Australia

An Australian Competition and Consumer Commission report

November 2014



This report has been compiled to provide industry, consumer groups and regulators with a better understanding of the comparator website industry in Australia and its potential impact on competition and consumer welfare.

ISBN 978 1 922145 38 3

Australian Competition and Consumer Commission  
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601

© Commonwealth of Australia 2014

This work is copyright. In addition to any use permitted under the *Copyright Act 1968*, all material contained within this work is provided under a Creative Commons Attribution 3.0 Australia licence, with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the Director, Corporate Communications, ACCC, GPO Box 3131, Canberra ACT 2601, or [publishing.unit@accc.gov.au](mailto:publishing.unit@accc.gov.au).

#### **Important notice**

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

The ACCC has made every reasonable effort to provide current and accurate information, but it does not make any guarantees regarding the accuracy, currency or completeness of that information.

Parties who wish to republish or otherwise use the information in this publication must check this information for currency and accuracy prior to publication. This should be done prior to each publication edition, as ACCC guidance and relevant transitional legislation frequently change. Any queries parties have should be addressed to the Director, Corporate Communications, ACCC, GPO Box 3131, Canberra ACT 2601, or [publishing.unit@accc.gov.au](mailto:publishing.unit@accc.gov.au).

ACCC 11/14\_926

[www.accc.gov.au](http://www.accc.gov.au)

# Contents

<b>Executive summary</b>	<b>1</b>
Overview	1
Key findings	1
Next steps	2
<b>1. Introduction—an overview of the comparator website industry in Australia</b>	<b>3</b>
1.1 What do we mean by comparator websites?	3
1.2 The United Kingdom experience	4
1.3 Growth and external drivers in Australia	4
<b>2. Industry structure/operation</b>	<b>8</b>
2.1 Business models	8
2.2 Methods for generating revenue	9
2.3 Sourcing approaches	9
2.4 Call centres	9
<b>3. Consumer and business attitudes</b>	<b>11</b>
3.1 Consumer attitudes	11
3.2 Service provider attitudes	12
<b>4. Benefits of comparator websites</b>	<b>14</b>
4.1 Positive impact on competition—helping SMEs overcome barriers to entry	14
4.2 Helping to overcome choice paralysis	14
4.3 Saving time and effort	15
4.4 Needs analysis and facilitating like-for-like comparison	15
4.5 Downward pressure on prices	16
4.6 Product innovation	16
<b>5. Challenges of comparator websites</b>	<b>17</b>
5.1 Material on the website	17
5.2 Behind-the-scenes (back office) conduct	18
5.3 The ACCC’s role in addressing these challenges	19
<b>6. References</b>	<b>20</b>
6.1 Consultation	20
6.2 Research papers and other publications	20

# Executive summary

## Overview

Comparator websites have the potential to help consumers compare in one place deals offered by competing businesses across a range of goods and services. Importantly, these sites can assist consumers to make more informed purchasing decisions when comparing what are often quite complex products, and to make the process of switching easier. On the other side of the transaction, comparator websites promote healthy competition by assisting small or new service providers to compete more effectively.

Notwithstanding the benefits that comparator websites can offer, the Australian Competition and Consumer Commission (ACCC) has concerns about conduct within the industry that may cause consumer and business harm. As outlined in this report, the ACCC has previously instituted enforcement proceedings against comparator website operators. Consumer trust is key to the industry's success, and it is in the best interests of these operators to ensure that they are transparent in their dealings—both 'front-of-shop' and 'out-the-back'.

The ACCC has compiled this report to provide industry, consumer groups and regulators with a better understanding of the comparator website industry in Australia and its potential impact on competition and consumer welfare. Based on consultation with industry, other regulators and consumer groups, as well as previous relevant research, the report provides a broad overview of how the industry operates and identifies challenges and benefits for consumers and businesses.

Consultation with industry participants primarily focused on the private health insurance, energy and telecommunications sectors. All comparator website operators that the ACCC engaged with covered one or more of these sectors, with some operators also covering additional sectors such as motor insurance and financial products. The ACCC acknowledges the valuable input provided by stakeholders in informing its review of the industry.

## Key findings

The ACCC's report makes a number of observations and findings about the comparator website industry, which broadly fit under the following four categories:

### Industry structure/operation

Comparator websites are generally a sales and marketing platform, and can be viewed as a holistic business model with many using a combined web and telephone-based interface.

- Individual comparator websites typically offer services across a range of industries.
- The industry uses a range of business models, remuneration streams and sourcing approaches. Some comparator website operators use different models for different product types.
- Websites are often used as a means of driving interest to the call centre, where the majority of sales are achieved (up to 90 per cent in some cases).
- Call centres have vastly higher sales conversion rates as compared to those achieved online.

See Chapter 2—'Industry structure/operation'.

### Consumer and business attitudes

The comparator website industry continues to expand, with usage by both consumers and service providers increasing. The extent of uptake depends on consumer and business attitudes towards comparator websites.

- Current consumer usage of comparator websites in Australia is growing in most cases. However usage appears to be predominantly for research rather than purchasing, with purchases via these websites appearing to be held back by a lack of consumer trust in the motivations of, and benefits offered by, comparator websites or their operators.
- Comparator websites are viewed by service providers as a marketing tool. They often make up a significant portion of marketing expenditure by small and medium sized service providers, with some increasingly relying on comparator websites instead of more traditional marketing channels.

- Some service providers have concerns about the operation of comparator websites, including the creation of artificial churn and an over-emphasis on price. Despite this, many believe that they need to participate or risk losing customers.

See Chapter 3—‘Consumer and business attitudes’.

## Benefits

Comparator websites have the potential to drive a number of positive changes in the markets for the products that they compare and/or sell. These changes are beneficial to consumers as well as service providers whose products are listed. Comparator websites also appear to be having a positive impact on the competitive process as a whole.

- Benefits to service providers and competition:
  - There is evidence that comparator websites can positively impact on competition in the markets for the products that they compare and/or sell by effectively reducing barriers to entry and making it easier for new entrants to enter the market.
  - Challenger brands (usually small and medium enterprises) are increasingly relying upon comparator websites as a cheaper and more wide-ranging marketing channel to promote their products.
- Benefits to consumers:
  - Comparator websites provide value-adds that can assist consumers by simplifying complex information and helping them to make informed choices in situations where they would otherwise experience information overload and make no decision (or poor decisions).
  - Comparator websites can assist consumers to break down complex plans by attempting to standardise retail plans that make it difficult to compare like-for-like.
  - There is preliminary anecdotal evidence to suggest that comparator websites can place downward pressure on prices, and foster product innovation.
  - Comparator websites can reduce search costs, thereby potentially making the process of researching and choosing products easier.

See Chapter 4—‘Benefits of comparator websites’.

## Challenges

The ACCC has identified a number of areas where conduct by comparator website operators can potentially mislead or deceive consumers. Lack of transparency is a key issue of concern in terms of both material on the website and behind-the-scenes (back office/commercial relationships) conduct.

The ACCC takes conduct that may mislead consumers very seriously and has previously taken enforcement action against comparator website operators for such conduct (see ‘ACCC enforcement action’ in Chapter 1). The ACCC is currently examining a number of concerns outlined in this report and welcomes any further information that may assist with its examination of this industry.

Concerns about material on the website broadly relate to representations as to the:

- nature or extent of the comparison service, including market coverage
- savings achieved by using the comparison service
- comparison services being unbiased, impartial or independent
- value ranking.

