Gary Robertshaw
has held senior direct, digital and database marketing roles within the retail, financial and educational sectors spanning over 20 years. He is a Fellow of the Institute of Direct Marketing, and holds a PhD from Huddersfield University Business School. He has published work in a broad range of academic journals.

Papers

An examination of the profitability of customers acquired through price comparison sites: Implications for the UK insurance industry

Gary Robertshaw

Date Received (in revised form): 26th August, 2010

Abstract

The widespread adoption and entrenchment of online price comparison sites as a customer acquisition route by insurance companies, coupled with rapidly increasing use of such sites by consumers has had a profound effect on the profitability dynamics of the UK general insurance market. This paper discusses the emergence of price comparison sites and examines their effectiveness in acquiring and retaining customers. Drawing on case study figures and using a hypothetical model, the longer-term implications for company profitability and that of the wider industry are considered.

Journal of Direct, Data and Digital Marketing Practice (2011) **12,** 216–229. doi:10.1057/dddmp.2010.37

Keywords: price comparison sites, general insurance, customer acquisition, customer retention

Background

A significant milestone in the history of the internet was recently realized, as the number of consumers regularly going online exceeded the one billion mark globally.[1] The growth in internet usage is such that it is expected to surpass traditional television viewing, with global software giant Microsoft revealing that if current growth trends continue then the internet will become the most consumed form of media on the planet.[2]

The internet has become the dominant means by which consumers research and buy financial products

The phenomenal growth in internet usage is reflected within the financial services sector. For example, according to a survey by the Fair Investment Company, 57 per cent of respondents stated that they would search online for financial guidance, whereas only 12 per cent would go to a bank or a financial adviser. More pertinently, the Fair Investment Company reported that the internet was supplanting traditional information sources to facilitate consumer decision making about important and complicated issues such as financial products and services, including general insurance.[3]

Gary Robertshaw
15 Heron Close
Mountain Queensbury
West Yorkshire, BD13 1NR, UK
E-mail: garyrobertshaw@tiscali.co.uk

Use of the internet for researching and buying financial products such as insurance is becoming well established, borne out by a survey by the Alliance & Leicester showing that more than half of all consumers in the UK use online platforms to research information about financial issues. In particular, the Alliance & Leicester research emphasized the growing popularity of price comparison sites and finance forums, which have enabled consumers to become more financially astute and independent.[4]

In a relatively short space of time, the internet has become the dominant means by which consumers research and buy financial products such as insurance. Perhaps this situation is best typified by Endsleigh Insurance, which recently closed 119 of its branches due to a combination of dwindling numbers of consumers visiting its branches and more than 80 per cent of its enquiries emanating from the internet. A spokesman for the company stated that 'The Internet has rapidly become the channel of choice for people searching for insurance'.[5]

Increase in online spending

Increased internet usage by consumers searching for financial services products is concomitant with an increase in online marketing spend by companies. Evidence of this was seen in a recent Annual Marketing Survey by Alterian, which revealed that 62 per cent of companies were looking to boost their online marketing budgets.[6] Further, the Internet Advertising Bureau reported that the amount of money spent on internet marketing increased by 17 per cent in 2008 to £3.3bn, while the European Interactive Advertising Association found 81 per cent of companies had increased their volume of online marketing and intended to do so for the next two years.[7]

ZenithOptimedia's global advertising growth forecast successfully predicted that the internet would be the only advertising medium to witness growth during 2009. By 2011, it expects online to account for over 15 per cent of all advertising expenditure, up from 10 per cent in 2008.[8]

Decrease in off-line spending

The channel mix includes a higher proportion of digital and interactive channels

The increase in popularity of the internet and growth in online marketing spend is in stark contrast to that of more traditional media. For example, a Bellwether survey by the Institute of Practitioners in Advertising revealed that in the last quarter of 2008, marketing budgets were revised down to the lowest levels experienced since the poll was created. Areas worst affected by the changes included main media advertising, PR and events sponsorship.[6]

During the economic downturn, marketing budgets have come under increased pressure and scrutiny, with calls for greater cost-effectiveness and accountability. In turn, this has increased the attractiveness of online media channels where return on investment can be more accurately measured over the short term.[9,10]

Support for this trend is reflected in findings that show a migration of advertising spend away from traditional print and television towards online marketing. Figures reveal that 40 per cent of the increase in online spending had been moved from print media, while 39 per cent had been taken from television advertising.[11] As Bruce *et al.*[11] have shown, the channel mix now includes higher proportions of digital and interactive channels, with an explosion in the use of web and e-mail over the last three years.

