

Aggregator Analysis



says Tom Cooper

Executive director, Igo4

With Ernst & Young recently suggesting the motor market would be close to break-even point for 2011, the hard market appears to have been exited for a period of relative calm. At present there is no mad rush for volume in these improving conditions, and the small fall of 2.6% could be attributed to the emergence of Aviva's Quote Me Happy brand — enabling Money Supermarket to establish clear water between itself and the competition — and smaller niche brokers emerging, particularly telematics providers.

Competition remains fierce and last quarter the best-priced brand changed more often than it stayed the same. An 18 month trend in best price steadily increasing, has also been reversed, with a 5% drop in the past six months as the motor market moves back towards profit.

Challenging for number one

It seems to be a case of 'as you were' for the main direct writers on motor, though Octagon, LV, Esure/Sheilas' Wheels and 1st Central appear to be challenging Admiral's long-held number one position.

In the broker arena the various KwikFit brands — especially Express — have come to the fore, followed by Swinton, whose absence from Compare the Market is hurting the latter's competitive position. Nonetheless, Compare the Market benefits from having a high calibre of BGL-administered brands to call upon and the Budget brand itself punches its weight. Thames City, the Hastings brands and those of Igo4, are next in line.



RELATIVELY CALM

Although competition remains fierce in the aggregator arena, the rush for volume has slowed as the motor market moves closer to break-even point

Towards the end of 2010, the debate was whether 2011 would see the price comparison market begin to slow down and mature. Far from it. And there is a reluctance to declare 2012 the year in which maximum market saturation is met. In terms of the penetration these sites enjoy, there were 113 million motor quotes provided between the major players in 2011. Taking into account that people visit an average of 2.5 sites and carry out 2.5 quotes, this takes the number down to 18 million individual quotes, equating to around 60% of the estimated 30 million insured private cars on the road. A massive 300% increase in quotes compared to January 2009.

'Big four' performance

Money Supermarket has emerged from the pack as the clear winner of 2011. Enormous progress has been made from a consumer perspective and its account management from a partner angle, including the

provision of powerful management information. It has successfully repositioned its creative and posted impressive financial results for the first half of the year. This has been helped by the dominant position it holds on natural search and it is well positioned going into 2012 with its strength in financial products and travel.

Compare the Market also had a very good year, with just one explanatory word needed — simple! Aleksandr Orlov and his companion Sergei have entertained consumers,

whose appetite for all things meerkat shows no sign of diminishing. The website has had a makeover and the signs are good for another successful year. With the public's affection secured, Compare the Market's biggest challenge will be providing better quality insight for its partners and ensuring its commercial arrangements don't hinder its competitive footprint.

Go Compare recently announced impressive pre-tax profits of £30.1m for 2010, up 250% on the £12m made in 2009. What will 2012 bring to a site that has seen its motor quote volumes remain static in 2011, with question marks over the sustainability of the Go Compario adverts. Go Compare has always enjoyed the best of reputations for its consumer and partner management, and while its position on search is relatively dependent on the sponsored sector, cautious optimism is the order of the day for a business that seems to be a

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couple of steps ahead of the others in its strategy for young drivers and telematics.

The same could be said for Confused, which appears to be turning a corner, with quote volumes heading in the right direction and the business remaining profitable in the Admiral camp. The appointments of Kevin Chadwick and Chris Price have had the desired effect and it will be good to see this previously dominant force emerge again under the leadership of Nicolas Weng Kan.

Challenges for 2012

At the recent Association of British Insurers' motor conference I offered a view that telematics would be the way in which all car insurance in the UK becomes rated within 10 to 15 years. On reflection this might be somewhat conservative, and advances in technology may see this happen sooner.

Telematics was a major talking point at the conference and it is clear it will remain on the political agenda because of its ability to offer cost effective cover to young people struggling to secure employment in tough economic times. The devices have also been proven to reduce accidents and deaths in parts of the world where they are already widely used. On the whole, better roads, speed control and safer cars have, for the past 10 years, reduced the number of accidents and road deaths but, somewhat alarmingly, the last quarter saw a 4% increase in fatalities, which certainly adds fuel to the telematics fire.