Concerns about behind-the-scenes conduct broadly relate to:

- undisclosed commercial relationships affecting recommendations to consumers
- content and quality assurance of product information.

See Chapter 5—‘Challenges of comparator websites’.

## Next steps

Following this report, the ACCC will publish comprehensive guidance for comparator website operators and businesses to encourage compliance with Australia’s competition and consumer protection laws. The ACCC will also provide consumer guidance on how to check whether they are comparing ‘apples with apples’. The ACCC will continue to monitor the comparator website industry and, if necessary, take enforcement action.

# 1. Introduction—an overview of the comparator website industry in Australia

As Australians increasingly embrace online shopping and all that it has to offer, the ACCC has a key role to play in fostering a digital economy that is fair and transparent for businesses and consumers.

The online space is rapidly becoming the cornerstone of many markets. Accordingly, any consideration of how to make markets work more effectively for Australian consumers and businesses, now and in the future, will invariably need to consider the online environment. This can be seen with the current Australian Government review into competition policy, with the draft report considering the digital revolution and its potential impacts on competition.

The online retail environment can provide important benefits for consumers and businesses alike. For consumers, increased competition can result in greater choice in goods and services, better products arising out of innovation, and potentially substantial time and cost savings. For businesses, particularly new or smaller businesses that often find it hard to compete with larger players, the internet can act to level the playing field by providing access to a broader customer base without many of the traditional costs associated with the bricks-and-mortar retail model.

Similarly, the opening up of certain industries following previous competition reforms (for example, the privatisation of government monopolies in the telecommunications and energy sectors) has provided consumers with greater choice from a more extensive range of businesses.

However, increased choice also resulted in the consumer malady of ‘choice paralysis’, with consumers experiencing information overload as they try to sort through the vast range of purchasing options available. Ultimately some consumers may choose to make no decision at all, or make a poor decision.

It is in this context that the internet has promoted the creation of a tool designed to assist consumers and challenger brands to take advantage of the opening up of competitive markets and the growth in online retailing: the comparator website.

The ACCC has recognised the increasingly important role of online markets within the Australian economy, which is why emerging online issues, including comparator websites, are a 2014 compliance and enforcement priority area. The ACCC has already taken enforcement action in relation to these issues.

There are currently a wide range of comparator websites in Australia and their numbers are increasing. In light of this growth, the ACCC is seeking to ensure that comparator websites serve as an accurate decision-making tool for Australian consumers and do not cause harm or result in unfair trading practices.

## Choice paralysis

When faced with too much information, consumers can experience choice paralysis and ultimately choose to make no decision (or a poor decision).

## 1.1 What do we mean by comparator websites?

Comparator websites are referred to in a number of ways, which can vary across sectors. Some of the more common terms used by stakeholders that the ACCC engaged with include ‘price comparison websites’, ‘product comparison websites’, ‘comparators’ and ‘aggregators’. However, regardless of terminology, comparator websites operate in a similar manner—that is, they compare goods and/or services (referred to collectively as ‘products’ in this report) offered by a range of suppliers.

The scope of the ACCC’s review of comparator websites is confined to those that compare products from multiple service providers. When undertaking this review, the ACCC focused on comparator websites that compare products offered by private health insurance, telecommunications and energy providers.<sup>1</sup> These sectors, along with financial services comparator websites that the Australian Securities and Investments Commission is looking at, appear to be prominently featured in the marketing by Australian comparator website operators.

<sup>1</sup> Comparator websites in other sectors such as financial services and travel were outside the scope of this review.

From this review, the ACCC has observed that comparator websites cannot be neatly allocated to the category of digital or web platforms that many would consider to be the natural home of a comparator website. In many cases, comparator website operators use an integrated multi-channel consumer interface with a website to initially engage the consumer and drive demand to a call centre. These two channels tend to be integral to the business of many comparator websites.

Accordingly, the ACCC has focused on comparator website operators that:

- operate a website or other digital platform such as an app (which may form part of an integrated multi-channel engagement approach), and
- compare products across a category of services according to specific characteristics provided by the consumer, presenting information in a manner that allows for direct comparison of the features offered, and
- go beyond a platform that simply displays generic information.

For the purpose of this review, the ACCC focused on comparison services aimed at consumers, with those aimed at businesses out of scope.

Generally, comparator websites compare products from a range of service providers and will often include multiple products from individual service providers.

Comparator websites allow the consumer to input certain characteristics that they are looking for in the product. The website will then run an algorithm to narrow its listed products down to those that meet the consumer's parameters, with the results then ordered and displayed.

The consumer is often able to change the order that results are listed in, for example, by price or another particular characteristic, and then further narrow the desired characteristics.

## 1.2 The United Kingdom experience

Comparator websites originated in the United Kingdom (UK) in the early 2000s and operators invested heavily in marketing and developing their own strong brands. The local insurance industry quickly adopted them as a new sales channel and in 2009 comparator websites accounted for three of the ten highest advertising spenders in the insurance sector in the UK.<sup>2</sup>

These websites also proved popular amongst price sensitive consumers as seen in the rapid growth in consumer usage. For example, the percentage of UK consumers purchasing car insurance online grew from two per cent in 2001 to 51 per cent in 2010.<sup>3</sup> Comparator websites are seen as being the chief instigator of this growth and now account for 56 per cent of motor insurance sales.<sup>4</sup>

A number of stakeholders reported to the ACCC that many players in the UK motor insurance industry consider that comparator websites had the effect of driving prices down to an unsustainable level. Despite these industry concerns, research by Accenture in 2010 into comparator websites in the UK found that the comparator website model would remain, with strong prospects for rapid growth overseas.<sup>5</sup>

## 1.3 Growth and external drivers in Australia

The advent of comparator websites in the UK in the early 2000s was not unique. However, it experienced more rapid growth and development than in any other jurisdiction.

One of the first comparator websites that was launched in Australia was iSelect in 2000. Since then there has been a steady increase in the number of comparator websites operating in Australia, including the recent entry of UK players.

Some sectors where comparator websites are most active in Australia, for instance energy and telecommunications, were opened to competition following the privatisation reforms of the early 1990s.

2 Accenture, *The evolution of aggregators: impacts and future challenges for insurers*, Accenture, London, 2010, viewed 2 September 2014, [http://www.accenture.com/microsites/insights/Documents/pdfs/RoleOfAggregators\\_09\\_10.pdf](http://www.accenture.com/microsites/insights/Documents/pdfs/RoleOfAggregators_09_10.pdf), p. 5.

3 *ibid.*, p. 3.

4 Wendy Pugh, 'Beware the meerkat', *Insurance News (the magazine)*, Australia, McMullan Conway Communications Pty Ltd, June/July 2014, p. 22.

5 Accenture, *The evolution of aggregators: impacts and future challenges for insurers*, p. 12.

These sectors often face similar input costs (such as utilising price regulated infrastructure) and may have limited scope for product differentiation. Where businesses are subject to these factors, which may be beyond their control, they may choose to structure their products in a complex manner or provide consumers with large amounts of information as a strategy to minimise customer churn.

