

Digital comparison tools in Germany

Final report

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Germany

Key insights 1

- Digital comparison tools are a German internet success story: around **80 % of suppliers are registered in Germany**.
- In total, digital comparison tools **employed around 7,700 people** and generated **revenues of €3.9 billion** in 2017.
- **More than 70 % of Germans** use comparison sites.
- Consumers use digital comparison tools predominantly to access information:
 - About **60 % of users utilise digital comparison tools** for information purposes only.
 - Only **34 % of users purchase a contract** directly via a digital comparison tool.
 - The need for information and support remains high: according to their own testimony, **40 % of Germans have at least one contract that is too expensive or does not meet their needs**.
 - Consumers use **more than one digital comparison tool to look for information**. Around **40 % of Germans use at least two digital comparison tools to find the information they seek**.

Key insights 2

- **Compared to non-users (31 %), almost twice as many users (58 %) of digital comparison tools regularly check whether their existing contracts are still appropriate for their needs.**
- **On digital comparison tools, the best product and not the best-known brand wins.** According to their own testimony, 72 % of users who have purchased a contract on digital comparison tools found suitable offers from providers that they had not been aware of before.
- **Consumers rely on individual rankings: around 80 % of users filter and sort the results by themselves.**
- **Users are aware of the business model of digital comparison tools:**
 - **87 % of users believe that digital comparison tools receive commissions and / or revenue from advertising on their websites.**
 - **Practically no one (3 % of users, 1 % of non-users) believes that digital comparison tools operate as non-profit organisations.**

Key insights 3

- In all four areas considered in this study, digital comparison tools enable consumers to save money. The savings enabled by digital comparison tools in 2017 were as follows:
 - On **power**: On average, between **€174** annually (for a one-person household) and **€416** annually (for a four-person household); in total around **€311 million**
 - On **gas**: On average, between **€181** annually (for a one-person household) and **€760** annually (for a four-person household); in total around **€170 million**
 - On **broadband**: On average **€352** annually per person, in total around **€18 million**
 - On **car liability insurance**: On average **€407** annually per person, in total around **€318 million**
- The theoretical savings in all four areas (that is, if all consumers who switched had used comparison tools) are even higher.

1. Overview of digital comparison tools in Germany
2. Benefits for consumers
3. Digital comparison tools offer opportunities to save money
4. Analysis of the market environment for digital comparison tools
5. Conclusion

Overview of digital comparison tools in Germany

A German internet success story

>70% of Germans use digital comparison tools

Finding information counts – purchases are usually made elsewhere

71% of Germans use digital comparison tools



Identification of needs



29% of Germans do not use digital comparison tools

62% of users are looking for general information, e.g. to get an overview



Search for information

58% of users search for specific information to evaluate various alternatives



Evaluation of alternatives

34% of users buy a product / service directly via the digital comparison tool or purchase a contract there



Purchase / transaction

Around 5 % of users indicate that they use digital comparison tools for other purposes. Values rounded. Basis: all respondents n=2,045; non-users n=601; users (in total) n=1,444.

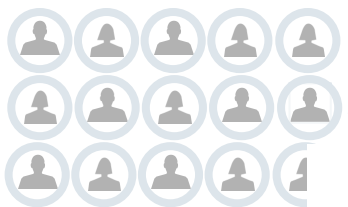
Digital comparison tools enable fair competition

It's good products that convince consumers, not brand awareness

71% of Germans
use digital comparison tools



Users can see
**several
thousand
offers**



29% of Germans do not
use digital comparison tools

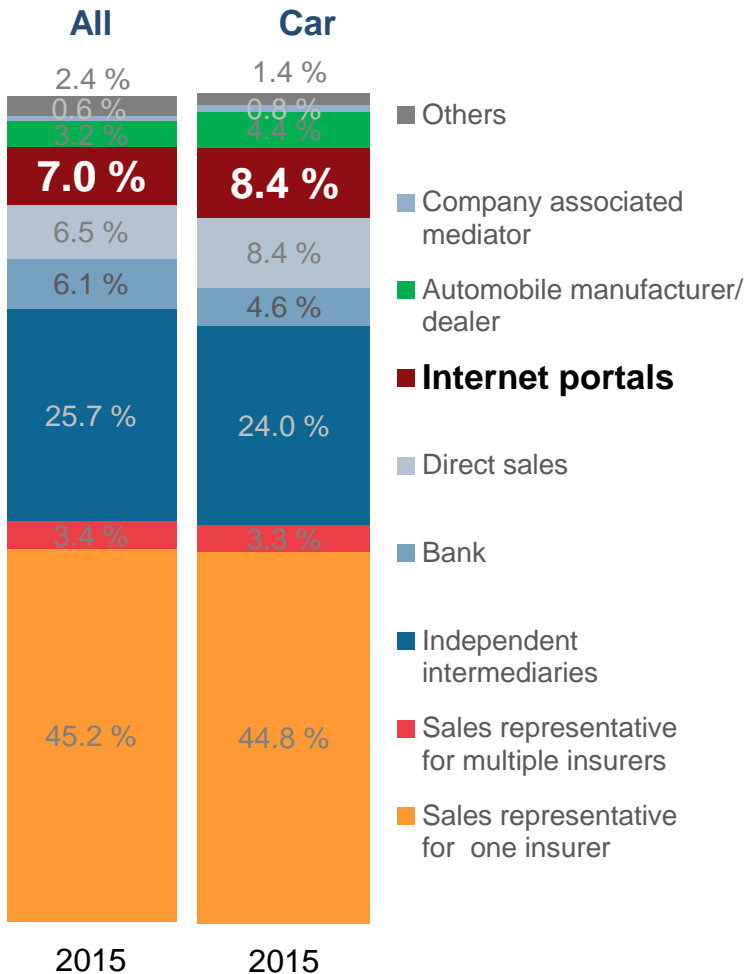
Non-users only think
of an average of
**two to three
suppliers**
when making a
purchase decision.¹

¹ Narayana, Chem L., & Rom J. Markin. 1975. "Consumer Behavior and Product Performance: An Alternative Conceptualization". *Journal of Marketing*, 39(4): 1-6. And Belonax Jr, Joseph A, & Robert A Mittelstaedt. 1978. "Evoked Set Size As a Function of Number of Choice Criteria and Information Variability". *Advances in consumer research* 5(1).

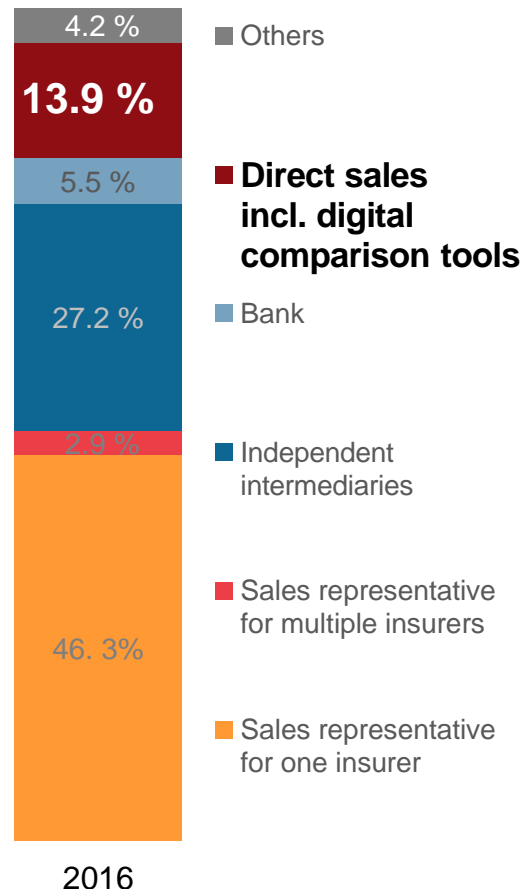
Digital comparison tools are one sales channel among many

<10 % of insurance policies and <25 % of energy contracts are purchased directly via a digital comparison tool

