Kate Boothby

is a senior consultant for the IDM.
Her roles have included managing
the Education Department,
advising a college about its
marketing database and acting
as a key architect for the IDM's
online digital marketing course.

Case Studies

AA Motor Insurance: The IDM Business Performance Awards 2006, Diamond Award Winner Campaign: 'The AA team — Here to get you a better deal'

Kate Boothby

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Abstract

The AA motor insurance case shows how it is possible to revive a traditionally perceived brand, enabling the AA to win customers in a highly competitive, confused marketplace. The AA began by commissioning research to identify the principle concerns of customers and prospects. In answer to these concerns, the AA made substantial improvements to both their operations and communications. The AA Team campaign was launched using strong, innovative images to represent the dedicated, high calibre staff providing the motor insurance broking and booking service. Customers and prospects responded positively to the tangible benefits offered by the AA's motor insurance team and, after only one year, campaign results had exceeded expectations.

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Highly competitive

Introduction

Selling motor insurance in the UK is a highly competitive business. AA Motor Insurance¹ operates in this constantly changing, challenging market. In 2006 AA motor insurance and their agency, Rapier, succeeded in developing a strategy that held off their competitors and increased return on investment by over 30 per cent in its first year.

The strategy was based on the core idea of strongly differentiating the AA as a broker, with the AA's employees at the heart of delivering on the broker promise. In order for the organisation to fulfil the commitments made by the communications strategy, the operational side of the business had to be re-engineered.

Background

The AA entered the motor insurance market in 1967 and went on to become the UK's biggest insurance broker. During the 1990s a massive

Kate Boothby
Institute of Direct Marketing
The IDM, 1 Park Road
Teddington
Middlesex TW11 0AR, UK
E-mail: kateboothby@msn.com

structural change occurred within the industry. The 1985 launch of Direct Line established a new, direct insurance broking model. By the time of the campaign, AA motor insurance faced 358 competitors.

For many years AA insurance avoided actively promoting its brokerage credentials. As a result, many people were unaware that the AA is an insurance broker.²

The AA's long-established brand carries with it associated advantages and disadvantages. On the positive side, the AA brand is well established with a good level of public recognition arising from its core breakdown business. The AA brand is associated with high levels of trust.

On the negative side, the AA brand carries a price premium perception that applies to the insurance broking portion of the business and the organisation is viewed as being slightly old-fashioned.

Research has continually shown that these positive and negative brand perceptions are deeply embedded in drivers'³ minds. In addition to these perceptions of the brand, the campaign also had to counteract the almost universal customer view of motor insurance as a grudge purchase.

Although the AA remained the UK's biggest insurance broker in 2005, the market was dominated by direct insurers, following the Direct Line model. In addition to specialist brokers, such as Churchill, NU Direct, More Than and Esure, supermarkets like Tesco had also joined the fray. Niche players, such as Diamond and Saga, launched highly targeted products.

Historically, most customers renew their motor insurance in August, the month that new car registrations used to take place. Changes to the Driver and Vehicle Licensing Agency (DVLA) rules have reduced this peak and many insurers now actively manage customer acquisition and renewal dates to reduce their administration costs. High volumes of consumers are potentially in the market for new insurance every month. Despite the fact that a vehicle's insurance is only arranged once a year, motor insurance suppliers target drivers continuously.

Each year new drivers account for around 5 per cent of all the motor insurance policies sold. Consequently, most marketing communications target the 25 per cent of the UK's 23.6 million⁴ drivers who might switch their insurance provider. On average it costs around £30⁵ per driver just to present a branding message.

In 2004, Nielsen Media research revealed that £168m was spent on online and offline media by 358 insurance broking businesses to encourage drivers to switch their insurance supplier. An average driver is exposed to an incredible 50⁶ motor insurance marketing messages per day.

Objectives

The campaign's overall objective was:

- To develop an approach to help to grow the size of the AA's existing portfolio in the face of ferocious competition, but on a reduced marketing budget.

To meet the overall objective, the campaign needed to:

- Maximise retention of existing customers.
- Acquire sufficient numbers of new customers to increase the overall AA motor insurance portfolio.

Marketing strategies

Targeting strategy

The campaign focused on the two key target groups:

1. *Existing customers:* AA Motor Insurance had over 900,000 at the time of the campaign.
2. *Prospects or potential switchers:* There are approximately 490,000⁷ prospective switchers each month. The high volumes of target prospects meant that some micro-level targeting was possible (Figure 1).

The target audience was described as ‘price-conscious drivers who only buy from established, multi-channel, direct brands’ such as Direct Line, Churchill, Norwich Union Direct, More Than and Esure.