Comparator website operators in the insurance and telecommunications sectors reported to the ACCC that this type of conduct, known as 'fogging', is intended to confuse consumers seeking to switch so that they simply remain with their existing provider. The following information supports the view that complexity and information overload can limit the ability of consumers to fully access the benefits of competition:

- In its 2014 submission to the current competition policy review, the Australian Dental Association stated that "[Private health insurers] deliberately pitch advertising and various levels of cover to make it difficult for policy holders to compare the levels of cover on offer. It is not possible to make direct comparison of levels of cover on offer by the 34 [private health insurance] funds in Australia."<sup>6</sup>
- A 2013 report by the Australian Energy Market Commission on energy switching in NSW found that "...consumers are confused about what their energy plan options are and how to get credible information about them".<sup>7</sup> This report also found that "There is widespread inertia and disengagement when it comes to investigating energy plans...This situation is compounded by...the complexity of the different options available, which saps [consumers'] motivation."<sup>8</sup>
- Submissions to the Private Health Insurance Administration Council's 2013 research paper suggested that the tendency for consumers to stay with one insurer for an extended period of time is driven by, amongst other things, "...perception of the difficulties of changing policies or insurers" and "...the complexity of products and the difficulty in comparing products based on cost over value".<sup>9</sup>

Recent Nielsen Australia research suggests that some of the main reasons consumers cite for using comparator websites are easier comparisons (68 per cent), better informed purchasing decisions (66 per cent), simpler comparisons (62 per cent) and easier to find information (58 per cent).<sup>10</sup> Complexity and information overload could therefore be seen as key drivers in the growth of comparator websites. Indeed, a private health insurer reported that it sees comparator websites as benefiting from the complexity of private health insurance policies.

A related factor that is driving growth in the comparator website industry in Australia is the increase in online shopping. Market research by PricewaterhouseCoopers and Frost & Sullivan in 2012 found that there has been a steady rise in online shopping expenditure by Australians and this will continue to increase, with Australian online shopping expenditure predicted to be worth \$26.9 billion by 2016—up from \$13.6 billion in 2011.<sup>11</sup> Importantly, this research also found that 94 per cent of Australian shoppers would "...conduct some form of research before making an online purchase", including through comparator websites.<sup>12</sup>

Notwithstanding these drivers in uptake, Australian businesses have been slower in utilising comparator websites for marketing their products when compared to businesses in the UK. A number of service providers and comparator websites in the telecommunications and private health insurance sectors reported that part of this delayed penetration can be attributed to industry concerns about the UK experience, with a view held that comparator websites led to downward pressures on prices. However, there is broad consensus amongst industry participants that while the comparator website industry in Australia is 5–6 years behind the UK, it is following a similar growth trajectory and will continue to expand.

6 Australian Dental Association Inc., *Submission to the competition policy review*, The Treasury, Canberra, 13 June 2014, viewed 3 September 2014, <http://competitionpolicyreview.gov.au/files/2014/06/ADA.pdf>, p. 13.

7 Australian Energy Market Commission, *Review of competition in the retail electricity and natural gas markets in New South Wales supplementary report: increasing consumer engagement*, Australian Energy Market Commission, Sydney, 31 October 2013, viewed 2 September 2014, <http://www.aemc.gov.au/media/docs/Supplementary-report-8732a59f-030c-4763-9e3f-1e1f7e024ce6-0.pdf>, p. 10.

8 Ibid., p. 12.

9 Private Health Insurance Administration Council, *Competition in the Australian private health insurance market*, Private Health Insurance Administration Council, Canberra, 3 June 2013, viewed 3 September 2014, [http://phiac.gov.au/wp-content/uploads/2013/12/PHIAC\\_Research\\_Paper\\_No1-new-format.pdf](http://phiac.gov.au/wp-content/uploads/2013/12/PHIAC_Research_Paper_No1-new-format.pdf), p. 57.

10 Nielsen Australia, *Understanding the Australian market for online comparison services consumer research survey in March 2013* as cited in iSelect, *Prospectus for the offer of 116.4 million shares in iSelect Limited at \$1.85 per share*, iSelect, Victoria, May 2013, viewed 3 September 2014, <http://corporate.iselect.com.au/wp-content/uploads/2013/09/4-June-2013-Prospectus.pdf>, p. 29.

11 PricewaterhouseCoopers and Frost & Sullivan, *Digital media research 2012: full report*, PricewaterhouseCoopers, Sydney, July 2012, viewed 2 September 2014, <http://www.pwc.com.au/industry/retail-consumer/assets/Digital-Media-Online-Shopping-Jul12.pdf>, p. 7.

12 Ibid., p. 16.



## ACCC enforcement action

The ACCC can take a range of enforcement action where it considers conduct contravenes the *Competition and Consumer Act 2010*.

The ACCC assesses complaints against its current compliance and enforcement priorities. In 2014 the ACCC announced emerging online issues, including comparator websites, as a priority area in its Compliance and Enforcement Policy.

The ACCC has taken enforcement action in relation to misleading or deceptive conduct and false or misleading representations made by comparator websites, and will continue to do so where appropriate. Details of previous ACCC enforcement action are outlined below.

### Compare the Market (2014)

In August 2014, Compare The Market Pty Ltd paid a penalty of \$10 200 following the issue of an infringement notice by the ACCC in relation to claims made in its advertising.

The ACCC may issue an infringement notice where it has reasonable grounds to believe a person has contravened certain consumer protection provisions of the Australian Consumer Law (ACL). The payment of a penalty specified in an infringement notice is not an admission of a contravention of the ACL.

The infringement notice related to a representation in Compare The Market's letterbox pamphlet (distributed in Queensland, New South Wales and Victoria between 17 March and 19 May 2014), in which it claimed, "We now compare more health funds than any other website in Australia" and "Compare more health funds than anywhere else". In fact, there were two other websites that compared the policies of more health insurance funds.

Compare the Market made similar representations in other media, including its website, banner advertising, flyers and television infomercials.

### Energy Watch (2012)

In 2012, the Federal Court ordered Energy Watch Pty Ltd to pay \$1.95 million for misleading advertising and its former CEO, Mr Benjamin Polis, to pay \$65 000 for his voiceover role in misleading radio advertisements.

The misleading advertising related to representations about the nature of the Energy Watch service and the savings consumers would make by using the service and switching energy retailers.

The court found the advertising had:

- falsely represented that the Energy Watch service compared the rates of all or many of the energy providers in a person's area when in fact it only compared the rates of a person's current energy retailer with those of energy retailers with whom Energy Watch had commercial agreements with
- falsely represented the savings residential and business energy users would make in the 12 months following switching their energy retailer through the Energy Watch service.

Following the Energy Watch proceedings, the ACCC had contact with a number of operators of other energy comparison services to remind them of their obligations under the ACL and to raise concerns in relation to some of the content on their websites. At that time, those operators made amendments to their websites to address the ACCC's concerns.

### **iSelect (2007)**

In November 2007, the ACCC accepted court enforceable undertakings from iSelect Health Pty Ltd (iSelect) following concerns that iSelect made various representations that were likely to mislead consumers as to the range of health insurance policies it compared when recommending a policy.

In particular, the ACCC was concerned that iSelect made false or misleading representations:

- that it compared a significant portion of health insurance policies available to consumers
- about the number of health insurance policies that it compared for consumers
- that it compared for consumers all the health insurance policies available to them and could find the best suited policy for the consumer's needs at the lowest price.

iSelect provided a court enforceable undertaking to the ACCC for a period of three years that it:

- would not make the representations of concern in specified circumstances where they may be misleading
- would inform certain customers who purchased a health insurance policy through iSelect of the range of insurance policies that it compared for them
- would maintain a trade practices compliance program.