Emergence of price comparison sites

Price comparison sites have become a major route through which consumers research and buy insurance products

The first price comparison sites emerged in the UK towards the late 1990s when internet usage was confined to a minority of the population and when online shopping for insurance was still largely a niche activity. Insurancewide and Moneysupermarket sites launched in 1999, followed by Confused in 2002. These were later joined by a growing contingent of online price comparison sites such as Go Compare, Compare the Market, Beat That Quote, Quote Detective and Tesco Compare.

The conditions created by postmodernism; an increasingly time-poor, price-sensitive consumer with unparalleled and immediate access to information have fostered an environment in which online price comparison sites can thrive. The sales pitch for price comparison sites is simple and highly compelling — why waste hours telephoning different insurance companies when you can give your details to a website once and instantly find the lowest quote?[12]

Although insurance brokers provided consumers with quote comparisons from a range of different insurers many years before the advent of price comparison sites, there is a key difference. Insurance brokers typically consist of a panel of selected insurers, and thus the breadth of comparisons tends to be narrower than price comparison sites, which more comprehensively compare quotations from both insurers and insurance brokers. From a consumer perspective this means that the range of comparisons is broader in scope, including comparisons of insurance brokers versus insurance brokers. For example, the AA and Hastings.

Price comparison sites also offer insurance companies an almost unrivalled, accountable and directly measurable channel through which new customers can be acquired at a fixed cost-per-policy. Further, the cost per customer acquired from price comparison sites is generally lower and less volatile than those of traditional media such as press and television.[8,13-15]

The ascendancy of price comparison sites as a channel through which insurance can be researched and transacted has been swift. Which magazine has reported that around 6.5 million UK consumers visited one of the largest three sites — Moneysupermarket, Go Compare and Confused — in April 2009 alone.[12] Further, YouGov statistics reveal that 45 per cent of consumers have used a price comparison site to help them navigate the market and make financial decisions.[3] More recent research from EMB reveals that the trend towards consumers using price comparison sites is expanding further, with 78 per cent of consumers reporting that they were likely to visit such a site to source their motor insurance provider.[16]

It is clear that price comparison sites now constitute an integral and extensive channel through which consumers research and buy insurance, and that their presence has significantly altered the general insurance landscape for both companies and consumers.

Dilemma for insurers

Price comparison sites present insurers with a dilemma

Despite the preceding benefits for both consumers and companies, price comparison sites have become the subject of much debate, and there exists consternation regarding their use among insurers. For example, one insurance giant, Direct Line, has never placed its products on price comparison sites. Aviva, another of the nation's leading insurance companies, has reversed its involvement with price comparison sites and no longer appears on them.

Insurer abstention from participation in price comparison sites, as well as tepid engagement with such sites, is driven by a number of important factors.

Attracts disloyal customers

Price comparison sites tend to attract more capricious, price-sensitive customers. At renewal stage, these customers are more inclined to re-visit the price comparison site than the actual insurer.[16] For example, research by Hughes[14] showed that 39 per cent of customers acquired through a price comparison site are likely to be disloyal compared to 12 per cent for newspapers, 18 per cent for direct mail and 21 per cent for television advertising. Hughes' findings revealed that the most disloyal customers were those who came from price comparison websites. In contrast, the best way to capture a loyal customer was found to be through personal recommendation or through traditional media advertising.

It is apparent that customer loyalty may be more allied to the price comparison site than with the actual insurer. Ironically, price comparison site loyalty is predicated on insurer disloyalty. This was illustrated in a recent interview with the price comparison site Go Compare, in which consumers were encouraged to switch insurers each year to receive the best deal and not to fall victim to what they described as 'misplaced insurer loyalty'.[17]

At the same time, price comparison sites are themselves striving to develop customer relationships and to build loyalty with the customer. Many have cross-sell and communication strategies that promote the benefits of going back to the price comparison site at renewal, making it more difficult for the insurer to engage with the customer and engender loyalty through a direct relationship.[16]

Unlike traditional customer acquisition routes such as television and press, where a more direct relationship between customer and insurer can be fostered, price comparison sites create a situation in which there is an ongoing competition between themselves and the insurer for customer ownership. Conceptually, it could be argued that price comparison sites loan customers to insurers rather than create them.

