



# **DCTs – Just another online platform?**

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# Definition (UCPD Guidance May 16)

*'For the purposes of this document the term 'comparison tool' should be understood as including all digital content and applications developed to be used by consumers primarily to **compare products and services online**, irrespective of the device used (e.g. laptop, smartphone, tablet) or the parameter(s) on which the comparison is based (e.g. price, quality, user reviews). To the extent that operators of search engines, travel or ticket booking sites, e-commerce platforms acting as a marketplace for several traders develop functions or applications dedicated to the comparison of products and services, these functions or applications are also covered by the term 'comparison tool.'*

- Comparison sites include travel booking sites such as Expedia, Tripadvisor, Booking.com and Opodo, search engines such as Google and Yahoo. Multi-trader e-commerce platforms such as Amazon and eBay also offer a limited comparison function for offers listed on their sites.
- The UCPD only applies to the comparison tool if it qualifies as a 'trader' within the meaning of Article 2(b), i.e. the Directive does not apply to comparison tools that are run on a non-professional basis.

# Rationale

- Increase market efficiency by intermediating between supply and demand
- Consumers benefit from wider choice, lower prices, better quality – and reduced search cost
- *Questions:*
  - **Transparency/trust for consumers:** completeness, reliability (incl reviews), relevance, comparability, impartiality, ...
  - **Predicability/fairness for businesses**

## Some Interesting Findings About Price Comparison

- When it comes to Online Shopping, **81%** of shoppers conduct online research before buying a product.
- Even if consumers prefer to make the final purchase in physical stores, they still do their research online first. A study by Market Track shows that **80%** of consumers do online price comparisons in all categories before making a purchase decision in a physical location.
- On average, customers tend to visit at least **three** websites before making their purchase decision.
- The current online consumer behavior is based on the efficiency of price comparison. This means that customers are highly likely to Google prices of the products that they're interested in, or for instance use the Amazon price check before they decide what they should buy. This is where comparison shopping engines and apps step in, in order to facilitate this growing need of consumers.

<https://www.oberlo.com/blog/25-best-price-comparison-websites>

# UCPD Guidance (May 2016)

- Incorporates the key principles developed by the multi-stakeholder groups on comparison tools
- Transparency obligations under Articles 6 and 7 of the UCPD. E.g. Do they provide information on:
  - the comparison **coverage** (e.g. sectors and number of traders)
  - the **criteria** applied for comparing and ranking products (e.g. paid or sponsored products, optional services, etc)
  - the frequency of updates of the information (in particular the price and **availability** of products).

# UCPD Guidance - ctd

- The nature of the **relationship between comparison tool operators and the sellers** of products and services featured on their platforms is often unclear to consumers.
- All traders to clearly **distinguish a natural search result from advertising**. This also applies to operators of comparison tools.

# UCPD Guidance - ctd

- Comparison tools should take measures to ensure the **trustworthiness of user reviews** and ratings, and provide an overview of the methodology used to the extent that this is necessary to ensure that consumers are not misled.

# Screening of comparison websites in the travel sector (sweep, April 17)

- National authorities checked whether comparison tools provided essential, truthful and clear information on the price of the service or product and on the provider of the comparison tool. They also examined the clarity of the ranking, of the comparison method used and the way the user reviews were presented.
- Of the 352 websites checked, only 23% (117) passed the first test for compliance with the relevant EU consumer rules and almost 67% of sites (235) were flagged for further investigation.

# Screening - ctd

*The biggest problems are related to the **way the price is presented and analysed**. In one third of the cases, the price first shown is not the same as the final price, while in one fifth of the cases, promotional offers did not really exist. Moreover, in almost one third of the cases the total price – or the way this was calculated – was not clear. Other problems related to **scarcity** as certain comparison websites did not specify that statements about scarcity (e.g. "only 2 left", "only available today") applied strictly to their own website, or to **user reviews** that were presented in an unclear or un-transparent way and/or seemed untrue.*

# New Deal – impact assessment

- The principles developed by the group later fed into the UCPD Guidance. However, **several leading online platform operators did not take part** in the initiative.
- Moreover, following their adoption, **improvements seem to have been limited**. This was confirmed by preliminary results of a 2017 sweep on comparison websites in the travel sector.
- The reluctance by online traders to implement recommendations on platform transparency from the UCPD Guidance suggest that it is **unlikely that further co- or self-regulatory initiatives in this area would be successful** to ensure increased transparency for consumers.
- Furthermore, it is difficult to ensure that voluntary initiatives are adequately **representative in highly dynamic markets** like the online one, where many new enterprises are not organised in professional associations.

# New Deal - COM(2018) 185 final

Consumers using digital applications such as online marketplaces, comparison tools, app stores or search engines expect 'natural' or 'organic' **search results based on relevance to their search queries, not on payment by third parties.**

Make it clear that online platforms must indicate search results that contain 'paid placements', i.e. where third parties pay for higher ranking, or 'paid inclusion', i.e. where third parties pay to be included in the list of search results

# Draft Regulation promoting fairness and transparency for business users of online intermediation services

Information society services:

- which aim to facilitate the initiating of direct transactions between business users and consumers, irrespective of whether the transactions are ultimately concluded either online, on the online portal of the provider of the online intermediation services in question or that of the business user, or offline
- where the services should be provided on the basis of contractual relationships both between the providers and business users and between the providers and the consumers

## Draft Regulation promoting fairness and transparency for business users of online intermediation services

Providers of online intermediation services should **outline the main parameters determining ranking** beforehand, in order to improve predictability for business users, to allow them to better understand the functioning of the ranking mechanism and to enable them to compare the ranking practices of various providers.

The description of the main parameters determining ranking should also include an explanation of any possibility for business users to **actively influence ranking against remuneration**, as well as of the relative effects thereof.

