Office of Fair Trading

Research into Internet shopping

Website comparisons

August 2007

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MANAGEMENT SUMMARY

This report details a research study to investigate potential problems faced by online shoppers interested in purchasing flights, electrical items, hardcopy CDs or music downloads.

It is part of the OFT market study into internet shopping which sought to identify and explore a broad range of issues raised by the growth of domestic and cross border internet shopping.

Our research included checks by FDS researchers:-

- into the effectiveness of search engines in finding suppliers of specific products
- of price comparison sites, the range of suppliers they draw from in comparing prices and the clarity/helpfulness of information provided
- into the information provided to consumers on actual etailer[1] websites
  - 100 electrical – covering 12 specific products[2]
  - 100 flights – on each of which details for two specific trips were recorded, usually a short and long haul flights
  - 50 music – covering nine hard copy and three download products[3]

The task was approached with the intention of acting like a typical consumer, however, even researchers who regularly use the internet to shop online found certain information difficult to find. They often had to search across many pages when seeking to find terms and conditions, information on cookies, or contact details for example.

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[1] In this report 'etailer' is used to signify a retailer selling online

[2] A sample (30) of which were checked in further detail by OFT lawyers.

[3] A sample of 15 of these were checked in further detail by OFT lawyers.

Reasons for this included:-

- sites were set up in a wide variety of ways
- language/wording used varied greatly from site to site.

SEARCH ENGINES

Search engines provide an excellent starting point for consumers interested in buying a specific product or type of product, but the hits displayed and their rank ordering can be influenced by the precise wording of the search and by payments made by advertisers to influence their position in searches made.

There is also a great deal of repetition in the supplier listings provided by search engines. Furthermore, sometimes searches for specific products result in listings appearing for suppliers selling similar or competitive products rather than the item in question.

For all those reasons, consumers using search engines for a particular product may find they have to work harder then expected to translate their searches into appropriate etailer websites to visit.

PRICE COMPARISON SITES

Price comparison sites provide a useful service but:-

- most seriously, some select from a narrow range of etailers, particularly in certain product fields and so a consumer may need to visit a number of sites in order to properly compare a range of offerings
- some sites do not show delivery costs when comparing products, or even give an indication that the consumer will be required to pay for delivery in addition to the cost of the product in question. This means that consumers have to leave the price comparison site to confirm final checkout prices on the individual etailers' websites. There are also occasions when items originally listed as the cheapest, may not be the cheapest when delivery and other costs are included.

- occasional mistakes or inaccurate/out-of-date prices appear

- on sites which have a default listing of 'relevance' the cheapest etailer may appear on the second or third page of listings, although given the narrow range of etailers selected from, this happens in relatively few investigations

PRICES

There are wide ranges of prices for comparable products on etailers' websites. This would suggest that consumers looking for the cheapest products would benefit from shopping around. For most of the electrical and music products investigated the cheapest price was at least 50 per cent cheaper than the most expensive price found.

Even when consumers use price comparison websites the lowest price found on one site was sometimes considerably cheaper than the lowest price found on another site.

On a substantial number of websites, the final price was higher than the original advertised price. Additional charges were added between the first showing of the product price and the basket display and again between the basket display and the final checkout. This resulted in an increase to the overall price payable over and above the original advertised price.

For electrical items these additional items usually related to deliveries, and for CDs, to postage and packaging.

For flights, where additional charges appear particularly prevalent, these extra costs often related to airport taxes but sometimes to fuel supplements or transaction charges.

While a clear breakdown of these charges was displayed at or before the final checkout, these charges were often not set out on the page in which the product was first advertised.

One possible reason for not setting out the charge is that the charge is variable depending on the individual consumer, for example delivery charges may vary according to where the recipient is based. However, many sites failed even to advise the consumer when the first price is displayed, that additional charges would be payable, let alone what and how much they would pay.

This is not to suggest the consumer is not made aware of the additional charges at the time of the final purchase. However, by that stage the time and effort taken to establish the final price may discourage some from searching again for what may be a cheaper alternative had more complete information been available at an earlier stage to enable a proper comparison to be made.

Compliance

The majority of sites checked did not comply fully with the main consumer legislation covering internet purchases, primarily the Distance Selling Regulations (DSRs) and E-Commerce Regulations (ECRs).[4]

Communication

Websites do give the name of the business, although this is not always easy to find and understand. The vast majority of electrical etailers provide details enabling consumers to contact them postally, online or by telephone.

Most music and flight websites give a full geographic address but our researchers were unable to find a full address on 20 per cent of music and 27 per cent of flight websites.

12 per cent of music and 27 per cent of flight websites did not allow for online communication through an email address or web form.

Terms and Conditions

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[4] The Distance Selling Regulations apply to businesses which regularly sell goods or services to a consumer over the internet, although some contracts are not covered either wholly or partly by the regulations. The E-Commerce Regulations govern the provision of Information Society Services. Further details of these regulations can be found at www.oft.gov.uk/NR/rdonlyres/4B6E1E17-FFF0-4262-9021-03D2DC49F314/0/oft698cons.pdf

Terms and conditions were found on most etailer websites (92 per cent) (although not usually on price comparison sites which did not actually sell items).

Researchers found several websites where terms and conditions could not be printed or downloaded by the consumer

Cancellations and returns

The vast majority of websites featured information about cancellations and refund of goods.

However, the information presented was not always considered clear and unambiguous with different researchers sometimes interpreting wording differently.

Furthermore, websites selling electrical goods often had conditions attached which conflicted with DSRs and ECRs compliance.

Clarity

Furthermore, on some websites FDS researchers found that, when provided, much of the information required by the regulations was hard to find and in some instances was open to different interpretations.

Complaints

Only a minority of websites featured information about how consumers should make complaints.

Conclusion

The internet presents tremendous opportunities for consumers to quickly search for products that meet their needs and to find the most competitive prices. The internet is a useful tool in finding a good deal on a suitable product. However, it is often hard for consumers to find the best deal as:-

- those using search engines to find appropriate suppliers often have to wade through duplicate listings or listings of irrelevant sites
- price comparison sites generally search from a very limited group of etailers, and an individual price comparison site is unlikely to provide the cheapest price available
- some charges (such as delivery charges or credit card booking fees) are initially hidden making the first price shown on the etailer website or the price comparison site look more attractive than it proves in practice.

The pricing information consumers need is available to them before they complete their purchase but the failure of so many etailers' websites to present all costs at the first available opportunity means consumers have to work harder than they might envisage to be sure they have got the best deal.

Websites are designed to put across the information etailers are keen for the consumer to see first, such as links to the products on sale and special offers. This means that information on Terms and Conditions Complaints Procedures and other aspects likely to concern the cautious consumer can be hard to find. The information given is also sometimes open to different interpretation.

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1 INTRODUCTION

1.1 Over 62,000 UK non-financial businesses (6.2 per cent of all UK non-financial businesses) are believed to sell online to households.[5] This market represents almost three per cent of all household spending (over £21.4 billion a year in total).[6]

1.2 Internet retail sales are rising very quickly – around 350 per cent over the last five years compared with growth of only 20 per cent for all retail sales.[7] The typical online shopper spends around £600 per annum on online purchases.[8]

1.3 Despite the growth in online sales, consumers have expressed a variety of concerns regarding shopping online including security of payment and potential delivery problems.[9]

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5 Estimated using ONS data from the Annual E-Commerce Survey 2005 and the Interdepartmental Business Register. The Annual e-Commerce Survey no longer surveys businesses with 0-9 employees, thus in order to estimate the number of all businesses selling online (including those with 0-9 employees) it is assumed that businesses selling online with less than ten employees changed at the same rate as those with 10 or more employees.

6 ONS Annual eCommerce Survey 2005 and ONS Blue Book 2005

7 Verdict eRetail Report 2006

8 Verdict eRetail Report 2006

9 TNS Consumer survey on behalf of the OFT, December 2006

1.4 The OFT launched a major fact-finding market study of internet shopping in April 2006. The aim of this online piece of research was to explore and gauge the:-

- ways in which consumers might find alternative supplies of particular products (using search engines and comparing prices of products with different internet etailers by visiting price comparison sites)

- ways in which consumers seek information including prices from internet etailers in order to find the deal that suited them best.

- range, quality and phasing of information provided by businesses to consumers when shopping online
- extent to which prices vary between internet etailers
- usefulness of product comparison sites
- usefulness of search engines for comparing prices.

1.5 This research covered three of the four different case study sectors which were identified on the launch of the fact finding internet study because they represent at least a third of all online spending. The sectors examined were:-

- electrical goods

- flights

- music/hard copy and downloads.

1.6 In order to meet the aims in paragraph 1.4 this research was divided into three main elements:-

- review of the effectiveness of search engines in identifying sellers of electrical goods (Chapter 2)

- mystery visits to internet etailers selling electrical goods, flights and music. (Chapters 3-6)

- review of product comparison websites in relation to electrical goods and music (Chapter 7)

1.7 To make most effective use of our resources we did not undertake parallel research for each of electrical goods, flights and music. That is, we did not always collect the same information for each sector; instead we carried out the checks relevant to the product field in question, which would provide us with new insights and information.

1.8 Therefore, having established certain characteristics regarding the way search engines identify potential sellers of electrical goods, we confirmed (where applicable) that similar patterns held true for music and flights but did not undertake a full, detailed analysis as it was expected simply to reinforce the messages from the electrical goods analysis.

1.9 We did not use price comparison websites to investigate flights as they could not compare different flights on a like-for-like basis.

Summary of methodology

Table 1.1: All 150 electrical/music sites sold at least one of the specific items we were investigating

	Electrical Products	Music	Flights
Search engines	Searches carried out to help identify appropriate etailers. More detailed information generated for six electrical items using five search engines[10]		
Price comparison sites	Prices checked for 12 items on 10 sites	Prices checked for 12 items on 10 sites	
Etailers	Research carried out and availability/prices of 12 items checked for on 100 sites	Research carried out and availability/prices of 12 items checked for on 50 sites	Research carried out and transparency of pricing checked for two flights on 100 sites

1.10 Our researchers struggled to find more than 50 music sites which sold two or more of the twelve listed items so fewer music sites were investigated than flights or electrical sites.

1.11 The electrical products used for price checks were selected on the basis that they:-

- covered a range of high value items (eg flat screen TV), white goods (eg fridge freezer) and low value items (eg toasters)
- were products that we found in a number of stores and/or a number of popular websites in exploratory research.

[10] See §2.2

1.12 Through selecting products likely to be sold by many etailers we were able to compare prices on a number of different sites, although we also selected a smaller number of less widely available products to see whether getting the best deal was more or less problematic when items were available from relatively few etailers. In identifying electrical etailers, priority was given to those selling four or more items rather than simply one or two of the listed items.

1.13 Similarly, we selected music (nine hard copy and three downloads) that was expected to be widely available. Several music items were selected from the popular charts of the day, but we also included music from other genres including opera, classical, country, jazz and urban.

1.14 In researching price comparison sites and etailers we focussed on those who sold to consumers directly through their website rather than through a third party such as an auction site. We did not include auction sites such as ebay because items sold were often second-hand with the selling price determined by auction and more importantly, where retailers sell through ebay, those retailers' Terms and Conditions do not necessarily appear on the ebay site.

1.15 Our researchers always stopped short of making actual purchases. The OFT did not want to unnecessarily increase the cost of the project by purchasing and keeping unwanted items, but nor did the OFT want to place an unfair burden on etailers by ordering and subsequently cancelling items from them.

1.16 Nor did we attempt to compare prices obtained from the Internet with prices obtained by visiting or telephoning equivalent samples of high street retailers. This was because researchers found that when they contacted a number of bricks and mortar[11] shops regarding an item from our basket of electrical goods, they were often selling products that were neither the exact, or a suitably similar match. As a result, offline retailers were only able to provide information for a very small number of goods from our online basket. The cost of gathering information for a large enough sample of goods to enable robust price comparison was deemed prohibitively expensive.

1.17 Once the checklists had been developed for the electrical, flights and music checks, it became evident that sometimes it was not possible to test whether or not sites were complying with the Regulations using these. It was agreed that OFT lawyers would make an assessment of the information provided on a small random sample of the checked sites to investigate further: using their specialist knowledge to assess more of the qualitative factors such as the exact wording of terms and conditions. They reviewed checks on 30 of the electrical etailers' sites and 15 of the music etailers' sites.

[11] Retailers with premises, e.g. 'traditional' shop trading on the High Street.

Search engines

1.18 The objectives were to compare the quantity and quality of search results provided to the consumer:-

- what information about the product do the links from the search engine provide

- how the results are presented (in particular, are the same sponsored links highlighted for all products)

- is the information provided up-to-date and accurate (verifying whether clicking through the site actually led to the correct good with the correct price; if the page had expired, was the product in stock etc).

Mystery visits to a wide range of etailers

1.19 This strand of research comprised a number of mystery visits to a range of etailers' websites identified using search engines and price comparison sites looking for particular products. The visits enabled us to identify, amongst other things:-

- the type of site i.e. whether the site is an internet only business or whether the business also has an offline presence

- whether etailers are complying with the main consumer legislation covering internet selling, primarily the Distance Selling Regulations (DSRs) and Electronic Commerce Regulations (ECRs[12])

- what additional information is provided over and above the requirements of the DSRs and the ECRs

- the range of information presented - such as full price, delivery price, quality of the product, availability of the good, payment options, email or telephone contact details, the location of the etailer, terms and conditions (including cancellation policy for different goods and services and non-arrival), after-sales service, how to make a complaint etc

- the actual price of particular goods or services of interest, any additional costs that would be incurred (the cost of delivery, insurance, credit card charges, etc) and how these vary. Analysis identified the price variations of these goods/services between different etailers

- the clarity of this information – for example is the information presented in plain English, is it displayed clearly and upfront or is

[12] Please note that some information, for example about conditions and procedures for exercising right to cancel need not be provided until delivery (at the latest). This means that it is possible that information missing from the website may be provided to consumers at a later stage and therefore comply with the relevant regulations.

it difficult to find, do they have an easy read version of the page available etc

- the stage in the buying process that the information mentioned above is presented to the consumer if at all, for example, at what stage are consumers shown the terms and conditions and at what stage are they told the final price etc

- whether the site is a member of a code of practice or similar scheme and, if so, which and how and when is this explained

- the information provided by the site on its security and privacy policies and the extent to which the sites are secure up to point of purchase, and

- the extent to which sites encourage or require the disclosure of personal information before the purchase decision (e.g. having to register to be able to browse the site etc).

Product comparison websites

1.20 The final strand of research was a review of product comparison websites to compare the quantity and quality of information provided to the consumer on them considering factors such as:-

- what information about the product does the product comparison site provide

- the range in price of the product of interest and whether it is clear from the site what the price quoted includes (for example does it include delivery)

- how the results are presented (in particular are sponsored links highlighted above sites with the cheapest prices)

- how many hits the product comparison site compare prices from

- is the information they provide up-to-date and accurate, for example, by verifying that clicking through the site actually leads to the correct good with the correct price as opposed to an expired page.

1.21 Please note that sample sizes are fairly small for most results and thus these should be read empirically and not as conclusive of all businesses trading via the web.

2 SEARCH ENGINES

Method

2.1 One option for potential purchasers of products wishing to check online prices, is to enter details of the product in a search engine. For electrical goods, music and flights we used search engines to help identify etailers which sold the products we were researching.

2.2 In addition, researchers made searches for six electrical products using five different search engines and completed details such as: the actual number of hits and the number of sponsored hits.

2.3 Five search engines were looked at including Google.co.uk, the most-used search engine in the UK. The other search engines were the next most widely used according to Hitwise[13]:-

- UK.ask.com
- MSN.co.uk
- Wanadoo.co.uk
- Yahoo.co.uk.

[13] http://weblogs.hitwise.com/heather-hopkins/2005/10/the_four_leading_search_engine.html

2.4 Six specific products were selected covering a range of different high and low product types, and brands encompassing white goods, high-tech items and lower value items. All products selected were found in a number of different High Street shops and on different websites checked as part of our initial exploratory investigations before undertaking the main study:-

- a Canon Ixus digital camera
- an Apple Ipod
- an Lg 37" HD ready colour TV
- a Russell Hobbs toaster
- a Hotpoint fridge freezer
- a Toshiba laptop.

2.5 Researchers typed in 'product name + price' (including the specific make/model name), and counted the number of hits in total, the number of sponsored hits and the number of pages of hits. They also recorded the same information for different wording variations of the product for their searches.

2.6 We found a lot of duplication in the hits generated, and after a certain number of hits, typically around fifty, it became noticeable that hits were becoming less relevant and that relatively few new etailers were being generated. Therefore, researchers took the first hits (usually 50) and recorded the type of hit (such as etailer or price comparison site) and what accompanying information was given by the search engine such as price of product, delivery changes and availability. The researchers clicked on to links for these sites and recorded details such as whether the link was working or not.
This exercise assessed the effectiveness of search engines in identifying suitable etailers in relation to specific products.

2.7 The number of hits claimed on the first screen usually ran into hundreds, and often thousands. However, the actual number of true hits was often much lower if duplicate hits were ignored.

2.8 The online consumer searching for a specific product is likely to initially form the view that there is a huge choice of etailers selling the product in question. In fact the number is not as great as first appears because as stated above there are a lot of duplicated hits and some sites do not sell the searched-for product but similar items from that manufacturer or competitor's items. Only 10-15 per cent of taglines confirm that the product in question is available from the site listed.

2.9 The canny and patient shopper will use more than one search engine and scroll over several pages to give themselves the widest possible choice of sources of this product. If any experienced online shopper wants to find an item such as an electrical product at a good price, they should be able to do so quite easily. However, they need considerable patience and persistence to find the product at the lowest possible price.

2.10 The results of their searches will also depend on the precise wording employed. This means that the process of identifying the lowest price may be more time-consuming and haphazard than expected.

2.11 In the next section we record some general observations about the investigations conducted with the five search engines used. This is followed by a tabular analysis showing how the numbers of claimed results, actual and sponsored hits depend on the precise wording used for the product searches.

Observations on searches

2.12 Different search engines have different conventions in terms of the way they display hits and indeed in terms of how the precise instructions of the search affects what is displayed.

2.13 Actual hits often bear little relation to the extremely high number of claimed hits for example, because the number of sponsored hits is not always included in the total hit count. However, the number of hits claimed by search engines can vary significantly on an hourly basis. Indeed, while scrolling through the screens, the number of claimed hits may reduce.

2.14 Numbers of hits can depend on, for example, whether or not '+ price' is added to brand. For most search engines including or omitting details such as '+price', colour and in some cases, the type of product eg 'digital camera' will increase the number of claimed hits. The effect on actual hits of not stating the type of product is usually marginal, although it can make a difference to numbers of sponsored hits.

2.15 Overall, around one in four of the first 50 hits displayed are sponsored. However, the proportion of sponsored hits varies greatly by search engine. Two particular search engines usually display a much higher percentage (commonly around 40 per cent) than the other three search engines (which average between 10-18 per cent).

