

# Regulatory Intervention & Customer Behaviour

**Matt  
Whittle  
Sep 2014**

**Money  
Super  
Market** com

*Save money. Feel great.*

# Recent regulatory intervention

## Customers need to do more shopping around

FCA Market  
Study:  
General  
Insurance  
Add-Ons  
July 2014

“The add-on mechanism has a real impact on consumer behaviour and affects the way people make decisions. There is little pressure on firms to offer good value as add-on buyers are less likely to shop around and are less price sensitive.”

CMA  
Investigation  
into Payday  
loans:  
Possible  
remedies  
June 2014

“This remedy would result in creation of a comprehensive and trusted price comparison website for payday loans which would help customers to compare the cost of a loan for specific borrowing scenarios relevant to the customer’s requirement.”

# Recent regulatory intervention

## Improvements required in shopping around experience

**FCA Thematic  
Review: Price  
Comparison  
Websites  
July 2014**

“PCWs did not present sufficient product information in a clear and consistent way, to ensure consumers were given appropriate information to allow them to make informed decisions.”

“PCWs did not make clear their role in the distribution of the product or the nature of the service they provided, and their business models were not necessarily aligned with the best interest of their customers.”

**FCA Thematic  
Review: Price  
Comparison  
Websites  
July 2014**

**FCA Market  
Study:  
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Insurance  
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“Investigate what improvements could be made to the way add-ons were sold via PCWs, including involving add-ons being offered earlier in the sales journey, better information on price and cover, and an ability to search by bundles.”

# Recent regulatory intervention

## Basis of conclusions

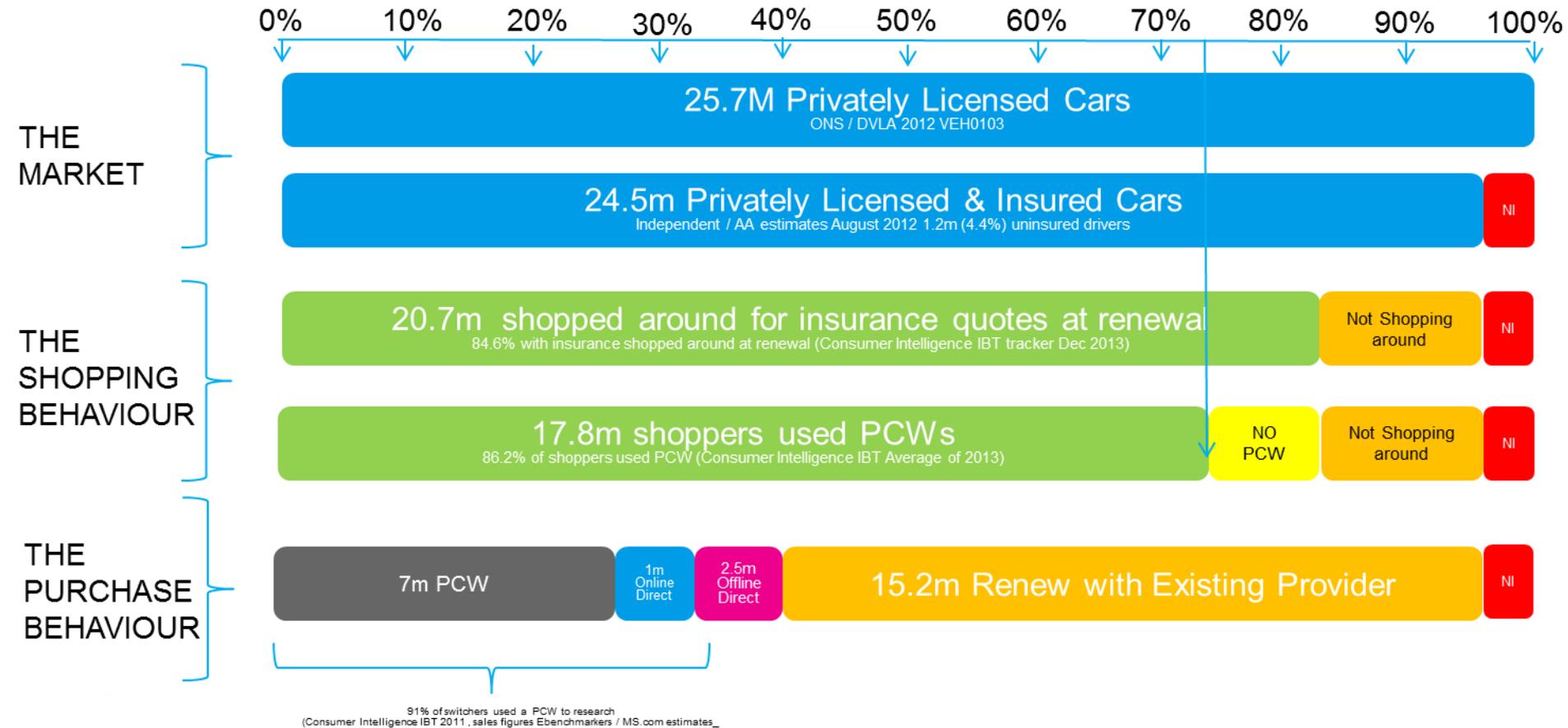
A fair outcome for a consumer is achieved when they are able to purchase products that are **suitable for their individual needs** and **meet their expectations**.