## 2. Industry structure/operation

The ACCC has undertaken an analysis of how comparator websites are structured and operate. The information set out in this section is largely based on information obtained from or published by comparator website operators.

Generally, the primary function of comparator websites is to promote and/or sell products for which the operators may be remunerated either directly or indirectly. In this way, comparator websites operate as a sales channel and offer a comparison tool to promote their services and engage with consumers.

Many comparator website operators have commercial relationships with service providers. They sell or promote products on behalf of the service provider directly to consumers or by creating a link through to the service provider's own website. However, there are a number of comparator website operators that do not have commercial relationships with the businesses whose products they compare. This includes those operated by consumer groups and government agencies. In many cases, where a government agency operates a comparator website, service providers are required by legislation to provide information to the comparator website operator.

In terms of industry scale, the ACCC has observed that there are approximately 40 comparator websites in Australia that offer a private health insurance, telecommunications and/or energy comparison service. This includes commercial comparator websites, as well as websites run by other entities, such as consumer groups and government agencies. This figure is an estimate only as the comparator website industry is still in its early stages of development and exhibits a degree of dynamism, with players entering, merging and exiting on a regular basis. Further, how comparator websites are categorised can impact the calculation of industry numbers because some businesses operate multiple comparator websites or brands—and it is not always clear where this occurs.

Publicly available financial information about this industry is currently very limited because the vast majority of comparator websites are privately owned. The ACCC notes that research is yet to be undertaken to assess the overall aggregated revenue or turnover for all comparator website operators as a discrete industry.

### 2.1 Business models

Comparator website operators do not follow a single business model. Rather, they use a range of models and remuneration streams. Some comparator websites focus on a specific sector such as energy, however many cover a wide range of industries. Comparator website operators also appear to limit themselves to covering either goods or services.

Business models generally used by comparator website operators are as follows:

- 'Information-only' sites—these websites provide information about available products but do not operate as a sales channel. Information-only website operators often rely on revenue generated from advertising that appears on their site.
- 'Lead generation' sites—these comparator website operators have commercial relationships with some or all of the listed service providers and provide consumers with comparisons of products from those providers. The website is used as a platform to generate leads by doing one or more of the following:
  - including a link to the service provider's website or to another comparator website for the consumer to click-through
  - encouraging the consumer to contact the service provider directly (online or by phone)
  - collecting the consumer's details for the service provider to contact them directly.
- 'End-to-end' sites—these are similar to 'lead generation' sites, but rather than generating leads, the comparator website operators complete sales on behalf of service providers. These operators function in a manner that is similar to that of a traditional insurance or mortgage broker. While the legal relationship is different to that of a broker structure, end-to-end comparator websites operate as a sales channel, promoting and selling products on behalf of the service provider. These operators tend to invest more effort in seeking to convert a contact to a sale and usually operate a call centre as part of an integrated engagement strategy with consumers.

Particular models may be more prevalent in certain industries. For instance, comparator websites in the telecommunications sector tend to use a lead generation model. On the other hand, those in the private health insurance sector tend to use the end-to-end model. Comparator website operators that cover a number of industry sectors may use different models for different sectors.

### Industry coverage

Some comparator websites focus on one market sector, while others cover a wide range of industries.

## 2.2 Methods for generating revenue

Comparator websites are almost universally free for consumers to use, with revenue earned through one of the three business models set out above.

The two primary means of remuneration are:

- Fee per lead or call (used by 'lead generation' sites)—a fee is paid by the service provider for each lead that is generated to the service provider.<sup>13</sup> This model includes a fee per 'click-through' where a service provider pays a fee for each customer that is directed to its website from the comparator website.
- Commission on sales (used by 'end-to-end' sites)—commission is paid by the service provider for each successful sale.<sup>14</sup> Commission is paid either upfront, on a trailing basis (commission paid over a period of 3–4 years, subject to the customer remaining with the service provider) or through a combination of both.

Comparator website operators and service providers reported that the fee and commission payments received vary depending on the service provider and sector. For example, in the private health insurance sector, commission payments are generally between 20 to 40 per cent of the first year's premium, with a trailing fee also payable in some cases. Where a trailing fee is payable, the upfront fee tends to be lower.

Additional methods of achieving remuneration include charging for advertising on the comparator website or selling customer data. The use of these methods is minimal, with the majority of comparator website operators reviewed by the ACCC focusing on generating revenue via click-through or commission per sale.

## 2.3 Sourcing approaches

Comparator website operators employ two main approaches for sourcing product information:

- Commercial arrangements—the service provider is listed on the comparator website because it has entered into a listing agreement with the website operator whereby it allows the operator to list (and in the case of end-to-end operators, sell) its products, and in return agrees to pay commission or a fee per lead generated.
- Web scraping—the comparator website operator uses computer software to extract pricing information from other websites, including the service provider's own website. This is often done without the approval or knowledge of the business that owns the website.

Some comparator website operators use a combination of both approaches so that they can compare across a product market, but will only actively sell products directly to the consumer where they have a relationship with the service provider in order to generate revenue.

## 2.4 Call centres

Many comparator website operators, particularly those in the private health insurance and energy sectors, use call centres that act as the primary consumer engagement and sales channel for the products they are promoting. While not universally used, comparator website operators that use an 'end-to-end' business model have a greater incentive to develop these processes to convert contacts into sales and thereby maximise their revenue stream.

<sup>13</sup> For example, iSelect's indicative revenue is \$3–\$200 per lead or call: iSelect, *Prospectus for the offer of 116.4 million shares in iSelect Limited at \$1.85 per share*, iSelect, Victoria, May 2013, viewed 3 September 2014, <http://corporate.iselect.com.au/wp-content/uploads/2013/09/4-June-2013-Prospectus.pdf>, p. 23.

<sup>14</sup> For example, iSelect's indicative revenue is \$30–\$3000 per sale: iSelect, p. 23.

The benefits to comparator website operators and service providers of call centres is highlighted by the difference in conversion rates between online sales and sales through the call centre, with call centres reportedly experiencing much higher conversion rates. According to the experience of comparator website operators, the percentage of sales made through the call centre is also very high as compared to online sales (often 90 per cent and 10 per cent respectively).

Research by Accenture in 2013 suggests that Australian consumers prefer to make purchases via traditional methods, such as over the phone, but will generally conduct online research prior to making the purchase. Accenture reports that 64 per cent of surveyed consumers use the internet to learn about products, with more than 50 per cent of motor insurance customers researching quotes online before making a purchase.<sup>15</sup>

### Engaging with consumers

For many comparator website operators, call centres act as the primary consumer engagement and sales channel.

As explained in detail in section 4.4, 'Needs analysis and facilitating like-for-like comparison', call centres can provide consumers with a number of benefits over and above the digital platform because call centre staff can delve deeper into the consumer's preferences and access information from additional sources.

However, there is scope for the use of call centres to generate compliance concerns. Research commissioned by the ACCC in 2012, *Research into the door-to-door sales industry in Australia*, identified that, where staff are paid on a commission basis, there is a risk that high-pressure sales tactics will be employed because of the incentive to complete a sale.<sup>16</sup> The use of incentives and commission structures may lead to sales staff (including in call centres) acting in their personal best interests, rather than those of the consumer (or their employer).

Many comparator website operators reported that their call centre staff are paid the same commission per sale, independent of which product they recommend, and call centre staff are not informed of the commissions that the comparator website operator receives from the various service providers. While this approach may remove the risk of call centre staff being incentivised to promote products that would generate higher commission for them, the potential for high-pressure sales tactics to be used to secure a sale still remains.