2.16 There is a great deal of repetition of hits in the Top 50 especially with sponsored sites. The most prevalent kind of site are comparator sites, typically accounting for around half the first 50 hits. E-tailers are the next most common type of site returned in searches, typically accounting for one in three results. A further 7-8 per cent of sites may initially appear to be etailers but, when one clicks through, they link to other sites.

2.17 About two in three tag lines are both clear (i.e. they are easily understandable) and relevant (they relate to the product category or ideally the actual product concerned). However, only 10-15 per cent confirm in the tagline that the precise product in question can be bought from that site. Only around 10-15 per cent of taglines state the price of the product although this varies by product and search engine: one was especially unlikely to show the price.

2.18 On all searches there are very infrequent mentions of price of delivery (3-4 per cent of sites), stock availability (1-2 per cent) and other costs (less than one per cent). It is more common to mention other key product features or USPs of the product in question – about 15 per cent doing so. One in ten sites provide 'other information'.

2.19 In the vast majority of cases (around 95 per cent) clicking on the link takes the surfer directly to the website in question. However, in only half of these cases does clicking on the link take the surfer directly to the product in question.

Number of hits in total

Table 2.1: Research of searches for Hotpoint Fridge Freezer 'Model' + Price

Claimed results	SE2	SE3	SE5	SE4	SE1
Hotpoint Fridge Freezer 'Model' +Price	307	186	35	58	1,510
Hotpoint Fridge Freezer 'Model' + Price	307	227	35	58	545
“Hotpoint 'Model' +Price	323	547	39	77	811
Hotpoint Fridge Freezer 'Model'	400	874	44	73	610
“Hotpoint 'Model'	444	1,180	50	110	1,090
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Hotpoint Fridge Freezer 'Model' +Price	126	137	38	47	304
Hotpoint 'Model' +Price	120	297	41	51	215
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Hotpoint Fridge Freezer 'Model' +Price	63	70	3	7	143
Hotpoint 'Model' +Price	60	150	2	1	36
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Hotpoint Fridge Freezer 'Model' +Price	7	7	4	5	17
Hotpoint 'Model' +Price	7	15	4	6	18

Table 2.2: Results of searches for Canon 'Model' Digital Camera + Price

Claimed results	SE2	SE3	SE5	SE4	SE1
Canon 'Model' Digital Camera +Price	6,020	149,000	10,156	5,840	185,000
Canon 'Model' Digital Camera + Price	6,060	167,000	10,156	5,638	113,000
Canon 'Model' Digital Camera	27,100	193,000	10,052	5,668	209,000
Canon 'Model' +Price	28,500	168,000	13,655	7,847	273,000
Canon 'Model'	33,000	221,000	14,926	7,743	298,000
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Canon 'Model' Digital Camera +Price	304	252	573	599	1,860
Canon 'Model' +Price	301	311	549	654	2,030
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Canon 'Model' Digital Camera +Price	144	130	7	11	860
Canon 'Model' +Price	144	160	2	11	1,030
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Canon 'Model' Digital Camera +Price	16	13	58	60	100
Canon 'Model' +Price	16	16	55	66	100

Table 2.3: Results of searches for Russell Hobbs Toaster 'Model' + Price

Claimed results	SE2	SE3	SE5	SE4	SE1
Russell Hobbs Toaster 'Model' +Price	452	916	84	84	1,620
Russell Hobbs Toaster 'Model' + Price	452	590	84	87	1,630
Russell Hobbs Toaster 'Model'	458	516	438	119	1,830
Russell Hobbs Toaster +Price	635	680	220	114	2,200
Russell Hobbs Toaster	647	746	1,467	180	2,980
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Russell Hobbs Toaster 'Model' +Price	130	222	87	66	495
Russell Hobbs 'Model' +Price	130	145	439	89	489
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Russell Hobbs Toaster 'Model' +Price	63	91	3	3	186
Russell Hobbs 'Model' +Price	62	45	1	4	140
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Russell Hobbs Toaster 'Model' +Price	7	14	9	7	31
Russell Hobbs 'Model' +Price	8	8	44	9	35

Table 2.4: Results of searches for Apple 'Model' Ipod + Price

Claimed results	SE2	SE3	SE5	SE4	SE1
Apple 'Model' Ipod +Price	75,300	288,000	5,728	6,565	164,000
Apple 'Model' Ipod + Price	75,600	304,000	5,728	6,549	130,000
Apple 'Model' Ipod	98,400	361,000	7,734	8,685	205,000
Apple 'Model' Ipod	79,200	396,000	16,159	16,911	428,000
Apple 'Model' Ipod +Price	81,500	296,000	10,732	6,687	166,000
Apple 'Model'	106,800	212,000	15,847	9,779	222,000
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Apple 'Model' Ipod +Price	239	370	819	865	1,900
Apple 'Model' +Price	247	361	940	936	1,200
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Apple 'Model' Ipod +Price	117	181	42	6	900
Apple 'Model' +Price	117	162	2	2	200
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Apple 'Model' Ipod +Price	13	19	82	87	100
Apple 'Model' +Price	13	20	100	94	100

Table 2.5: Results of searches for LG 37 'Model' LCD TV + Price

Claimed results	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
LG 37″ 'Model' LCD TV +Price	186	9,380	59	95	2,900
LG 37″ 'Model' LCD TV + Price	184	11,300	59	95	2,900
LG 37″ 'Model' LCD TV	639	14,700	149	95	2,900
LG 37″ 'Model' +Price	190	10,100	70	95	2,900
LG 37″ 'Model'	636	15,600	171	126	1,830
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
LG 37″ 'Model' LCD TV +Price	38	192	69	62	358
LG 37″ 'Model' +Price	38	167	72	65	259
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
LG 37″ 'Model' LCD TV +Price	18	10	10	2	180
LG 37″ 'Model' +Price	18	10	2	2	76
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
LG 37″ 'Model' LCD TV +Price	2	100	6	7	18
LG 37″ 'Model' +Price	2	70	7	7	19

Table 2.6: Results of searches for Toshiba 'Model' Laptop +Price

Claimed results	SE2	SE3	SE5	SE4	SE1
Toshiba 'Model' laptop +price	6,150	28,700	1,389	584	24,200
Toshiba 'Model' laptop + price	3,030	53,300	1,616	995	26,800
Toshiba 'Model' +price	2,190	30,600	1,651	969	36,300
Toshiba 'Model'	7,810	61,700	2,058	1,569	40,100
Actual hits (including sponsored)	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Toshiba 'Model' laptop +price	278	1,800	222	227	767
Toshiba 'Model' +price	262	1,900	314	263	1,075
Number of sponsored hits	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Toshiba 'Model' laptop + price	135	800	7	0	70
Toshiba 'Model' +price	121	900	37	0	180
Number of pages	**SE2**	**SE3**	**SE5**	**SE4**	**SE1**
Toshiba 'Model' laptop +price	15	100	23	23	70
Toshiba 'Model' +price	15	100	32	27	90

Conclusions

2.20 Search engines provide a valuable potential source of information as to etailers' sites and the products or services they offer.

2.21 At first the consumer may feel there is a huge choice of sites to pick from but it soon becomes clear there are far fewer different sites selling the product than initially appears to be the case since there is a great deal of repetition and some sites are only partially relevant,.

2.22 With only a small minority (typically 10-15 per cent) of taglines confirming that the precise product in question can be bought from that site and stating product price, consumers will usually need to visit actual websites to find the cheapest price.

2.23 Some of the sites listed will be price comparison sites but these often give an incomplete picture of the market as they only report on a limited number of etailers.

2.24 The patient consumer can scroll through pages and pages of irrelevant or only partially relevant listings to find appropriate etailers, but in reality, relatively few may be willing to do this.

2.25 Therefore, while search engines are very good at enabling consumers to find etailers that sell a particular product, they appear to be less good at helping the consumer find the best possible deal.

2.26 Consumers are left with a great deal of work to do, pages to scroll through and sites to visit before they can be confident they have found the best deal.

3 ETAILERS' WEBSITES – 'MYSTERY' VISITS

Introduction

3.1 This section of the report focuses on results of visits to:-

- 100 sites selling electrical goods online
- 100 sites selling flights online
- 50 sites selling hardcopy CDs and/or music downloads online.

3.2 Researchers visited the websites of etailers and tried to find certain information, such as terms and conditions, complaints policies and cancellation rights. They recorded whether, and how easily, they were able to find information.

3.3 Additionally, on the music and electrical sites, researchers established whether the items in our basket of goods were on sale and if so, the selling prices and associated information such as delivery charges. Results on this are presented in Chapters 4 and 5.

3.4 On the flights websites researchers made additional checks relating to transparency of pricing information. This is reported in Chapter 6.

Approach

3.5 Initial work revealed that FDS researchers, although all internet-savvy, struggled to identify and assess information on etailers' websites relating to issues such as consumer rights. Some of the figures in this section are somewhat subjective as they are dependent on researchers' abilities to find and interpret data. Considerable efforts were made, and many double checks were carried out to ensure maximum accuracy.

While we cannot guarantee 100 per cent accuracy, given the time they spent searching websites, our researchers were more likely than the average consumer to be able to locate and understand information on etailers' websites.

For this reason, while there may be instances where our researchers missed information on websites, the likelihood of the average consumer missing this information was greater still.

3.6 This section of the report goes through issues thematically assessing how websites handled these and making comparisons between electrical, music and flight websites. Subjects covered in this section are:-

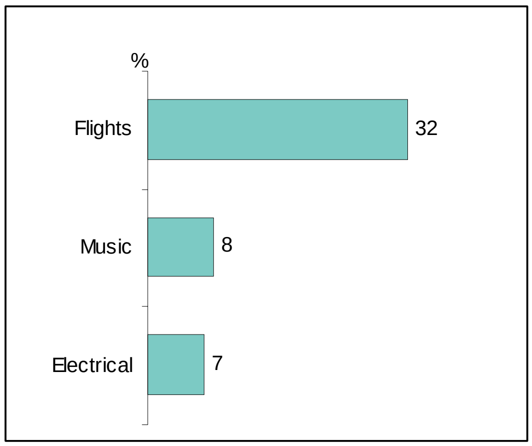
- Choice of language –3.7
- Other sales channels/bricks and mortar premises of etailers – 3.8-3.11
- Registration – 3.12
- Reviews/rankings – 3.13-3.14
- Payment methods available – 3.15-3.16
- Surcharges on payment methods – 3.17-3.22
- Terms and conditions 3.23-3.26
- Security 3.27-3.28
- VeriSign membership – 3.29-3.32
- Placing an order 3.33-3.35

- Contact details on website – 3.36-3.48
- VAT number/registration 3.49-3.50
- Cooling off period/cancellation – 3.51-3.54
- Faulty goods –3.74-3.75
- Concluding contracts – 3.76-3.80
- Dealing with complaints – 3.81-3.83
- Collecting/handling personal information – 3.84-3.90
- Future marketing material – 3.92-3.94
- Use of cookies – 3.95-3.97
- Ease of finding personal information – 3.98-3.99
- Self-regulatory web scheme – 3.100-3.107
- Overall ease of finding information – 3.108-3.109

Choice of language

3.7 As illustrated in chart 3.1, only seven electrical sites (seven per cent) and four music sites (eight per cent), offered a choice of language. However, choice of languages was unsurprisingly much more common on websites for flights, 32 per cent of which offered a choice of language. Among airlines this figure was even higher at 53 per cent.

Chart 3.1: Proportions of websites offering choice of language



Base: 100, 50, 100 (websites)

Other sales channels

3.8 The 100 electrical etailers investigated included 28 which were also selling from bricks and mortar premises. Other means by which consumers could make purchases included:-

- telephone (mentioned by 26)
- mail order (7)
- fax (1).

However, the majority of the etailers investigated (55 per cent) allowed purchases to be made online only.

3.9 The pattern for music was similar with most sites offering only online sales, with 11 (22 per cent) of etailers also selling from bricks and mortar premises. Other means by which consumers could make purchases included telephone (mentioned by nine – 18 per cent).

3.10 Out of the 100 sites selling flights online:-

- 32 were airlines
- 21 were tour operators
- four were travel agents with a high street presence
- 12 were web portals[14] offering online as the only method of purchase
- 36 were web portals enabling consumers to buy online or through another means such as telephone.

[14] Portals present information from diverse internet sources in a unified way. They provide a way for enterprises to provide a consistent look and feel with, which otherwise would have been different entities altogether.

Tour operators were coded as such on the basis they sold holidays organised by themselves, airlines operate air services themselves while travel agents sell services (flights, hotels, packages etc) delivered by other companies.

There was some overlap between these groups – so some tour operators were also airlines or travel agents. For example, Thomas Cook is a tour operator and travel agent.

3.11 Based on evidence from the websites, most organisations offering flights (76 per cent) permitted sales by telephone while nine offered bricks and mortar (in-store/travel shop) sales. Two airlines also specified that sales could be made at the airport while one tour operator mentioned postal sales.

TABLE 3.2: HOW PURCHASES CAN BE MADE

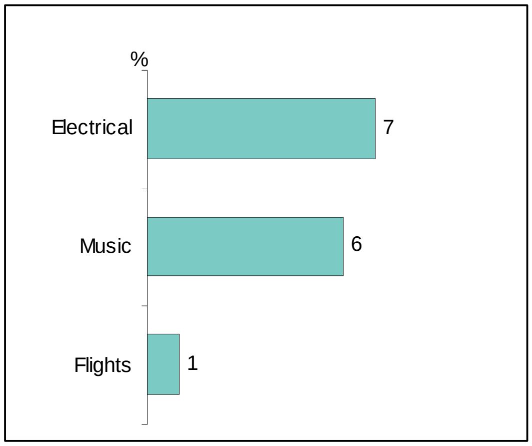
	Electrical	Music	Flights
Online only	55%	74%	12%
Clicks and bricks[15]	28%	22%	11%
Online and phone	26%	18%	76%
Online and mail order/post	7%	-	1%
Online and fax	1%	-	1%

[15] Retailers with premises also trading online.

Registration

3.12 It is common to give consumers the opportunity to register on a website to receive newsletters or other information but rare to make this a condition of viewing products. Only eleven sites (seven electrical, three music and one flight from a total of 250) required consumers to 'register' on the website by providing their personal details in order to view products they might want to buy.

Chart 3.3: Proportions of websites requiring registration



Base: 100, 50, 100` (websites)

Reviews/Rankings

3.13 About one in three music and electrical sites provided product reviews but only three of the 100 flight sites featured reviews. For electrical sites this included a fairly even split between consumers providing their assessments of products purchased and websites which offered their own reviews. Almost all the reviews on music sites appeared to be provided by the actual etailer rather than by consumers.

3.14 It was not always obvious when product descriptions were provided by the website, the manufacturer or some other source so these figures are based on researchers' interpretations rather than solid fact.

Payment Methods Available

3.15 Virtually all etailers accepted credit cards AND debit cards on the website. Three in ten electrical etailers but fewer than one in ten music or flight sites accepted cheques.

3.16 Other payment methods accepted by etailers were:-

- postal orders (mentioned by eight electrical etailers)
- PayPal (accepted by four electrical and three music sites). Five of these seven organisations showed the logo to confirm that they were service providers but a couple simply used words to list it as one of their payment methods.

TABLE 3.4: PAYMENT METHODS ACCEPTED

	Electrical	Music	Flights
Credit card	99%	100%	100%
Debit card	97%	100%	97%
Cheque	30%	8%	6%
Postal orders	8%	-	-
Pay Pal	4%	6%	-

Surcharges on payment methods

3.17 Only six sites (five electrical (five per cent) and one music etailer (two per cent)) imposed a surcharge on consumers paying by credit card.

These surcharges were presented:-

- in terms and conditions (3 mentions)
- as soon as the consumer proceeded to check out (1)
- just before payment details entered (1)
- in the consumer's shopping basket (1 music site).

3.18 In contrast, 58 of the 100 flight sites imposed a surcharge on consumers paying by credit card while 22 of these 58 sites also charged more to debit card consumers. On 22 flight sites consumers were obliged to pay a surcharge on the only payment option(s) available to them. Surcharges were usually presented just before the consumer entered their payment details.

3.19 There were seven instances where surcharges were not presented until after the customer entered their payment details.

3.20 Some sites appear to imply that the initial price was inclusive of all charges. One particular flight site does not charge more to those using debit cards. However, the £0.00 record next to 'transaction charge' may lead customers not to expect to be charged for using a credit card. The customer learns a charge may be payable just before entering payment details, and finds out the actual amount after entering payment details.

3.21 A consumer who is obliged to pay by credit card may be surprised that the compulsory additional charge was not stated when the flight price was first presented. It is possible that a consumer may initially reject a flight where the whole price is presented in favour of what appears to be a cheaper flight, which turns out to be more expensive after the inclusion of credit card charges. As these charges are generally modest (less than two per cent of the purchase price) this will be unlikely to happen very often.

3.22 Customers might expect websites to advise them as soon as prices are shown that additional charges for paying by credit card may be imposed.

Terms and Conditions

3.23 The Distance Selling Regulations require traders to provide consumers with certain information in a durable form which consumers can retain and reproduce. Our researchers were able to find terms and conditions containing some or all of this information on almost all sites. However, 21 of the 250 etailers (eight per cent) did not contain terms and conditions.

3.24 The information that traders are required to provide under the regulations need not strictly be contained within the terms and conditions. Researchers looked for this information throughout the buying process on other areas of sites such as the home page, 'contact us' page, Frequently Asked Questions (FAQs) and 'About Us' section.

TABLE 3.5: WHETHER TERMS AND CONDITIONS FOUND/RETAINABLE/EASE OF FINDING AND READING

	Terms and Conditions found	Can be printed/ downloaded	Easy to find	Easy to read
Flights (100 sites)	98%	95%	89%	97%
Music (50)	94%	94%	88%	90%
Electrical (100)	92%	87%	84%	90%

Note Base = All sites

3.25 On most sites researchers rated terms and conditions as easy to find and read. However, there were instances where terms and conditions were rated by FDS researchers as not easy to find or read:-

- Flights
  - Of all sites nine per cent had terms and conditions judged not easy to find
  - One per cent not easy to read

- Music
  - Six per cent not easy to find
  - Four per cent not easy to read

- Electrical
  - Eight per cent not easy to find
  - One per cent not easy to read

The main reason for sites being difficult to read was that the print was very small.

3.26 There were 12 instances on flights websites where the consumer was asked to search for terms and conditions on another website, for example, that of the relevant airline.

Security

3.27 Researchers checked whether etailers used secure links (such as https) by right clicking on the webpage where details were requested and then going to 'properties', to check if the address of the page was 'https'. Other evidence we checked for included the use of secure links, the padlock symbol or the VeriSign logo.

3.28 Almost all sites provided this evidence, demonstrating that they were using secure links. For electrical and travel flights secure links were usually evident at all points when customer information was required. Music sites only did so when card details were requested.

