



Costly Domain Name Price Comparison Sites

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Price comparison sites, including those for domain registrations, are supposed to benefit buyers. Do they? Recent theory and practice suggest a friend-and-foe relationship.

Comparison sites introduce an entire layer of costs, notably including the sites' marketing costs. In a recent (very technical) [paper](#), David Ronayne of Warwick University argues that consumers often lose out from comparison sites. Many of these sites make money from referral fees, which the sites pass on to buyers in the form of higher prices or diminished customer service. When the cost savings are less than the cost pass on, buyers lose out.

A large number of consumers typically go to one favored comparison site. That site can demand higher referral fees from registries, which are passed on to buyers. Thus, consumers are indirectly taxed for their loyalty. Professor Ronayne argues that this problem can be avoided only if buyers use more than one site.

A recent [paper](#) by Ben Edelman of Harvard Business School and Julian Wright of the National University of Singapore argues that when a site knows that its prices will always be the lowest, it expands its marketing budget, which attracts more customers and thus enables the site to extract higher discounts from the registries (suppliers). This is one explanation as to why comparison sites end up spending heavily on advertising.

This is not just theoretical. For example, in 2014 Britain's competition regulator found that some comparison sites were using their contracts with retailers to ban them from offering cheaper prices elsewhere. Such contracts would make it impossible for rivals to compete on price and would leave buyers with little incentive to try multiple sites, thus helping well established sites retain their customers. These findings put pressure on the regulator agency in [Britain to ban anti-competitive contracts](#).

Another recent pricing competition investigation is the European Commission's inquiry into whether Google is using its dominant position as a search engine to promote Google Shopping, its comparison site. In fact, any online business with captive buyers can charge suppliers a high price for access to their eyeballs.

Hence, buyers are better served by using a few comparison sites.■