<sup>15</sup> Accenture, *Standing tall: how Australian insurers can achieve profitable growth in a challenging market*, Accenture, 2013, viewed 3 September 2014, <http://www.accenture.com/SiteCollectionDocuments/au-en/Accenture-australian-insurers-profitable-growth-challenging-market.pdf>, p. 5.

<sup>16</sup> Frost & Sullivan, *Research into the door-to-door sales industry in Australia*, Australian Competition and Consumer Commission, August 2012, p. 17. This research report discussed the commission-based remuneration approach in the door-to-door sales industry.

## 3. Consumer and business attitudes

The extent to which comparator websites are used depends on consumer and business attitudes towards them.

### 3.1 Consumer attitudes

The ACCC's observations, based both on public market research and engagement with comparator website operators, suggest that Australian consumers are aware of and using comparator websites. For instance:

- In 2012 PricewaterhouseCoopers and Frost & Sullivan found that comparator websites are one of the "...most commonly used tools to support an online purchasing decision".<sup>17</sup>
- Nielsen research conducted in 2013 reported that 98 per cent of online Australians have researched or compared a product online and 71 per cent have used online comparison services.<sup>18</sup>
- Market research in 2013 by TNS for the Queensland Department of Energy and Water Supply found that 63 per cent of consumers surveyed had used an energy comparator website.<sup>19</sup>

However, consumer usage appears to be for research rather than purchasing. In its submission to the Competition Policy Review, Medibank Private stated that while over 60 per cent of consumers will consult a comparator website before making a decision to purchase a private health insurance product, only 20 per cent of private health insurance sales are made through a comparator website.<sup>20</sup> The ACCC's industry engagement also revealed that Australian consumers appear to be using comparator websites primarily for research purposes rather than relying on them as a purchasing channel.

Some comparator website operators reported that consumers are often sceptical about these websites because the service is provided free of charge. In particular, consumers may question how the comparator website operators are remunerated. A comparator website operator covering a range of sectors stated that the first thing consumers ask is 'where is the money coming from?'

It appears that consumers understand that comparator website operators must be paid somehow, but because they are not paying for the service, are concerned that whoever is paying may influence the results.

There therefore seems to be a degree of scepticism around the motives and remuneration of comparator website operators, which manifests as a lack of consumer trust. It is this scepticism that appears to be constraining consumers' willingness to use comparator websites beyond a pure research tool.

#### 'Where is the money coming from?'

This is the first question consumers ask in making a decision when using a comparator website.

The level to which consumers trust comparator websites is likely to determine the rate of take-up and expansion of comparator websites in Australia. This observation is supported by the UK experience, with research undertaken by the former UK Office of Fair Trading in 2012 finding that usage of comparator websites is held back by a lack of understanding, trust and confidence in some sectors of society.<sup>21</sup>

In Australia, market research conducted by TNS in 2013 found that credibility of, and confidence in, energy comparator websites was reasonably high among those consumers who had used comparator websites.<sup>22</sup> However, even where consumers thought that comparator websites were credible, they were not always confident in using them.<sup>23</sup> Consumers may lack this confidence because they do not fully understand how these websites work, including the motivations of comparator website operators.

17 PricewaterhouseCoopers and Frost & Sullivan, p. 43.

18 Nielsen Australia, as cited in iSelect, p. 28.

19 TNS, *SEQ residential electricity consumer engagement quantitative report*, Department of Energy and Water Supply, Brisbane, November 2013, viewed 3 September 2014, [http://www.dews.qld.gov.au/\\_data/assets/pdf\\_file/0010/173629/seq-consumer-engagement-report.pdf](http://www.dews.qld.gov.au/_data/assets/pdf_file/0010/173629/seq-consumer-engagement-report.pdf), p. 48.

20 Medibank Private, *Submission to the competition policy review*, The Treasury, Canberra, 20 June 2014, viewed 3 September 2014, <http://competitionpolicyreview.gov.au/files/2014/06/Medibank.pdf>, p. 15.

21 Office of Fair Trading, *Price comparison websites: trust, choice and consumer empowerment in online markets*, Office of Fair Trading, London, November 2012, p. 3.

22 TNS, p. 50.

23 *ibid.*

TNS also found that, of those consumers who had not used comparator websites, only three per cent believed them to be very credible and 28 per cent believed them to be somewhat credible.<sup>24</sup> Therefore, it seems that experience with using comparator websites has a positive influence on consumer trust and further use.

This scepticism demonstrates that consumers are exercising their judgment when assessing results provided by comparator websites. It should also serve to encourage comparator website operators to improve their transparency and disclosure.

Given that the commercial motivations of comparator website operators appear to be the foundation of existing consumer scepticism, consumers may place greater trust in government comparator websites because the operators are not remunerated.

The ACCC believes that with more consumers moving online and appearing to engage with comparator websites—even if it is for research purposes—it is likely that levels of consumer trust will rise. In this way, increased use may enable consumers to better access the benefits of greater competition.

### Consumer scepticism

There continues to be a degree of consumer scepticism about the operation of comparator websites, which should serve to encourage operators to improve their transparency and disclosure.

## 3.2 Service provider attitudes

The attitudes of service providers towards the growth of comparator websites in Australia are influenced by factors such as their size, market position and industry sector. In turn, these attitudes impact on the extent to which service providers use comparator websites.

Use of, and attitudes towards, comparator websites varies across industries. They are widely used by many players in the telecommunications and energy markets, but use is more fragmented in the private health insurance sector. This is partly a result of the higher level of product differentiation in the health insurance sector, which makes it more difficult for service providers to highlight comparable product features. It is also attributable to the perceived effect comparator websites had on prices in the insurance sector in the UK.

A number of stakeholders reported that small and medium enterprises (SMEs) understand the important role comparator websites can play in enabling them to better compete with larger, more well-established service providers. They explained that small providers use comparator websites to grow their business and their brand. For instance, one private health insurer noted that while it had previously focused on servicing one state, comparator websites had helped it to expand into other states. This benefit is explored further under section 4.1—‘Positive impact on competition—helping SMEs overcome barriers to entry’.

On the other hand, a number of stakeholders reported that some large service providers perceive that comparator websites offer them minimal benefits. This is because the large service providers:

- are strong, well-known brands and are concerned about the commoditisation of products where brand is not valued
- have existing sales channels and invest heavily in developing sales infrastructure and brand marketing. By listing on comparator websites, they are concerned that they would effectively be competing against themselves.
- provide a number of value-adds beyond price and product that are not captured by a comparator website.

Further, service providers are broadly concerned about the commission-based remuneration structure of comparator website operators. For instance:

- Many service providers have suggested that products being recommended to consumers may not be based on consumer needs but rather the business needs of comparator website operators. This is because they consider that comparator website operators have incentives to promote products that will result in a higher commission. Section 5.2 — ‘Behind-the-scenes (back office) conduct’ discusses this in more detail.

<sup>24</sup> Ibid., p. 49.

- Some service providers, particularly in the private health insurance sector, have raised concerns about comparator websites creating artificial churn because many website operators only earn commission if a consumer makes a purchase or switches providers (that is, while comparator websites assist in unlocking latent demand, they also promote aggressive switching). It was also noted that churning is most likely to occur when comparator website operators receive commission upfront because there are no incentives to maintain loyalty to the service provider.