Commoditization

While it is always the case that insurers actively try to recruit customers from each other through traditional media such as television, the level of inter-insurer competition is heightened to an unprecedented level on price comparison sites. Unlike any other medium, the consumer has the compelling proposition of immediate and impartial access to a vast range of insurance quotes ranked according to price. It is also much easier for consumers to compare prices than possible with previously disparate distribution channels.

This explicit focus on price serves to denigrate the role of the insurer brand and its service benefits. Effectively, insurers are placed into a pot where price is paramount and where the opportunity for insurers to compete on non-price attributes is diminished.

This situation can lead to the commoditization of insurance brands. In other words, the consumer's choice of insurance provider becomes more dependent on price than differentiating features, benefits and value added services. This is borne out by research undertaken by EBM UK, which contends that insurance will become further commoditized, and that the brand values and marketing effort will reside with the distributors in the longer term. Effectively, insurers will lose more control over a more empowered, end customer.[18]

Lower profitability

The increased price sensitivity cultivated by price comparison sites implores insurers to reduce rates as far as possible to improve their rankings and acquire a larger share of new customers. The effect of this is to erode profit margins. In addition, the opportunity for the insurer to increase premiums in subsequent years in an effort to recover margins lost at the point of acquisition is reduced, because a mismatch between the quotation on price comparison sites and the customer's renewal quote can lead to customer discord and distrust. The increasingly common situation whereby insurers' own quotes are more expensive than those they offer through price comparison sites is likely to create greater defection rates away from insurers generally towards price comparison sites.[18]

Inaccurate premiums

In an effort to present the lowest premium to consumers in the quickest possible time, price comparison sites tend to make favourable assumptions. For example, a study by the Financial Services Authority found that many default to higher voluntary excesses.[19] Whilst Laffey and Gandy[20] found a number of sites continuing to make assumptions when offering premiums. For example, some will automatically assume that drivers have no previous claims history or a motor conviction by pre-ticking the question as 'no'.[20] This situation can lead to wrongly priced premiums being offered to customers, which subsequently have to be corrected by the insurer leading to customer dissatisfaction given that the correction is usually associated with a premium increase.

This problem is exacerbated by the fact that price comparison sites employ their own particular questions rather than those of each different insurer. That is, an insurer would ask a different set of questions to those posed by a price comparison site if the consumer visited the insurer's website directly. This disparity between the two sets of questions can create differences in the calculation of risk and subsequent premiums, which can potentially further affect insurer profitability.

A comparison of price comparison sites

Premiums offered by price comparison sites are generally lower than if the consumer visits the insurer directly

The objectives of this study were twofold:

1. To establish whether differences existed in the premiums offered by price comparison sites and insurer websites.
2. To quantify the extent of any such differences.

A comparison of the premiums offered by price comparison sites and those offered by visiting the insurer's website directly was undertaken using three different profiles:

- Profile 1 — Middle-aged professional male living in a semi-rural location and driving a small car.
- Profile 2 — Younger female in a manual occupation driving a larger car in an urban location.
- Profile 3 — Retired male driving a medium-sized car in a rural location.

The use of three, disparate profiles each with a different age, occupation, car and address ensured that the results were not attributable to the idiosyncracy of any one particular profile.

It should be noted that while the use of different profiles to the three chosen profiles would have yielded different premiums, this did not affect the preceding objectives.

Insurance premiums were obtained from four different price comparison sites: Go Compare, Moneysupermarket, Confused and Compare the Market. The premiums obtained from the price comparison sites were then compared against those obtained directly from the insurance company. In addition, an insurance premium was obtained from Direct Line's website given this company's stated position of abstention from engagement with any price comparison sites.

It should also be noted that some price comparison sites posed questions differently — for example, distance travelled per year appeared as a clickable sliding scale on some, and as a specific value to be typed in on others. While this may have had some influence on the premiums obtained, again it did not affect the objectives since consumers searching for insurance quotations across different price comparison sites are themselves faced with exactly this same situation.

Having obtained insurance premiums from the four chosen price comparison sites, the top ranked four insurers on each of these price comparison sites were listed for each profile as shown in Table 1.

In summary, the findings in Table 1 reveal the following:

- Different insurers appeared on different price comparison sites.
- The ranking achieved by a particular insurer varied across price comparison sites.
- Different price comparison sites sometimes gave different premiums for the same insurer.
- The lowest premiums were different on each price comparison site.
- Premiums offered by price comparison sites were generally lower than if the consumer visited the insurer directly (in Table 1 lower premiums could be obtained via a price comparison site on 32 occasions compared to just 11 occasions when visiting the insurer directly).
- Direct Line's premiums were higher across all three profiles than the highest ranked insurer on each price comparison site.