Increased shopping  
around helps  
customers find  
suitable products

Improvements to  
shopping around  
helps customers  
understand  
products and be  
clear on  
expectations

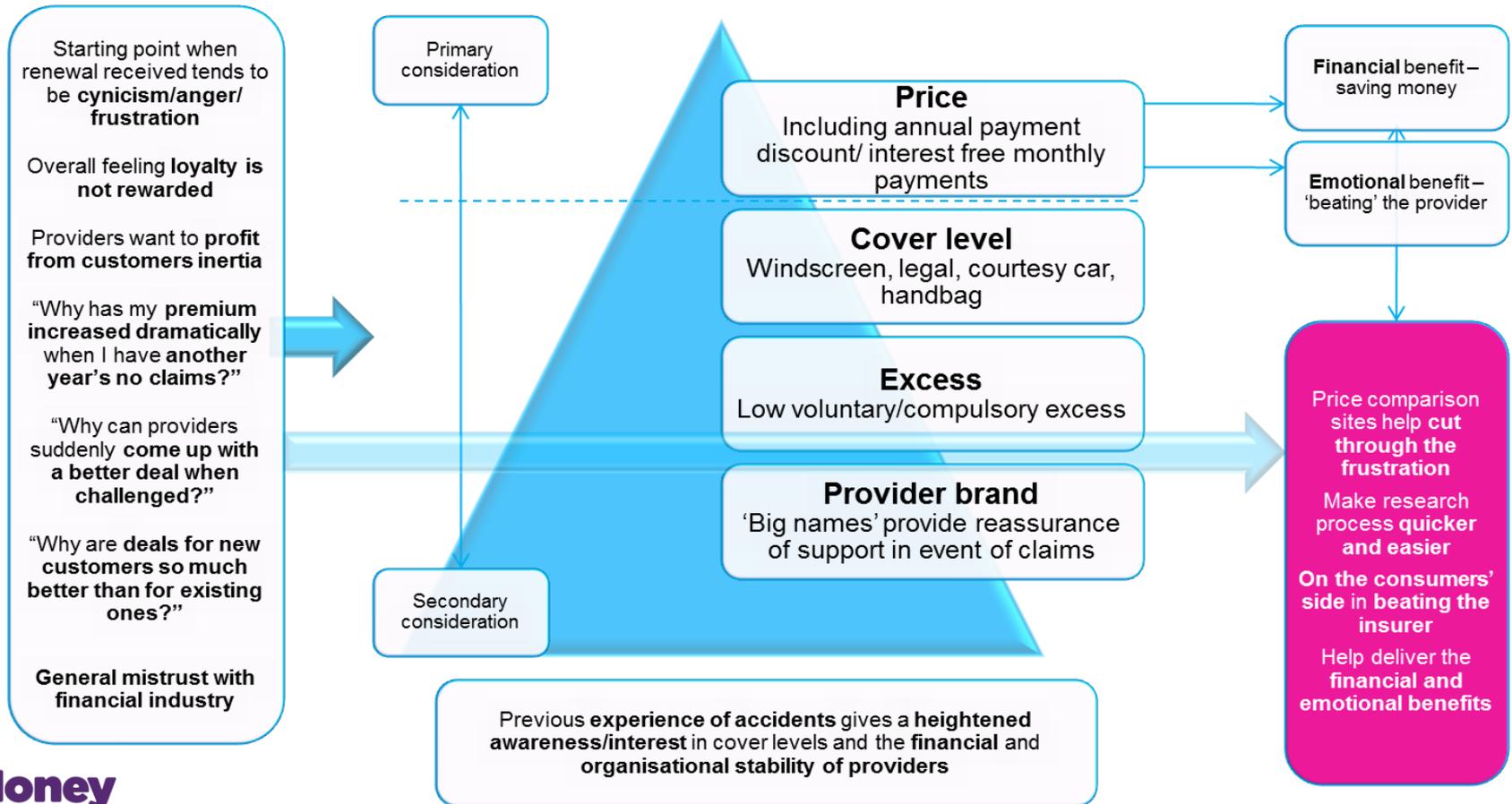
# Extent of shopping around

## Overview of car insurance market



# Understanding of shopping around

## Drivers and benefits of price comparison



# Understanding of shopping around

## Role of Price