Market research was used to add depth to the AA’s knowledge of these two key target groups. The findings revealed that:

1. Existing AA customers were happy with their current service as long as the premiums did not rise significantly.
2. Prospects were much more demanding than existing customers. They would only consider switching to AA Motor Insurance if the proffered premium was £40 to £50⁸ cheaper than their existing insurance.

A further, valuable insight pertained to prospects’ attitudes towards the proliferation of motor insurance related marketing communications. Recipients were feeling increasingly confused by the vast array of brands, offers and promotions, all offering to save them money without any clear explanation of how this could be

Figure 1: Motor insurance prospect pool.

Source: NOP 2005

Targeting

Research findings

achieved. In all this confusion, price messages had lost much of their persuasive power and prospects were becoming more cynical, confused and intransigent.

Product strategy

‘With access to a range of policies, brokers are clearly in a good position to find the most appropriate policy to match a customer’s needs.’

Mintel, 2005

Aim of simplification

The AA’s strategic aim was to simplify the motor insurance market for the target audience, ensuring that the clarity of the AA’s motor insurance offering distinguished it from the general background noise created by numerous competitor communications.

The AA differentiated itself by communicating key information about the operational side of the business to customers and prospects. A bold decision was made to re-introduce the AA’s broking credentials for the first time in many years.

The AA’s broking credentials were used to justify their price and savings claims — creating a reason for consumers to believe in the AA’s promise to deliver lower premiums than their competitors.

The AA’s call centre team was given the responsibility and ability to use their discretion to negotiate pricing premiums directly with customers. The call centre team were also incentivised to maximise sales volumes, profitability and cross sales.

Devolving such a high level of control to customer facing staff was a brave strategy. This strategy ensured that prospective customers received competitive premium quotations, fulfilling the promises made by marketing communications and reinforcing the brand.

Positioning strategy

Differentiation from competitors

The AA deliberately adopted a more serious, adult tone to differentiate themselves from key competitors who were represented by nodding dogs, dancing elephants and hyperactive telephones.

The AA Team was developed as the embodiment of the AA’s staff; competent, trustworthy and dedicated.

Communication strategy

To most advantageously re-position the AA in relation to rival direct motor insurance brands, the communications emphasised the vital role of ‘middlemen’ in finding the best deals and negotiating with insurance companies.

The effect of the operational changes on the AA’s call centre staff, with their empowered, dynamic approach to pricing insurance premiums, was at the heart of the communications strategy. The communications promised that prospective customers would receive highly competitive premium quotes.

Dedication of employees and ability to find best deals for customers emphasised

In the first phase, the campaign focused on the dedication of AA insurance’s employees, embodied by the AA Team. The communications celebrated the Team’s skill in negotiating a better deal for AA customers.

The second phase of the communications strategy emphasised the AA Team's ability to find the best deals for customers.

Awareness and consideration building activity is viewed as a necessary fixed cost by the AA; a pre-requisite for remaining in the market at all. It is essential that consumers constantly hold the AA brand at the forefront of their minds if AA Motor Insurance wishes to appear on drivers' insurance shopping lists.

Television remained the sole channel for building brand awareness due to a media budget reduction, from £18.5m in 2004 to £14.4m in 2005.

Bold, instantly recognisable, yellow and black branding was used throughout the communications material.

Campaign execution

The AA Team campaign was 'soft launched' in January 2005 and fully rolled out in March 2005. The January launch featured three television executions. In March the integrated campaign appeared across multiple media to drive response to the call centre and website. Television awareness and consideration-building communications continued to run in bursts until October.

The television 'launch' creative was borrowed from the thriller genre. The glamorous, mysterious approach of the television ads was unlike any other insurance market advertising ever seen in the UK. The film was presented in yellow and black, colours synonymous with the AA (Figure 2).

Core proposition

The end line, 'Here to get you a better deal', reinforced the core value-for-money proposition. The offer of a money-back guarantee was included as an extra reassurance and contingency against the unlikely event that the customer found a better quote.

A powerful core proposition — 'the AA Team can save customers up to 40 per cent on their motor insurance' — was the main message. The campaign appeared across a wide range of traditional direct response channels; DRTV, press, door drops, direct mail, directories and online (Figures 3 and 4).

Extensive analysis was used to ensure that the campaign's execution was optimised in each medium, often on a daily basis. The analysis established the most effective combination of elements to drive

Figure 2: Television advertising — 'launch'

**Want to save
up to 30%
on your car
insurance?**

Call them.

- They negotiate with a panel of
over 20 leading insurers to get
you the best deal they can.
- They could save you up to 30%
– that's as much as £199!
- Apply online for a further discount
– on average 12.5% more!