TABLE 3.6: EVIDENCE OF SECURE LINKS

	All points	When details requested	Secure links not used at any stage
Electrical	68%	30%	2%
Music	18%	74%	8%
Travel	67%	31%	2%

VeriSign or other equivalent membership

3.29 There are a number of organisations including VeriSign, Comodo and Geotrust (purchased by VeriSign in September 2006) which offer technologies to enable organisations to secure e-business transactions cost-effectively. They provide SSL certificates to companies selling online to confirm their sales processes are secure.

3.30 Relatively few electrical or music etailers appeared to be taking advantage of these optional schemes by displaying membership signs.

TABLE 3.7: MEMBERSHIP/EASE OF FINDING SSL CERTIFICATE SUPPLIERS

	Member		.... And easy to find?	
	VeriSign	Comodo	VeriSign	Comodo
Electrical	14%	5%	9%	4%
Music	18%	10%	14%	10%
Travel	24%	-	21%	-

3.31 These signs were not always easy to find. Of the 23 electrical or music etailers who displayed signs of one type of membership 16 (70 per cent) were rated as easy to find while seven (30 per cent) were considered to be not very or not at all easy to find.

3.32 The pattern for flights websites was slightly different. Twenty-four sites displayed membership of one kind and this was usually very easy to find. In only three instances (12 per cent of 24) was this not easy to find. Most tour operators displayed one type of membership but the incidence was much lower for airlines.

Placing an order

3.33 In the case of 56 per cent of electrical sites, researchers coded 'Yes' to the question 'Is there information on how to place an order?'. As with some other assessments, researchers had to use a degree of subjective judgement in terms of what constituted information on how to place an order. On only 24 per cent of music sites did researchers record that there was information on how to place an order.

3.34 Similarly, only 25 per cent of flight sites were recorded as providing information on how to book a flight.

3.35 Anecdotal evidence from researchers, suggests sites usually made it reasonably easy for consumers to change an order, for example, by deleting a purchase.

Contact details on website

3.36 Websites were almost invariably compliant with the requirement to give their business name, but this was not always easy to find and on occasion researchers were in doubt as to which of 2-3 names given were actually the business name for the organisation concerned.

3.37 Websites varied greatly in terms of the options they gave the consumer for contacting the etailer. Ideally, consumers should be able to contact etailers by a choice of methods such as post, fax, email/online or by phone. The Distance Selling Regulations require traders to provide consumers with information as to its identity and conditions and procedures for exercising the right to cancel. The Electronic Commerce Regulations (ECRs) require websites of online businesses to make the following information available in a form and manner which is easily, directly and permanently accessible:-

- the business name
- the geographical address where the business is established
- the details of the business including its email address which make it possible to contact it rapidly in a direct and effective manner.

3.38 Many websites do not offer the full range of contact options. Most offered a full geographic address and a contact telephone number but consumers generally had an incomplete range of options for making contact. The proportions allowing some form of online communication through an email address and/or web form were:-

- electricals (94 per cent)
- music (88 per cent)
- flights (73 per cent)

3.39 However, as the table below shows there were some flight and music websites which failed to give even a full geographical address. Electrical businesses were far better than music and flight websites at offering a full geographic address AND allowing some form of online communications.

TABLE 3.8: BUSINESS CONTACT DETAILS PROVIDED

	Electrical (100) %	Music (50) %	Flight (100) %
Full geographical main business address	93	80	73
Contact telephone number in event of a problem	90	58	91
Email address for consumer services	80	54	61
Web form click can be submitted by consumer	63	66	31
Fax number	54	40	32
PO Box number	9	12	7
Proportions giving EACH of the first five contact details	23	6	-
Proportions giving main business address AND email address or web form	91	70	54

3.40 Investigations established that the majority (67 per cent) of the 15 music sites and 90 per cent of the 30 electrical sites OFT lawyers visited had a contact telephone number. In almost all cases a general number was offered but 9 of the 30 electrical sites offered a specific sales number.

3.41 A few electrical etailers checked by OFT lawyers (2-4, ie. around 10 per cent) offered a separate number for:-

- complaints
- deliveries
- warranties
- cancellations.

3.42 Additional checks by OFT lawyers revealed that the most common type of number, used by around two in three electrical companies (65 per cent of 26 sites for which this detail was found - from a sample of 30), was a non-geographical, 'special services' number featuring an 084x or 087x prefix.

3.43 Music sites were split fairly evenly between those using special services number and those favouring geographical numbers. Around a third (39 per cent of the 26 sites for which the telephone number was examined) offered geographical numbers starting 01 or 02. There were also a few instances of freephone numbers being offered.

3.44 There was also an instance of an electrical etailer offering a premium rate and international number as well as a special services number. One of the fifteen music sites offered a international number.

3.45 Sites offering a special services number did not usually give an indication of the cost of the calls. If the call costs of a telephone number are not calculated at the basic rate, the cost of the call should be indicated.

3.46 Only two of the 100 electrical companies had a postal address based outside the UK, one of which was based outside the EU.

3.47 Nine music sites featured non-UK postal addresses: two within another EU country and seven based outside the EU (generally USA).

3.48 Nineteen flight sites had business postal addresses outside the UK. Ten of these (mostly airlines) gave EU addresses and nine (mainly web portals) offered non-EU addresses.

TABLE 3.9: POSTAL ADDRESSES

	UK	EU	Non-EU	None given
Electrical (100)	91%	1%	1%	7%
Music (50)	62%	4%	14%	20%
Flights (100)	54%	10%	9%	27%

VAT number/company registration number

3.49 Researchers were able to locate a company registration number at only 35 of the 100 electrical sites and at only one per cent was a VAT number found. Equivalent percentages for music sites were 24 per cent and four per cent respectively and eight per cent and 10 per cent for flight sites.

TABLE 3.10: PROPORTION OF SITES WHERE COMPANY REGISTRATION NUMBER AND VAT NUMBER FOUND

	Co Reg No.	VAT No.
Electrical (100)	35%	1%
Music (50)	24%	4%
Flights (100)	8%	10%

3.50 Not all businesses will have a company VAT number (sole traders and partnerships and companies with an annual turnover below £61,000 will not need VAT registration numbers).

Cooling-off period

3.51 A key consumer right when shopping online, is the right to cancel an order for any reason. The DSRs require that clear and comprehensible information is given regarding the consumers' right to cancel an order within a set period of time, which is known as the cooling-off period. At most electrical sites (88 per cent) FDS researchers found reference to a 'cancellation period' during which the consumer has the right to cancel the order for any reason.

3.52 Forty-six music sites sold hardcopy CDs but only 61 per cent of these stated that there was a cancellation period. On nine electrical and 17 music sites FDS researchers found no mention of a cancellation period and one music and three electrical sites stated that there was no cancellation period.

3.53 We found no differences between sites which were and were not members of self-regulatory web schemes - such as Internet Shopping Is Safe (ISIS) - mentioning the right to cancel. Of electrical etailers, 89 per cent of scheme members and 88 per cent of non-members mentioned a cancellation period.

3.54 At all but six electrical sites (94 per cent) FDS researchers found information on what consumers should do if they wished to cancel orders. However, in only 76 per cent of cases were they able to find this information on hardcopy music sites.

Electricals

3.55 On 25 of the 30 electrical sites (83 per cent), there was a statement that the consumer has a right to a refund for cancelled orders in relation to non-faulty goods. However, eight sites (27 per cent) made reference to a restocking charge that would be deducted from the refund and three (10 per cent) mentioned an administration fee which is contrary to the Distance Selling Regulations.

3.56 A wide variety of wordings were employed by electrical sites to state the condition that goods must be returned in. For example:-

- goods must be returned in the condition in which they were delivered
- must be in pristine condition
- no wear and tear
- undamaged.

3.57 On all but six per cent of electrical sites, FDS researchers found conditions on consumers' right to cancel/refund. Fifty-nine per cent stated at least one condition on consumers' rights to cancel and receive a refund that could be considered to breach the DSRs. These were:

- goods must be returned/collected unused (33 per cent)
- goods must be returned/collected 'as new' (17 per cent)
- goods must be returned/collected unopened (10 per cent)
- goods must be in 're-saleable' condition (eight per cent)
- only if the consumer takes 'reasonable care' of the goods while in their possession (four per cent)
- must ring up/email to get a returns number (three per cent)

3.58 In addition, 55 per cent of the sites stated that goods must be returned/collected in or with the original packaging.

3.59 On seven of the thirty electrical sites (23 per cent) visited by lawyers consumers were required to ring up to get a returns number.

3.60 OFT lawyers completed a more detailed set of questions on 30 electrical and 15 music sites in respect to consumers returning and receiving refunds for non-faulty goods. In around half the electrical sites visited, the consumer is required to return the goods to the supplier without the supplier subsequently reimbursing these costs. Around half the suppliers suggested how the consumer should return the goods (for example to a store, or to an address via a specified postal service) but in only two instances (seven per cent of all sites checked by lawyers) did the supplier make it a condition of the granting of a full refund that goods are returned in accordance with a specified method.

Hard copy music

3.61 Hard copy music sites laid down a number of conditions on the right to cancel or to receive a refund. Of the 46 sites selling hardcopy CDs, on 14 (30 per cent) researchers found specific statements saying that unless they are faulty, CDs can only be returned if they are still sealed (ie in the shrink wrap). This is permitted by the Distance Selling Regulations.

3.62 On eight sites information was found relating to restrictions on copying of music eg 'copyright protected'. Two sites (four per cent) gave information in terms of what devices one can play the music on, for example, not a computer.

3.63 Of the 15 music sites checked by OFT lawyers, eleven mentioned a cancellation period but of these only seven (less than half of all music sites) were compliant in that the site allowed at least seven working days starting the day after delivery for customers to cancel. Four sites allowed less than seven days and so were not compliant. Nine of these state that the customer is required to pay the cost for the return of goods.

3.64 If the customer wished to cancel an order, the most common condition attached to sites selling hard copy music, was that goods should be returned/collected unopened.

Music downloads

3.65 On seven of the eight sites selling individual downloads (as opposed to allowing customers a number of downloads in return for a subscription fee) researchers found information on the technical steps needed to complete the download (ie. the software needed).

3.66 Similarly seven of the eight sites had a way for consumers to check that the song was the one they wanted (for example, through a sample track).

3.67 The situation regarding cancellation is different for downloads as opposed to hardcopy music. On four of the eight sites, researchers found statements to the effect that consumers will NOT be able to make any cancellation or returns in relation to any part of the Digital Service once they have pressed 'SUBMIT' to submit their order.

3.68 Seven of the eight sites selling downloads featured statements saying what would happen if the Digital Service content failed to work, for example, through a fault with the song.

Flights

3.69 On 63 of the 100 flight websites, researchers found information on what to do if they wished to cancel their order. This figure was lower for:-

- non-members of Association of British Travel Agents (ABTA) (56 per cent)
- non-members of self-regulatory web schemes (52 per cent)
- web portals which permitted online sales only (just two of these twelve sites providing this information – 17 per cent).

3.70 Information was rated as very easy to find and understand on four sites (four per cent) and fairly easy on a further 58 sites. However, on 38 sites this information was considered to be not very or not at all easy to find or understand.

3.71 In terms of cancellation period, of 100 flight websites, researchers found:-

- mention of a cancellation period, during which the consumer has the right to cancel their order for any reason, on 25 sites
- a statement to the effect that there was no cancellation period on 11 sites
- but on most sites (64) no mention of a cancellation period was found in the stages that researchers were able to view without confirming their purchase.

3.72 Thirty seven per cent of the 38 companies which were members of ABTA mentioned cancellation periods compared to 18 per cent of non-members. Of the 25 sites mentioning cancellation periods:-

- 21 say the cancellation period is limited to a particular time **before the flight;**

- four said the cancellation period relates to the time **after the booking was made.**

Summary of information on cancellations

3.73 At most sites information on cancellations was rated by researchers as 'fairly easy' to find and understand, but at 16 per cent of electrical sites it was rated as not easy. Researchers were more likely to find information on cancellation of non-faulty goods/services on electrical sites than on travel and hard copy music sites.

TABLE 3.11: SUMMARY OF INFORMATION ON CANCELLATION ON NON-FAULTY GOODS/SERVICE ON WEBSITES

Number of sites checked	Electrical 100	Travel 100	Hard Copy Music 46	All 246
Mention of cancellation period	88%	25%	61%	57%
Explanations of how to cancel order	94%	63%	76%	78%
Info easy to find and understand	84%	62%	68%	72%

Faulty goods

3.74 OFT lawyers also completed questions relating to information on 30 electrical websites relating to faulty goods.

3.75 At nine sites (30 per cent) it was clear that the supplier would collect the faulty goods and that there was no requirement for customers to return them. In contrast, at over half the sites (53 per cent), it was specified that the consumer was required to return the goods. This included:-

- five instances (17 per cent) where the supplier appeared not to be willing to reimburse the costs of returning the item;
- six sites (20 per cent) where it was unclear whether these costs would be reimbursed.

Concluding contracts

3.76 In almost half (47 per cent) of the 45 sites checked by OFT lawyers it was unclear at what point the contract was concluded. Where it was clear, the most common occasion, found on nine electrical and eight music websites (38 per cent of the 45 sites) was once the goods had been dispatched. However, other electrical sites mentioned other points of conclusion, including the moment when payment was received.

3.77 On one electrical site but no music sites, the terms and conditions recommended that the consumer paid insurance to the price to cover the product during its delivery.

3.78 On ten electrical sites (53 per cent) and seven music sites (47 per cent) researchers found statements saying that the etailer will send a confirmatory email acknowledging receipt of the order once made.

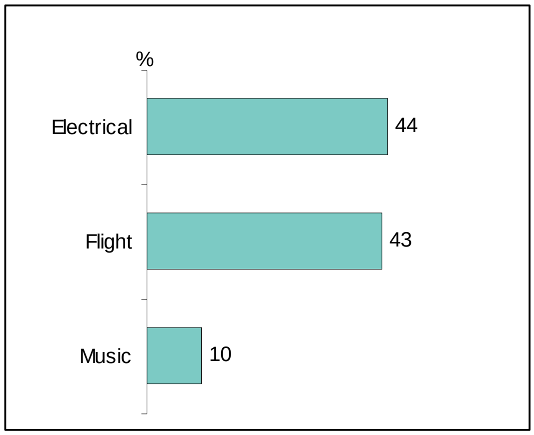
3.79 Twenty electrical sites (67 per cent) and eight music sites (53 per cent) made mention of a Choice of Law with England being the country specified.

3.80 Two of the thirty electrical sites checked (no music sites) referred to the Distance Selling Directive 97/7/EC.

Dealing with complaints

3.81 At only 44 per cent of electrical sites did researchers find the website sections describing the business's processes for dealing with complaints, although this proportion was slightly higher for online only etailers (50 per cent).

CHART 3.12: PROPORTIONS OF SITES DESCRIBING COMPLAINT HANDLING PROCESS



Base: 100, 100, 50

3.82 Only five (10 per cent) of the music etailers supplied descriptions of their processes for dealing with complaints. This included one site where the complaints process referred to online dispute resolution.

3.83 In contrast, details of complaint handling processes were found on 43 per cent of flight sites including 20 (mostly ABTA members) which referred to online ombudsmen or similar schemes. (ABTA offers a low-cost independent arbitration service).

Collecting/handling personal information

3.84 The vast majority of sites (around nine in ten) make it clear to consumers that personal information is collected. Usually this is made clear through specific statements that it is being collected while other sites make it clear indirectly, by referring to usage of personal information.

3.85 In most cases (around five in six of all flight, electrical and music sites) the etailer states for what purposes personal information will be used. However, there are a few sites in each sector which make it clear that information is being collected without specifying what it will be used for.

CHART 3.13: COLLECTING/USING PERSONAL INFORMATION

	Electrical (100)	Flights (100)	Music (50)
Clear that personal info collected	87%	87%	90%
Etailer states for what purposes personal info used	83%	83%	82%
No statement found relating to usage of personal data	4%	4%	8%
Statement found that personal data will be held securely	55%	30%	30%
Statement found that user has right to find out info	56%	43%	58%
Statement found that errors to personal information may be corrected	36%	29%	20%
Personal info will be shared with others	40%	66%	44%

3.86 Researchers struggled to find explicit statements that personal information will be held securely. Such a statement was found on:-

- 55 per cent of all electrical websites (about six in ten of those collecting personal information);
- 30 per cent of flights and music websites.

3.87 There may have been more of these statements which were not found by FDS researchers and certainly OFT lawyers found statements about personal information being held securely on almost all the sites they checked.

3.88 At just over half the electrical and music sites and almost half the flight sites, the etailer clearly stated that the user has the right to find out what information was held about them. However, at only a minority of sites did the etailer state that errors to personal information may be corrected (37 per cent of electrical sites, 20 per cent of music sites and 29 per cent of flight sites).

3.89 Where personal information is being collected, almost half the electrical and music sites indicate that personal information will be shared with others. On 40 per cent of electrical sites and 32 per cent of music websites researchers found that the etailer gives the consumer the option of preventing personal information being passed to third parties for marketing purposes. On all electrical sites and 90 per cent of music sites it was recorded that this was under an opt-out system where information will be passed on to others unless action is taken.

3.90 However, on six out of ten electrical websites checked by OFT lawyers, where FDS researchers had said customers had to opt OUT if allowing information to be passed on, OFT lawyers recorded that where the site passed on information to third parties this was done on an opt-in basis where information was NOT passed on unless action was taken. The difference in the responses of FDS researchers and OFT lawyers suggests a lack of clarity in the wording of this part of etailer websites that is potentially confusing for consumers.

3.91 Results for flight sites were rather different. Most (66 per cent of all sites) state that personal information will be shared with others. Among airlines this figure was higher still at 81 per cent. Of 66 sites stating that personal information will be shared, forty (61 per cent) give the consumer the option of preventing personal information being passed on, and in almost all cases, FDS researchers recorded this as being on an opt-out basis.

Future marketing material

3.92 Around three in four music and flight websites and two in three electrical websites gave the user the option not to receive future marketing information from the etailer.

CHART 3.14: OPTING OUT OF RECEIVING MARKETING INFORMATION

User given option not to receive marketing info	Electrical	Flights	Music
……all mentioning	68%	72%	74%
……electronic communications	65%	43%	68%
……post specified	4%	9%	2%
……general statement only	-%	26%	6%

3.93 On most sites, the option to not receive future marketing material from the etailer specified electronic communications but in some instances, particularly on flights, a more general statement was provided which says consumers can opt out of receiving future marketing material. A small number of sites (just six per cent of the 250) specify that customers can opt out of receiving material by post.

3.94 For all types of site, in most cases, FDS researchers recorded that sites which enabled consumers to opt-out of receiving information did so on an opt-out system where communications would be sent unless consumers requested otherwise. However, OFT lawyers recorded a more even split between opt-out and opt-in systems where information is NOT sent out unless action is taken. Again, this suggests a lack of clarity in wording, although it could just be variation between the results for the sample checked by FDS (250) and the smaller subsample checked by OFT lawyers (45).

