
TREND SURVEY APRIL 2015

DIGITAL & MEDIA TECH

PRICE COMPARISON SITES

OF THE OUTCOMES OF THE FINANCIAL CRISIS, ONE OF THE MOST INTERESTING HAS SURELY BEEN THE RISE OF THE PRICE-CONSCIOUS CONSUMER.

AS HOUSEHOLD BUDGETS AND EXPENDABLE INCOME FELL, CONSUMERS SWIFTLY TURNED TO INNOVATIVE NEW WAYS TO SAVE MONEY; IN THE TRADITIONAL SHOPPING SPACE, THE HIGH STREETS, WHERE BUDGET STORES HAVE BECOME A PERMANENT FIXTURE, AND MORE PERSUASIVELY, IN THE DIGITAL WORLD, WHERE PRICE-SAVVY SHOPPERS HAVE FUELLED THE RISE OF A WHOLE NEW SUB-SECTION OF INTERNET CONSUMER SPENDING - THE PRICE COMPARISON WEBSITE.

AS THESE BUSINESSES HAVE BECOME BIGGER, MORE SOPHISTICATED AND MORE COMPETITIVE, SO THE CORPORATE STRUCTURES AROUND THEM HAVE BEEN REQUIRED TO ADDRESS CHALLENGES AND SEIZE OPPORTUNITIES IN ORDER TO STRENGTHEN THEIR POSITIONS WITHIN AN INCREASINGLY CONGESTED MARKETPLACE. IT SHOULD BE NO SURPRISE THAT CFOs HAVE BEEN AT THE HEART OF THIS PROGRESS.



POWER TO THE CONSUMER

As far back as 2011, the British Government drew attention to the rise of price comparison sites in its Better Choices: Better Deals - Consumers Powering Growth report, noting that more than 62% of the UK population had used one since 2008, and that if consumers used these sites as effectively as they could, they 'would stand to gain £150-£240 per annum'.

For an industry that had been in its total infancy a decade previously, the ease with which it had been embedded into consumer behaviour was extraordinary. As RS Consulting noted in its 2013 report on price comparison websites for Consumer Futures, these sites were 'slowly beginning to shift traditional asymmetries in information between a consumer and a supplier'.

Now, in 2015, it is barely conceivable that a consumer would consider changing their energy or insurance provider, or even search for a late-arranged holiday, without consulting a price comparison site. Even as the economy continues to recover, consumer savings remain big business, and for price comparison sites - founded at the outset to increase customer power - that is a powerful development.

THE GROWTH CHALLENGE

For UK price comparison businesses, growth has been meteoric. But it has also been largely domestic, where consumers understand, get to know and trust particular price comparison brands. The challenge for the largest is where to take the business next - and how to manage that expansion.

In late 2013, Post Online published its report, The rise of price comparison sites in South East Asia, noting that CompareXpress.com had been the 'pioneer of price comparison websites in South East Asia when it launched in Singapore in 2010.' As Western consumers grew used to price comparison websites becoming part of their everyday spending behaviours, so a nascent market was springing up in the East with a huge, untapped consumer base to target. Indeed, it wasn't until late 2011 that the first insurance comparison site emerged in Hong Kong.

Closer to home, European markets also lag behind uptake in the UK and US. Sites that are well established in the UK are only beginning to take a foothold in other European countries, with even the French energy watchdog Médiateur National de l'Energie only belatedly entering the market in 2009, and larger corporates often breaking through via acquisition - as with BGL Group's purchase of the site which became lesturets.com in 2010.

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In these areas of international expansion, commercially-focussed CFOs and the senior finance community have a significant role to play. In markets with dominant ex-pat communities - such as Hong Kong - businesses have the opportunity to tap into a ready-made consumer group with existing knowledge of price comparison mechanisms and benefits. Targeted M&A also remains a potential avenue in more developed markets. Nonetheless, these ventures require significant analysis and financial acumen to create a commercially-viable business model to capture growth and revenue opportunities.

Similarly, effective relationships must be brokered with local suppliers to ensure that a harmonised consumer-supplier-price comparison website relationship allows for the greatest commercial benefit to all three parties. Here, as in all areas of global expansion, the finance community has a great opportunity to add long-term value allied to significant responsibility for ensuring risks do not outweigh anticipated benefits.



WHAT NEXT FOR THE FINANCE PROFESSIONAL?

As a strand of the digital marketplace, price comparison sites have taken serious hold in recent years, leading to a necessity for a greater breadth of finance community. Reporting requirements remain stringent, especially for listed companies, but the greatest degree of expansion has been evidenced in FP&A, commercial and strategic teams.

With the earlier entrants moving into an increasingly mature phase of development, CFOs are largely prioritising the development of commercially focussed finance leaders to work with the business and assist the delivery of long-term growth.

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As with most industries in the digital age, big data is a hot topic across businesses for its ability to understand, predict and even drive consumer behaviour. As collection and analysis practices grow more sophisticated, however, so development is beginning to move from 'big' data towards 'quality' data. Senior finance executives need to be conscious of the veracity and value of data supporting decision making. As one Finance Director we spoke to put it - 'use it, audit it, don't own it.' Data value is in understanding the quality of the trends it indicates, and in using it to underpin sensible business decisions.

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