Comparison Websites

Price comparison sites help **cut through the frustration**

Make research process **quicker and easier**

**On the consumers' side in beating the insurer**

Help deliver the **financial and emotional benefits**

**BUT**

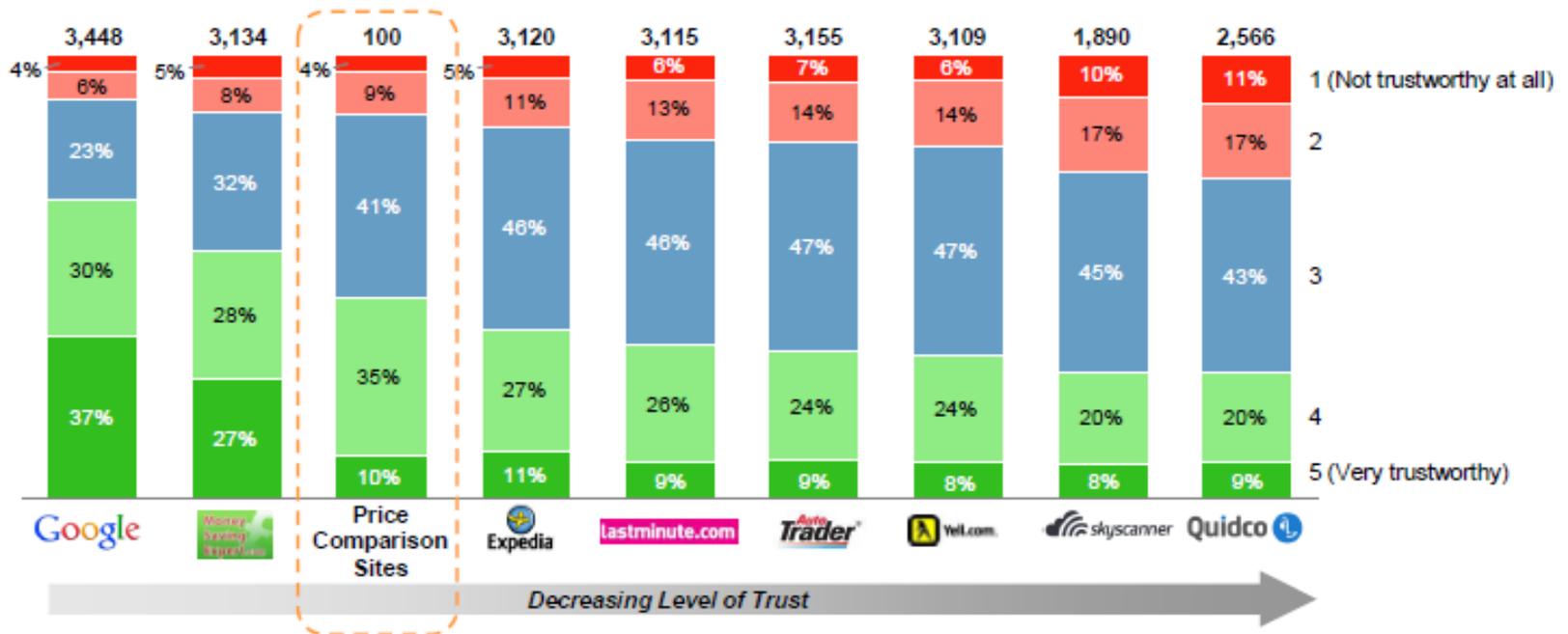
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**“...are nothing more than transient, mechanical sign posts to where you really want to get to”**