Importantly, price comparison sites offered lower premiums than many insurance brokers, reiterating the difference between these two forms of quote comparisons.

These findings are consistent with an earlier study by Moneywise (2008).[5]

Hypothetical profitability model

Customers acquired from price comparison sites are less profitable in the longer term

It is known that price comparison sites tend to attract more disloyal customers compared to traditional media channels.[14] However, such sites provide insurance companies with a fixed, relatively low-cost and highly accountable route through which new customers can be acquired.[8,14,15]

The hypothetical profitability model in Table 3, and illustrated in Figure 1, shows the different profitability curves of customers acquired from price comparison sites versus those acquired from traditional media over a five-year period.

It should be noted that the hypothetical profitability model in Table 3 is derived from a number of actual, previous studies and industry findings. It is hypothetical only in the context of directly comparing the profitability of customers acquired from traditional media against those from price comparison sites on a like-for-like basis, using the following postulates:

1. The retention rates of 34 per cent for price comparison sites and 69 per cent for traditional media are based on the author's own experience within the general insurance industry[21] and supporting

Table 1: Top ranked insurers by price comparison site

Position	Profile	1st	2nd	3rd	4th
Go Compare	Profile A	Esure=£230.19 (Direct=£256.50)	A & L=£238.32 (Direct=£233.63)	M & S=£240.79 (Direct=£263.73)	First Alternative=£241.08 (Direct=£277.04)
	Profile B	AXA=£416.97 (Direct=£392.60)	Auto Direct=£481.02 (Direct=£489.09)	Budget=£494.12 (Direct=£765.91)	Hastings=£501.01 (Direct=£520.04)
	Profile C	Kwik Fit=£146.97 (Direct=£170.97)	Express Insurance=£151.09 (Not available)	LVE=£154.34 (Direct=£159.92)	Motorquote Direct=£157.58 (Not available)
Confused	Profile A	Esure=£225.63 (Direct=£256.50)	Endsleigh=£237.08 (Direct=£237.08)	M & S=£240.95 (Direct=£263.73)	Halifax=£244.81 (Direct=£282.53)
	Profile B	AXA=£422.49 (Direct=£416.97)	Auto Direct=£469.63 (Direct=£489.09)	Policy Shop=£491.68 (Direct=£502.03)	Hastings=£492.68 (Direct=£520.04)
	Profile C	LVE=£167.19 (Direct=£159.92)	Direct Choice=£175.29 (Direct=£204.09)	Budget=£176.30 (Direct=£179.47)	Kwik Fit=£176.97 (Direct=£170.97)
Moneysupermarket	Profile A	Esure=£230.19 (Direct=£256.50)	Endsleigh=£237.08 (Direct=£237.08)	M & S=£240.79 (Direct=£263.73)	Halifax=£244.81 (Direct=£282.53)
	Profile B	AXA=£422.49 (Direct=£416.97)	Auto Direct=£445.71 (Direct=£489.09)	Renew Insurance=£479.93 (Direct=£499.34)	Motorquote Direct=£479.93 (Direct=£488.43)
	Profile C	LVE=£167.19 (Direct=£159.92)	Budget=£171.37 (Direct=£179.47)	Kwik Fit=£176.97 (Direct=£170.97)	Direct Choice=£177.71 (Direct=£204.09)
Compare the Market	Profile A	Esure=£202.60 (Direct=£256.50)	A & L=£209.57 (Direct=£233.63)	Halifax=£219.82 (Direct=£282.53)	Hastings=£222.56 (Direct=£264.16)
	Profile B	AXA=£407.34 (Direct=416.97)	Quote Mart=£488.82 (Direct=£710.82)	Hastings=£498.58 (Direct=£264.16)	Green Insurance Co=£502.57 (Direct=£577.45)
	Profile C	Swiftcover=£184.99 (Direct=£221.91)	Yes Insurance=£258.07 (Direct=£215.37)	Provident Insurance=£266.95 (Not available)	Budget=£268.24 (Direct=£179.47)
Direct Line	Profile A	£340.20			
	Profile B	£655.20			
	Profile C	£206.85			

research undertaken by Hughes,[14] which showed that customers acquired from price comparison sites were at least twice as likely to be disloyal as those acquired from traditional media. This is supported by further research from MoreThan, Mintel and Data Monitor.[22–24]