Accident / damage insurance¹



Accident / damage insurance²



Energy supply³

Power

23.5%

of current contracts were purchased via a digital comparison tool

Gas

22.1%

of current contracts were purchased via a digital comparison tool

1 Willis Towers Watson. 2016. Vertriebswege-Survey 2016 zur Schaden / Unfallversicherung.

2 GDV. 2017. Vertriebswege von Versicherungen 2016.

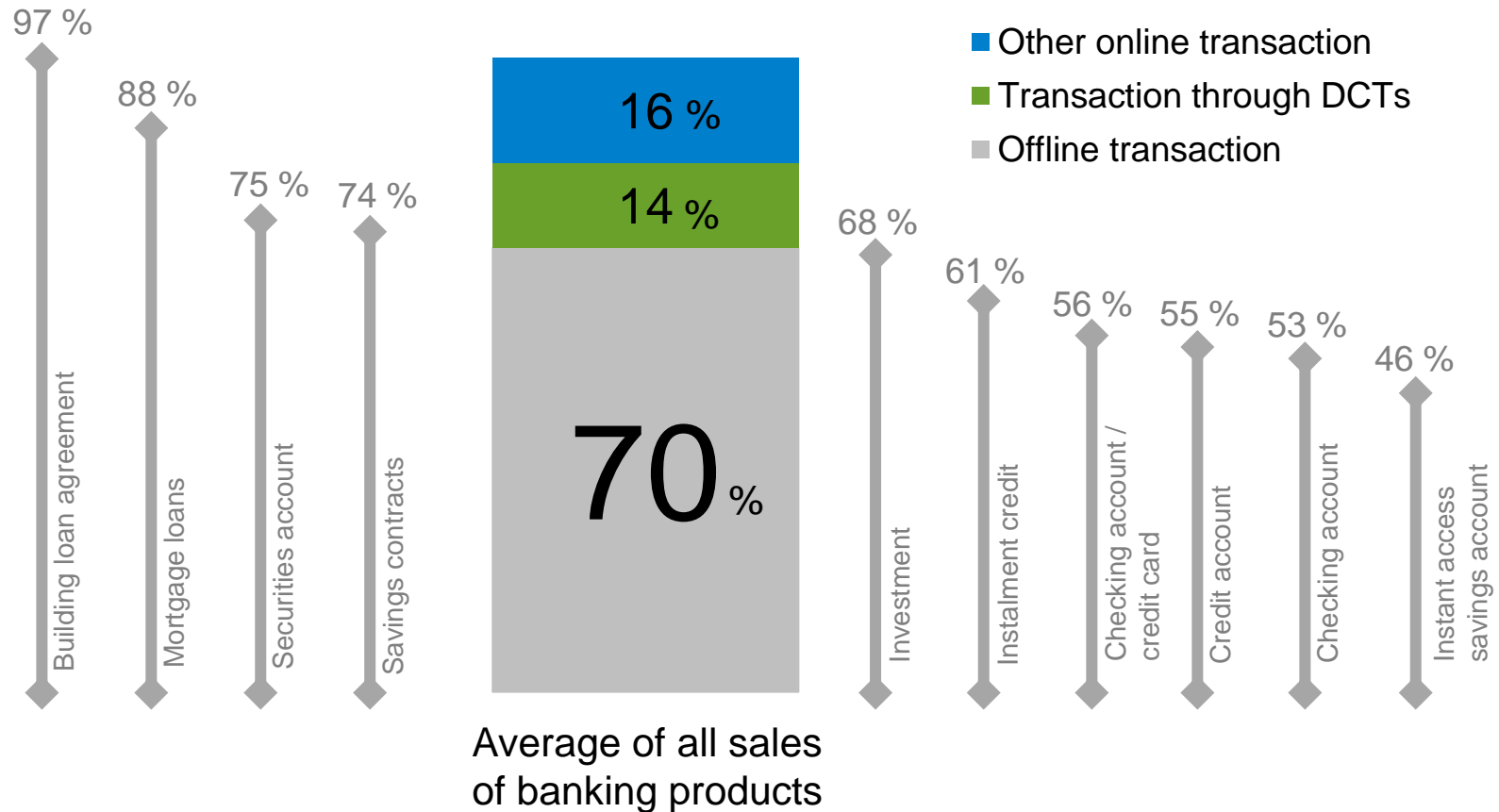
3 YouGov. 2016. ComparisonCheck Energie.

Note: According to the latest press release by Willis Towers Watson, 8.7 % of sales of car accident and damage insurance policies were sold on internet portals in 2017.

70 % of all sales of banking products are made offline

14 % of banking products are purchased via digital comparison tools

- Transactions in banking products are commonly completed onsite
- The offline share is between 46 % and 97 %



Competitors are only one click away

40 % of consumers use more than one digital comparison tool

use more than one digital comparison tool

12%

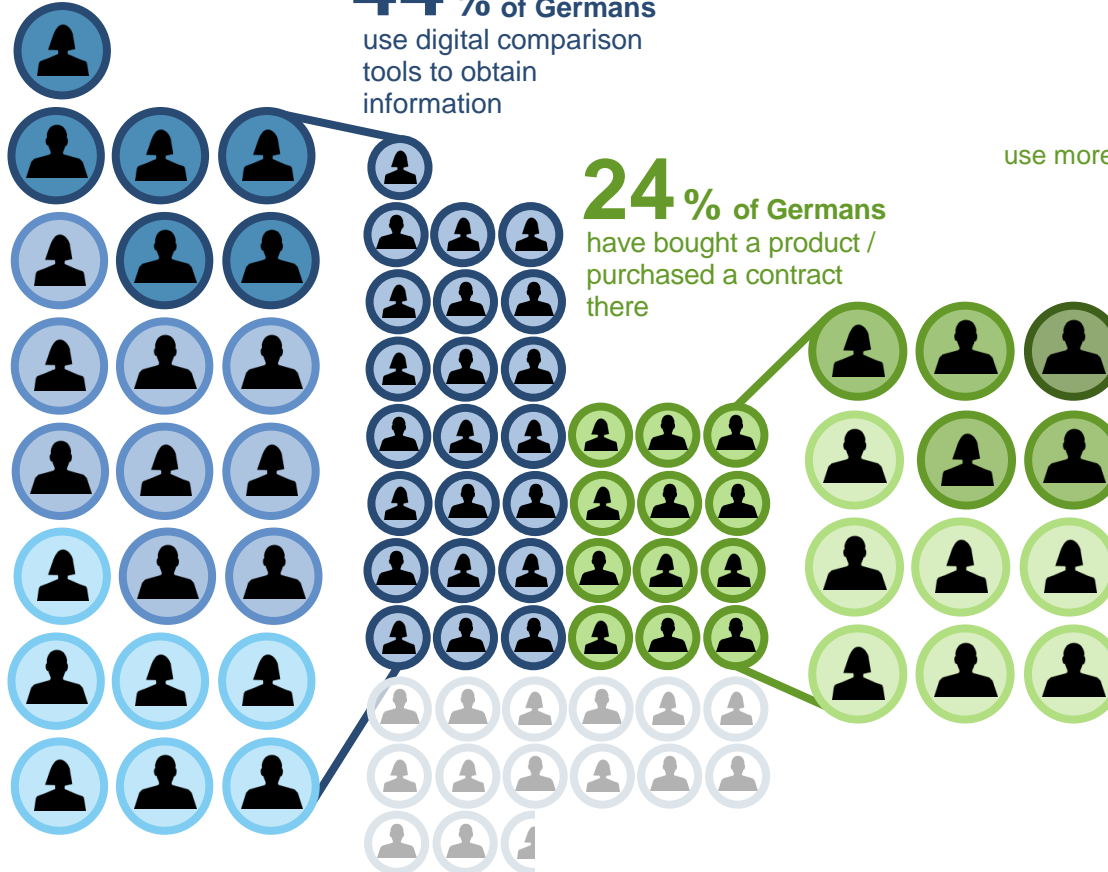
obtain information from 4+ digital comparison tools

18%

obtain information from 2-3 digital comparison tools

14%

obtain information from 1 digital comparison tool



use more than one digital comparison tool

2%

purchase on 4+ digital comparison tools

8%

purchase on 2-3 digital comparison tools

14%

purchase on 1 digital comparison tool

*Around 3 % of users indicate that they use digital comparison tools for other purposes. Values rounded.

Basis: all respondents n=2,045; non-users n=601; users (in total) n=1,444.

Digital comparison tools – a German internet success story

Approximately 7,700 employees and revenues of €3.9 billion

Digital comparison tools

- generate revenues in Germany of approx.

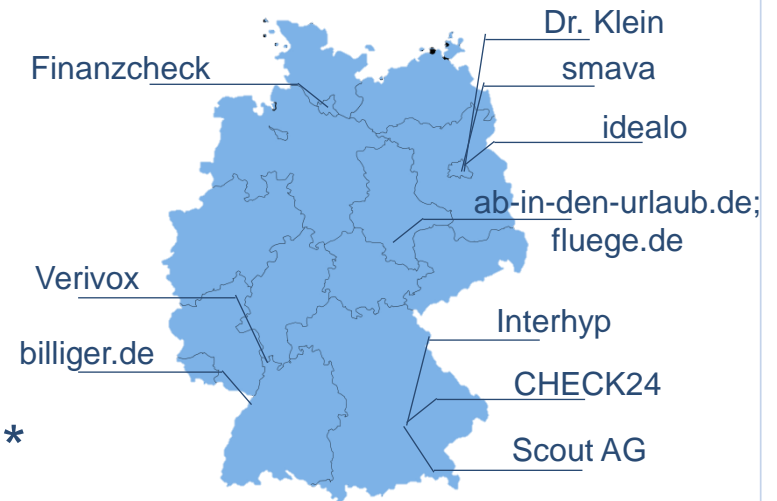
 **3.9 billion***

- employ in Germany approx.

