

## Putting A Price On Insurance Branding

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The growth of the internet over the last decade has changed the way personal insurance is bought, sold and priced in the UK. Insurers have had to alter their marketing strategies to compete online and arguably the biggest challenge has been how to respond to the rise of price aggregator or comparison websites.

The latter are websites that purport to be a one-stop shop where consumers can compare hundreds of policy quotes within seconds, ranked by price. According to analysts at Datamonitor, the research group, and Numis Securities, the boutique investment bank, every UK company in the personal insurance sector is now trading online. The vast majority also utilise price aggregation websites

What are the problems to insurance branding from such sites? One clear risk is that insurers could allow their policies to become commodity-like with consumers browsing a menu of web alternative options, largely sorted by price. But if providers try to resist the power of the web aggregators, how else can they ensure brand awareness to win and retain customers?

### Online price comparison in insurance

Since Moneysupermarket.com became the first UK financial services comparison site in 1999, the sector has expanded significantly. According to Datamonitor, 50 per cent of UK motor insurance was sold online in 2007 and 20 per cent of all private motor insurance transactions began on a price comparison site.

The sector is certainly competitive. After enjoying several years of rapid growth, for example, Admiral, the owner of Confused.com, a leading UK insurance price comparison website, recently warned that its market share had fallen. It blamed intense competition, particularly from rival brands prepared to market heavily to attract internet users.

Advertising in the UK price comparison website sector increased by almost 300 per cent from £11.5m in 2006 to £42m in 2007, according to Datamonitor. Moneysupermarket.com remains the largest UK player, completing a little under 13.3m transactions in 2007 - a year on year rise of 49 per cent.

Moneysupermarket.com's significant competitors are confused.com, gocompare.com and tescocompare.com. The latter launched in 2007 and is backed by Royal Bank of Scotland Insurance and the UK supermarket giant. Confused.com has come to dominate the car insurance aggregator market and is responsible for more than a third of all car insurance policies bought online.

Aggregation Website	Internet Market Share (source: Hitwise)	Internet ranking among all UK websites (source: Alexa)
Moneysupermarket	37.09%	150
Confused	10.24%	821
Gocompare	6.63%	1660*
BeatThatQuote	3.34%	445
TescoCompare	2.56%	6000
Comparethemarket	1.74%	5004
*Ranking fell in February 2008 following temporary blacklisting by Google		
Sources: Hitwise;Alexa; company statements		

### Is price everything?

Providers are split over whether price regularly over-rides branding when consumers are choosing between policies.

Richard Mason, director of insurance at Moneysupermarket.com, says: "It is key for an insurer looking for business to have one of the three cheapest quotes on our site. People who come to a price comparison site are naturally driven by price. Once you get in that top three, people will then look to the reputation of the provider and the terms and conditions of each policy."

Datamonitor agrees that the number one criterion of motor insurance consumers in 2007 was price.

Andrew Haslip, a Datamonitor analyst, says: "This trait is particularly pronounced among consumers purchasing online - (which is) the fastest growing segment of the UK market. Consumers who purchased their policy online were the most price sensitive, with 85 percent basing their choice on price."

Certain insurers, including Swiftcover, the RAC and Post Office, have made a strategic decision to compete mainly on price. According to Moneysupermarket.com, this policy is reflected in the consistently high ranking those insurers tend to achieve on its site.

A Confused.com spokesman says: "We have noticed a big change in the way suppliers use the website over the last couple of years.

Insurers have become a lot more flexible and creative when it comes to pricing.

"They are almost going for a 'no frills' policy approach when it comes to the actual insurance. Features such as offering courtesy cars for drivers involved in recent accidents, are being dropped and the difference is reflected in the quote."

#### Branding via price comparison websites

There is also evidence consumers are taking a slightly different attitude to such websites.

Datamonitor's Haslip adds: "A lot of people we talk to tell us that brand is still vital on price aggregator sites and people will still choose a trusted brand."

Confused.com adds: "For motor policies, consumers are used to choosing between the lowest five quotes. Now it is typically between the lowest eight. We think this is because the insurers are coming closer together in price, but also we think it's due to customers' brand awareness. The top quote (ie the lowest price) may be from a company backed by a big insurer but which is using a brand customers have not heard of. The customer is often more comfortable going with one which is worst ranked on price but is a name they are familiar with. A year ago, 66 percent of our customers bought the cheapest price. That has now dropped to 59 percent."

The aggregator websites are changing some of their features to reflect this trend. For instance, Gocompare gives all search results as a five-star rating against the user's criteria rather than ranking them solely on price.

A spokesman for the insurer MORE TH>N, which generated 23 per cent of its sales through comparison websites in 2007 compared to 18 percent in the previous year, agrees: "We do not just compete on price. We use the power of our brand - the power of our name will drive sales."

MORE TH>N, which is owned by the Royal & Sun Alliance insurance group, explains that its advertising campaigns have tended to market benefits other than price.

The company says: "We have attracted customers by using optional extras, and our advertising has always been about those extra features. The key thing with customers won through price aggregators is keeping them when they renew. Once you have a customer, you must give them a level of service that ensures they return."

#### Alternatives to price-led offers

In a bid to personalise its service and differentiate its brand, MORE TH>N assigns each policyholder a 'Personal Customer Manager' in its call centre.

A company spokesman says: "What people find frustrating is that when you phone a call centre you never speak to the same person twice. Our customers are assigned a 'Personal Customer Manager'. That means the customer will not only have a member of our staff's name, but also their direct phone number and email address and they can contact them at any time."

Other features marketed to customers include a lifetime 'No Claims Bonus', a minimum limit of £75,000 of home insurance cover and a free legal service.

Hiscox, the insurer, is pursuing a different strategy by centring its advertising on its claims policy - claims payment is after all the ultimate product of the insurance industry. The message from Hiscox advertising is the company pays out on more claims than its rivals typically do.

Aggregators also say that promotions are being used with increasing success by insurers to enhance consumers' perception of value and provide shoppers with a material incentive that is not tied to the core insurance product.

At Moneysupermarket.com, Mason says: "Some insurers even offer exclusive promotions with use. More and more insurers are looking to work with us in this way."

Currently the most popular deals include offers to return cash to policyholders and give them vouchers for UK retail brands.

A spokesman for AA Insurance comments: "Vouchers for Marks and Spencer (the UK retailer) are proving to be a real incentive for buyers. These are producing sales for insurers when their policy quote is not necessarily the cheapest."

Despite the power of the aggregator websites, a few insurers have made the strategic decision not to compete in that space, instead relying on their own website and telesales channels. Direct Line, part of RBS which also owns the insurers, Churchill and Privilege, is a notable example.

The company, started in 1985 as a telephone-based insurer, has stuck to its founding consumer promise to cut out the middleman - although the middleman in question is now a price aggregator rather than the insurance brokers which loomed larger when Direct Line first launched.

Direct Line says: "It is about flexibility and choice. A price aggregator would not necessarily give you all the features of a policy. At Direct Line we have unique features like a no claims discount for a named driver and no claims discounts that are unaffected by incidents with uninsured drivers or vandalism. We also have a range of discounts available to our existing customers when they take out new types of insurance with us."

The spokesman adds: "It is not just about price. While we are still competitive on price, we are not trying to be the cheapest."

While Direct Line's brand name and history of effective advertising mean that it has been able to maintain its success, despite avoiding aggregators, for most other insurer the comparison websites are now a fact of life.

However, it seems likely that as the market matures, savvy consumers will increasingly select policies on a number of factors. These include price but not to the exclusion of qualities such as brand awareness.

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