A number of comparator website operators reported that they take steps to assuage these concerns. For example, some include terms in their supply agreements that prohibit churning and others allow service providers to pay trailing commissions. Some comparator website operators also claimed they have been informed by service providers that they have a higher retention rate with customers obtained via comparator websites than with those obtained via traditional sales channels.

There is disagreement about the effect comparator websites may have on retail prices in the medium-to-long term. Some service providers in the private health insurance sector suggested that retail prices for products may increase because service providers would pass commission costs on to consumers through more expensive products. On the other hand, consumer advocacy groups have suggested that traditional marketing channels are very expensive (such as television advertising) and payment of commissions will not drive up the cost base of service providers more than any traditional marketing service.

A number of private health insurance funds (both large and small players) have also raised concerns that comparator websites are overly focused on price. This issue and the countervailing arguments are discussed in more detail in Chapter 4—‘Benefits of comparator websites’.

Some service providers also raised concerns about becoming overly-reliant on comparator websites. One private health insurer explained that the market for private health insurance is likely to become more intermediary over time, and smaller brands will rely heavily on comparator websites. Their view was that as smaller brands sell a large percentage of their policies through comparator websites, their power in the relationship is quite limited and over time, this may allow comparator website operators to further raise their commissions. However, competition between comparator website operators would likely mitigate this risk.

Despite these concerns, service providers believe that it is important to work with comparator website operators or risk losing customers. Some service providers reported that they have listed on comparator websites to ensure that they are keeping up with the changing competitive landscape. A number of telecommunications comparator website operators have noted that while it took some time before larger service providers were willing to participate, they now have ‘buy-in’ from these providers. Other comparator website operators have expressed the view that as consumers become more comfortable using them, larger brands will have no choice but to use them if they want to maximise their customer base.

### **Which service providers use comparator websites?**

Utilisation of comparator websites by service providers depends on their industry sector, size and market position, with small and medium enterprises using them to compete with larger, well established service providers.



## 4. Benefits of comparator websites

The ACCC has identified six key potential benefits arising from the operation of comparator websites in Australia, as outlined below.

### 4.1 Positive impact on competition—helping SMEs overcome barriers to entry

A number of stakeholders reported that they see comparator websites as enabling smaller, less-resourced service providers to compete with larger players by removing some of the barriers to entry for challenger brands. Research conducted by Accenture in the UK in 2010 highlights that the comparator website model allows “...new or sub-scale players to access volume markets”, allowing small players to compete effectively without needing to heavily invest in technology, advertising or agency networks.<sup>25</sup>

While commissions and charges for click-through collected by comparator website operators can be sizeable, service providers only need to pay these where the comparator website has made a sale or provided a lead to them. This method enables service providers to direct marketing spend to actual or potential sales, rather than advertising to build brand awareness or develop a physical presence, such as through establishing shop fronts. This approach is particularly targeted and cost-effective for small service providers who may have limited marketing resources and ability to independently develop a more general presence in the market.

The comparator website model shifts the marketing expenditure on building brand equity from the service providers to the comparator website operators. This can be seen in the UK where three of the ten highest advertising spenders in the general insurance market are comparator website operators.<sup>26</sup> Essentially, smaller service providers are able to leverage off comparator websites’ brand equity and recognition, rather than needing to invest in developing this for their own brand. For some service providers, comparator websites are regarded as a cheaper marketing and sales channel when compared to more traditional advertising or marketing channels.

There is also evidence to suggest that comparator websites can drive sales to smaller service providers with limited brand recognition, thus continuing to level the playing field between larger and smaller players. A recent Australian study by Accenture has shown that more than 45 per cent of consumers will not focus on the best brands or reputations in making a purchasing decision on insurance products.<sup>27</sup>

#### Comparator websites—benefits to competition

Comparator websites act to remove some of the barriers to entry for new challenger brands.

### 4.2 Helping to overcome choice paralysis

A number of stakeholders reported that consumers often turn to comparator websites to assist them in making informed choices when faced with large amounts of complex information.

Comparator website operators and consumer advocacy groups have observed that, based on their research and customer feedback, consumers often feel overwhelmed when faced with comparing beyond five complex products. When faced with more than eight choices, they often choose to do nothing. In light of these difficulties, comparator websites may be beneficial to consumers where they act to filter information and options down to three or four choices that best match the consumer’s stated needs, at which point consumers feel more confident to make a purchasing or switching decision.

Some stakeholders have also explained that consumers often look for high-level information and only want limited specific information that is not overly complex.

In addition to providing consumers with a manageable number of options, comparator websites can also assist in providing a level of information about each option that allows consumers to arrive at a choice.

<sup>25</sup> Accenture, *The evolution of aggregators: impacts and future challenges for insurers*, p. 8.

<sup>26</sup> *Ibid.*, p. 5.

<sup>27</sup> Accenture, *Standing tall: how Australian insurers can achieve profitable growth in a challenging market*, p. 3.

## Comparator websites—benefits to consumers

Comparator websites can assist consumers to quickly and easily filter information and choices to a manageable level that allows them to make a decision. These websites can also promote price competition and product innovation, leading to lower prices and better products.

### 4.3 Saving time and effort

For consumers, comparing products across a range of service providers often entails making a number of telephone calls and/or searching multiple websites. Comparator websites can save consumers time by offering a single portal to view multiple offers from multiple service providers, thereby potentially making the process of researching and choosing products a lot easier. The following research supports this view:

- Consumer research conducted by Nielsen Australia in 2013 found that comparator websites saved visitors time, money and effort when compared with shopping around.<sup>28</sup>
- 2014 UK consumer market research by Atticus found that comparator websites allow consumers to “...achieve in minutes what would otherwise take hours, and make a potentially boring and difficult job relatively painless”.<sup>29</sup> The research focused on insurance products, concluding that many consumers find these products confusing or potentially overwhelming and tend to use comparator websites to “...simplify the process and help make the purchase decision more manageable”.<sup>30</sup>

### 4.4 Needs analysis and facilitating like-for-like comparison

Consumers often find it difficult to compare complex products because the product features of one offer are not directly comparable with those of another. Where they provide a comprehensive upfront needs analysis, comparator websites allow consumers to filter options based on their needs and can facilitate like-for-like comparison, both on the website and through the call centre.

Most comparator websites that the ACCC reviewed in the private health insurance, telecommunications and energy sectors offered some level of filtering. This needs analysis and filtering enables consumers to make a choice between products that have the features they desire. It also reduces the number of products a consumer has to choose between, by filtering out those that do not meet the consumer’s needs. In doing so, it helps to overcome choice paralysis.

A number of comparator website operators in the private health insurance and energy sectors have reported that like-for-like comparison is best achieved through the call centre where staff can delve deeper into whether plans or policies have the specific inclusions consumers are interested in. They report that many consumers still prefer to speak to someone and consider that the call centre acts as a value-add that offers consumers the opportunity to discuss their needs and identify the product that best meets those needs. As such, comparator website operators that utilise an integrated website-call centre business model may potentially provide a benefit to consumers over and above those that utilise a website alone by allowing consumers to work through choice on a more personalised basis.

Further, the use of call centres enables information to be accessed from additional sources. In the private health insurance sector, call centre agents of some comparator websites access information on the Australian government website ‘privatehealth.gov.au’ to compare the consumer’s current plan to the recommended plan. Other comparator website operators claimed that where agents do not have specific information about a policy, they will direct consumers to privatehealth.gov.au or directly to the health fund, hospital or doctor.