By using telematics, you can start to get a feel for the driving ability and claims propensity of the risk you have taken on as early as day two of the policy. The challenge for the price comparison sector is how to rate that risk from day one, unless of course all the various tracking devices are connected to a central data hub. Over the coming 12 months I see an explosion of telematics brands coming to market and mobile tracking devices also coming to the fore.

This time last year, there were also musings as to whether the big four were about to become a big five or six – ultimately a resounding no, but never say never. Google's acquisition of Beat That Quote is the most intriguing, but you wonder if Google's interest might be in other classes of business rather than the ultra-competitive insurance market. Will this be the year in which Tesco Compare emerges from the shadows? It would be great and surprising in equal measure if it did. Potential new entrant Covea is making all of the right noises in terms of anticipated spend and approach to partnership and is giving itself ample time to get its ducks in a row before launch.

So, as the price comparison phenomenon steams into 2012, what other challenges are on the horizon? A decline in the number of cars on UK roads – a fall for the first time since the Second World War; a stable pricing market; and the potential cheaper pricing of renewals compared to new business as brands look to defend their existing book in the face of acquisition costs rising ahead of inflation.

Aggregator highlights Winter 2011

- Rate of decrease reduces to 2.6% in the last quarter as market stabilises

- Best price moved up 40% in 18 months but has fallen back 5% in the past six months

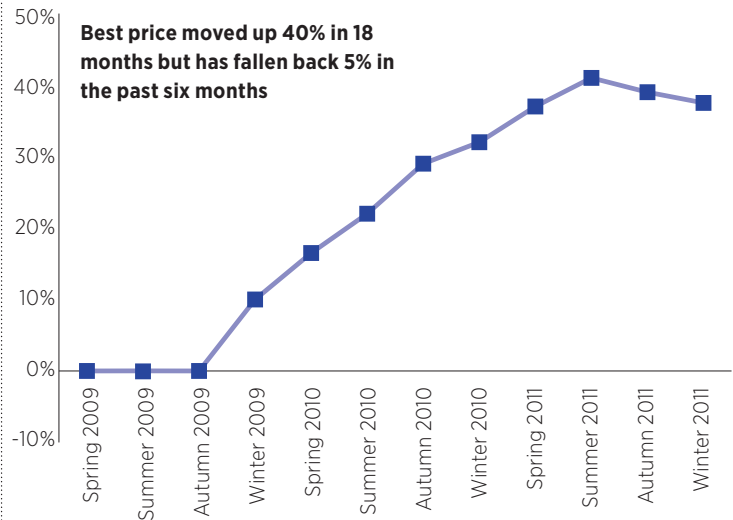
- 300% increase in aggregator motor quotes since January 2009

- Money Supermarket strengthens its leading position on motor

- Telematics the headline for 2012

- No sign of the 'big four' becoming the 'big five' just yet

Best price movement



IGO4 Price comparison watch

Winter 2011 – Motor*

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+7.71%		C
2010	+23.02%		C
Spring 2011	+4.18%	+20.05%	CTM
Summer 2011	+5.44%	+19.19%	C
Autumn 2011	-2.92%	+10.30%	MSM
Winter 2011	-2.62%	+4.08%	MSM
2011	+4.08%		MSM

IGO4 Price comparison watch

Winter 2011 – Home

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+4.93%		MSM
2010	+6.30%		MSM
Spring 2011	+1.44%	+7.23%	GC
Summer 2011	+2.72%	+4.72%	GC
Autumn 2011	+2.45%	+7.21%	GC
Winter 2011	+1.12%	+7.73%	GC
2011	+7.73%		GC

Key: C = Confused; CTM = Compare The Market; MSM = Money Supermarket
 GC = Go Compare

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