2. The acquisition cost per customer is twice as high on traditional media compared to price comparison sites, again based on the author's own experience, Hughes'[14] research and supporting research from MoreThan, Mintel and Data Monitor.[22–24] This is further reinforced by the summary of typical acquisition costs per motor insurance customer by media channel compiled from an actual advertising campaign shown in Table 2.[21]
3. The mean premium per customer is higher for price comparison sites because these sites tend to attract more price-sensitive customers whose premiums are typically higher than that of the general insurance market.
4. In contrast, the mean premium income per customer is lower for price comparison sites because insurance companies are forced to sacrifice margins in order to optimize their ranking against competitors. In the results compiled from an actual advertising campaign,[21] the mean premium per customer was found to be £294 for those acquired from traditional media and £381 from those recruited via price comparison sites. Mean premium income per customer was £44 and £38, respectively.

Figure 1 shows that customers acquired from price comparison sites become profitable after their first year. However, after a period of time (three years in the hypothetical model), the profitability of customers acquired via traditional media channels begins to exceed that of price comparison sites. In the longer-term, beyond three years, the profitability of customers acquired via traditional media channels is greater than that of price comparison sites. While lifetime profitability can be measured beyond five years, this does not affect the general principle extrapolated from the hypothetical model; that customers recruited from price comparison are less profitable in the longer-term.

Using the hypothetical profitability model in Table 3, it is possible to extrapolate the customer retention rate required on price comparison

Table 2: Typical acquisition cost per customer

Channel	Acquisition cost per customer
Internet banners	£151.35
Cold list direct mail	£130.51
Television	£125.24
Directories	£103.82
Sponsored online searches	£88.13
Price comparison sites	£39.29
Recommendations and word of mouth	£11.82
Overall campaign total	£78.48

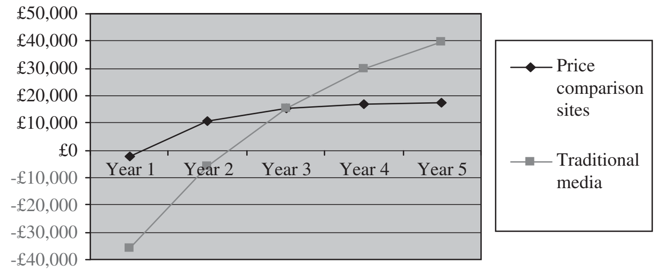

Figure 1: Profitability of price comparison sites versus traditional media channels

Table 3: Hypothetical profitability model

	Price comparison site	Traditional channels
Total customers acquired	1,000	1,000
Acquisition cost per customer	£40	£80
Total acquisition cost	£40,000	£80,000
Mean premium per customer	£381	£294
Mean premium income per customer	£38	£44
Total premium income	£38,000	£44,000
Retention rate	34%	69%
Cumulative profit/loss (year 1)	(£2,000)	(£36,000)
Cumulative profit/loss (year 2)	£10,920	(£5,640)
Cumulative profit/loss (year 3)	£15,313	£15,308
Cumulative profit/loss (year 4)	£16,807	£29,762
Cumulative profit/loss (year 5)	£17,315	£39,736

sites to render them as profitable as traditional media channels in the longer term. This calculated retention rate is slightly over 54 per cent. The likelihood of achieving such a retention rate is improbable given the author's experience and Hughes'[14] research confirming that customers acquired from price comparison sites are at least twice as likely to be disloyal as those acquired from traditional media. A more typical retention rate for price comparison sites is 34 per cent as shown in Table 3.

Results

These findings indicate that customers acquired via price comparison sites will be less profitable in the longer term. As this crystallizes into real-life profitability outcomes, it is expected that more insurance companies will be prompted to review their degree of engagement with price comparison sites and reappraise their strategic role in customer acquisition. For example, IAG UK, the UK's sixth largest motor insurer, recently reported a significant fall in profitability and stated that it would be ceasing to write all motor business sourced from external price comparison sites having previously acquired large numbers of customers through this route.[25]

The finding that some insurance companies offer customers lower premiums through price comparison sites than if the customer went directly to the insurance company is likely to intensify the spiral of disloyalty. It may also lead to customer dissonance if the renewal rate offered by an insurance company is higher than that which the customer can obtain by going back to that insurance company through a price comparison site. In their efforts to maximize new customer volumes through price comparison sites, insurance companies are effectively rewarding disloyalty.