 **7,700 employees***

Around **8** out of **10***

digital comparison tools' headquarters are located in Germany.



*Estimation based on analyses of **114 significant digital comparison tools in Germany.**

Adding the sales of the main parent companies (Amazon, Axel Springer, Google, ProSiebenSat.1 and United Internet) as well, the result is a total turnover of approx. €33.5 billion in Germany. This does not take into account other foreign providers such as Kelkoo, which have less than 1,000 employees in Germany and thus barely generate revenue in Germany or do not report it individually. All revenues of the companies located in Germany were fully allocated to Germany.

Icon: Rockicon.

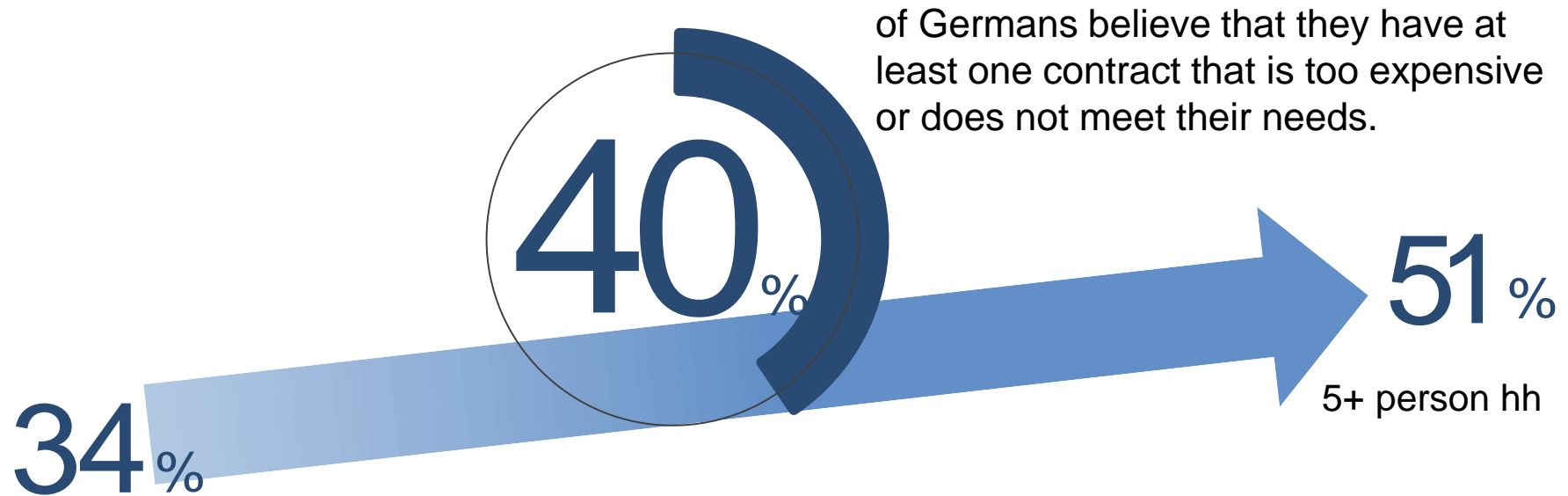
Benefits for consumers

With the help of digital comparison tools, consumers refer more frequently to their existing contracts and can switch more easily.

40 % of consumers do not have optimal contracts

The larger the household, the greater the awareness

I believe I have at least one contract that is too expensive or does not meet my needs.



Single hh

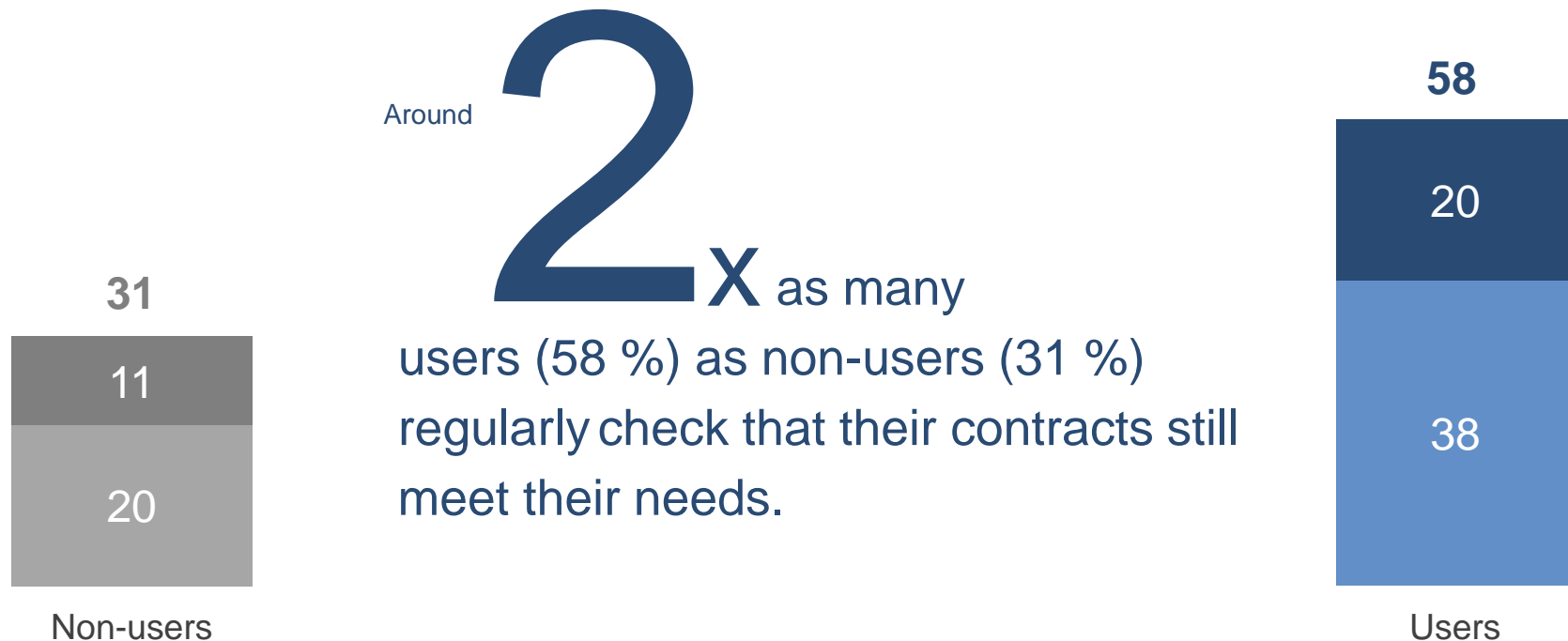
The size of the household has a strong impact on the proportion of consumers who believe that their existing contracts do not offer optimal terms. For single households, 34 % believe that they do not have optimal contracts. For large households, the figure is around 50 %.

Users check their contracts more often

Almost twice as many users as non-users check their contracts regularly

I check my contracts regularly to see if they still meet my needs.

- Fully agree
- Somewhat agree



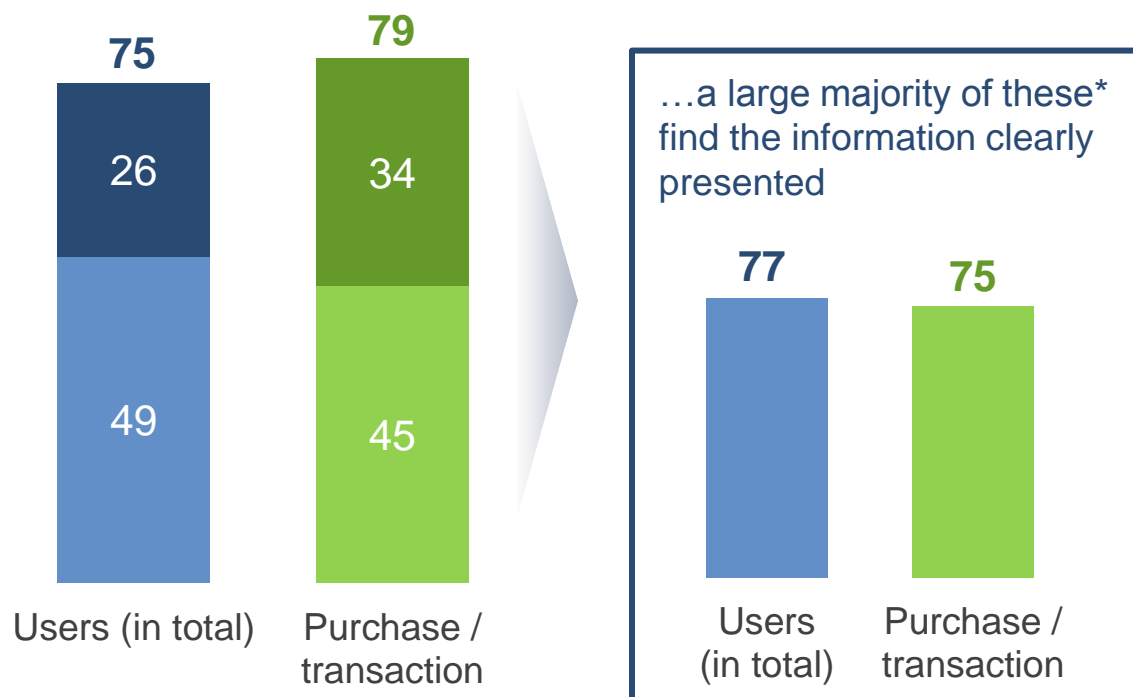
75 % of users find it easy to get information

Digital comparison tools make it easier to find and understand information

- Only well-presented information is easy to comprehend.
- 77 % of users who find information easily accessible on digital comparison tools also agree that information is presented in a way that is easy to comprehend and compare.