# Experience of shopping around

## Customer perceptions of Price Comparison

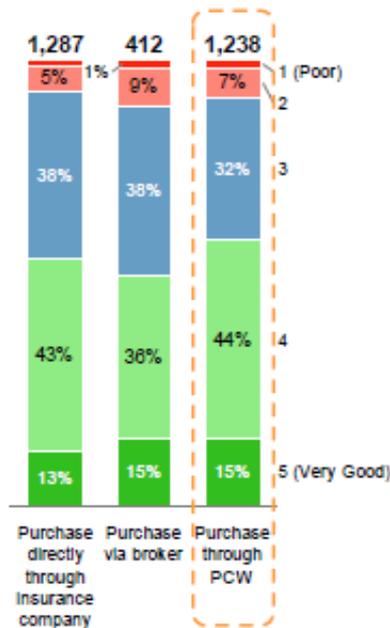
How trustworthy are online search sites?<sup>1,2</sup>  
 % , # of Respondents<sup>3</sup>



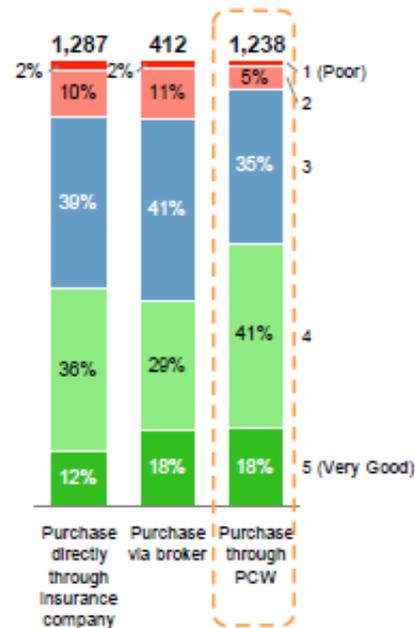
# Experience of shopping around

## Customer perceptions of Price Comparison

They present their information clearly<sup>1,2</sup>  
% , # of Responses



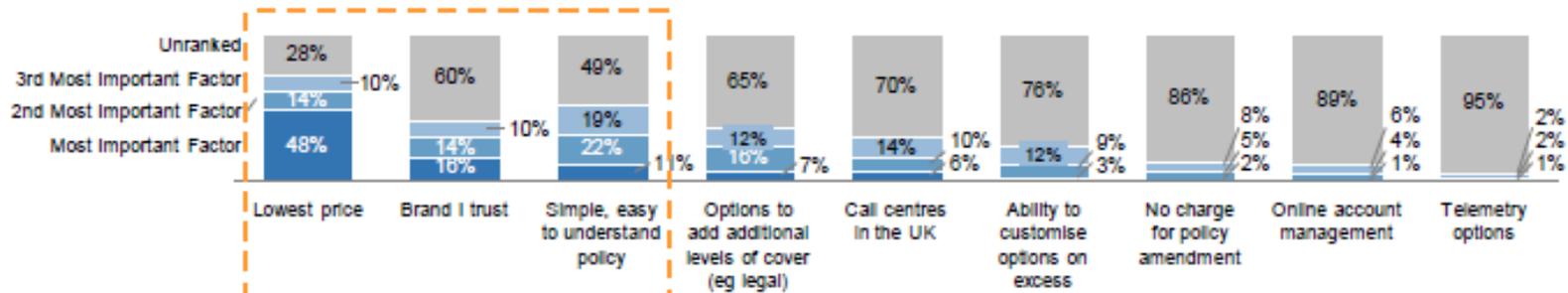
It is the best way to find the right policy for my specific needs<sup>1,2</sup>  
% , # of Responses