The ACCC has observed that comparator websites allow consumers to compare across a range of parameters, with price being only one consideration. This approach can benefit consumers because it offers them the ability to compare products on the basis of what they consider to be the most important parameters.

28 Nielsen Australia, as cited in iSelect, p. 8.

29 Atticus, *Price comparison website: consumer market research*, Financial Conduct Authority, London, June 2014, viewed 3 September 2014, <http://www.fca.org.uk/static/documents/research/price-comparison-website-consumer-research.pdf>, p. 7.

30 Ibid., p. 8.

A number of comparator website operators have also reported that they are constantly improving their needs analysis methodology to make it more comprehensive and to increasingly focus on product features. Some comparator websites also attempt to standardise the structure of retail plans that make it difficult to compare like-for-like. For instance, in the telecommunications space, this includes breaking down included value into the number of calls, data amount and so on, irrespective of dollar value.

## 4.5 Downward pressure on prices

A number of stakeholders reported that they have observed downward price movements since the emergence of comparator websites in Australia. Supporters of comparator websites argue that the sites “...bring competitors into the arena and encourage them to offer their best features and prices to win over consumers”.<sup>31</sup>

The Australian Treasury recently released a discussion paper, which states that “[comparator websites] are considered to increase competition and put downward pressure on prices”.<sup>32</sup> The experience in the UK also demonstrates that the presence of comparator websites can lead to lower prices.

A number of private health insurers have argued that comparator websites are overly-focused on price. However, comparator website operators may simply be yielding to consumer demands, with consumers becoming more and more price sensitive. A comparator website operator reported that while consumers are given the option to sort by factors other than price, consumers primarily choose to sort by price. A recent Australian study by Accenture has similarly found that “Today, price is the number one factor driving consumer behaviour in the Australian insurance market”.<sup>33</sup> Similar research by Accenture in the UK also revealed that while consumers may be willing to pay a small brand premium, they are unlikely to pay a higher price unless there is a compelling differentiator.<sup>34</sup>

An additional concern raised by some service providers is that consumers may only be offered lower prices where there is an associated decrease in the product features. This may raise an ‘expectation gap’ where consumers pay lower premiums and only realise they are not covered or need to pay large out-of-pocket expenses when making a claim. On the other hand, some comparator website operators reported that they have driven down prices without observing any sacrifices in terms of quality. In any case, where a consumer is price sensitive, similar issues are likely to arise regardless of the sales medium.

## 4.6 Product innovation

Comparator website operators claimed that their presence has increased innovation by service providers in terms of product features and offerings. They also reported that some private health insurers now structure their products in a less complex way, using a single combined options limit, rather than sub-limits for different options.

Similarly, research by Accenture in the UK has found that, as comparator websites are providing more product feature-focused filtering and sorting options for consumers, service providers increasingly need to focus on ensuring they offer product features and benefits sought by consumers.<sup>35</sup>

A number of comparator website operators also said that they are working with service providers to assist with product development by identifying reasons why the service providers may be struggling to sell certain products and assisting them to tailor new products to meet consumer demands. Some comparator website operators report that they offer feedback to service providers about the types of products that consumers are searching for and purchasing.

---

<sup>31</sup> Wendy Pugh, p. 22.

<sup>32</sup> The Treasury, *Discussion paper: Addressing the high cost of home and strata title insurance in North Queensland*, The Treasury, Canberra, 9 May 2014, viewed 3 September 2014, [http://www.treasury.gov.au/-/media/Treasury/Consultations%20and%20Reviews/Consultations/2014/Addressing%20the%20high%20cost%20of%20home%20and%20strata%20title%20insurance%20in%20North%20Queensland/Key%20Documents/PDF/DP\\_NQ\\_home\\_strata\\_insurance.ashx](http://www.treasury.gov.au/-/media/Treasury/Consultations%20and%20Reviews/Consultations/2014/Addressing%20the%20high%20cost%20of%20home%20and%20strata%20title%20insurance%20in%20North%20Queensland/Key%20Documents/PDF/DP_NQ_home_strata_insurance.ashx), p. 11.

<sup>33</sup> Accenture, *Standing tall: how Australian insurers can achieve profitable growth in a challenging market*, p. 3.

<sup>34</sup> Accenture, *The evolution of aggregators: impacts and future challenges for insurers*, p. 8.

<sup>35</sup> *Ibid.*, p. 17.

## 5. Challenges of comparator websites

While the growth of comparator websites in Australia may provide important benefits including greater competition, choice, convenience, quality, and time and cost savings, poor conduct by industry participants may undermine these benefits.

In reviewing this industry, the ACCC has either observed or been made aware of by stakeholders that there are a number of circumstances where comparator website operators and service providers risk misleading consumers, including through false or misleading representations and inadequate disclosure, as outlined below.

The ACCC is currently examining these concerns. Anyone with information about conduct within the comparator website industry (including relevant conduct by service providers) or information on possible contraventions of the *Competition and Consumer Act 2010* is invited to contact the ACCC.

### Seen something suspicious?

Have you come across instances of misleading or deceptive conduct, false or misleading representations or other concerning business practices within the comparator website industry?

Businesses or consumers with relevant information about conduct referred to in this chapter are encouraged to report it to the ACCC.

Contact the ACCC : 1300 302 502 or [www.accc.gov.au](http://www.accc.gov.au).

### 5.1 Material on the website

#### The nature or extent of the comparison service

The ACCC considers that adequate disclosure of the nature and extent of comparison services, including the extent of the market and products compared, is vital to enable consumers to make informed decisions.

The ACCC has reviewed a number of comparator websites and is concerned that some operators may be making false or misleading representations (include by omitting relevant information) about the extent of the market compared. The three main representations made relate to the following:

- How much of the market is compared by the comparator website—for example, where it is conveyed that the comparator website compares all service providers and/or products when in fact the comparison is limited, or largely limited, to products from service providers with whom the comparator website operator has a commercial relationship.
- The identity of service providers whose products are compared—for example, where it is conveyed that a particular service provider's products are compared by the comparator website when this is not the case.
- The number or range of each service provider's products that are compared—for example, where it is conveyed that all products offered by a particular service provider are compared when only some of them are.

#### Savings

The ACCC is concerned that comparator website operators may make savings representations where they do not have proper grounds for doing so. These representations fall into two broad categories:

- Upfront statements about how much consumers generally will save, or other consumers have saved, by using the comparison service—for example, that consumers in a region save a particular amount by switching through the comparator website.
- Statements about how much a particular consumer will save by using the comparison service, presented in comparison results generated by the website or conveyed by call centre staff.

## Unbiased, impartial, independent

The ACCC has identified that many comparator websites include statements that the service is unbiased, impartial and/or independent. The ACCC is concerned that these statements may be false or misleading in circumstances where there is inadequate disclosure that:

- a comparator websites earns some or all of its revenue from leads or sales under commercial relationships with service providers whose products it compares and
- the nature and extent of the comparison service is entirely or largely based on which service providers a comparator website operator has commercial relationships with.

Additionally, the ACCC has identified instances where a service provider operates a comparator website that primarily lists its own products (with some of those products being promoted under different brands) and may not adequately disclose this. Similarly, the ACCC has identified instances where a comparator website operator owns a stake in some of the service providers whose products it compares or vice versa. In these cases, the comparator website generally compares both these products as well as products offered by competing service providers but may not adequately disclose the existence of these relationships.