Digital comparison tools make it easier for me to find information about products and services.

■ Fully agree
■ Somewhat agree



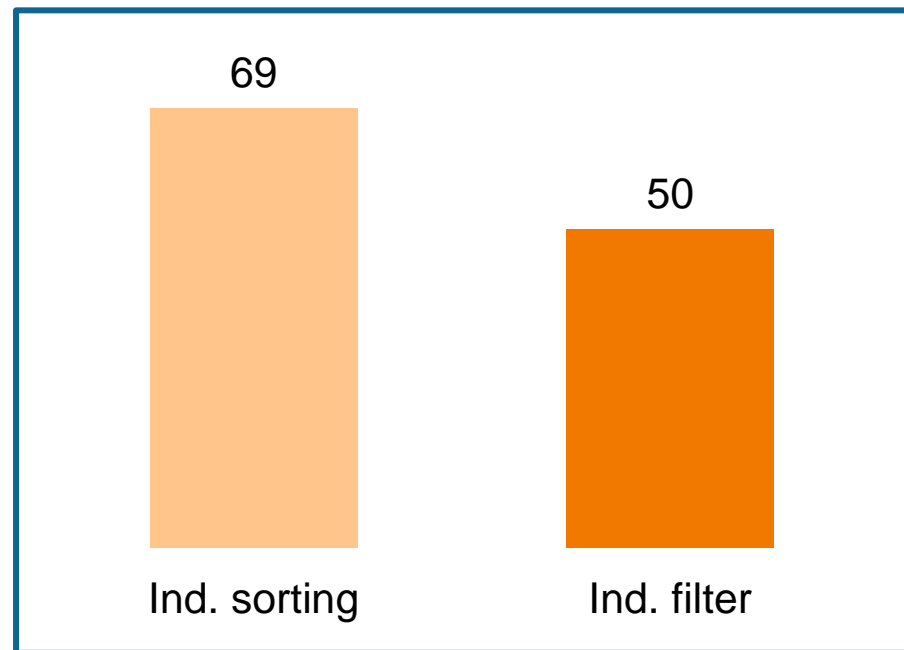
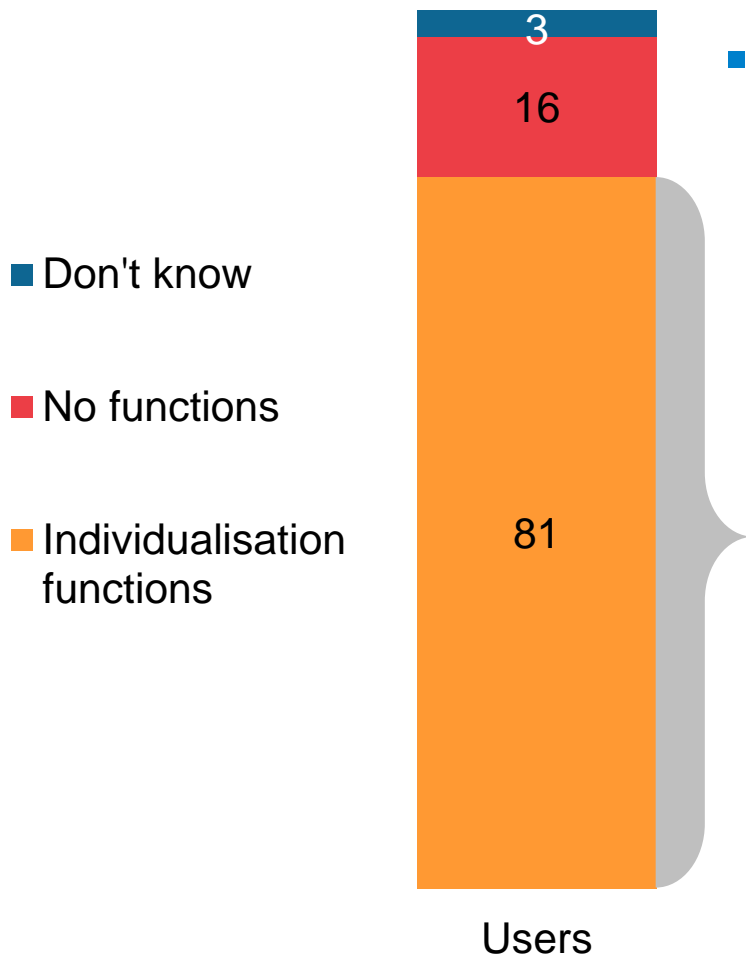
Figures in %. Basis: all respondents n=2,045; users (in total) n=1,444; transactions n=491.

*Users n=434; transactions n=201; sum of "fully agree" and "somewhat agree". Statement: *Information on products and services is clearly presented on digital comparison tools.*

Consumers individually tailor the ranking results

81 % of users utilise filter and sort functions to rank the search results

- Only 16 % of users rely on the initial ranking presented for their searches on digital comparison tools
- 81 % of users individualise the ranking of the results either by individual sorting (69 %) and / or by filters (50 %).

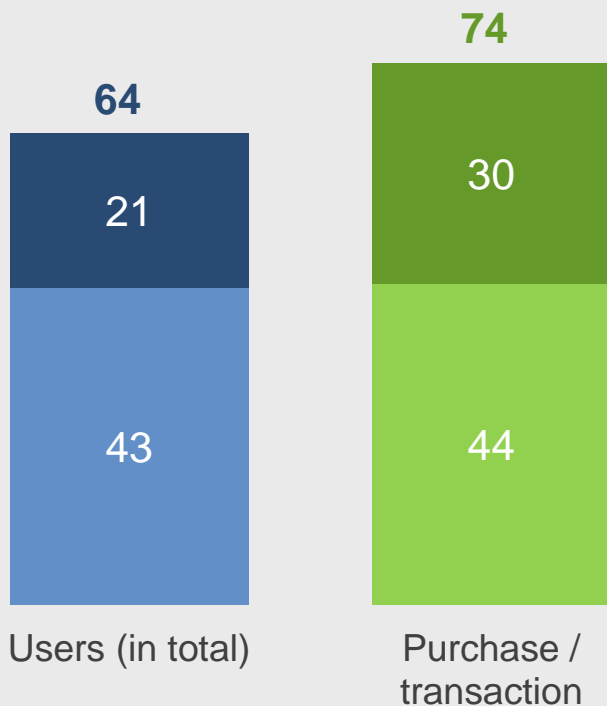


64 % of users find it easy to change contracts

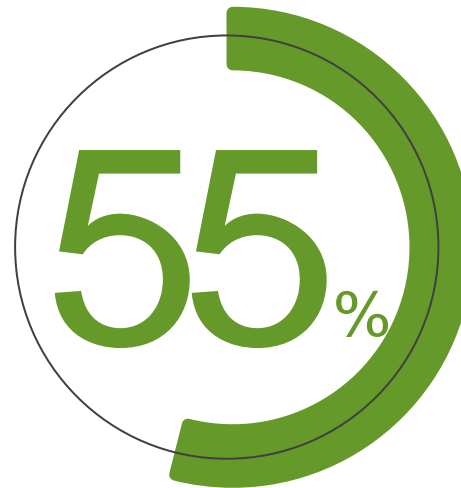
As a result, 55 % switch from an overly expensive contract

Digital comparison tools facilitate the switching of contracts

■ Fully agree
■ Somewhat agree



- 64 % of users agree that digital comparison tools make it easier to switch providers.
- 74 % of those users who have purchased a contract directly via a digital comparison tool within the last 12 months agree with the statement.
- This clearly has an impact:



of users who have purchased a contract via a digital comparison tool indicate that they switched from an overly expensive contract.