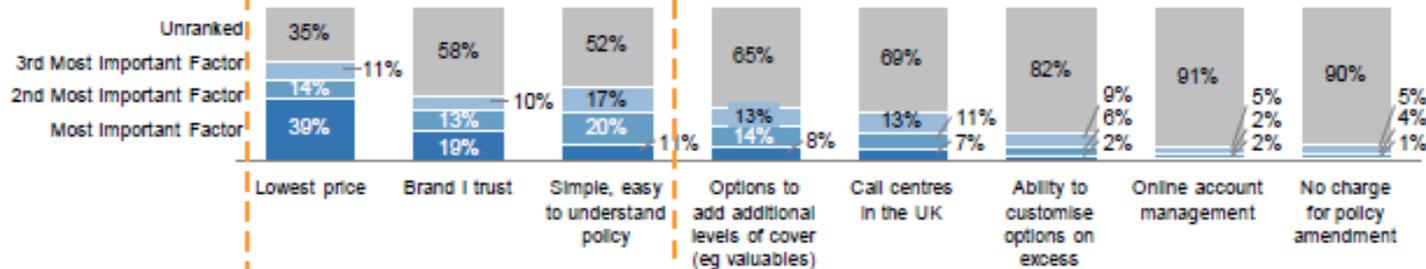
# Experience of shopping around

## Key policy considerations

### KPCs<sup>1</sup> for Car Insurance Policies



### KPCs<sup>2</sup> for Home Insurance Policies



Decreasing Importance of Factor

# Experience of shopping around

## Price is important consideration

Q - You say you used MoneySupermarket.com but ultimately purchased your policy elsewhere. Why did you choose not to use MoneySupermarket.com to make your final purchase?

### Bought via another comparison site (816)

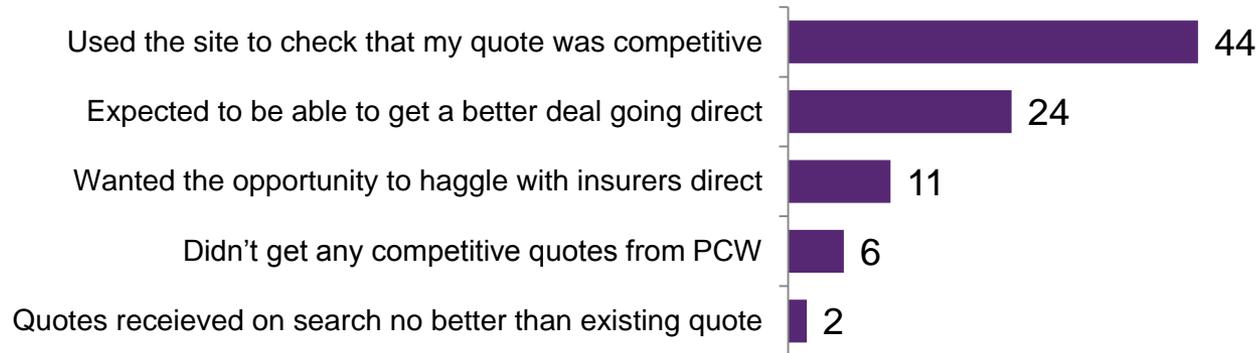
- 65% of people said they could get cheaper price elsewhere
- 6% said they got a better overall deal/more features/extras through another site
- 5% said the reason was because of a free gift/cuddly toy
  - 3% said it was a random decision (first/last used etc.)
- 2% said it was because the other website was easier to use

