

Aggregator highlights Autumn 2011

Reduced best-price average of motor quotes (Q3 2011)

- Almost 3% down
- Decrease in price on two out of three among the 500 motor quotes generated

Much wider mix of brands coming out on top

Commission replaced with increased income from ancillary products and instalments

Money Supermarket 'most competitive' on motor for the first time

Site functionality continues to improve

MIXING THINGS UP

Softening motor rates, more movement between best-price brands and augmented ancillary income emerge as aggregator themes

Aggregator Analysis


says **Tom Cooper**

Executive director, Igo4

Having witnessed the motor market coming to its senses over the past 12 months, biting the bullet and putting through the increases required to give it a chance of returning to profitability, rates have actually now softened by just under 3% in the last quarter. The 12th and latest Igo4 *Price Comparison Watch* has found best-price decreases for two out of every three of the 500 quotes measured.

Furthermore, as competition increases, there has been more movement of best price between

brands; 40% of the quotes had a different brand showing as most competitive compared to the last report in July.

Noticeably there was a much wider mix of brands coming out on top and a greater number of niche players and telematics providers are pinching top spot when the quote circumstances are right. The battle between direct writers and broker brands continues to be closely fought, with the directs edging things by 56% to 44% this time around.

While Admiral continues to be a leading player, there has been a slight contraction of its dominant position, even on Confused. Its main challengers in the direct channel are Esure and its sister brand Sheilas' Wheels. Octagon, IV and 1st Central also stood out alongside the ever-competitive Swiftcover, as well as Axa's direct proposition.

The chasing broker pack was very much led by the Swinton

brands and Hastings, with the Ageas stable's Kwik Fit brands and Auto Direct close behind. In all, there are now a total of 173 genuine brands — not including those with a second brand that is merely the first with legal expenses on top — appearing across the eight aggregators measured, which is 45 more than three years ago, when this analysis began.

On home insurance, the comparable numbers are 119 live brands against just 36 three years ago. Interestingly, we have also seen

“ Competition between aggregators remains fierce and spend shows little sign of slowing up

37 motor brands disappear from the price comparison scene in that time, though some have returned in different guises.

Over the past six months, Confused has been the busiest, adding 23 new brands to its motor panel, followed closely by Beat That Quote with 17. While both of these panels are now roughly in line with the other market leaders, a number of the new additions are motor manufacturers so the overall competitiveness of these sites is not hugely impacted. During 2011, all of the 'Hero' brands have withdrawn from motor, which contributes to some of these reductions. The most notable absence is of the Swinton brands on Compare The Market.

Ancillary income

Motor insurance is obviously under intense scrutiny from various bodies, as well as the aggregators themselves. Apart from the referral fee ▶ 20

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Motor legal expenses — average charged on aggregators

Sep 2008
£23Mar 2009
£22.90Sep 2009
£23.80Mar 2010
£24.40Sep 2010
£24.80Mar 2011
£24.90Sep 2011
£26.20

◀19 debate, there has been much comment around income from ancillary products, primarily motor legal expenses. Although 30% of brands incorporate this in the price being offered, where there is a charge for its inclusion this is now at an average of £26.23, ranging between £15.00 and £39.50. This signifies a significant increase over the past three years, with brands less able to carry commission in their core pricing (see above).

Another area in which brands look to derive income is from instalment payers. In this latest analysis, not a single brand was offering instalments at no additional cost and there has been a steady increase in the amount being charged to instalment payers over the last three years, through a period of low base rates.

While this is primarily an income-generating strategy, it could also be linked to underlying performance, with payment method seen as an underwriting factor. Whether that justifies the highest credit charge of 52.2% is difficult to imagine. The brand in question has since reduced its credit charge to 37.8% — still 10% higher than anyone else.

In terms of the aggregators themselves, this quarter witnessed a first, with Money Supermarket cheapest most often for almost 40% of all motor quotes. It is interesting that alongside Go Compare, Money Supermarket is the least fastidious of the major aggregators in insisting that a brand's price on their site can't be beaten anywhere else in the market, preferring an approach whereby rates should be reflective of how business from that source performs.

It is very difficult to actually get the same price across aggregators

for the same risk details. When you consider that some brands will have time-of-day pricing strategies and an increasing ability to change prices on the hoof, this will always be the case. Indeed, while this has increased in the last three years — from zero — we now see as little as 3% of our quotes with the exact same premium across the four main sites.

Site functionality

Money Supermarket has been improving its site experience as well as its competitive position throughout 2011 and this has sparked a reaction from the other brands. Compare The Market has undertaken a complete site overhaul and, from a visual viewpoint, is now extremely impressive. However, we did find that carrying out a motor quote on Compare The Market takes longer than any of the other sites, with users finding some of the drop-down boxes, particularly around dates, a bit clunky.

That said, the overall impression was of a much improved customer experience and we especially like the way the ordering of quotes for instalment payers is based on the total being paid, rather than the underlying non-instalment premium. Go Compare is also looking at platform

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enhancements, while Confused has managed to persuade the Hastings and Swinton brands, plus a couple of others, to guarantee that their best prices will appear on their site. So it would appear that these brands may not face the contractual handcuffs that limit the ability of most others to make similar claims.

Certainly competition between the major aggregators remains fierce and spend shows little sign of slowing up, resulting in a continued upward trend on quote activity. Looking ahead, the winter watch will focus on the performance of the aggregators themselves in 2011 and explore what might be in store for 2012.

IGO4 Price comparison watch

Autumn 2011 — Motor*

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+ 7.71%	+ 7.71%	C
Spring 10	+ 7.15%	+ 14.74%	C
Summer 10	+ 6.30%	+ 21.38%	CTM
Autumn 10	+ 5.97%	+ 27.42%	C
Winter 10	+ 3.60%	+ 23.02%	CTM
2010	+ 23.02%		C
Spring 11	+ 4.18%	+ 20.05%	CTM
Summer 11	+ 5.44%	+ 19.19%	C
Autumn 11	-2.92%	+ 10.30%	MSM

IGO4 Price comparison watch

Autumn 2011 — Home

Period	Movement of best price	Past 12 months	Cheapest most often
2009	+ 4.93%		MSM
Spring 10	+ 0.51%	N/A	MSM
Summer 10	+ 5.23%	N/A	MSM
Autumn 10	- 0.04%	+ 10.63%	CTM
Winter 10	+ 0.60%	+ 6.30%	GC
2010	+ 6.30%		MSM
Spring 11	+ 1.44%	+ 7.23%	GC
Summer 11	+ 2.72%	+ 4.72%	GC
Autumn 11	+ 2.45%	+ 7.21%	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