Use of cookies

3.95 FDS researchers were able to check whether sites used cookies by setting the computer security settings to 'Do not accept cookies' and then trying to visit the site's homepage and see if it is possible. An error message appears if it is not possible, indicating that the site does use cookies. It is possible that this method may underestimate the number of sites using cookies as some home pages may not use cookies, whilst other parts of the site may do so. There was evidence of cookies being used, even where the etailer did not state specifically that this was the case.

3.96 Researchers found most sites had statements that cookies are being used.

TABLE 3.15: USE OF COOKIES

Researchers found	Electrical (100)	Music (50)	Flights (100)
Evidence of cookies being used	85%	86%	95%
Statement on site that cookies are used	62%	70%	62%
Statement of what cookies are	46%	65%	59%
Statement how cookies are used on the website	58%	70%	59%
Statement that consumers have the opportunity to refuse the use of cookies	44%	63%	40%

3.97 Explanations of cookies and how they are used often stress the benefit to the consumer rather than the etailer. Therefore, when consumers are told they have the opportunity to refuse cookies they may also be advised that this is not in their interests if they wish to make the most appropriate use of the site. For example, one leading etailer selling hard copy music states:-

'Cookies allow you to take full advantage of some of [our] most innovative and useful features and we recommend that you leave them turned on.'

Another music etailer states:-

'Web users must agree to let cookies be saved for them but, in general, it helps web sites to serve users better. [We] may set cookies in your computer to provide you a better shopping experience and customised information by saving you time.'

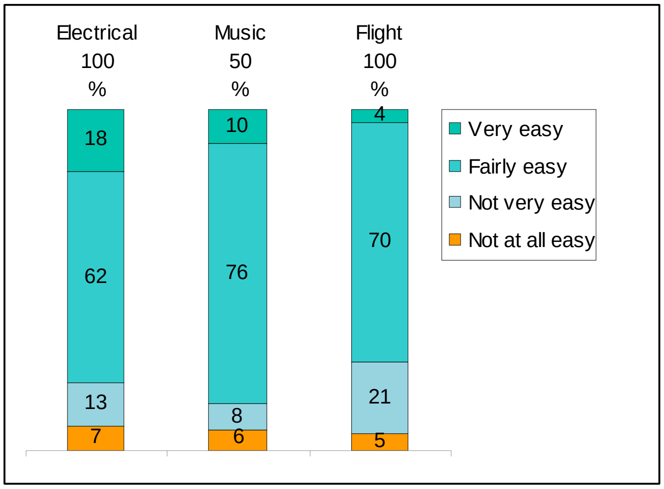
Some sites, including national high street retailers, state that visitors will not be able to use certain features at all unless they accept cookies:

"You must have cookies enabled if you wish to shop online at any of our stores or access any areas reserved for registered users.'

Ease of finding material relating to personal information

3.98 Information regarding how personal information is dealt with was generally rated by FDS researchers as 'fairly easy' to find.

CHART 3.16: EASE OF FINDING PERSONAL INFORMATION ON WEBSITE (SUBJECTIVE RATINGS)



3.99 OFT lawyers usually rated information on personal information as being very easy to find on electrical and music websites. (They were unable to comment on flight websites as they did not check this aspect on any of these.)

Self-regulatory web schemes

3.100 At just under half the 100 electrical websites checked (43 per cent) FDS researchers found evidence – generally in the form of logos – of membership of self-regulatory web schemes.

3.101 The most common was ISIS (Internet Shopping is Safe). Evidence of membership of this scheme run by the Interactive Media in Retail Group IMRG was found on 32 electrical sites (32 per cent). Other schemes of which etailers claimed membership included:-

- Trust UK (17 per cent)
- Safebuy (13 per cent)
- Internet Delivery is Safe IDIS (12 per cent)
- Web Trader UK (2)

3.102 There was considerable overlap with membership of these other schemes and ISIS membership (which is perhaps unsurprising as both are run by IMRG).

3.103 In contrast, only three music websites (6 per cent) claimed membership of schemes, two Safebuy and one Trust UK.

3.104 Two electrical and three music sites indicated that they were PayPal Payment Serial Providers.

3.105 On the 100 flights websites, 38 displayed ABTA membership, 50 displayed Air Travel Organiser's Licensing (ATOL) membership and 22 were International Air Transport Association IATA members. Eight were members of Thawte, a provider of SSL Web Server Certificates. Airlines were less likely than other flight organisations to display membership of ATOL, ABTA, IATA or other schemes. This may be because airlines are not entitled to join all of them: for example ATOL exists for tour operators.

3.106 Where etailers claimed to be members of self-regulatory web schemes the evidence was generally considered easy to find.

TABLE 3.17: EASE OF FINDING INFO ON MAIN SELF-REGULATING WEB SCHEME

	Numbers mentioning	Proportion rated easy to find
Flight websites (100)		
ATOL	50	94%
ABTA	38	97%
IATA	22	100%
THAWTE	8	87%
Electrical Website (100)		
Trust UK	16	75%
ISIS	32	84%
Safe Buy	13	92%
IDIS	12	100%

Music websites are not included in the above table owing to the small number of sites with this information

3.107 In most cases members of these schemes also provided information as to what it meant to be a member of this scheme and enabled consumers to verify that they were genuine members.

Overall ease of finding information

3.108 Researchers spent around ninety minutes on average, completing a questionnaire for an individual site. They took such a long time partly because of the volume of information required.

3.109 Researchers rated most electrical, music and flight sites as 'fairly easy' in terms of finding information such as cancellation rights.

4 PRICES ON ELECTRICAL WEBSITES

Method

4.1 As part of the checks, researchers tried to find twelve specific makes/models on the 100 websites. The brands and product types (though not the specific models) are listed below:-

- Canon digital camera
- Apple Ipod
- Lg 37” HD ready colour TV
- Russell Hobbs toaster
- Hotpoint fridge freezer
- Toshiba laptop
- Zanussi dishwasher
- Dyson vacuum cleaner
- Sony micro stereo system
- Sony games console black standalone unit
- Alba DVD player
- Hitachi 14” TV remote non-flat screen.

4.2 In fact the 100 websites had only a limited number of the specific models available either because:-

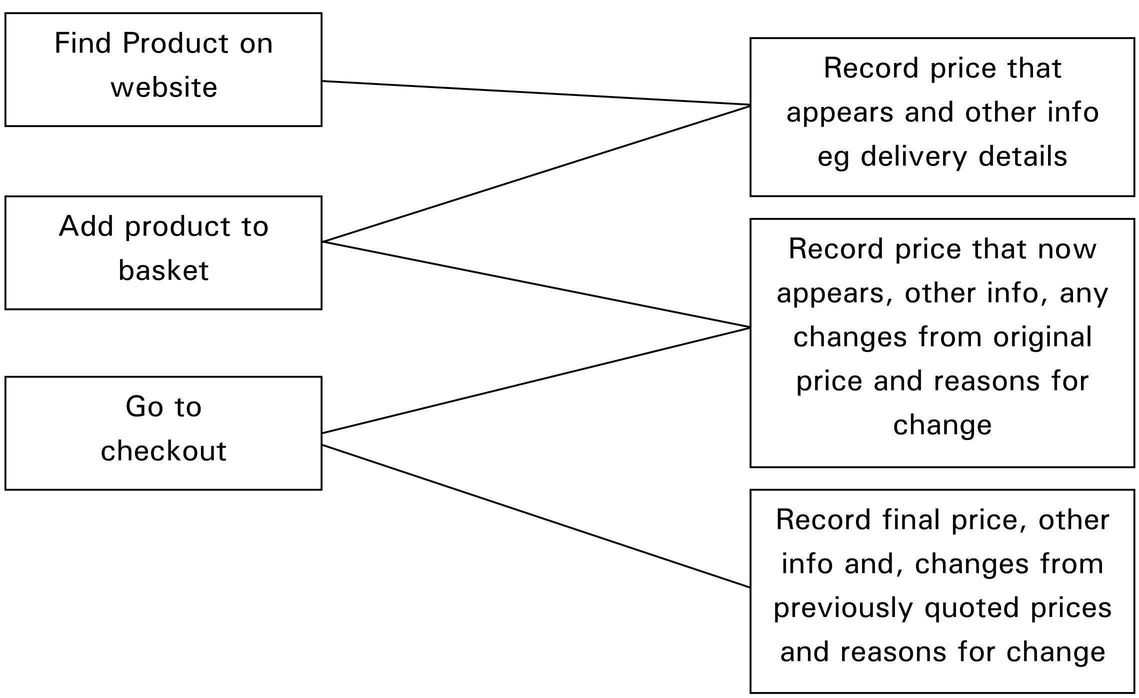
- they did not stock that type of product (for example, etailers included specialists in cameras, TVs and kitchen appliances)
- they stocked that type of product but not that particular model.

4.3 For the first 60 websites visited, FDS researchers selected similar products as substitutes if the specified product was not for sale. However, following a review of emerging findings it was decided there was marginal value in including substitute products. This was because the process of adding additional costs and displaying information to consumers was the same irrespective of product. Also, the base of product checks made was clearly going to end up at well over 400.

4.4 Researchers tried to find each product on the websites and when successful, noted the first price that appeared. They then proceeded through the process, going to the basket and checkout noting whether/which compulsory or optional items had been added (see chart 4.1).

CHART 4.1: INVESTIGATIVE PROCESS

PROCEDURE INFORMATION RECORDED



4.5 In all, our researchers recorded checks for 434 items, including substitutes for the target product.

First price

4.6 Our researchers revealed huge differences in the prices identified for specific products on different sites. The most expensive price found for each product was 40-120 per cent dearer than the cheapest price found for each product. Sometimes differences were accentuated by individual sites offering products at prices much higher or lower than other sites.

4.7 However, even if we make allowances for this by ignoring the most expensive and least expensive 10 per cent of prices, the range between the first and ninth deciles (within which 80 per cent of prices fall) is still very wide. The ninth decile is typically 30-60 per cent dearer than the price of the first decile. On the basis of this evidence it appears that trying different sites will pay dividends for the patient consumer, especially on the most expensive products.

4.8 In well over half (69 per cent) of checks made, it was not immediately clear whether or not the 'first' price shown for the products included VAT. In fact on further investigation, prices were almost always shown inclusive of VAT, but this was not immediately obvious to the consumer. In two per cent of cases it was clear that the initial price excluded VAT.

4.9 In only 10 per cent of searches was it clear that the first price given included delivery charges. In around three in four websites (77 per cent) it was not immediately obvious whether or not delivery charges were included. This includes many instances where delivery charges were in fact included.

4.10 Etailers often charge different delivery fees to consumers in different locations and this can be especially true for bulkier items. Occasionally, consumers living in central London pay more than those living in other towns. This may be because others towns are considered to be more easily accessible and no congestion charge is payable. Therefore, some etailers may be unable to state a definite charge until the consumer enters their address. However, what is less understandable is the failure of many etailers to make clear to consumers at the first available opportunity, that a delivery charge will be payable.

Basket price

4.11 When researchers selected a product and placed it in their basket they often found that additional items had been added as optional or compulsory 'extras' when they reviewed the basket and their order, even before they had proceeded to checkout (see chart 4.1). This was the case in over four in ten (44 per cent) investigations. In about five per cent of cases, the 'extras' were optional, but in almost 40 per cent of cases, they were compulsory.

4.12 Optional items varied greatly and were often specific to the item in question. For example, service plans or warranties were included in optional items added to large white goods.

4.13 In around three per cent of searches, VAT was added to the consumer's basket at the review stage.

4.14 In one in three investigations (34 per cent) delivery (shipping or postage and packaging) had been added in the consumer's basket. In around one in five occasions where delivery was added, it had been made clear to the consumer when the price was first shown that this excluded delivery and that additional delivery charges were expected or possible.

4.15 In a few instances the 'extra' was a benefit (for example a manufacturer's warranty was occasionally added to the basket).

4.16 However, in 43 per cent of investigations, the basket price differed from the first advertised price. Likelihood of basket price differing from first advertised price did not vary greatly by product, but does vary according to etailer policies. So if on a particular website the basket price for one product requiring delivery is different from the first price, the same is also likely to be true for another product requiring delivery from the same etailer. That is, etailers tend to follow an inclusive or non-inclusive pricing policy across the site regardless of the product.

4.17 Some etailers' normal practice is to show initial price including delivery. Others normally start by showing prices excluding delivery and add this later. In the vast majority of cases, it was the addition of a delivery charge that caused the basket price to be higher. There were 434 electrical price checks of which 89 recorded compulsory items added to the basket: 78 per cent of these related to delivery. A further 31 checks recorded compulsory items added at the checkout stage, 87 per cent of which related to delivery.

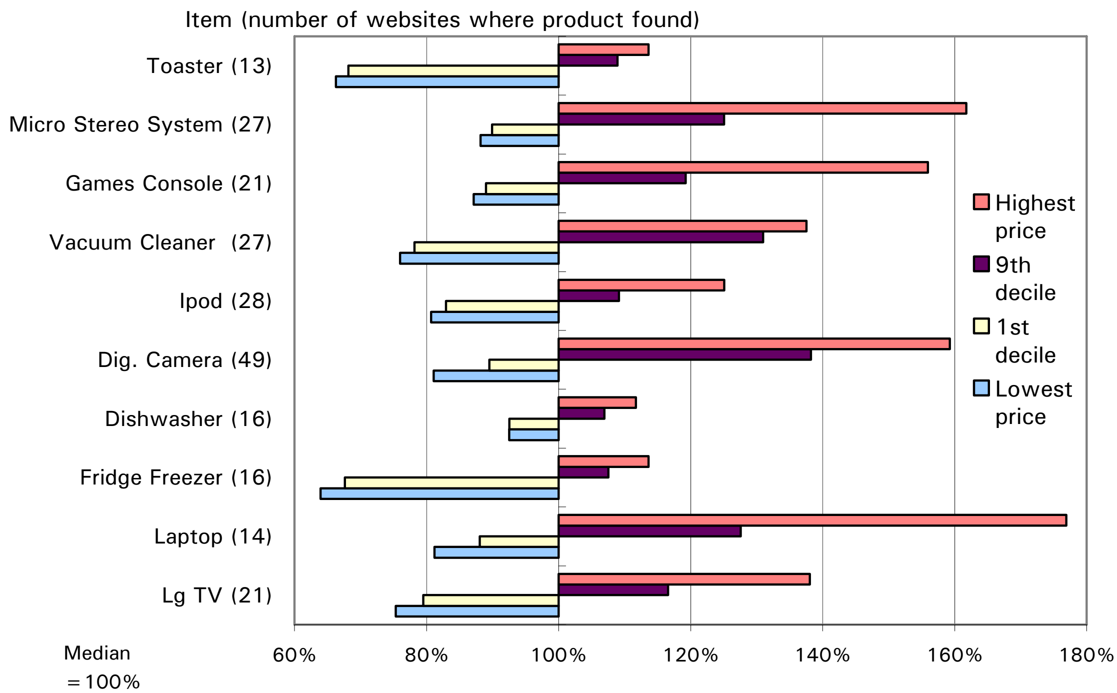
Checkout prices

4.18 After reviewing their potential purchases at the basket review stage researchers, mimicking the behaviour of online consumers, moved on to checkout.

4.19 Where 'extras' were added it was usually between the first price being displayed and the basket price. However, researchers also encountered numerous instances of compulsory 'extras' (almost invariably charges, although in one case VAT) being added to the consumers' checkout page. This occurred in 14 per cent of investigations overall and 24 per cent of checks for a particular model of digital camera. This product was found in some specialist etailers which did not stock the other products investigated and the policies of these specialists may account for the higher proportion of additional checkout items.

4.20 The range of final checkout prices are shown in the tables which follow for the ten items found on at least ten sites. Chart 4.2 shows the lowest and highest prices and first and ninth deciles found on different websites as a percentage of the median.

CHART 4.2 RANGE OF PRICES FOR ELECTRICAL GOODS (IN RELATION TO THE MEDIAN PRICE)



4.21 There was huge variation in the final prices found on etailers websites for nine of the ten products where there were over ten prices checks. Only one of the ten products did not have a wide price variation with the highest price 'only' 20 per cent) higher than the lowest price found. Even so, the difference was still over £50.

4.22 For the other nine products the highest price was at least 50 per cent higher than the lowest price found and in one case it was more than double.

4.23 As for first prices, even if we ignore the most expensive and least expensive (10 per cent) of prices, the range between the first and ninth deciles is still very wide, with the ninth decile typically 30-70 per cent more than the price of the first decile.

Delivery charges

4.24 Delivery charges sometimes constituted a significant element of the total checkout price of a particular product.

4.25 For most products, over half the etailers offering the items imposed delivery charges, the actual amounts varying widely especially on bulkier, higher value items. The range of charges for the main products is summarised below.

TABLE 4.3: DELIVERY CHARGES OF PRODUCT

	% of etailers charging for delivery	Range of delivery charge (maximum as per cent of minimum)
Hotpoint Fridge Freezer	44%	1428%
Dyson Vacuum cleaner	44%	571%
Sony stand alone unit	48%	227%
Zanussi dishwasher	50%	193%
Russell Hobbs Toaster	61%	253%
Apple Ipod	67%	429%
Sony HiFi	67%	588%
Lg LCD 37″ TV	69%	1766%
Canon digital camera	69%	490%
Toshiba Laptop	71%	445%

4.26 We defined the default delivery option as the one the consumer would receive unless they took specific steps to change this on the website by deselecting the default option and selecting an alternative. On virtually every site (95 per cent), the default delivery option was the cheapest available.

4.27 Time taken for the default delivery varied from the next working day to five or more working days. Delivery tended to be quicker for digital cameras (most being delivered within two working days). A few sites (six out of 100) failed to make clear how long delivery was likely to take.

4.28 Delivery options are usually presented before the consumer reaches the checkout. There were very few instances of compulsory insurance being added to cover the product during its delivery, or of the consumer being encouraged to take out optional insurance. Both occurrences were found in only one per cent of checks.

Special offers

4.29 For around five per cent of searches there was a special offer or price reduction on the item in question, but for no single product was this a common occurrence.

4.30 The Distance Selling Regulations require that websites that advertise a special offer indicate how long the offer is valid for. However, only two of the fifteen 'special offers' claiming to be special offers on the main products were time limited and both were for digital cameras. Investigators did not find evidence, therefore, that online shoppers are being encouraged to make quick decisions to take advantage of short term prices.

4.31 That said, our impression gained when revisiting sites 2-3 weeks later is that some etailers adjust prices upwards or downwards quite frequently. However, a quantitative assessment of frequency of changing prices was beyond the scope of this research.

Terms and conditions

4.32 On the vast majority of sites (92 per cent) researchers found 'Terms and conditions'. Additionally, researchers recorded whether terms and conditions of the sales were presented to the consumer at any point DURING the purchase process. In fewer than half our investigations (47 per cent) were these presented.