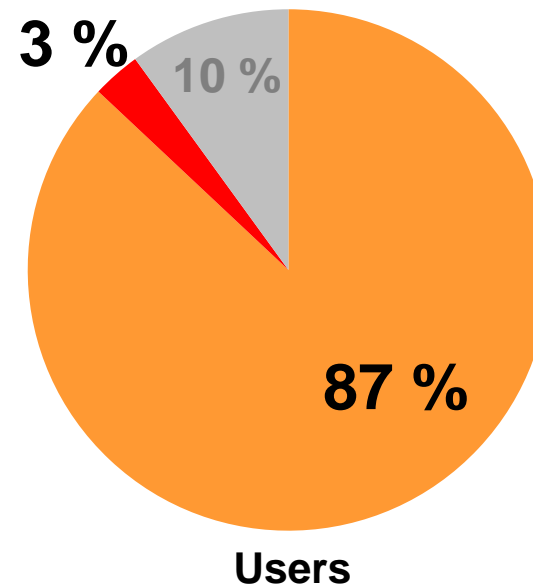
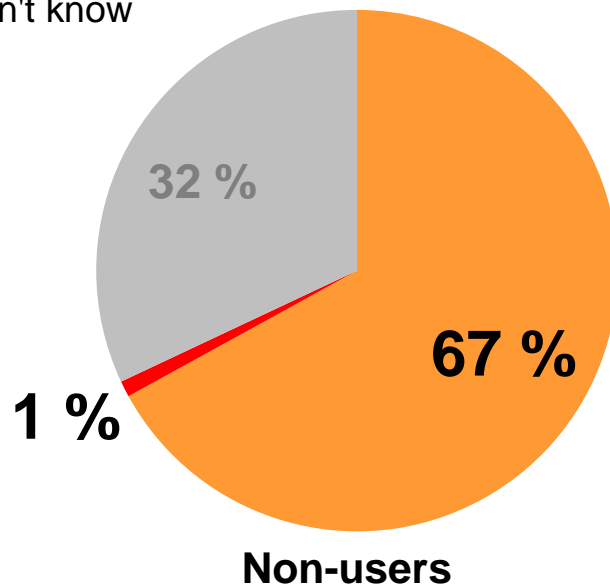
Figures in %. Basis: all respondents n=2,045; users (in total) n=1,444; transaction n=491.

87 % of users understand the business model

Almost no one believes that digital comparison tools are not-for-profit

- **87 % of users** believe that digital comparison tools receive commissions and / or sell advertising space on their website to generate revenue.
- Only **1 % of non-users** and **3 % of users** think that digital comparison tools operate on a non-profit basis.

- Commissions and/or advertising
- Not-for-profit
- Don't know

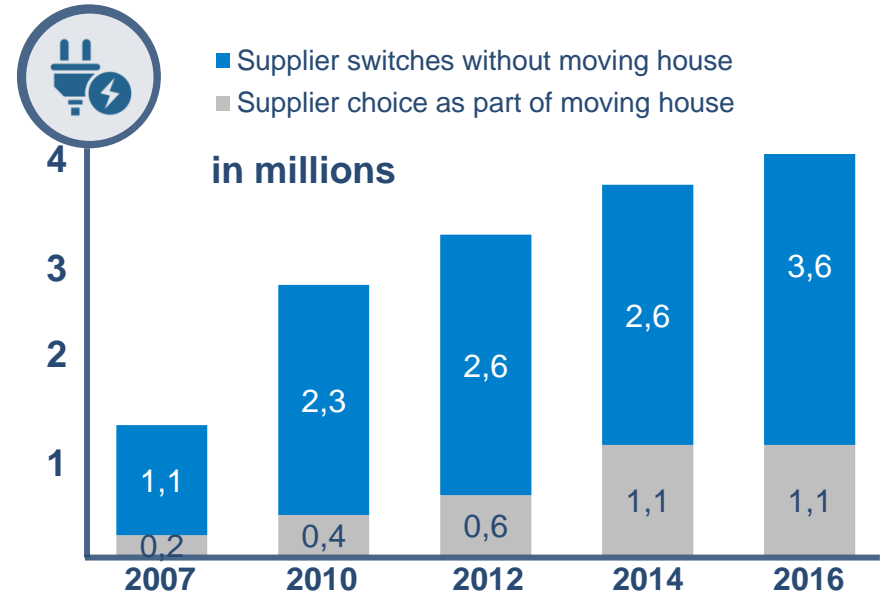
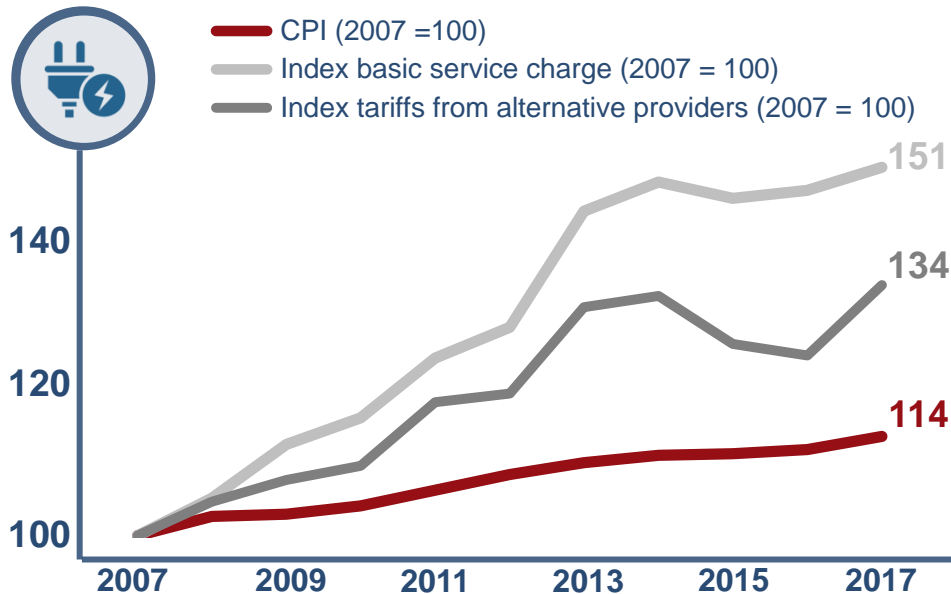


Potential savings to be made from digital comparison tools

Getting a broad market overview makes it easy to pick a good offer.

Competition is intensifying

More than three times as many people switched electricity contracts in 2016 compared to 2007



- Since 2012, the average price of alternative tariffs has uncoupled from the development of basic services.
- The market transparency created by digital comparison tools has played a large part in this development.

- The number of supplier switches more than tripled between 2007 and 2016.*
- Consumers benefit particularly strongly, as electricity costs make up a large percentage of the household budget.

Potential savings on electricity

Digital comparison tools saved a total of €311 million in 2017

Individual savings through the use of digital comparison tools*



On average this corresponds to:

Single household €174 annually

4-person household €416 annually

How much is currently being saved through digital comparison tools? **

Today, about 23.5 % of existing contracts have been purchased via a digital comparison tool.¹ Based on the year 2017, this resulted in a total saving of

€311 million

How much could be saved through digital comparison tools? ***

If all households who were under contract in basic services or in any other contract with their basic services provider had changed to the cheapest tariff, the use of digital comparison tools would have resulted in a total saving in 2017 of

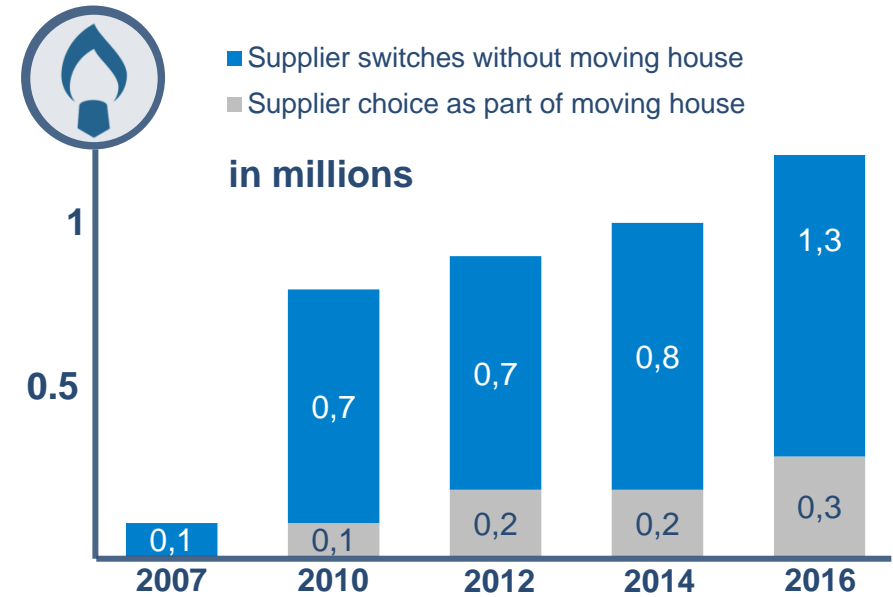
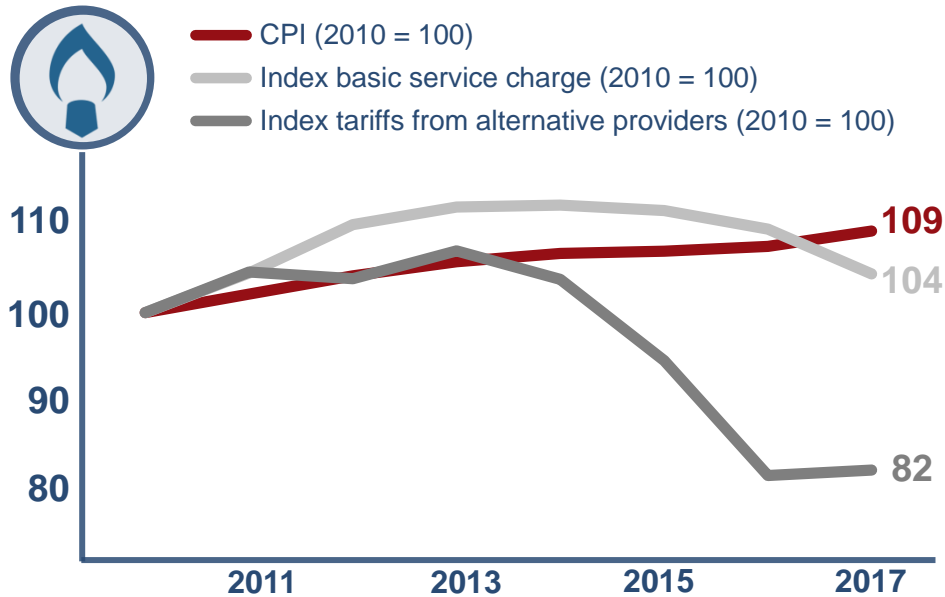
€4.1 billion

