

Aggregator Assessment



Says Tom Cooper

Executive director, Igo4

AGGREGATOR ANALYSIS

A continuing drop in motor premiums and a rise in instalment charges are just two trends identified by the latest market analysis



For the fifth consecutive quarter, the Igo4 price index for the best motor quote across 1000 separate risks has fallen – by a further 3.25%. This quarter we counted a total of 192 ‘proper’ brands live across the eight sites monitored, and more than 50 of these were top at least once across the basket.

Direct players still hold sway on motor, with Admiral again to the fore, alongside Esure, Sheilas’ Wheels, Swiftcover and Octagon, though the brokers held their own with strong performances from the Budget brand, Hastings, Express, Thames City, Autonet, One Call and Igo4 Essentials.

Rising instalment cost

While the underlying cost of the core insurance product has fallen again, the total price paid by the customer may well have not. Our first analysis in September 2008 noted an average credit charge of 13% at a time when the base rate was 5%. The Bank of England soon lowered its rate to 0.5% in March 2009, where it has remained ever since. In this time, brands on price comparison sites have increased direct debit charges to an average of 17%.

On a typical £500 funded premium, this will have added more than £40 to the provider’s income stream in the past four years and, therefore, the ‘soft’ market would have to be viewed with scepticism by consumers wishing to pay by instalments, with more than half likely to do so given the difficult financial climate.

The average instalment charge

has risen by 3.5% in the past two years alone. While writing business on instalments is lucrative at point of sale, brands have to contend with a different kind of risk profile than that of someone prepared to pay in full. Instalment customers are three times more likely to cancel or fail to send in proof of no claims bonus, and providers obviously need to ensure they maintain their payments.

As illustrated by the graph (see p14), brands have now started to increase deposits in order to mitigate any likelihood of bad debt arising.

They appear to be quite prepared to push their luck on the instalment charge, as they must be able to continue to increase rates while also ensuring they do not suffering commercially. This is a risky strategy and, while a brand’s instalment penetration may well be maintained following an increase, what would be less clear is whether it is losing absolute

sales as a result. Brands are also beginning to introduce a wider range of ancillary products into their portfolios, with the cost of motor legal expenses flattening at around the £26 mark.

Once again there are interesting developments to report in the price comparison arena, with Google making its first noteworthy move since the acquisition of Beat That Quote. Users searching for ‘car

insurance’ on the search engine will now see Google’s own listing in the central column between the sponsored and natural search results.

This is an interesting move, though not a game-changer, and the two sites most likely to be impacted – Go Compare and Money Supermarket – are unlikely to be overly concerned. The former has a strong presence in sponsored search results, while the latter boasts a 50-strong ▶ 14

Aggregator highlights Autumn 2012

Private car rates continue their unsustainable downward spiral, falling a further 3.25%

Cost of paying by direct debit rises 3.5% in two years

Google shows its hand with sponsored listing move

Flat motor quote volumes

Confused embraces telematics with a pragmatic view on performance

Unlike motor, home quote volumes are rising

◀13 digital marketing team that helps to ensure its dominance of natural searches.

We have noted that many sites' reactions to falling quotability from existing panels has been to introduce further panel members. Money Supermarket and Tiger have both added 23 new members in the past six months; while Confused has added 18; Compare the Market 17; and Quotezone 15.

In Confused's case, many of these new entrants have been telematics brands and, for the first time in four years of analysis, Confused now has the largest motor panel – followed closely by Money Supermarket, Go Compare and Beat That Quote. In turn, this has led to an uplift in Confused's propensity to offer the cheapest price, though Money Supermarket once again came out top overall.

With the exception of Esure Broker and People's Choice, the number of significant new entrants has been largely limited to telematics brands such as Hastings Smart Miles, Auto Saint and Only Young Drivers. Interestingly, there have also been a fair few brands exiting the aggregator space, including the Asda, Virgin and Debenhams products administered by BDML from most sites, as well as ibuyeco, Auto Trader, Egg and Magic Quote.

Telematics tactics

Embracing telematics was a logical strategic move for Confused, given its higher-than-average quote base of young male drivers. It is, however, a bold and brave step and, for the old purists among us, a welcome return to price comparison sites homing in on what it is they actually do for customers.

It is also refreshing that Confused is taking a pragmatic view on the performance of these telematics brands. At such an early stage in the evolution of this market sector, performance in terms of 'best price to click', 'best price to sale', 'click to sale' and 'sales call to sale'

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will all operate below standard business, and this is an educational journey that aggregators, brands and customers are going to need to take together.

Money Supermarket also appears to be a believer and, of course, Go Compare was first to break cover on this with its separate Compare the Box concept earlier this year.

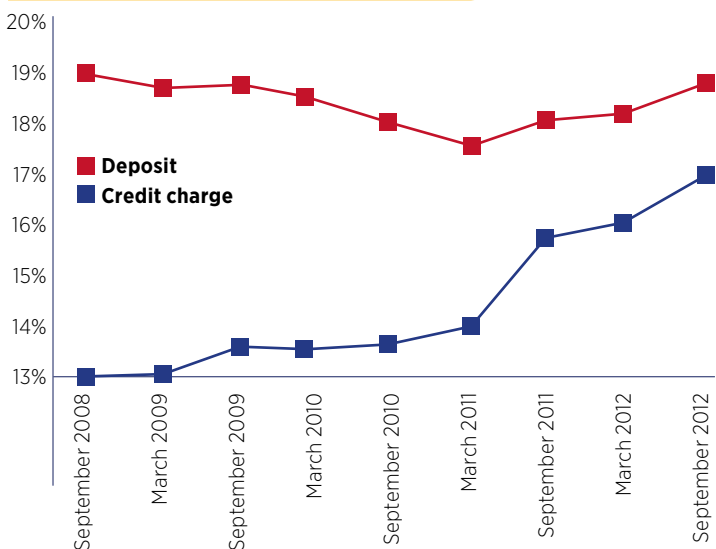
Home affairs

The picture is somewhat different on home. Quote volumes continue to rise – up 20% this year. While we saw a slight dip in the best price in the last quarter, this may have been a result of a 10% uplift in panel sizes for the big four. Money Supermarket was the largest by quite a distance – with 94 at the time of counting – which has helped maintain its leading position so far this year as cheapest most often.

As far as the dominant brands are concerned, this has once again been a close tussle between directs and brokers, though here the brokers appear to be giving as good as they get, with Swinton and Budget the prominent players (particularly for standalone cover), and the Legal & General offering at the forefront for direct writers.

Home is, however, still running at around 10% of the motor quote volumes, and the latter remains the main battlefield for supremacy. With the market peaking and flattening in terms of quotes at a time of multiple challenges, this points to interesting times ahead. ■

Average deposit and credit charges on price comparison sites (motor)



IGO4 Price comparison watch Autumn 2012 – Motor*

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+7.71%		C
2010	+23.02%		C
Winter 2011	-2.62%	+4.08%	MSM
2011	+4.08%		MSM
Spring 2012	-3.90%	-1.99%	CTM
Summer 2012	-4.20%	-13.64%	MSM
Autumn 2012	-3.25%	-13.97%	MSM

IGO4 Price comparison watch Autumn 2012 – Home

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+4.93%		MSM
2010	+6.30%		MSM
Winter 2011	+1.12%	+7.73%	GC
2011	+7.73%		GC
Spring 2012	+2.00%	+5.10%	MSM
Summer 2012	+1.95%	+7.52%	MSM
Autumn 2012	-1.28%	+2.79%	MSM

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