4.33 We found 36 instances (15 per cent of investigations) of terms and conditions being presented through click wrap, where they are shown alongside a box that has to be ticked to say one agrees to them either when first using the site or during the buying process. More commonly (75 occasions, 32 per cent of investigations), terms and conditions appeared through browse wrap, whereby the terms and conditions are on the website (maybe through a link somewhere on the page) but the consumer does NOT have to tick a box to say they agree to them.

Adding extra items

4.34 Some etailers do not state precise delivery charges when the product price is first displayed. Many etailers will levy different delivery charges depending on:-

- whether this is the only item being purchased
- total order value
- location of delivery address.

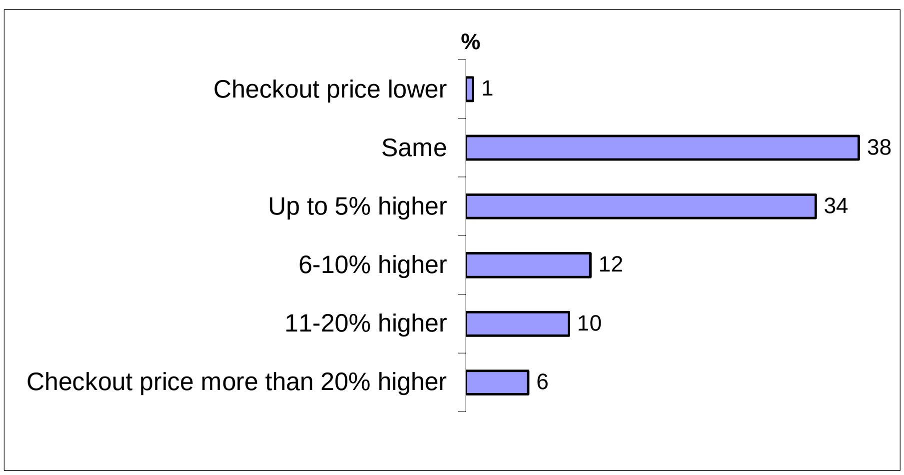
4.35 For example, researchers found instances where rural locations in northern Scotland were charged more for delivery than addresses in Home Counties. A few etailers charged a premium for central London deliveries.

4.36 In making our investigations we assumed the purchaser was buying a single item only. Some sites offered free delivery for multiple purchases or if the total order exceeded a pre-specified amount.

4.37 Some etailers fail to give early warning to the consumer that delivery charges might or will be incurred. A clearly visible statement such as 'price excludes delivery' when the price is first displayed warns the purchaser that a delivery charge is likely. However, the majority of sites which charged extra for delivery failed to display such a statement. Out of 122 instances where compulsory items were added to the price, the consumer was given warning of this when the product was first displayed, on only 23 occasions (19 per cent). This proportion did not vary greatly by product purchased.

4.38 In fewer than half the investigations carried out, the first price shown for a particular product was the same as the final checkout price.

CHART 4.4: COMPARISON OF CHECKOUT VS FIRST PRICE



Base: 434 price checks

4.39 In percentage terms, smaller value items such as toasters fare particularly poorly with six out of 13 etailers having a checkout price more than 10 per cent higher than the price first shown.

4.40 The consumer may reach checkout without being aware of a delivery charge. Furthermore, the lack of transparency when prices are first displayed makes it more difficult for consumers to compare prices on different websites as they may have to spend several minutes on a site to find the total price for a product rather than that originally quoted.

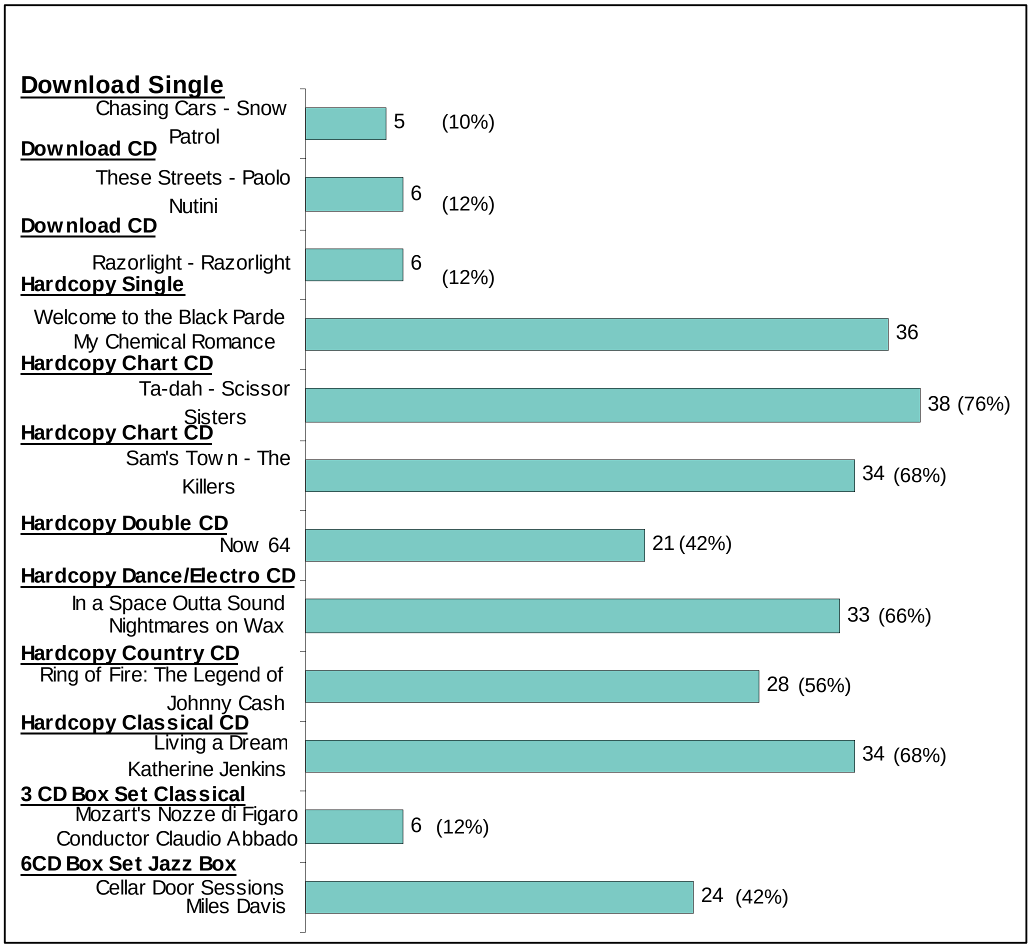
5 PRICES ON MUSIC WEBSITES

Method

5.1 Researchers attempted to find eleven products (three downloads and eight hardcopy CDs) on each of 50 music etailer sites. They recorded the first price shown on the actual site then noted whether/how they changed and why as they proceeded to basket and checkout stages (see diagram 4.1 used in electrical section).

5.2 The numbers of sites from which products were available are shown below. We did not count instances where downloads were available, but only to consumers who paid a monthly or annual subscription entitling them to dozens or hundreds of downloads. Only seven out of fifty sites offered downloads on an individual basis.

CHART 5.1: NUMBER OF SITES FROM WHICH PRODUCTS AVAILABLE



First prices

5.3 Very few sites sold individual downloads. In absolute terms the differences in price between the cheapest and most expensive were quite modest but in percentage terms the differences were quite high (around 50 per cent).

5.4 Researchers found wide variation in the first prices found for hardcopy CDs on each website suggesting consumers will benefit from trying a number of different sites. Most sites sold the hardcopy chart CD's Sam's Town and Ta-dah. For both CDs a couple of sites had exceptionally high prices and the highest price found was more than double the cheapest.

5.5 There were wide variations in price, in percentage terms for three of the products.

5.6 Prices were shown inclusive of VAT although this was not always obvious. Indeed in only three per cent of checks did researchers code that it was expressly stated and clear that VAT was included.

5.7 On most websites selling hardcopy CDs (around five in six: 85 per cent) it was not initially clear whether or not the first price included delivery/postage, although in fact the price shown was normally inclusive.

Basket price

5.8 After noting the price originally stated on the website, researchers clicked on the basket sample to review the basket price.

5.9 On only one occasion out of 17 checks on downloads was the 'basket price' different from the 'first price'.

5.10 On 41 out of 254 checks (16 per cent) on hardcopy CDs the basket price was different for the first price shown, and this difference was almost invariably due to the addition of postage and packing/delivery charges.

Checkout prices

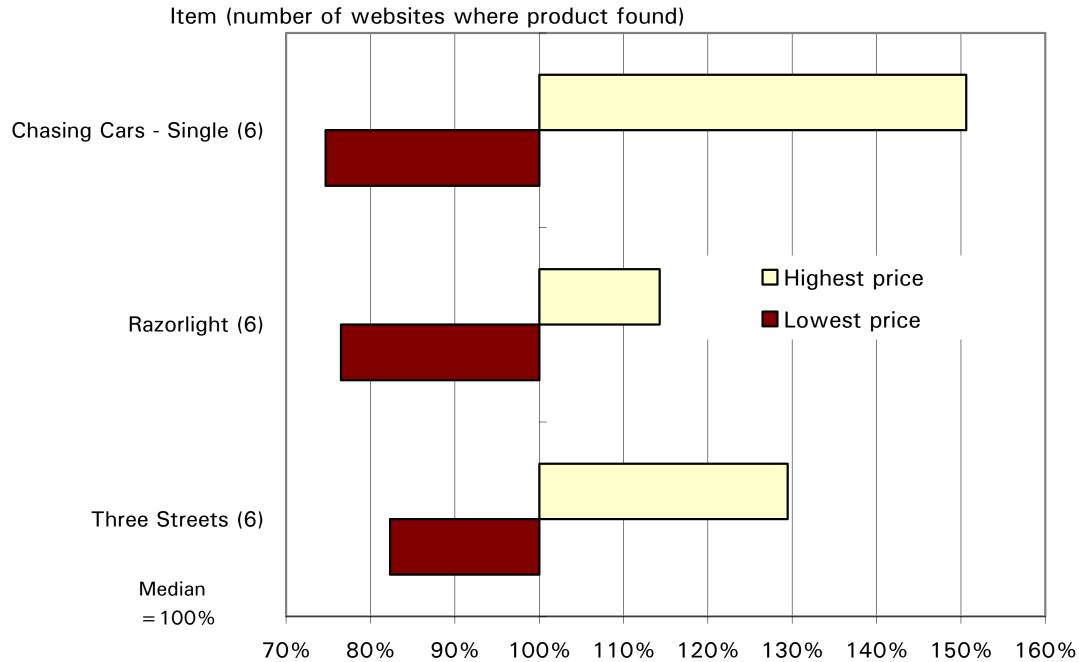
5.11 Having noted any changes in the basket price versus the original, researchers proceeded to checkout.

5.12 On fifteen sites (30 per cent) selling hardcopy music there were instances of the 'checkout price' being different from the 'basket price', due to the addition of postage charges.

5.13 In 38 per cent of searches for hardcopy CDs the final 'checkout price' was different from the initial price – although in more than half (56 per cent) of these cases it was at the basket stage that the price changed - 22 per cent of searches.

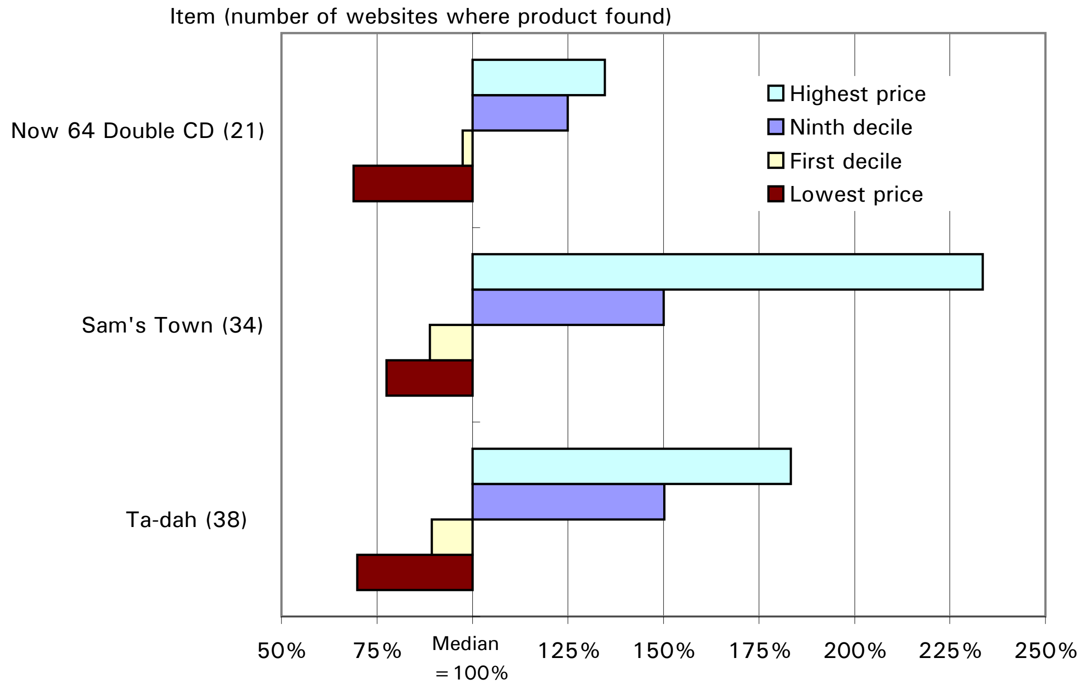
5.14 In almost every case (about 95 per cent) researchers considered that it was clear what was included and excluded in the 'checkout price'. Chart 5.2 illustrates the range of the prices found for three download products expressed as a percentage of the median price.

CHART 5.2: RANGE OF PRICES FOR DOWNLOADS (IN RELATION TO MEDIAN PRICE)



5.15 In the case of individual music downloads the lowest price found was, in percentage terms at least, considerably lower than the highest price found. For the three downloads, the highest price was on average 69 per cent higher than the lowest price. This was especially true of the download single investigated where its low unit price may make buyers less price-sensitive if buying only one download.

CHART 5.3: PRICE RANGE OF CHART CDS IN RELATION TO MEDIAN PRICE

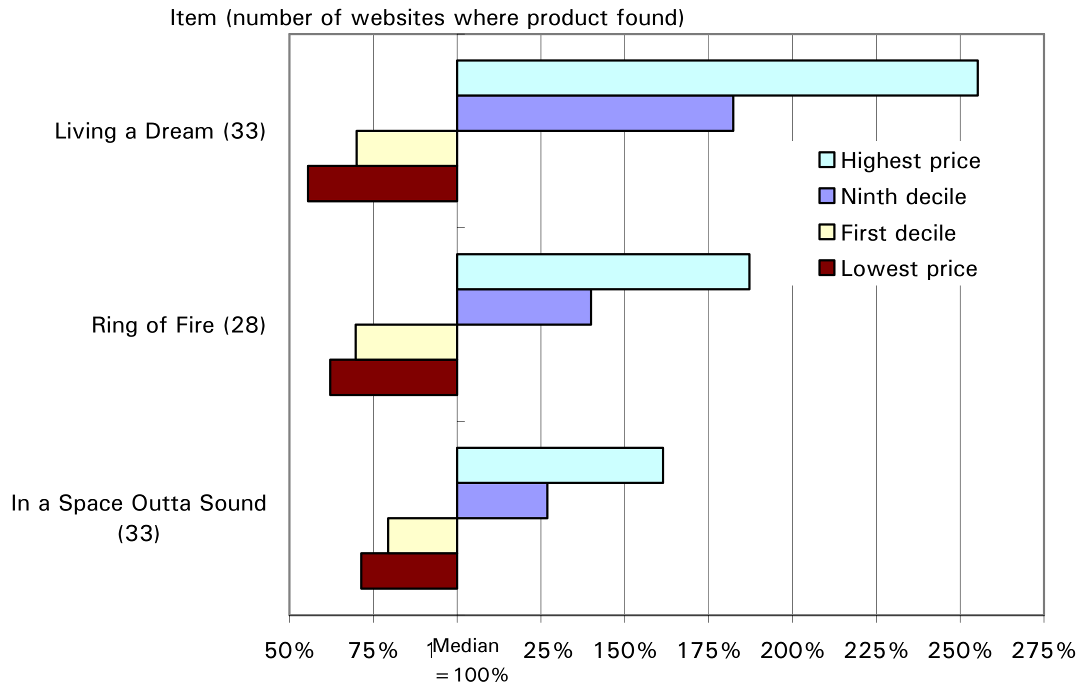


5.16 Prices for Ta-dah ranged widely with several sites selling it at more than double the price found on the cheapest site.

5.17 For two of these CDs the price variation is well illustrated by the fact the ninth decile was more than 50 per cent higher than the first decile, so even ignoring the real outliers, there was significant price variation in percentage terms.

5.18 Prices for the Double CD, Now 64, did not vary quite as much in absolute or percentage terms. Nevertheless the highest price found was almost double the lowest price.

CHART 5.4: PRICE RANGE OF SPECIALIST CDs IN RELATION TO THE MEDIAN PRICE

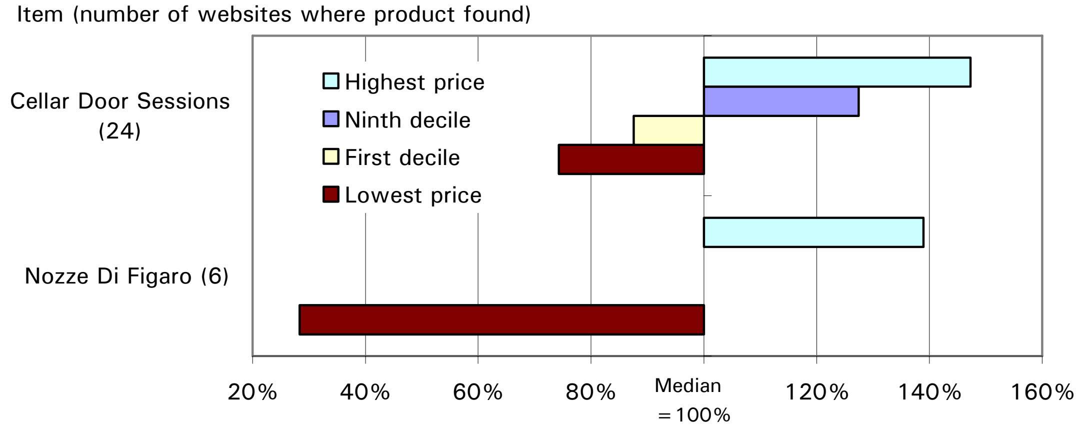


5.19 Some of the widest variations in price were for hardcopy CDs of specialist music, each of which was found on well over half the websites investigated.

5.20 For In a Space Outta Sound, the highest price was more than double the lowest price found and the ninth decile was more than 50 per cent dearer than the first decile.

5.21 There were wider variations for the other specialist CDs. The highest price for Living a Dream was more than four times as high as the lowest price. If we ignore outliers and focus on the first and ninth deciles there is still huge price variation with the ninth decile more than 250 per cent of the first decile. The evidence suggests that shopping around will pay off for someone seeking classical CDs or CDs for other speciality music.

