

Running out of steam?

Motor rates may be stalling but Tom Cooper pinpoints growth strategies to safeguard comparison site expansion.



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THE continued upward movement in motor rates through the final quarter of 2010 appears to be running out of steam. In what has been a rapidly hardening market, the best price on aggregators is now 30% higher than it was 15 months ago. The natural assumption is that this would work in favour of the price comparison market, as consumers are likely to be tempted to shop around more if faced with such a rise on their renewal rate.

However, consumers may be finding it harder to beat their existing provider's renewal quote via the price comparison sites due to a number of trends in the market. As first pointed out last spring, one of these trends has been dual pricing by participating brands in favour of existing customers they wish to retain. This began with direct writers and has now stretched to the broker brands.

Average returns falling

Brands are also becoming even more selective about the type of business they are prepared to quote for — particularly some of the direct players. The overall result of these strategies is that many sites are now finding the average number of prices returned per quote request is falling — despite their large and stable panel sizes. In the autumn analysis, and others before it, the misaligned interests between brands and comparison

AGGREGATOR HIGHLIGHTS — WINTER 2010

- Motor rates continued to rise in the final quarter of 2010, but the rate of increase also continues to slow.
- More brands are adopting a dual-pricing approach to protect existing books.
- Commercial arrangements show no sign of alignment to a longer term strategy.
- Increased competition on household cover is still holding rates back — Go Compare is challenging Money Supermarket on panel size and competitiveness but quote volumes remain low.
- A rethink may be required regarding product diversification as home insurance fails to gain traction.

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sites were highlighted with calls for a review of commercial arrangements.

A lower fee for new business, but with a further payment on renewal surely ensures that the aggregator is protected from the scenario currently being played out, and also allows participating brands to look at a pricing strategy that can return a year-one profit?

Price comparison sites are facing challenges from both sides at present. Led by consumer group Which?, these sites are — somewhat unfairly in our opinion — being attacked for not providing a good service to their users. Less than half of the 1703 respondents to a recent study provided a positive reaction to their experience, with only one in five trusting aggregators to find the best price available.

Often, of course, this relates to the experience after the customer has clicked through



Cooper: small commercial vehicle offers much greater earnings potential than home.

*The Igo4 price comparison watch seeks the most competitive quotes for comprehensive and non-comprehensive private car insurance.

to the participating brand over which the price comparison site can have only limited control. It is the consumer that will ultimately decide how long the aggregated approach in motor insurance will continue to dominate distribution, so participating brands need to take some responsibility for overcoming these issues.

Home improvements

Sites continue to look to branch out into other product lines but with mixed results. Within the home insurance market, Go Compare significantly beefed up its panel during the second half of 2010. In fact, by the end of the year, it was just one brand behind long-time sector leader Money Supermarket and had moved ahead in terms of providing the best price most often.

This has been allied to a marketing campaign aimed at increasing product awareness, as has been the case with some of the other players. But the breakthrough in terms of visitor numbers on home is yet to be seen. There are three homes

in the UK for every four cars, but only 10% of the quotes being carried out on motor are going through to home for what is a more complex and emotive purchase.

It may be that the advertising campaigns of these sites are struggling to make the clear distinction between brand and direct response. It remains to be seen which sites will provide the greater return in both the short and long-term and how much mileage lies in the likes of ad frontmen Aleksandr and Gio.

Penetration potential

One area where sites may have more success in breaking through is pet insurance, which has a far less onerous underwriting requirement. Last February, *K9 Magazine* reported that there are an estimated 10.3 million cats and 10.5 million dogs in the UK — up 30% in four years. Research from Tesco has also suggested there is a one in three chance of a pet needing to go to the vets each year and the average bill is £300 as treatments have evolved and improved. So it is only a matter of time before the current insurance penetrations of 17% for dogs and 11% for cats move forward at a pace.

Small commercial vehicle is another product line that would benefit from far more exposure and provides much greater earnings potential than home. In terms of architecture, the leap from car to van is a simple one and would further open up a sizeable market where a one-stop-shop approach to all insurance needs is an overdue development.

So, as we enter 2011, the market is starting to show signs of peaking on motor and sites are finding it a challenge to break into additional product or service lines. But profit expectations remain strong for the next 12 months and, as such, consolidation at the upper end remains unlikely.

The recent departure of Carlton Hood from his role as CEO at Confused was not wholly unexpected and it will be interesting to watch the future direction of the brand unfold under Admiral's finance director Kevin Chadwick. Overall, while the market remains in good health, signs are emerging to suggest price comparison sites have a fair few challenges to face through 2011 in order to keep it this way. **POST**

Tom Cooper is founding director of Igo4

IGO4 PRICE COMPARISON WATCH — WINTER 2010

Period	Movement of best price	Motor*		Movement of best price	Home	
		Most brands	Cheapest most often		Most brands	Cheapest most often
2009	+ 7.71%	Go Compare	Confused	+ 4.93%	Money Supermarket	Money Supermarket
Spring 10	+ 7.15%	Go Compare	Confused	+ 0.51%	Money Supermarket	Money Supermarket
Summer 10	+ 6.30%	Go Compare	Compare the Market	+5.23%	Money Supermarket	Money Supermarket
Autumn 10	+ 5.97%	Go Compare	Confused	-0.04%	Money Supermarket	Compare the Market
Winter 10	+ 3.60%	Go Compare	Compare the Market	+ 0.60%	Money Supermarket	Go Compare
2010	+ 23.02%	Go Compare	Confused	+ 6.30%	Money Supermarket	Money Supermarket