### Didn't buy via another comparison site (1,353)

- Those who bought direct have more varied reasons with a much lower 36% stating it was based on price
- 22% said they prefer to stay with their existing insurer
- 11% said they used Moneysupermarket just to get a comparison before deciding to go direct
- 6% said they prefer to speak to someone directly
- 6% said the company they wanted was not on Moneysupermarket
- 3% said they got their existing company to match their quote from Moneysupermarket

# Experience of shopping around

## Price is important consideration even for non-buyers

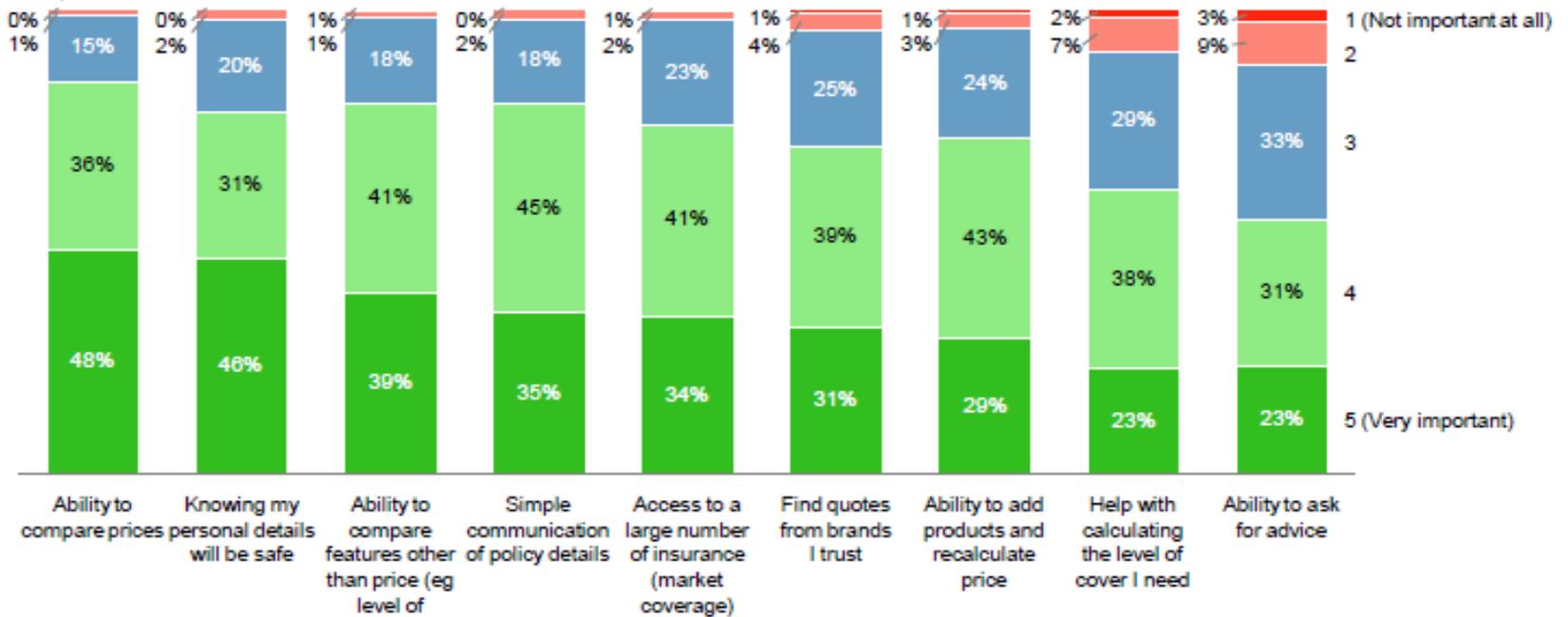


# Experience of shopping around

## Other factors are important

### Important Elements in Policy Search Process

% of Respondents

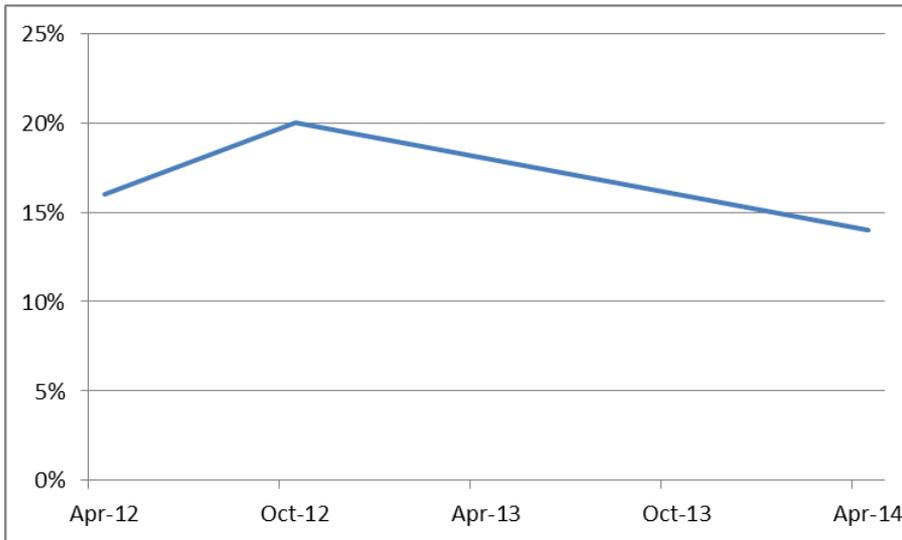


Decreasing Importance of Factor →

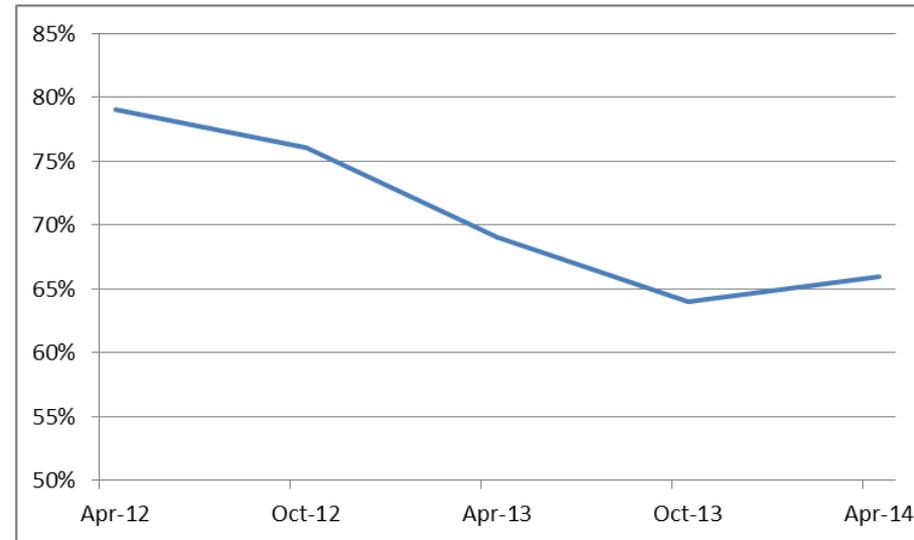
# Experience of shopping around

## Price becoming less important

% clicks from 1<sup>st</sup> position quotes  
[% of total clicks]



% clicks from top 3 position quotes  
[% of total clicks]



# Experience of shopping around

Price comparison websites increasing focus on product

Greater  
functionality  
allowing  
customers to  
search on  
requirements

Greater focus  
on product  
features eg. use  
of Defaqto  
ratings

Side by side  
comparison of  
product  
features

Allowing  
customers to  
find specialist  
products –  
multicar /  
telematics

# Conclusions

## Regulatory and industry objectives are aligned

- Not all products and markets are the same, some markets clearly benefit from increased shopping around whereas others have evolved to make it significant part of how products are distributed.
- In markets which have high levels of shopping around, customers have good understanding and clear what they want
- Where changes to shopping around are proposed needs to be considered alongside:
  - other distribution models (eg. direct/brokers)
  - product design & clarity
  - Improvements in consumer financial education