Where the existence and nature of these relationships are not adequately disclosed, consumers may be misled into thinking that the comparator website is impartial and/or compares products from a range of different service providers, which may not be the case. In these circumstances, comparator website operators risk engaging in misleading or deceptive conduct.

## Value ranking

Many comparator websites allow consumers to rank products on factors beyond price, such as by value rating, benefits, individual needs and star ratings (collectively, 'value rankings').

Value rankings entail the application of subjective measures by the comparator website operator in an effort to assist consumers by simplifying the comparison process. However, in the absence of understanding what measures have been applied, consumers may be misled by value rankings, both by a direct representation that the top ranked product is the best value or fit for their needs, but also by omission in failing to adequately disclose how the value rankings are achieved.

The ACCC considers that comparator websites may not adequately disclose what measures have been applied in order to set their value rankings.

## 5.2 Behind-the-scenes (back office) conduct

### Undisclosed commercial relationships affecting results presented to consumers

The ACCC considers that any conduct limiting the ability of consumers to make an informed decision risks causing consumer detriment and distorting competition.

The ACCC is concerned that certain practices arising from the commercial relationships between a comparator website operator and service providers may influence the results presented to consumers on the website or by call centre staff. Where a comparator website makes representations about impartiality, independence or a lack of bias but then recommends results based on preferential relationships, the initial representation is likely to be false or misleading. Similarly, where an upfront needs analysis is performed, it is reasonable for consumers to expect that the results will be displayed on the basis of the 'best' match to those needs. If the results displayed are calculated on some other basis, a failure to disclose this is likely to be misleading.

#### Undisclosed commercial relationships—the hidden danger

The undisclosed aspect of preferential commercial relationships could cause considerable consumer and market detriment by distorting results.

The undisclosed aspect of preferential commercial relationships may cause considerable consumer and competitive detriment. In particular it may:

- cause consumers to purchase more expensive products when a less expensive alternative is available

- harm consumer trust in comparator websites and limit the expansion of the comparator website industry
- offer some service providers an unfair competitive advantage, by directing more business to a particular service provider than would otherwise have been the case because better product offerings by competitors may be omitted from search results as a consequence of this conduct.

The types of practices that the ACCC considers fall within this category are:

- **Inducements**—service providers offering to pay more fees/commission to comparator website operators for the operator to promote or recommend the service provider’s products more often or in favour of competitors’ products.
- **Preferential treatment**—comparator website operators promoting the products of particular service providers based on their commercial relationships rather than based on an individual consumer’s stated preferences.
- **Operation of algorithms**—the assessment of product options against a consumer’s stated preferences takes place via the use of algorithms. These are often quite sophisticated formulas that are designed to filter the available options down to those that meet the consumer’s needs. Concerns arise where an algorithm is manipulated to operate in a manner that displays results on the basis of commercial relationships or objectives rather than the consumer’s stated preferences.
- **Sales quotas**—affecting the promotion, recommendation, ranking and/or availability of products in circumstances where:
  - the comparator website operator agrees to sell a specified number of a particular service provider’s products in a certain period (effectively a guarantee) and/or
  - the service provider limits the number of its products, or particular products, that the comparator website operator can sell in a given period (often because the provider only has the capacity to process or manage a limited volume of sales in a given period).

### Content and quality assurance of product information

It is important that information displayed by comparator websites is accurate. The ACCC is concerned that where quality assurance practices are insufficient, this could lead to incorrect information or results being displayed, which could mislead or deceive consumers.

The ACCC identified two areas where quality assurance processes may lead to consumers being misled:

- Delays by the comparator website operator in updating information following changes made to products by a service provider. These delays may lead to the display of products on comparator websites that do not reflect actual offers, or terms and conditions of those offers.
- Inaccurate classification of products (for instance, low, medium or high coverage) by comparator website operators may amount to a false or misleading representation as to product quality and suitability.

## 5.3 The ACCC’s role in addressing these challenges

The ACCC can play an important role in promoting competitive markets by improving industry compliance with Australia’s competition and consumer protection laws.

In addressing the challenges outlined in this report, the ACCC will:

- release comprehensive industry guidance for comparator website operators and businesses that utilise comparator websites. This guidance will be designed to assist businesses to comply with the *Competition and Consumer Act 2010*.
- publish guidance to consumers in the form of practical tips on how to effectively use comparator websites
- continue to examine the conduct identified in this chapter and, where appropriate, take enforcement action to address non-compliance with the *Competition and Consumer Act 2010* in accordance with the ACCC’s Compliance and Enforcement policy. Details of previous ACCC action against comparator website operators are outlined in Chapter 1—‘Introduction—an overview of the comparator website industry in Australia’.

## 6. References

In conducting its review of the comparator website industry in Australia, the ACCC consulted with a range of stakeholders and utilised relevant research.

### 6.1 Consultation

The ACCC consulted with over 20 industry stakeholders including regulators, comparator website operators, service providers, consumer groups and industry associations.

When selecting participants for consultation, the ACCC focused on businesses and organisations with a role in the private health insurance, telecommunications and energy sectors. Stakeholders provided information to the ACCC on the basis that their comments and insights would be de-identified. The ACCC acknowledges the cooperative assistance provided by stakeholders to inform the ACCC's understanding of the comparator website industry.

### 6.2 Research papers and other publications

The ACCC utilised previous research undertaken by a range of regulators, market research companies and other organisations—both Australian and international.<sup>36</sup>

Accenture	<i>Standing tall: how Australian insurers can achieve profitable growth in a challenging market</i> , Accenture, 2013
Accenture	<i>The evolution of aggregators: impacts and future challenges for insurers</i> , Accenture, London, 2010
Atticus	<i>Price comparison website: consumer market research</i> , Financial Conduct Authority, London, June 2014
Australian Dental Association Inc.	<i>Submission to the competition policy review</i> , The Treasury, Canberra, 13 June 2014
Australian Energy Market Commission	<i>Review of competition in the retail electricity and natural gas markets in New South Wales supplementary report: increasing consumer engagement</i> , Australian Energy Market Commission, Sydney, 31 October 2013
Frost & Sullivan	<i>Research into the door-to-door sales industry in Australia</i> , Australian Competition and Consumer Commission, August 2012
iSelect	<i>Prospectus for the offer of 116.4 million shares in iSelect Limited at \$1.85 per share</i> , iSelect, Victoria, May 2013
Medibank Private	<i>Submission to the competition policy review</i> , The Treasury, Canberra, 20 June 2014
Office of Fair Trading	<i>Price comparison websites: trust, choice and consumer empowerment in online markets</i> , Office of Fair Trading, London, November 2012
PricewaterhouseCoopers and Frost & Sullivan	<i>Digital media research 2012: full report</i> , PricewaterhouseCoopers, Sydney, July 2012
Private Health Insurance Administration Council	<i>Competition in the Australian private health insurance market</i> , Private Health Insurance Administration Council, Canberra, 3 June 2013
The Treasury	<i>Discussion paper: Addressing the high cost of home and strata title insurance in North Queensland</i> , The Treasury, Canberra, 9 May 2014
TNS	<i>SEQ residential electricity consumer engagement quantitative report</i> , Department of Energy and Water Supply, Brisbane, November 2013

<sup>36</sup> A number of sources relied upon in framing this industry report are overseas sources, primarily from the United Kingdom (UK). These sources are nonetheless applicable to the Australian comparator website industry because the Australian industry, while not as developed as that in the UK, is following a similar growth trajectory and is having a similar effect on consumers and competition.