The AA team

0800 107 9063

www.theAA.com

Quote ref 84

Lines are open 8am to 9pm Monday to Friday, 8.30am to 6pm Saturday and 10am to 4pm Sunday. Telephone calls may be monitored or recorded. Written quotations and sample policies available on request. Policy cover is subject to acceptance by underwriters. Information correct at time of print – Apr 05. 1. Saving based on an AA survey – Jan 05 (new customers only). 2. Discounts vary by premium from 5% to 15% and are only available to new customers buying online. Automobile Association Insurance Service Limited is an insurance intermediary authorised and regulated by the Financial Services Authority. Registered Office: Southwood East, Apollo Rise, Farnborough, Hampshire, GU14 0NW. Registered number 2414212. You may contact us using BT TYPETALK or by Textphone – 0870 600 1303. Information is also available in Large print, Braille and Audio on request. Please call for details.

Figure 3: Advertising in the specialist press

response; for example, spot times, page positioning and letter format were assessed individually and with other factors. The optimum combinations were then rolled out in other parts of the campaign to improve overall effectiveness and efficiency.

The online channel became an important part of the campaign. Search and affiliate activity was increased and the website re-engineered to fully integrate it with the campaign. Website content was

Figure 4: Examples of online banner advertising

Figure 5: AA Motor Insurance portfolio growth 2005 vs 2004.

Source: AA

updated to reflect the broking focus in offline media and make call-to-actions more prominent.

Particular attention was paid to website usability, halving the time required to complete an online motor insurance application.

Results

After only one year all the campaign's results had exceeded everyone's expectations. This impressive performance was achieved in a difficult market in which, according to anecdotal evidence, rival brokers were struggling.

- Despite year-on-year share of voice falling by 30.6 per cent, the portfolio actually grew by 5 per cent, equating to more than 50,000 additional customers (Figure 5).
- Portfolio growth resulted in the AA's share of the motor insurance market increasing by 0.7 points to 3.94 per cent year on

year. This is an impressive result in view of the intense competition.

- The year-on-year average, spontaneous brand awareness was maintained at 52 per cent and average prompted consideration (ie appearing on a driver's insurance shopping list) increased by 16 percentage points.

Most importantly, drivers' intention to call from a quote increased by up to six percentage points, showing how improved awareness and consideration translates into sales (Table 1).

- The campaign's return on investment exceeded expectations. Each direct channel was assessed in terms of their ROI. DRTV ROI suffered from a change in reporting criteria between 2004 and 2005 and thus 2004's performance is overstated. As a result, the blended ROI for all direct channels is the most important metric and this improved by 32 per cent, to almost £5 per pound spent.
- New direct marketing packs were introduced, each beating the previous champions across warm and cold audiences, with average uplifts of 38 per cent, ranging from 34 per cent to a high of 52 per cent (Table 2).
- Monthly acquisition volumes for home insurance also increased by 40 per cent during the life of the campaign.
- The resounding success of this campaign had a positive impact on the AA's plans for the future:

Success impacts on future plans

1. AA Insurance staff morale improved dramatically, creating a renewed appetite for future growth. For example, within the call centres the team's ability to negotiate premiums directly with

Table 1: Awareness tracking results

Tracking measure	Previous campaign %	AA team %	Points change
Average spontaneous brand awareness	52	52	0
Peak spontaneous brand awareness	59	63	+4
Average prompted consideration	16	32	+16
Peak prompted consideration	18	40	+22
Average spontaneous Ad awareness	31	33	+2
Peak spontaneous Ad awareness	38	43	+5
Call for a quote (Peak)	46	52	+6

Source: Synovate 2005.

Table 2: Media return on investment results

Media channel	ROI 2004	ROI 2005
DRTV	100	79
Press	100	127
Direct mail	100	118
Online	100	157
Door drops	100	384
Total	100	132

Source: The AA.

consumers helped to improve the call to quote conversion by 26 per cent year on year. This is expected to grow further in 2006/7.

2. Success engendered ambition, energising the organisation. Ambitious targets were set, to expand motor insurance business further and launch exciting, new product ranges in 2006.

Tangible value leads to impressive sales

Lessons learned

This case shows how an organisation succeeded in adding tangible value to the core product, resulting in impressive sales in a competitive and confused marketplace. AA Motor Insurance product and service developments were customer-led, based on insights gained from marketing research.

The campaign integrated communications effectively around a strong, core idea. The strength of the core idea allowed the AA to devolve considerable responsibility to customer-facing staff, enabling them to deliver a more competitive and customer focused service.

AA Motor Insurance's 'AA Team' campaign demonstrates the significant marketing impact that a well established, reinvigorated brand can have. This case underlines the necessity of supporting marketing initiatives by implementing real, operational improvements to ensure that the promised product benefits can be delivered.

References

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