*With the help of digital comparison tools, consumers save an average of 17 % compared to the basic service. **Based on actual savings measured by CHECK24 and a projection of the number of supplier switches of BNetzA. Four sizes of household were taken into account (1, 2, 3, 4+ members). Many consumers use digital comparison tools for information and then buy the cheapest tariff elsewhere; the indirect effect of digital comparison tools is therefore significantly greater. ***Three sizes of household were taken into account (1, 2, 3+ people). Reference year throughout: 2017.

¹ YouGov. 2016. ComparisonCheck Energie.

The pressure in the gas market increases

The number of contract switches has increased more than tenfold since 2007



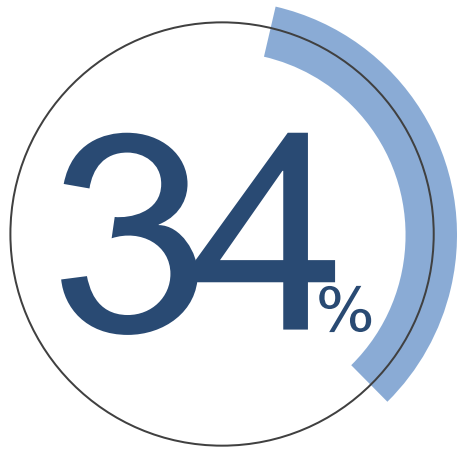
- Tariffs of alternative suppliers of gas have been well below the general price trend since 2014.
- The market transparency created by digital comparison tools has played a large part in this development.

- The number of switches in the German end-customer market for gas has increased more than tenfold since 2007.*
- The resulting competition is particularly valuable for consumers, as the cost of gas accounts for a large percentage of the household budget.

Potential savings on gas

Consumers saved a total of €170 million
in 2017 by using DCTs

Individual savings through the use of digital comparison tools*



On average this corresponds to:

Single household €181 annually

4-person household €760 annually

How much is currently being saved through digital comparison tools? **

Today, about 22.1 % of existing contracts have been purchased via a digital comparison tool.¹ Based on the year 2017, this resulted in a total saving of

€170 million

How much could be saved through digital comparison tools? ***

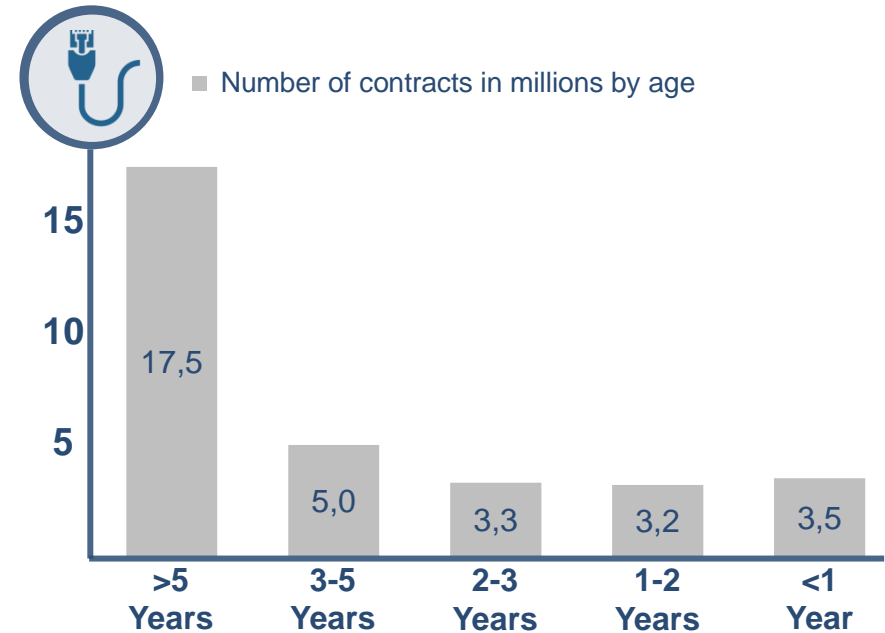
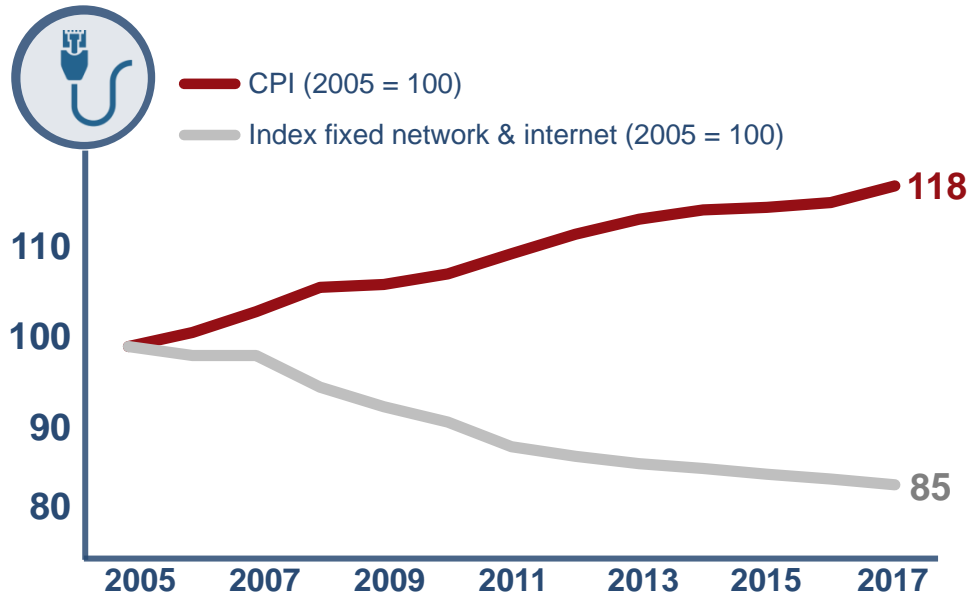
If all households who were under contract in basic services or in any other contract with their basic services provider had changed to the cheapest tariff, the use of digital comparison tools would have resulted in a total saving in 2017 of

€1.8 billion

*With the help of digital comparison tools, consumers save an average of 34 % compared to the basic service. **Based on actual savings measured by CHECK24 and a projection of the number of supplier switches of BNetzA. Four sizes of household were taken into account (1, 2, 3, 4+ people). Many consumers use digital comparison tools for information and then buy the cheapest tariff elsewhere; the indirect effect of digital comparison tools is therefore significantly greater. ***Three sizes of household were taken into account (1, 2, 3+ people). Reference year throughout: 2016.
1 YouGov. 2016. ComparisonCheck Energie.

Prices for internet access are developing favourably

More than half of consumers would still benefit from switching provider



- Since 2005, retail prices for telecommunications and in particular broadband internet access have continuously decreased compared to the general price trend.

- More than half of the 32.5 million broadband contracts in Germany are more than five years old and probably no longer offer optimal value for money.
- Digital comparison tools facilitate the switching process by offering numerous additional services.