TABLE 5.5: PRICE RANGE OF BOX SETS IN RELATION TO MEDIAN PRICE



5.22 Only six sites offered the Nozze Di Figaro box set on our shopping list. A non-European site offered the set at a reduced price, substantially lower than the others.

5.23 In absolute terms, the Cellar Door Sessions box set had one of the widest price ranges, but in percentage terms, one of the narrower ranges.

Postage

5.24 For single CDs, the default postal charge ranged from 50p to around £6. For double CDs and box sets postage charges were generally more expensive.

5.25 Delivery/postage options are usually presented before the consumer gets to the checkout, but occasionally these are only given in terms and conditions. For around ten per cent of searches delivery options are only given after the consumer's payment details were entered. 1-2 working days was the typical default delivery time, although box sets could often take longer.

5.26 Sites which had an item in stock generally indicated that they would dispatch it within 48 hours although some sites said that delivery would take more than four days.

Special Offers

5.27 Very few featured downloads were on special offer or featured price reductions. In contrast, almost half the CDs were on special offer or featured price reductions. Specialist CDs were less likely to be on offer/reduced than chart CDs.

5.28 The savings were:-

- usually expressed as a saving of a specific amount (eg 'save £6.04')

- sometimes expressed as a saving of a specific percentage (eg 'save 18 per cent')

- and occasionally as a comparison against a previous price (eg 'was £9.07 now £6.93').

5.29 These savings were not time limited. True 'special offers' are goods marketed to customers within a limited period.

Terms and conditions

5.30 On around three in ten sites (33 per cent), terms and conditions of the sale were presented to the consumer DURING the purchase process. For 18 per cent of all searches they were presented through click wrap, for 13 per cent, browse wrap.

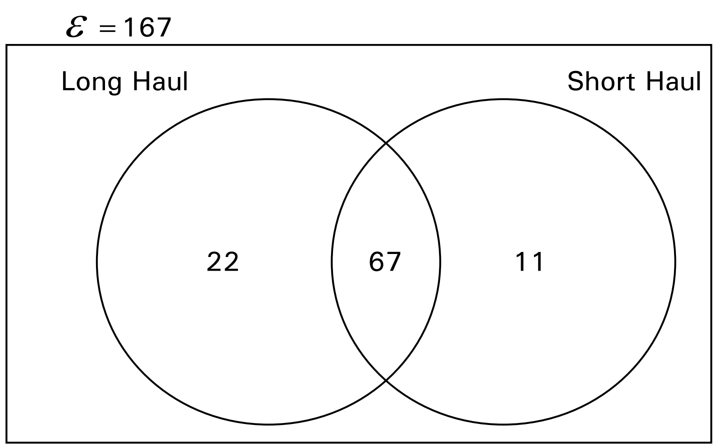
6 PRICES OF FLIGHTS

Method

6.1 Researchers visited 100 flight websites and selected, wherever available, a short-haul and long-haul flight.[16] Typical destinations were Spain, France, Holland and Denmark for short-haul and USA, Australia, Far East or Middle East for long-haul flights. The actual choice of destination was not important as websites usually present prices in a consistent way regardless of destination. The following analysis is based on return flights for two people to be made 4-8 weeks ahead, not at a peak holiday time.

6.2 On 89 sites researchers found short-haul flights to Europe and on 78 long-haul flights to other continents. On 67 sites researchers checked a short-haul and long-haul flight. Twenty-two of the sites featured only short haul flights and 11 sites only offered long haul flights[17]. In total researchers checked the details of 167 flights as illustrated in Chart 6.1 below.

CHART 6.1: FLIGHTS



6.3 While we are interested in transparency of pricing rather than absolute prices it is interesting to note the wide range of prices for return flights which are shown below. The table below excludes a London to Frankfurt

[16] Short/long haul was defined as 'within/outside Europe'.

[17] 67 long and short haul $+22$ short haul $+11$ long haul $=100$ sites checked.

return trip via an unusual route (the Middle East) and an even more unusual price (£6,399) on the basis nobody would ever make this trip, although it was found on an airlines website.

TABLE 6.2: FLIGHTS – RANGE OF FIRST PRICE FOUND FOR ONE RETURN FLIGHT

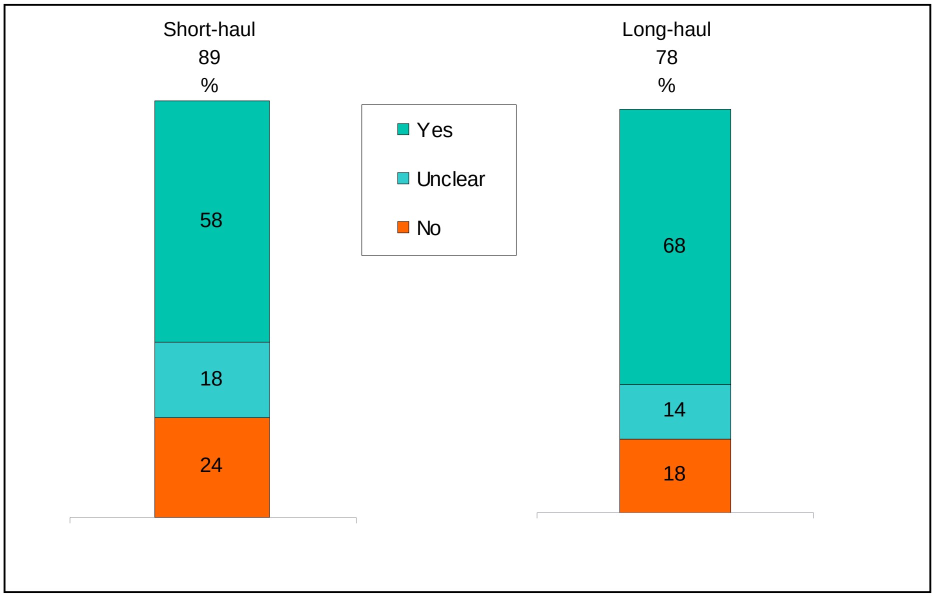
	Range
All sites (167)	£1 - £1,529
Airlines (44)	£1 - £783.90
Tour operators (37)	£2 - £1,529
Others (86)	£35 - £928

6.4 Researchers coded whether, based on the initial information presented when the price first appeared, the price included airport or other taxes.

6.5 Included in the 'Yes' category are a few sites where the site indicated that prices were all inclusive although additional charges appeared later in the purchase process. Similarly, the 'unclear' category includes some sites where researchers discovered later initial prices were all-inclusive and others where taxes were added to the original price.

6.6 Some sites (24 per cent of short-haul and 18 per cent of long-haul) do not include airport or other taxes when first providing a price for a flight. For other sites (18 per cent of short-haul and 14 per cent of long-haul) it was not clear whether or not these taxes were included at this point.

CHART 6.3: WHETHER (BASED ON INITIAL INFO WHEN FIRST PRICE APPEARS) PRICE INCLUDES AIRPORT OR OTHER TAXES



Base: 167 flights

6.7 In the case of 10 per cent of short-haul and 12 per cent of long-haul flights there were other visible charges, additional to airport and other taxes included in the originally stated price. For example, some websites showed the price inclusive of taxes but also showed a service fee as a separate item when the prices were first displayed. In these instances the consumer is immediately aware that these additional charges will be payable.

6.8 A few airlines, and tour operators, charge nominal prices for flights (while stating that these prices would increase when taxes were added).

6.9 On 51 of the 167 searches (31 per cent) elements of the first price shown were listed separately. These items included:-

- the cost of the flight ticket (on 51 occasions)
- airport/other taxes (43)
- fuel supplement (15)
- baggage (8)
- booking charge (10)

Basket prices (booking summary)

6.10 Consumers buying products usually have three chances to check the price of an item:-

- (i) when first selecting an item
- (ii) when reviewing basket (booking summary) before checkout
- (iii) after moving to checkout

6.11 In the case of 89 per cent of short-haul and 95 per cent of long-haul flights the consumer is given the opportunity to review their purchase at an intermediate stage before proceeding to checkout. On flight websites this is sometimes referred to as the booking summary stage.

6.12 In about half of the cases where researchers checked their basket at the booking summary stage, items had been added. In every case where compulsory items had been added, the price of this item was stated.

TABLE 6.4: WHETHER ITEMS ADDED TO BASKET (AT BOOKING SUMMARY STAGE)

Base = site has intermediate review stage	Short-haul flights (79) %	Long-haul flights (74) %
Yes, items added	47	50
Compulsory items – any	37	41
Optional items – any	18	18
Compulsory items – only (ie no optional items)	29	32
Compulsory AND optional items	8	8
Optional items only (ie no compulsory items)	10	9

6.13 Apart from a couple of instances (one per cent of all checks) of optional accommodation and one of an in-flight meal being added, the optional items related to insurance.

6.14 In only one case did this optional insurance specifically cover airline failure, although there were a few instances (two per cent of all checks) where airline failure protection was added as a compulsory item.

TABLE 6.5: COMPULSORY ITEMS ADDED AT BASKET STAGE

	Number of occurrences	% of occasions where compulsory items added (59)	% of all sites with intermediate review (153)
Airport tax	19	32%	12%
Tax/other/unspecified	23	39%	15%
Air passenger duty	4	7%	3%
Fuel supplement	17	29%	11%
Transaction charge	8	14%	5%
Service fee/charge	7	12%	5%
Credit card handling charge	2	3%	1%
Airline failure cover	3	5%	2%
Postage	1	2%	1%

6.15 Compulsory items were more varied. On 39 per cent of checks where sites had review stages, (59 occasions) compulsory items were added at the review stage. The main items covered were taxes and fuel supplement as well as transaction/service charges. However, there was quite a wide range of different items added, with different wording being used to describe similar or identical additional charges.

6.16 In a few instances the website linked together various additional items, for example as 'fees and surcharges' or 'taxes, fees and charges'.

6.17 On long-haul flights, the additional charges of airport and other taxes were sometimes modest (£20 or less), but usually exceeded £100 for two passengers, and in several instances, taxes were over £300.

6.18 Additional charges attributed to tax were lower on short-haul flights but the mean was over £60 for two tickets and in several instances, additional tax exceeded £100.

6.19 Additional charges attributed to fuel supplements were generally a little lower but still averaged almost £100 for two persons for long-haul and £60 for short-haul flights.

6.20 Transaction charges and other surcharges were relatively modest but in one instance the original price quoted was only £116 and the surcharges amounted to a 26 per cent increase on the original price.

6.21 In almost half the sites where there was an intermediate review stage, the booking summary price was different from the first price shown.

6.22 Including sites where there was no intermediate stage: 42 per cent of all searches revealed a booking summary price different from the first price shown. This figure was similar for the different types of website:-

- 41 per cent for airlines
- 41 per cent for tour operators
- 43 per cent for other organisations.

6.23 By far the main reason for booking summary price being different from the original price was the appearance of additional charges not originally included. Of the 70 occasions when booking summary prices were different from the original price shown the main reasons recorded by researchers naturally reflected the additional compulsory items they observed and logged:-

- tax (37 mentions)
- fuel supplement (19)
- transaction charges (6)
- airline failure protection (2)
- air passenger duty (2)
- credit card charge (2).

6.24 On ten occasions the site made a specific reference to an online booking discount which affected the price, although in some instances this discount was not sufficient to offset the additional charges.

6.25 With the third type of instance where the booking summary price was different from that shown originally there was no obvious reason why. This included a couple of instances where the website acknowledged that the booking price had changed from that originally shown without explaining why.

6.26 On three occasions the booking price was cheaper than the initial price without the site giving a reason.

6.27 Almost half of all sites (46 per cent), as well as or instead of adding optional items to the booking summary, made additional suggestions of what the consumer might like to try. These suggestions were NOT reflected in the booking summary price but the site made clear that customers could spend more by signing up to these additional services. The proportion of 46 per cent hardly varied for long and short haul flights but very different results were produced by type of organisation. Travel agents with high street presence invariably made additional suggestions as did 70 per cent of tour operators, but only 27 per cent of airlines did so.

6.28 The main suggestions for additional optional items are shown below:-

- insurance (52 mentions - 31 per cent of investigations) and in only three cases was it clear that this included airline failure
- accommodation (27 mentions – 16 per cent)
- car hire (22 mentions – 13 per cent)
- meals (in-flight) (10 mentions – six per cent)
- airport parking (4 mentions – two per cent)
- pre-bookable seats (3 mentions – two per cent)
- upgraded seats (3 mentions – two per cent)
- discount card (2 mentions – one per cent)

6.29 A few suggestions were for additional luxury items such as champagne or chocolate but couples may have been a little disconcerted to see a 'sit together charge' suggested by one airline/tour operator.

Checkout

6.30 Researchers went to the checkout stage and recorded whether additional items had been recorded at this stage ie. when compared against either the booking summary or if no booking summary, the first price shown. In the case of 13 per cent of short-haul and nine per cent of long-haul flights, additional items had been added to the checkout bundle, and these figures were a little higher for tour operators. These figures are much lower than the proportion of sites where the booking summary price was different from the original price. Therefore, it is more likely that additional charges will appear from the first time at the booking summary stage than at checkout.

TABLE 6.6: WHETHER ITEMS ADDED AT CHECKOUT

	Short-haul (89) %	Long-haul (78) %
Yes, any	13	9
Compulsory items	7	9
Optional items	7	-

6.31 The optional items were generally insurance, suggested by airlines on short haul flight. In only one instance was it made clear this insurance covered airline failure.

6.32 Of the 13 instances where compulsory items were added at the checkout:-

- transaction charges accounted for 7 of these
- postage (3)
- airport tax (2)
- fuel supplement (2)
- meals (1)
- 'tickets on departure' (1)

6.33 Where additional fees are added at the checkout stage, the nature of these fees is different from the booking summary. Charges are usually related to the transaction whereas the booking summary is more likely to add in airport or other taxes. This is highlighted in Table 6.7 which confirms that compulsory items are much more likely to be added at the Booking Summary/Intermediate Review stage than at the Final Checkout and that taxes in particular, are much more likely to be added at the booking summary than at final checkout.

TABLE 6.7: WHETHER ITEMS ADDED FROM ORIGINAL PRICE

	At Booking summary 167 %	Final Checkout (compared with booking summary) 167 %
Any compulsory items added	35	8
Airport tax	11	1
Tax/other/unspecified	14	-
Air passenger duty	2	-

Fuel supplement	10	1
Transaction charge/surcharge/ service charge	9	4
Credit card handling charge	1	-
Airline failure cover	2	-
Postage	1	2
Meals	-	1
Tickets on departure	-	1

6.34 The amounts of money concerned are generally relatively modest, but one long-haul flight had a fuel supplement of £100 for two passengers while another had a transaction charge of £146 added at the checkout stage which represented over 20 per cent of the final checkout price.

6.35 Comparing the checkout price against the original price, these were different for:-

- 53 per cent of short-haul flights
- 56 per cent of long-haul flights
- 54 per cent of all flights.

6.36 As already explained, this was usually because of changes between:-

- original and booking summary price
- but in some instances due to additional items being added at the checkout

6.37 Of the websites selling flights that were checked, those least likely to see differences between initial/advertised prices and basket/checkout prices were long-haul airlines. Those most likely to record differences were web portals which only permitted online dealings.

CHART 6.8: WHETHER CHECKOUT PRICE DIFFERENT FROM ORIGINAL PRICE (SHORT-HAUL)

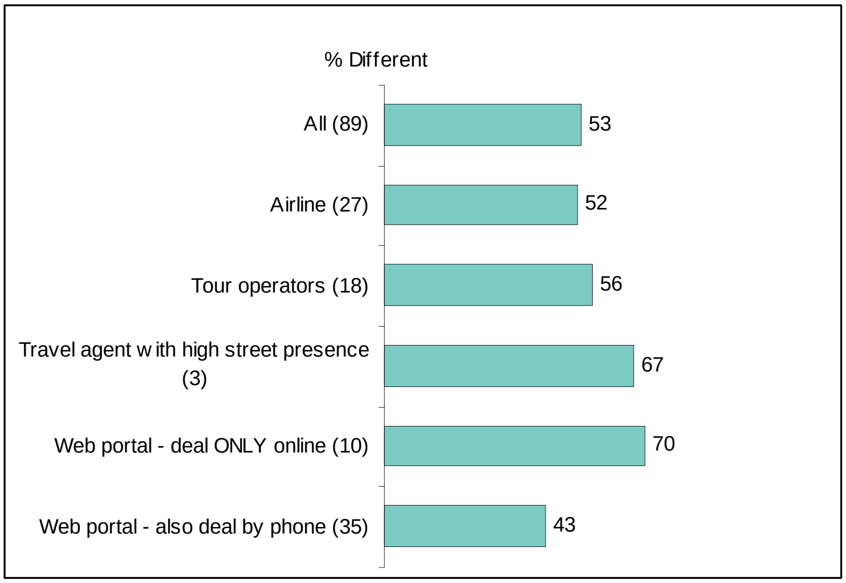
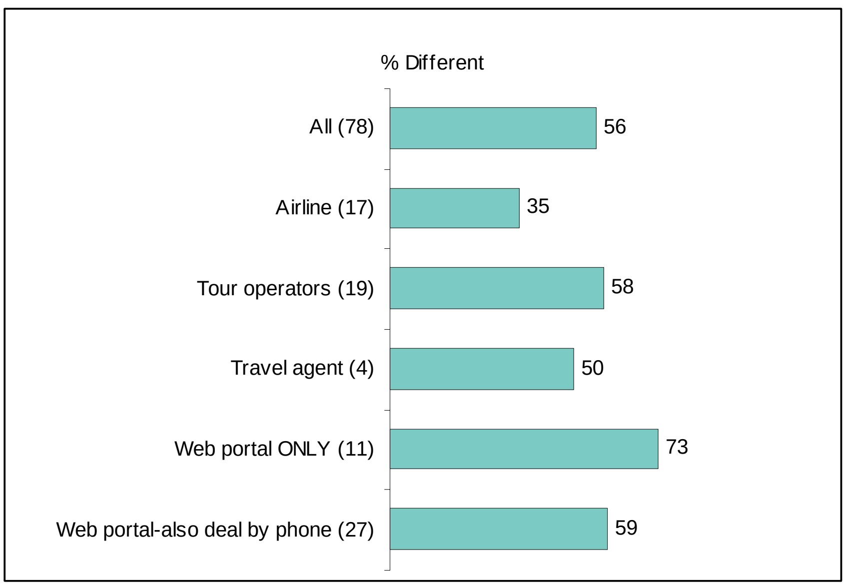


CHART 6.9: WHETHER CHECKOUT PRICE DIFFERENT FROM ORIGINAL PRICE (LONG-HAUL)



6.38 By far the most common reason for checkout prices being different from the original price were airport/other taxes. The other main reasons were fuel supplements and transaction charges.