Potential savings on broadband

A consumer can save a total of €352 annually
by choosing the best offer

Individual saving through the
use of digital comparison tools*



On average this corresponds to

€352
annually

How much is currently being saved
through digital comparison tools?**

Today, around 1.5 % of existing contracts
have been purchased via a digital
comparison tool.¹ Based on the year
2017, this resulted in a total saving of

€18
million

How much could be saved through
digital comparison tools?***

If all households on a contract that is two
years or older had switched their internet
service provider for the cheapest one
available in their area, the total potential
savings in 2017 would have amounted to

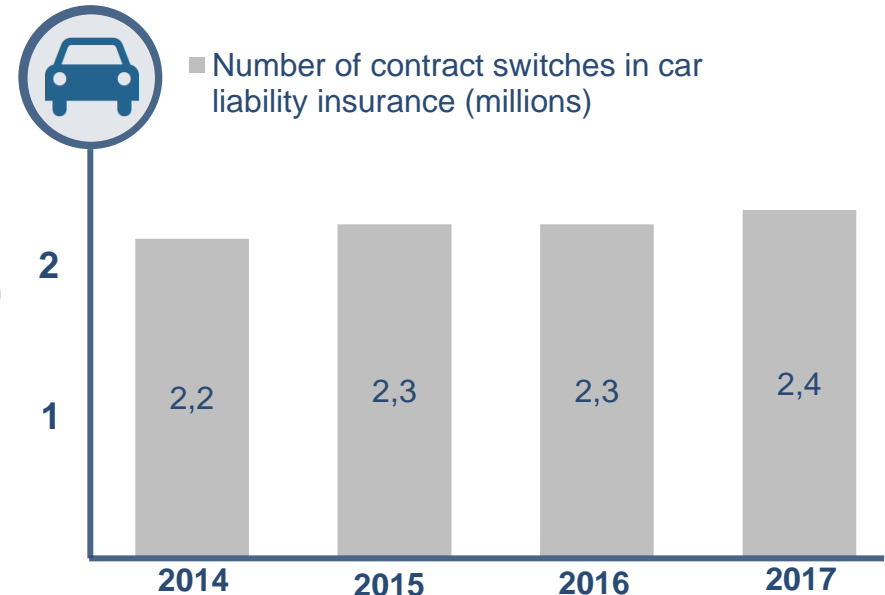
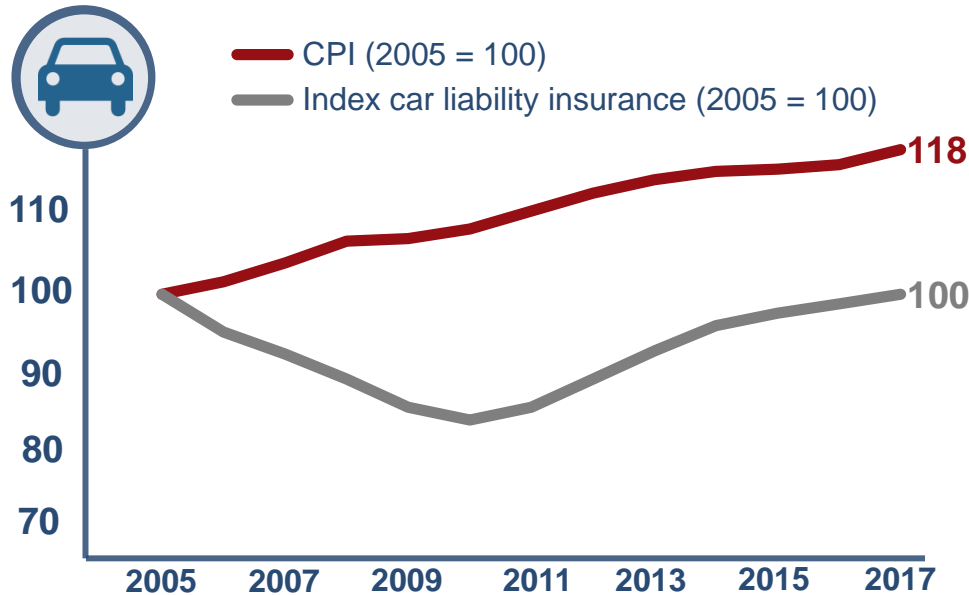
€9.4
billion

*With the help of digital comparison tools, consumers can save around 58 % by comparing the cheapest listed provider and the most expensive listed provider for the same broadband in the relevant city. Basis: collection of market data by CHECK24 in the 50 largest cities in Germany. **Projected on the basis of the average difference between the most expensive and the cheapest provider as well as the number of provider switches in 2017 (WIK-Data). Many consumers use digital comparison tools for information and then buy the cheapest tariff elsewhere; the indirect effect of digital comparison tools is therefore significantly greater. ***Projected on the basis of the average difference between the most expensive and the cheapest provider as well as the number of contracts which are older than 24 months and thus permit a provider switch.

¹ Competition and Markets Authority. 2017. Digital Comparison Tools Market Study. Final Report.

Every vehicle owner needs it – car liability insurance

Comparison sites have stirred up the market



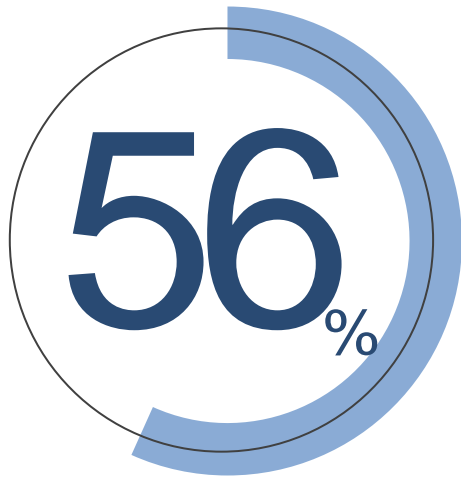
- Between 2005 and 2011, consumers benefited from significantly lower prices for car liability insurance.
- Since 2012, prices have developed almost in the same way as the general price index.

- The number of switches has been rising since 2014.
- Digital comparison tools facilitate the switching process by offering numerous additional services.

Potential savings on car liability insurance

Consumers save a total of €407 annually through digital comparison tools

Savings through the use of digital comparison tools*



On average this corresponds to

€407
annually

How much is currently being saved through digital comparison tools?**

Today, about 8.7 % of existing contracts have been purchased via a digital comparison tool.¹ Based on the year 2017, this resulted in a total saving of

€318
million

How much could be saved through digital comparison tools?***

If all private car owners had used digital comparison tools to insure their cars, in 2017 they would have made an overall saving of

€5.3
billion

*With the help of digital comparison tools, consumers save an average of 56 % compared to the most expensive provider. **Based on 16 sample profiles selected according to the different vehicle classes (passenger cars) (CHECK24). The extrapolation takes into account private new car purchases (adjusted for fleet business), transfers of ownership (KBA) and the remaining supplier changes (YouGov) in 2017. Since many consumers use comparison portals for information and then buy the cheapest tariff elsewhere, the indirect effect of comparison portals is significantly greater. ***In terms of private new car purchases (adjusted for fleet business), transfers of ownership (KBA) and the remaining supplier changes (YouGov) in 2017.

¹ Willis Towers Watson. 2017. Vertriebswege-Survey 2017 zur Schaden / Unfallversicherung.

Analysis of the market environment for digital comparison tools

Three generations of digital comparison tools

In practice, the clear delineation of services is difficult

First generation

The first generation of digital comparison tools gathers a large amount of information in a short time.

- ▶ Market overview for consumers, with product price as the most important search criterion.

Second generation

The second generation of digital comparison tools is characterised by a wide range of personalisation options.

- ▶ Individualised search queries and results lists as well as tailored advice and support for transactions and purchases based on individual sorting and filters.

Third generation

The third generation of digital comparison tools supports the whole customer journey, from the first orientation to the purchase of a contract.

- ▶ After-sales support, transparent business models and administrative functions sustainably promote consumer self-determination.

- The three-generations concept by Knieper¹ provides a good overview of the different types of digital comparison tools in Germany.
- However, the three generations overlap in practice. Similarly, many comparison portals are difficult to distinguish from other services consumers use on the internet.
- Our analysis of over 100 relevant digital comparison tools in Germany shows that:
 - ▶ Digital comparison tools are clearly oriented towards customer need.

¹ Knieper, Thomas. 2016. Konsumenten verstehen - Was der digitale Verbräuche heute will und was er bekommt. Grundlagenstudie Buchungs- und Vergleichsportale. Heidelberg: Verivox.

A blend of the three generations

Functions of digital comparison tools match consumer needs

'I know exactly what I want and am looking for a cheap seller.'

Pure price search tools:

- The most common form of digital comparison tools
- Hardly distinguishable from marketplaces like Amazon Marketplace or eBay
- Typical examples (ciao.com, geizhals.de, idealo.de) cover a broad product portfolio and several thousand (online) retail outlets
- Comparable products and services cannot usually be individualised

'I know exactly what I want and would like to find an offer that is particularly flexible in terms of time.'