6.39 In a few instances prices were lower than expected as the price of the flight was lower at checkout than when originally shown.

6.40 The median first price was £358 and the median final price was £381, indicating a typical difference of £23 between these values.

6.41 As discussed in 6.34, 54 per cent of the 167 flights checked showed a difference between the first price seen on the site and the checkout price. The median difference for all flight checks was nil per cent. However, this average becomes an increase of 16 per cent if cases where the first price and the checkout price were the same are excluded. If these cases are then separated by those which increased and those which decreased, forty-seven per cent of all flights checked increased from first price to final price by a median of 19 per cent and eight per cent of all flights checked decreased from first to final price by four per cent (often due to online booking discounts). Chart 6.10 illustrates the range of these differences in more detail.

CHART 6.10: DIFFERENCES BETWEEN FIRST AND CHECKOUT PRICE FOR TWO RETURN TICKETS

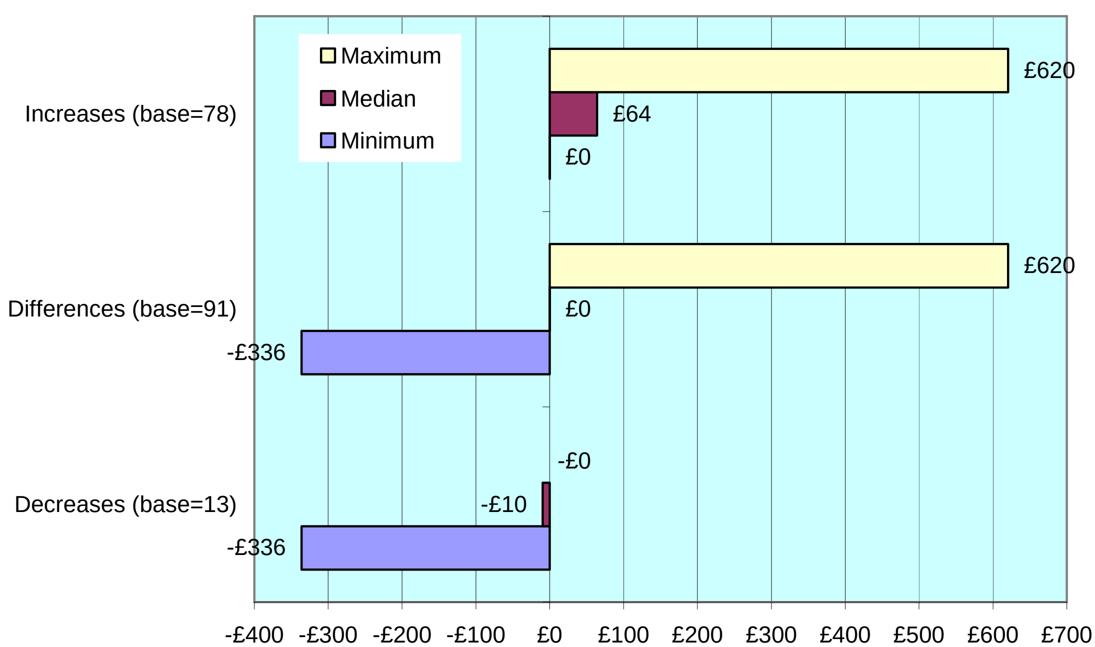


TABLE 6.11: COMPARISON OF CHECKOUT VERSUS ORIGINAL PRICES FOR 2 TICKETS – ABSOLUTE VALUE

	Short-haul flights	Long-haul flights
(Base)	89	78
	%	%
Check out cheaper	7	9
Same price	47	44
Up to £10 dearer at checkout	6	9
Over £10 up to £20	3	5
Over £20 up to £30	7	3
Over £30 up to £50	3	0
Over £50 up to £70	9	5
Over £70 up to £100	11	5
Over £100 up to £200	6	10
Over £200 up to £300	1	4
Over £300 up to £400	-	4
Over £400	-	3
Maximum difference	£245	£620
Mean difference	£28	£53

TABLE 6.12: COMPARISON OF CHECKOUT VERSUS ORIGINAL PRICE FOR 2 TICKETS– PERCENTAGE

	Short-haul flights	Long-haul flights
(Base)	89	78
	%	%
Checkout cheaper	7	9
Same price	47	44
Up to 5% more	8	15
6-10% more	4	3
11-20% more	8	13
21-30% more	-	3
31-40% more	4	4
41-50% more	8	4
51-60% more	3	1
61-70% more	-	1
More than 70% more	10	4

Note: The calculation is based on the original figure quoted.

6.42 For two tickets, the average (mean) difference in price (including instance where prices were the same) was £28 on short-haul and £53 on long-haul flights.

6.43 For 72 per cent of short-haul and 73 per cent of long-haul flights researchers coded that it was clear what was included or excluded in the checkout price. However, for only 59 per cent of short and long-haul flights did **airlines** receive a clear rating. Where an organisation did not receive a clear rating this was almost always because they failed to provide a breakdown of costs.

Sending tickets

6.44 Most sites gave a number of different options for consumers to receive tickets. An email ticket was the most widely available option especially from airlines but for long-haul flights especially, the consumer was often offered a postal option.

TABLE 6.13: OPTIONS FOR RECEIVING TICKETS

	Short-haul flights			Long-haul flights		
	All (89) %	Airlines (27) %	Others (62) %	All (78) %	Airlines (17) %	Other (61) %
Email tickets	58	82	50	58	82	51
Standard post	24	7	31	38	29	40
Registered post/ special delivery	18	-	26	26	-	33
Courier to home	1	-	2	1	-	2
Collected on departure	6	4	6	5	-	7
Unclear/not stated	19	19	19	14	6	16

6.45 In most cases, tickets are posted to consumers at no additional charge but one in five of those offering postal tickets levy an additional charge for this facility including one tour operator charging £40.

7 PRICE COMPARISON SITES

Method

7.1 Investigations into price comparison sites were carried out to test their ease of use, effectiveness and potential value to someone seeking a good price for a specific electrical or musical product. This analysis is based on nine sites offering price comparisons on music and electrical items plus one site (offering solely music comparisons) and another offering comparisons for electricity only. The selected sites appeared regularly on search engines searches for electrical and/or music items. The sites offering these two types of product were:-

- www.froogle.co.uk
- www.bizrate.co.uk
- www.uk.shopping.com
- www.ciao.co.uk
- www.nextag.co.uk
- www.kelkoo.co.uk
- www.shopgenie.co.uk
- www.pricechecker.co.uk
- www.pricerunner.co.uk

7.2 Researchers completed questionnaires for each price comparison site relating to issues such as:-

- provision of contract details
- ease of use of sites
- whether products rated
- how products displayed/rank order.

7.3 Additionally for six electrical items and nine music items, researchers compared the prices displayed on the price comparison website and checked up to five actual etailer websites for each product to see if the price displayed on the price comparison sites was the actual checkout price. This normally included the four cheapest sites, the dearest site and up to three others that were prominently listed on the default listing.

Information on sites

7.4 None of the eleven price comparison sites are etailers. Consumers can check products and prices but NOT make purchases directly from the sites.

7.5 There are limited options for consumers to make contact with the price comparison site:-

- eight give a full business address (three of these are outside the UK and one outside the EU)
- six offer an email address to contact consumer services
- five enable consumers to submit web forms to consumer services – two sites do not facilitate email/or web contact
- only three offer a consumer service telephone number (all three offering a UK geographic number)
- two offer a fax number.

7.6 No site offers all the above types of contact. Our researchers were unable to find any contact details for one of the price comparison sites.

7.7 Only one site displays a company registration number and two a VAT number. Only one site displays affiliation to a self-regulatory website.

7.8 Four sites were affiliated with other sites such as a search engine.

7.9 Five sites provided explanations of which etailers they cover. Of the other six sites, two were thought by researchers to have given the impression that they searched the whole UK web.

Using the site

7.10 Sites generally give an index supported by sub-indices to indicate which product areas are covered on their site. The user will normally click on a product category and enter or click on the relevant product in order to see listings of stores and selling prices for that product.

7.11 The etailers selling the product are listed in a pre-determined order – only three price comparison sites give explanations of how ranking policy works, that is how sites are rank ordered, and even then explanations were rated by researchers as 'fairly' rather then 'very easy' to find.

7.12 There were other sites where the intelligent user could quickly work out what the default listing was.

7.13 There is no requirement for price comparison sites to give information on consumer legal rights or to provide links to websites which give this information, and none do so.

7.14 Only six sites provide information on how to use the site, but price comparison sites (with the possible exception of one particular site which was rather confusing) were generally considered by researchers to be easy to use.

7.15 Five sites had advertising for products (such as pop-ups, tag lines or prominence for particular products).

Range of etailers covered

7.16 Price comparison sites usually have a limited (sometimes very limited) range of etailers covered. The number of etailers offered by price comparison sites for a particular product often ranged between 1-12. The number of etailers provided for a classical CD ranged from just one on one price comparison site to 42 etailers from another price comparison site and from 1-53 for a digital camera. Only four of the eleven sites were considered by researchers to have easy-to-find explanations of which etailers it covers. These explanations did not constitute a complete list of etailers but a general comment on numbers covered.

7.17 Eight sites compare prices for international etailers although two limit their comparisons to EU etailers. Two only show prices from UK etailers.

7.18 Four sites confirmed that they operated a policy of paying for inclusion (ie. etailers pay to have products listed)

7.19 Similarly, four offered paid-for advertising whereby etailers pay for a brand logo, together with a picture of products sold and tag lines describing the product.

7.20 One site confirmed that they had paid-for prominence whereby etailers paid to appear further up listings.

7.21 However, there is evidence that at least one other site that does not state that it offers advertisers paid-for prominence, offers paid for prominence. On the part of this site targeted at advertisers, consumers would find evidence of advertisers paying for prominence. However, typical consumers would have no obvious reason to visit these parts of the site, whereas the parts of the website the consumer would be likely to visit provide no indication that advertisers pay for more prominent listings.

7.22 Information on advertisers was rated as 'fairly easy' or 'not easy' to find – but never 'very easy'.

7.23 Five sites provide detailed information on etailers (such as address or website address) without consumers needing to visit the etailer's website to find this.

7.24 Only four sites had easy-to-find statements or assurances about the reputation of etailers it lists. In a few instances sites emphasised that the inclusion of a etailer on their site was no guarantee of its probity or quality.

7.25 Seven websites provide consumer reviews or ratings of the etailers displayed on the site when a product is searched for, and these reviews are generally easy to find. Therefore, while no sites advised against buying from a particular etailer, there were some which displayed reviews or information which might make one less inclined to buy from a particular etailer.

7.26 Only two sites indicate how often the pricing information displayed on the site is updated. Our researchers formed the impression whilst carrying out the research that information is sometimes updated quite frequently so searches conducted a few days apart may yield quite different results. However, information is not always up-to-date: one retailer launched a national TV campaign advertising a CD at a particular special offer price but price comparison sites continued to show its old price. Some sites ask for consumers' assistance in helping them to keep abreast of price and other changes.

7.27 At no site did prospective buyers need to register at the website to view products. However, at eight sites the consumer is advised that personal information is collected.

7.28 Nine sites (there were two exceptions) clearly state that the site uses cookies, including seven who explain what cookies are. All nine sites explain how cookies are used on the site and six give the consumer the opportunity to refuse the use of cookies. Information on cookies is rated as 'fairly easy' to find on most sites.

Product ratings

7.29 Nine sites (there were a couple of exceptions) provide consumer reviews or ratings of products. Two also offer magazine/expert reviews and two offer their own.

7.30 One site gives an indication of best selling products and some other sites list products in a rank order such as Top Twenty without making it clear whether the order is based on sales, product ratings or amount paid by advertisers/manufacturers.

7.31 There is sometimes a blurred area between product descriptions and product assessments and it is not always easy to determine whether positive comments about a product were supplied by its manufacturer or by the website itself.

Electrical

7.32 Most electrical price comparison sites offer helpful information about the product in question:-

- 83 per cent of the 114 searches revealed a picture of the product in question
- 75 per cent offered a short description of the main characteristics of the product
- and 27 per cent had a link to a longer description of the main characteristics of the product.

7.33 In only seven of the 114 searches carried out (six per cent) did researchers find no information on the product in question on the electricals only price comparison site.

7.34 It should be noted that our methodology meant that researchers had already effectively selected a specific product to check prices before noting what information (such as name of product, a short description or review of product, link to full review of product, picture of product/artist) was available. It may be possible that more detailed product information than that found by our researchers would have been available via the original product listing, prior to what would effectively be the consumer's decision that they are satisfied with these details and wish to proceed to price comparison..

How results are ranked

7.35 Six price comparison sites give consumers the choice of how results are listed before commencing their search. The most common default way in which search results are displayed is by price from lowest to highest.

7.36 One site shows results displayed by 'relevance'. In several cases, it was unclear what the default listing was.

7.37 Most sites clearly give consumers easy to use options for ordering search results, typically by price from lowest to highest. Some give consumers the option of rank ordering by product price or total price (including delivery).

7.38 Other options offered by some sites include:-

- alphabetically by etailer name
- by consumer ratings of etailer
- by price from highest to lowest.

7.39 At five sites researchers could identify different types of etailer/advertiser including:-

- etailers paying to have products listed
- etailers paying for a depiction of their brand, picture of product and tag line describing the product
- etailers paying for a more prominent position in the listings.

7.40 While researchers were able to identify these different types of advertiser it would not necessarily have been as easy for a typical online user to work this out for themselves.

Price comparison

7.41 Most of the twelve items were found on all ten price comparison sites. For some products most sites gave a reasonably wide range of etailers and prices. For example, the ten sites listings a particular fridge freezer gave an average of six listings per site. In contrast only one of the ten sites showing a particular make of Laptop gave prices from more than two etailers.

7.42 On the assumption that a consumer who visits a price comparison website wants to find lowest prices in the analysis which follows we consider, in particular, the LOWEST prices found on a price comparison website, and the differences between the lowest prices on different price comparison websites. We contrast price comparison websites offering the best or MINIMUM lowest prices found with those displaying the worst or MAXIMUM lowest price.

7.43 In theory, one might expect the lowest prices found on different price comparison websites to vary less than prices found on the sites of individual etailers. In practice, the sites are drawing on a limited range of etailers – but a range that clearly differs from site to site. This means that there can be considerable variation in the lowest prices found for a product on a particular price comparison site and Table 7.1.

7.44 The second column shows the lowest price found on the site which offered the maximum (ie. worst) lowest price as a proportion of the minimum (or best) lowest price found on a price comparison website

7.45 Further details of results of individual product searches are found in the Appendix.

TABLE 7.1: COMPARISON OF MINIMUM (Best) AND MAXIMUM (Worst) LOWEST PRICES FOUND ON PRICE COMPARISON WEBSITES

Product	Number of sites listings product	Lowest prices found: Maximum as proportion of minimum
Lg HD Ready TV	10	121%
Toshiba laptop	10	122%
Hotpoint fridge freezer	10	132%
Zanussi dishwasher	9	148%
Canon digital camera	10	109%
Apple Ipod	10	154%
Dyson vacuum cleaner	10	134%
Sony games console	10	129%
Hitachi TV	7	161%
Sony micro stereo system	10	136%
Alba DVD player	9	149%
Russell Hobbs toaster	10	239%

7.46 A consumer's chance of finding the price comparison site with the best (or even second or third best) lowest price will increase if he/she visits more different price comparison sites, as the total number of different etailers' prices that will be covered will increase.

7.47 There can be considerable variation in the lowest prices presented. In Table 7.2 the column on the left shows the fifth best cheapest price displayed as a proportion of the best cheapest price. This is the price a consumer would find with average luck, visiting one site only. A consumer visiting one of ten price comparison sites has a 50 per cent chance of finding one of the minimum (best) five lowest prices.

7.48 If the consumer visits two sites they have a better than even chance of finding one of the minimum three 'lowest prices'. This is because their chances are (1-($^7/_{10}$ x $^6/_9$)) or $^{48}/_{90}$ of finding one of the three best lowest prices. Therefore in the second column we show the third best cheapest price as a proportion of the best cheapest price – equivalent to the lowest price found by someone making visits to two price comparison sites.

7.49 If the consumer visits four sites they have a better then even chance of finding one of the best two 'lowest prices'. These are shown as a proportion of the cheapest best price in the third column. A consumer visiting six sites has a better than even chance of finding the minimum lowest price.

7.50 On all items it will generally pay the consumer to visit an absolute minimum of two price comparison sites. For more expensive items costing £200 or more, the research indicates that it could benefit the consumer to visit several sites.

7.51 It is clear that even assuming average luck, a consumer who visits a single site is unlikely to get the best deal, and with bad luck, they could pay far higher than they need to.

TABLE 7.2: PRICES THAT WERE FOUND ON PRICE COMPARISON SITE (AS A PROPORTION OF THE CHEAPEST PRICE FOUND)

	One site (ie 5th cheapest)	Two sites (Third cheapest)	Four sites (Second cheapest)	6 sites (cheapest)
Lg HD Ready TV	104%	104%	104%	100%
Toshiba Laptop	118%	103%	102%	100%
Hotpoint Fridge Freezer	115%	115%	114%	100%
Zanussi Dishwasher	120%	115%	105%	100%
Canon Digital Camera	104%	104%	102%	100%
Apple Ipod	125%	108%	100%	100%
Dyson Vacuum Cleaner	100%	100%	100%	100%
Sony Games Console	101%	101%	100%	100%
Hitachi TV	113%	111%	106%	100%
Sony Micro Stereo System	114%	109%	109%	100%
Alba DVD Player	125%	118%	118%	100%
Russell Hobbs Toaster	121%	100%	100%	100%

Finding lowest prices

7.52 We have seen that the canny consumer should visit more than one price comparison site to find a low price for an item. A separate issue is whether it is easy for a consumer to even identify which of the etailers on a price comparison site offers the lowest price of those listed.

7.53 In well over half the searches undertaken (62 per cent) for electrical goods, the lowest price was the first etailer listed on the default search setting.

7.54 This is because:-

- some searches only identified one seller
- several price comparison sites have a default listing of cheapest etailers being listed first.

7.55 In a further 20 per cent of cases the cheapest etailer was one of the first three listed. The lowest position for a cheapest price on the default listing was 35. It is generally easy for consumers to identify the cheapest price:-

- on only 13 per cent of searches did the results go on to a second page
- price comparison sites enable the user to rank order listings by price.

Comparison of claimed and actual prices - electrical

7.56 Having checked prices and etailers on the price comparison website, the researchers attempted to visit up to five etailer websites per product to check prices. These were:-

- the etailer offering lowest prices
- the etailer offering highest prices
- three other etailers prominent in the listing displayed.

7.57 The prices on the etailers' own sites were not always the same as on the price comparison site. The main reason for differences was that only seven price comparison sites displayed delivery charges. Delivery is often free so the lack of delivery charges displayed did not necessarily cause problems, but there were occasions when the cheapest etailer before delivery charges were added was no longer the cheapest after delivery and other costs were taken into account.

7.58 The broad conclusion is that one or two price comparison websites will help a consumer seeking electrical products to find a good deal.

However, to be confident of finding the best deal the consumer should:-

- visit at least three price comparison sites and identify five or six etailer sites
- compare final prices on the actual etailer website for each competitively priced item on the price comparison website to check that the apparently cheapest etailer is in fact the cheapest.

Music

7.59 A similar exercise was undertaken for music price comparison sites. Researchers sought prices for three downloads and nine hardcopy CDs.

7.60 They looked at the lowest and highest prices given before attempting to visit five websites (including those with lowest and highest prices). They looked at how the prices quoted on the websites compared to those on the price comparison sites.

7.61 The price comparison sites did not compare prices for low-value downloads but most hardcopy CDs were found on most sites.

7.62 In fact, only a small minority of music etailers sell individual downloads and in absolute terms, the prices of downloads are modest. This probably helps to explain why price comparison sites did not compare prices for low-value downloads.

7.63 In contrast, researchers found most hardcopy CDs on most sites but there was one exception.

7.64 As with electrical products, researchers recorded details of the lowest and highest prices given before attempting to visit five websites (including those with lowest and highest prices). They looked at how the prices quoted on the websites compared to whose on the price comparison site. Results of the price comparison site appear later in this section.

7.65 Researchers also recorded a wide range of other checks relating, for example, to range of information displayed on website.

Information about the product

7.66 Aside from product (CD) name, usually all but two of music sites usually give a picture of the product, music sites usually give a picture of the product – the CD cover. Product pictures were found for over six in ten searches.

7.67 Most sites (there were two exceptions) sometimes give a brief description of the product, for example, listing individual tracks and occasionally there is a link to a longer description.

7.68 Researchers attempted to visit a total of 211 websites which were displayed as selling particular CDs. A range of information was given about these websites BEFORE the researchers actually attempted to visit the website:-

- Supplier name (100 per cent)
- Price of target item (100 per cent)
- Purchase price (ie the apparent cost of the actual item exclusive of delivery charge) (88 per cent)
- Picture of product (57 per cent – usually or sometimes found on all sites but there was one exception)
- Etailer logo (37 per cent)
- Ratings or reviews of etailers (36 per cent)
- Stock availability (10 per cent)
- Product reviews (eight per cent)

7.69 One site usually showed other products available from that etailer.

7.70 Another site gave other contact details (such as telephone numbers and addresses) for its listed etailers.

Links to supplier websites

7.71 In 94 per cent of instances, the price comparison sites featured a link to the website of the supplier. One price comparison site offers links to certain suppliers only, so sometimes did not give a link to the cheapest provider.

7.72 In 93 per cent of cases where there was a link to the supplier's website (185 out of 198), the link did work. In (seven per cent) of cases the link did not work.

Stocking

7.73 Of the 185 occasions researchers were able to link to a supplier's website:-

- on 144 occasions (78 per cent) the product was in stock
- on 14 occasions (eight per cent) it was not in stock
- and in 27 instances (15 per cent) this was not clear.

7.74 Researchers judged a product to be in stock when:-

- the site used the specific phrase 'in-stock'
- or the site indicated items would be dispatched within 48 hours and/or that the consumer would expect to receive products within a week.

7.75 A product was coded as not in stock where:-

- the site stated the item was not in stock
- the dispatch and/or delivery times demonstrated that the product was not in stock, for example, if the site said the product would be dispatched in two weeks time
- and on some occasions, for example, where items would be dispatched within a week it was unclear whether or not items were in stock.

7.76 The general impression gained was that where items were not in stock, etailers expected to acquire them fairly quickly.

7.77 For nine price comparison sites, products were in stock for at least two out of three etailers searched, but for one price comparison site, items were clearly in stock for only three out of the nine etailers searched.

Prices

7.78 As with electrical items the lowest prices found on different price comparison sites varied greatly. The maximum (or worst) price found was often considerably higher than the minimum (or best) lowest price found.

7.79 For some items where the maximum lowest price was almost three times higher than the minimum lowest price.

7.80 In Table 7.3 the first column shows the maximum 'lowest' price found on any of the ten price comparison sites for the eight hardcopy CDs as a proportion of the cheapest 'lowest' price.

7.81 As explained earlier in relation to electrical products consumers would need to visit six different price comparison sites to have a better than even chance of finding the maximum lowest price. Someone who visited four sites would, with average luck, find the second cheapest lowest price. Again assuming average luck, someone who visited a single site might find the fifth best (ie cheapest) lowest price, although they may be unlucky and find the maximum price.

7.82 There are generally significant price differences (in percentage terms at least) between

- minimum lowest price and the fifth cheapest lowest price
- the fifth cheapest lowest price and the maximum lowest price.

7.83 This means a consumer should check at least two price comparison websites and ideally at least three:-

- to increase their chances of finding one of the best lowest prices
- to reduce the risk that the price comparison website used has the maximum or unusually poor lowest prices.

TABLE 7.3: LOWEST PRICES THAT WOULD BE FOUND ON ETAILER SITES AFTER PRICE COMPARISON SEARCH (AS A PROPORTION OF THE CHEAPEST PRICE)

	Maximum 'Lowest Price'	One Site (ie 5th Cheapest)	Two sites (Third Cheapest)	Four Sites (Second Cheapest)	Six Sites (Cheapest) ie minimum lowest price
Hardcopy Single – Welcome to the Black Parade	274%	274%	233%	148%	100%
Hardcopy CD – Ta-Dah	267%	133%	116%	112%	100%
Hardcopy CD – Sam's Town	288%	139%	123%	108%	100%
Double CD – Now 64	121%	105%	105%	101%	100%
Hardcopy CD – In Space Outta Sound	220%	159%	141%	133%	100%
Hardcopy CD – Ring of Fire	192%	100%	100%	100%	100%
Hardcopy CD – Living a Dream	280%	149%	140%	125%	100%
6 CD Box Set – Cellar Door Session	147%	111%	111%	108%	100%

- In 57 per cent of cases the price comparison sites gave a total price i.e. a price which they showed to be inclusive of postage and packing.

7.84 On only two occasions (one per cent) did the price comparison site make reference to a special offer, and in both cases, they specified the length of the offer period.

Cheapest etailer

7.85 Out of 75 successful searches for CDs on specific sites:-

- on eight occasions (five with one particular price comparison site) researchers could not access the etailer's site which appeared to offer the lowest price

- on three occasions the price quoted on the price comparison site was wrong and this etailer was in fact more expensive than others

- on another two occasions, the price was correct but the addition of delivery charges, not previously mentioned, made it dearer than other site(s)

7.86 Once, the supposedly cheapest etailer was correctly priced, but another site turned out to be cheaper still with the price quoted on the price comparison site too high.

Comparison of prices on price comparison site and actual website

7.87 Of 185 items found on supplier sites, 62 per cent showed the SAME price on the etailer website as on the original price comparison sites.

7.88 On seven per cent of occasions a lower price was given on the etailer website:-

- usually because the price of the actual product was lower on the product site than the comparison site
- but occasionally because delivery charges were lower or not charged at all.

7.89 For (30 per cent) of searches the price on the etailer website was higher including:-

- (15 per cent) of searches where the price shown on the price comparison site excluded delivery charges
- (7 per cent) because the price of the actual product was higher than on the price comparison site (this happened in relation to six of the ten sites)
- and (9 per cent) of other reasons, most commonly that delivery charges were higher than expected (including several instances where one etailer charged 1p more for delivery than the expected price).

7.90 Of the ten price comparison sites only one scored a 100 per cent success rate giving the correct final price for all successful searches made. In contrast none of the nine searches on one price comparison site resulted in an exact match as that site did not show postage costs.

7.91 It is very important, therefore, that consumers do not simply rely on the price comparison website and check with the actual etailer website.

Finding the cheapest product

7.92 In 62 per cent of searches for music on comparison sites the lowest price item appeared at the top of the list. This was partly because certain sites show etailers rank ordered by price but also because it was not unusual for sites to list only one or two etailers for a specific product.

7.93 There was only one site which listed a lowest price etailer outside its first seven listings and this happened on six occasions including two CDs where the cheapest etailer was number 21 and 22. This particular site's results usually appeared over several pages but sites generally presented results on a single screen or a single page (with scrolling).

7.94 In general, therefore, it was easy for consumers to find the lowest price on a specific price comparison website. Where it was easy this was partly because the site compared prices across a larger number of etailers.

Delivery charges

7.95 There were three sites which did not usually show delivery charges but most sites always showed this as a separate item or specified free delivery.

ANNEXES

ANNEXE A

OBSERVATIONS ON SEARCHING WITH DIFFERENT PRICE COMPARISON SITE

Observations on searching with different price comparison sites

Site A

In its favour, this site appears to draw on a wider range of etailers than some other sites, often giving the consumer a broader choice of options. The default listing is 'relevance' but consumers can re-order by price.

On the debit side the site presents four main difficulties for users while a fifth aspect could present problems if people do not buy straight away.

1) Delivery charges are not shown on the initial pricing page.

   In extreme cases the addition of delivery charges makes the option which appears cheapest actually dearer than the etailer who appeared to be most expensive. This happens on low value items where delivery costs are a substantial proportion of the amount payable.

2) The search often yields related items such as underwater covers for digital cameras. These are usually priced lower than the item in question so one might have to scroll through several pages to find the lowest price item that meets one's requirement.

3) On the right hand side of the page the user is referred to other search engines/price comparison sites. These can run into the prices for etailers shown on the left hand side of the page making prices hard to read.

4) Some products have so many variants it is not always immediately clear to the user whether etailer listings are absolute like-for-like comparisons.

5) Re-checking prices 3-4 weeks after the original search there are indications that etailers are price-matching bringing their prices into line with the cheapest one(s) quoted originally. Conversely, some companies appear to adjust their prices upwards.

Site B

This site shows:-

- total prices including delivery
- as well as a breakdown of product prices plus delivery price.

Occasionally it instructs the shopper to visit the etailer site to check delivery cost.

It flags some offers as 'smart choice'. This can include instances where the choice appears not to be the cheapest option. For example; one etailer offered an Ipod at £303 including delivery, but is still a 'smart choice' even though other etailers come in below £170 for the same product. When researchers visited this etailer's website the product was actually available at £221, much cheaper than stated on the price comparison website.

There are a number of instances where a supplier is quoted as having the highest price when the actual price is substantially lower

The site usually states whether products are available.

However, we found a couple of instances where the product turned out not to be available from what appeared to be the cheapest site.

Sponsored links appear quite prominently, but those featured stores are often NOT listed with other stores when prices are compared for a specific CD even when the etailers stock that CD. This may mean the consumer has to work harder than necessary to find price comparisons.

Site C

This site usually shows prices including delivery and shows product and delivery price separately.

The delivery price appears to relate to the cheapest destination.

The site has stocking information for most products/etailers and has numerous store reviews.

The site indicates that stores listed pay to participate.

This site shows prices for one particular etailer but few other etailers. However, its sponsored links often feature etailers not included in its price comparison.

In our view the consumer has to work harder than necessary to compare prices for different etailers.

Site D

The default way search results are displayed is unclear to the consumer but searches can be ordered by price or 'shop rating'

In comparing lists there are often other irrelevant items included, such as cases for cameras when searching for a digital camera.

When one particular etailer appears in the list of etailers the price comparison site shows prices excluding delivery/postage and packaging but does show this separately without totalling the sum.

For CDs, the site persistently quotes the etailers Postage & Packing cost as a particular set price. However, this excludes VAT which brings the total up.

It sometimes shows whether products are in stock but often refers the user to the etailer's website.

Consumers are often referred to auction sites.

Sponsored links for CD sellers appear above the link to the price comparison page and feature etailers which do not appear in the price comparison listing.

Site E

On this website, in the section directed at advertisers, it is claimed that the site is the leading comparison shopping site and the first to provide True Price (price + tax + shipping). Despite its claims to be a leading site it offered relatively few music price comparisons

Potential advertisers are encouraged to pay for higher ranking. This is not obvious to shoppers.

Some etailers are rated as 'best value' on certain items even when its TruePrice greatly exceeds the lowest price from another etailer.

The site offers seller ratings and states whether products are in stock.

Site F

This site explains that search results are ranked by users and that some etailers listed do not pay to be there, but some do. The site explains that keyword relevance, and availability are into account.

This site generally shows a wide range of etailers but incorrect or out-of-date prices sometimes appear.

Site G

This site appears to use another price comparison engine, although the site is laid out differently.

It also has sponsored links from a search engine.

The site provides few explanations of how someone should use it but it is set out reasonably clearly and appears quite user-friendly.

Results on this site seem to vary enormously on a week-by-week basis in terms of:-

- number of hits yielded by a search
- prices of etailers
- whether or not these etailers charge for delivery.

Sometimes the links to etailer sites did not work.

After making an initial search, the consumer sees a list of etailers not price – ordered with products prices and delivery costs shown separately. By clicking on 'compare prices' the consumer reaches a different list of etailers, set out slightly differently and this time including availability and total price.

However, it is not obvious to the consumer that they should click on the 'compare prices' box. Again finding the best price seems unnecessary.

There are also occasional price inconsistencies between the price comparison site and the etailer's site. A search for one particular product revealed that the etailer's true price was actually the cheapest instead of the dearest (once delivery charge was taken into account).

Other confusions can arise. For instance on a revisit at a later date there were five different photos of what appeared to be the same product. There were also slight variations in name with different names accompanied by different photos of what looked like the same product.

The consumer was also invited to compare prices from a range of stores by clicking on a link. When they did so the range in price was different and lower which may give the consumer the impression that they are getting a real bargain.

Another curiosity is when one clicks on 'compare prices' the defaulted listings are by price with the cheapest (excluding P&P) SHOWN FIRST. However, on the first screen where it shows 'merchants offers found' the listing is NOT by price.

It is possible to request results be filtered 'Price : low to high' but this will then include related products such as screen protectors before showing the cheapest product.

There are other confusions. When searching for a fridge freezer the researcher reached a list of merchant offers of products, most of which were washing machines. Some were fridge freezers but not the model requested.

After typing in more detail of the particular product required again a mixed set of results was given, but not the precise match. However, by clicking through various indexes one then finds four price/etailer listings.

The prospective purchaser is therefore obliged to try different routes to search for different products.

Prices do show delivery charges 'as a guide' although the default listing shows etailers rank ordered by prices excluding P&P/delivery.

Site H

The site states that it is served by another company and contains a listing of the Most Popular items as an advertisement but it is not clear on what basis these are selected.

Etailers are not initially ranked by price as 'featured merchants' top the list but one can re-order then by price or total price (including delivery). Delivery charges and availability are usually shown.

One of the most user-friendly sites for electrical goods, it offers helpful information on its etailers and the products shown.

However, while it searched a wide range of electrical etailer sites it searched relatively few sites for music CDs, so was one of the least successful in finding low prices.

Site I

This price comparison site displays etailer messages for advertisers as well as information and ratings on etailers.

Prices are dated so the consumer knows how recently these were updated.

Prices are shown without and then including delivery.

There is a column for delivery but this is often blank.

Information in this column is sometimes contradicted by information found by clicking on a link entitled 'info on etailer'.

Sometimes etailers are listed even though etailers quote 57-58 weeks delivery on their website!

An advertisement for the price comparison site part way through listings of etailers can wrongly persuade a consumer they have reached the end of the list of etailers.

The most frustrating feature of this site, however, was that links to etailers sites were given for selected sites (presumably advertisers) only. Sometimes there was no link to the site quoting the cheapest price.

Site J

CDs were not listed.

This site was considered by researchers to be the most confusing. The emphasis of the site appeared to be on displaying advertising (eg 'today's recommended television links') very prominently.

If one typed in a product etailer website matches were shown before product matches.

The consumer is faced with cluttered, busy, confusing screens which appear designed to thrust advertisers' names in front of users rather than to enable them easily to compare prices.

The site also offered cashback through some etailers.

Site K

This is a specialist music/entertainment price comparison site which provides no details about itself, such as address or other means of contact.

It features confusing advertisements on its opening page, for example displaying several different prices for one particular product through a specific etailer.

The site appears rather cluttered.

Product prices are shown as well as P&P and total prices. The default ordering is by total price.

On the credit side it usually shows prices for several different etailers.

ANNEXE B

NOTES ON ANALYSIS OF RESULTS BY PRODUCT – ELECTRICAL ITEMS

Notes on analysis of results by product – electrical items

Product	*Number of 10 PC sites checked providing product listings (All = 10)*	*Number of etailers found on each PC site*	*Other comments*
Lg HD ready TV	10	7 PC sites had 3	
Toshiba Laptop	9	Max = 12	Six different etailers were listed as having the lowest price
Hotpoint Fridge Freezer	10	Mean = 6	
Zanussi Dishwasher	9	1-38 (median = 13)	Eight different etailers emerged as cheapest
Canon Digital camera	-	9 PC sites offered 10 One PC site gave 53 listings	
Apple Ipod	10	4-15 (average = 8)	
Dyson Vacuum Cleaner	10	6 PC sites gave only one listing	
Sony Games Console	9	6 PC sites listed 3	Five PC sites listed the same lowest price Eight different etailers listed as the cheapest by these sites
Hitachi TV	7	5 PC sites listed 3	
Sony Micro Stereo System	10	2 PC sites listed only one etailer, 2 offered 11, average = 5	Five PC sites gave the lowest price of £63.94 from the same etailer
Alba DVD Player	9	ONly 2 PC sites 2	
Russell Hobbs Toaster	10	6 PC sites listed only one etailer, 3 PC sites offered 2-3 etailers	Because so many sites offered only a single etailer the highest prices displayed showed the same range

Notes on analysis of results by product – hard copy music

Product	*Number of 10 PC sites checked providing product listings (All = 10)*	*Comments on number of etailers found on each PC site*	*Other comments*
Hardcopy single (Welcome to the Black Parade)	7	Only one PC site listed more than one etailer	Four PC sites listed the same online etailer as the only source
Hardcopy Chart CD (Ta-Dah)	10	1-10, 5 PC sites 3	On one of these it was not possible to link to the listing
Hardcopy Chart CD (Sam'sTown)	9	1-12, 3 PC sites listed just one etailer	For two of the sites the link to the supposedly cheapest etailer did not work, eight different etailers were listed as being cheapest, only one of these was featured twice in the results
Hardcopy Double CD – (Now 64)	9	1-17, 3 PC sites listed only one etailer	In only seven cases were we able to access the supposedly cheapest etailer
Hardcopy CD (Dance)	10	1-16	The cheapest etailer offering the CD at £5.99
Hardcopy CD (Classical)	10	5 PC sites listed only 1-2 etailers, but one listed 42	
3CD Box Set (Classical)	1	1	Some price comparison sites offered over a dozen different CDs of Nozze Di Figaro but only one listed this specific version
6CD Box Set (Jazz)	8	5 PC sites listed only one etailer	Seven different etailers listed as having the lowest price