Price robot with automatic offer search and notification

- Automatic search for offers and notifications / (partially) automated purchase
- A few partially specialised providers (e.g. Google Flights)

'All-round carefree service'

Contract management with integrated comparison function and additional services

- (Partially) automatic administration incl. termination of contracts (e.g. CHECK24, Verivox)
- Usually several groups of contracts are managed (e.g. comparis.ch, aboalarm.de, outbank App)

'I know (roughly) what I want and would like to know what is offered.'

Price search engines with customisation functions:

- Second most common form of digital comparison tools
- Similarities with marketplaces
- Often narrow specialisation of providers (e.g. Trivago, Blumen.de, bestattungen.de)

'I am looking for well-presented information on complex services.'

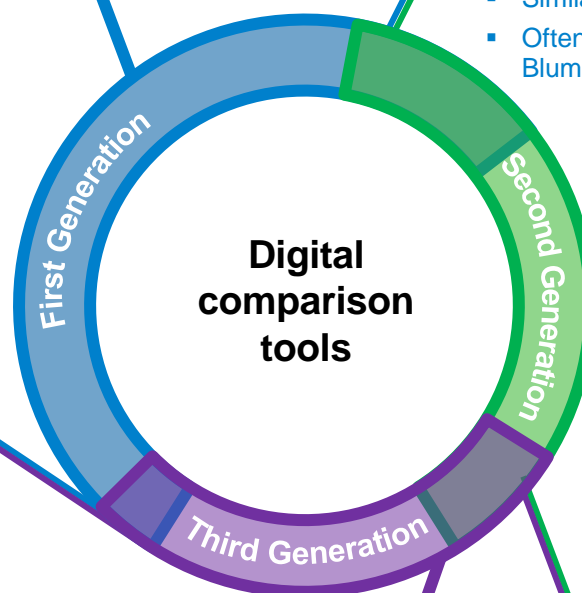
Digital comparison tools with standardised information for complex services:

- Similarities to subject-specific and rating portals
- Partially purchase a contract via the tool (e.g. CHECK24, Verivox)
- Often narrow specialisation of providers (e.g. billiger-mietwagen.de, ab-in-den-urlaub.de)

'I am looking for automated information so that I can manage my contracts.'

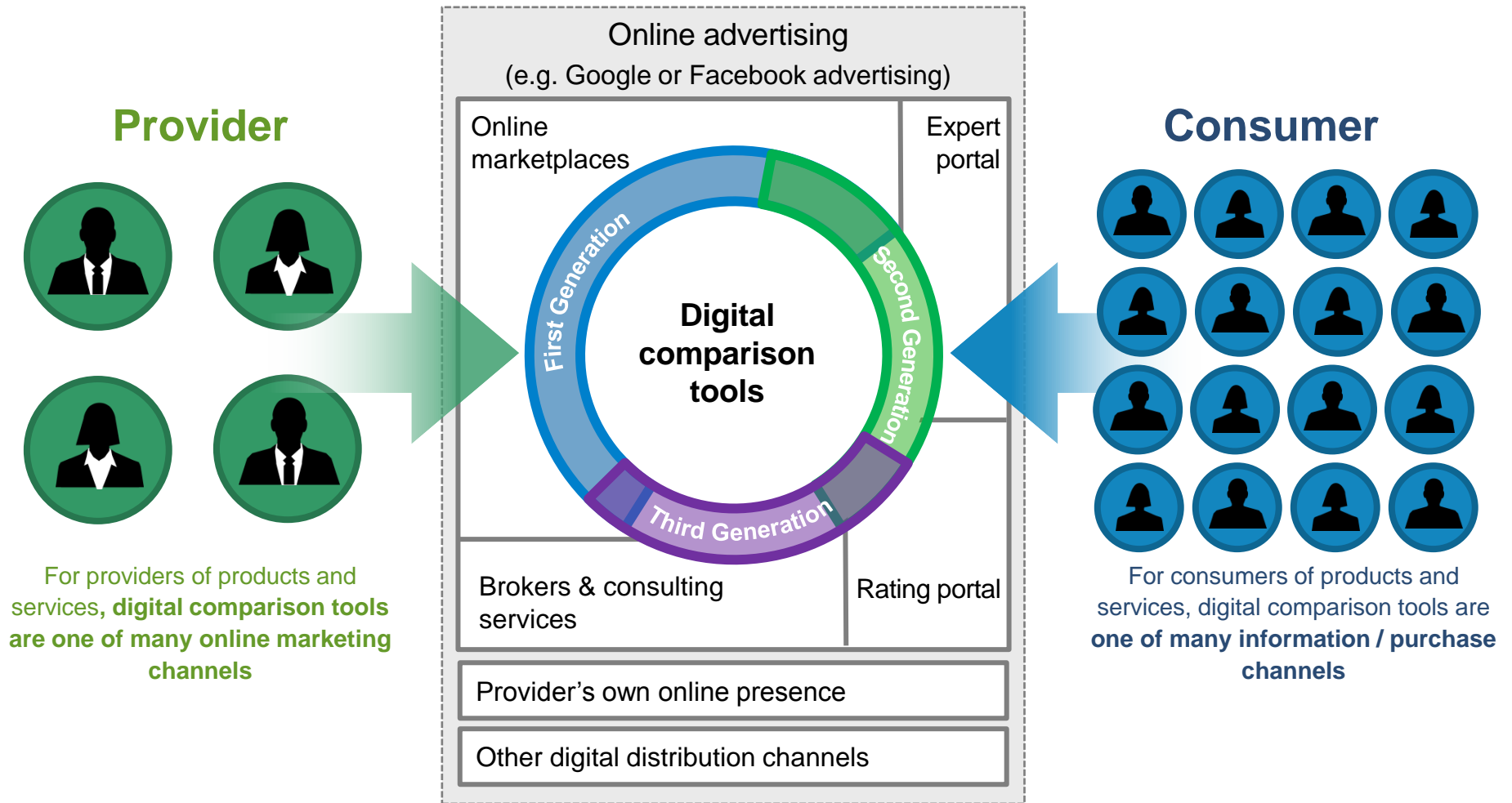
Digital comparison tools with standardised information for complex services and additional services such as a reminder function:

- Purchasing and management of contracts are directly available on the tool
- Often narrow specialisation of providers (e.g. handytarife.de)



Digital comparison tools compete with other services

Suppliers want attention – consumers want information



Distinguishing the individual online marketing channels is often difficult.

Conclusion

Conclusion

- Comparison portals facilitate the process of switching contracts. This has a marked impact:
 - **55 %** of users who have purchased a contract via a digital comparison tool indicate **that they switched from an overly expensive contract in the last year.**
 - **Between 2007 and 2016, the number of (non-moving) switches more than tripled in the electricity market and increased by a factor of close to 13 in the gas market.**
- The proportion of contracts purchased directly via digital comparison tools is small:
 - **Car liability insurance: 8.7 %**
 - **Energy: <25 %**
 - **Bank products: 14 %**
 - **Internet access: 1.5 %**
- **62 % of users only search for information on digital comparison tools. Only 34 % of users make a purchase directly on digital comparison tools.**

Conclusion

- Consumers understand digital comparison tools and know how to use them:
 - **87 % of users understand the business model of digital comparison tools**
 - **81 % of users individualise results lists according to their preferences**
 - **40 % of Germans rely on more than one digital comparison tool** for information and / or to purchase contracts

- Digital comparison tools democratise the competition:
 - **Less well-known brands have an increased chance of acquiring new customers through digital comparison tools.**
 - **72 % of users who have purchased a contract via digital comparison tools found suitable offers from providers that they were not aware of before.**

Conclusion

- In all four areas considered in this study, digital comparison tools enable consumers to save money. The savings enabled by digital comparison tools in 2017 were as follows:
 - On **power**: On average, between **€174** annually (for a one-person household) and **€416** annually (for a four-person household); in total around **€311 million**
 - On **gas**: On average, between **€181** annually (for a one-person household) and **€760** annually (for a four-person household); in total around **€170 million**
 - On **broadband**: On average **€352** annually per person, in total around **€18 million**
 - On **car liability insurance**: On average **€407** annually per person, in total around **€318 million**
- The theoretical savings in all four areas (that is, if all consumers who switched had used comparison tools) are even higher.

About the study

Purchaser

The study was created on behalf of CHECK24.

Method

The data used is based on an online survey conducted between 18 July 2017 and 20 July 2017 by YouGov Deutschland GmbH, in which 2,045 people participated. The results were weighted and are representative of the German population aged 18 and over.

About WIK-Consult

The Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste (WIK) and its 100 % subsidiary WIK-Consult in Bad Honnef have been advising public and private clients worldwide in the fields of telecommunications, internet, post and energy for more than 30 years. The main topics are policy, regulation and strategy. For more information, see: www.wik-consult.com.

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