This peculiar situation is complicated further with the finding that different insurance companies appear on different price comparison sites, ranked differently and offering different premiums even for the same insurance company. For example, Marks and Spencer was ranked in the top four on Go Compare, Confused and Moneysupermarket, but did not appear in the top four on Compare the Market for profile A. This could not be simply attributable to Compare the Market being the least competitive of the price comparison sites since Compare the Market offered a lower quotation from esure than all other price comparison sites.

It also appears that some price comparison sites are more competitive than others. For example, while esure was ranked top of all the price comparison sites checked for profile A, the premiums offered ranged from £202.60 to £230.19 (a difference of 14 per cent). The concept of the consumer entering their details once and the price comparison site then doing all the work in finding the lowest quotation may therefore be anathema — consumers will be offered the lowest quotation from that particular site but not necessarily the lowest quotation in the market. This situation raises the prospect of consumers having to visit several different price comparison sites to obtain the lowest quotation, which is in a sense a reversion to the 'shopping around' situation that they claim to circumvent.

In evaluating the profitability of customers acquired from price comparison sites, it is apparent that this is highly sensitive to future retention rates regardless of initial, lower acquisition costs. In fact, the hypothetical model shown in Table 3, and illustrated in Figure 1, indicates that the long-term profitability of customers acquired from price comparison sites will inevitably be weaker in the longer term than those acquired from traditional media. It should be noted, however, that these findings are based on figures made available during the last two years; it is possible that retention rates from price comparison sites may change in the future, and this paper therefore represents a snapshot of the current situation.

While acknowledging the possibility of future changes, the current results highlight the long-term benefits for insurance companies of advertising in a broad range of media channels beyond price comparison sites and investing in brand awareness. More specifically, the increased cost and volatility associated with the acquisition of customers through brand-orientated traditional media such as press, direct mail and television may be offset by increased loyalty, retention rates and future customer profitability.

Conclusion

The response of the insurance industry to the new price comparison paradigm has been eclectic

The growth in acceptance and use of online price comparison sites by consumers has been rapid, and these sites are now well established as a major channel through which insurance policies are transacted. In tandem, marketing budgets have come under increased scrutiny with a shift towards online advertising and a greater requirement for accountability, which in one respect has made price comparison sites an attractive customer acquisition channel for insurance companies.

However, the results of this study indicate that customers acquired from price comparison sites are less profitable in the longer term than those acquired from traditional media such as press, television and mailings. This has knock-on implications for the profitability of the insurance industry because higher proportions of customers acquired from price comparison sites may result in a longer-term decline in customer profitability.

Insurance companies that use price comparison sites as an acquisition route must recognize that consumers who use such sites are more inclined to perceive their relationship to be with the price comparison site and not the insurance company. Consequently, these consumers are most likely to be disloyal. This study has shown that some insurers charge consumers higher premiums when they visit the insurer directly than if the consumer visited a price comparison site. The existing pricing models used by insurance companies on price comparison sites thus actually serve to encourage disloyalty and reinforce volatility.

The response of the insurance industry to the new price comparison paradigm has been eclectic, ranging from full engagement with these sites to total abstention, and there exists confusion among insurance companies in whether they regard price comparison sites as an opportunity or a threat. For example, Aviva have withdrawn their products entirely while the Royal Bank of Scotland allows some of their operations to participate in the sites while keeping their larger brands away from involvement. Other insurers and insurance brokers appear on price comparison sites, but also invest heavily in brand building and acquiring customers from a wide range of media channels, for example the AA. This inconsistent situation is symptomatic of an insurance industry that is reacting in an *ad hoc* way to the rapid ascension of price comparison sites rather than adopting a longer-term strategic stance.

It is becoming increasingly apparent that the emergence of price comparison sites is having a far-reaching impact on the UK insurance industry, eroding profit margins and forcing a reappraisal of pricing, distribution, marketing and brand strategies.

Those insurance companies that choose to abstain completely from participation with price comparison sites may find it more difficult to acquire new customers, sacrificing volume in an effort to improve profitability. Furthermore, the results of this study suggest that price comparison sites are profitable, although less so than traditional customer acquisition routes, and therefore should form an integral part of the marketing mix. The central questions are thus how to integrate price comparison sites into the overall marketing strategy, the degree of integration and engagement with such sites, and how this can be achieved without significantly eroding profitability.

Fundamentally, price comparison sites have highlighted and amplified issues that already existed within the insurance industry. This is most evident in pricing whereby weaknesses that might have been previously hidden are more readily apparent and which are more likely to result in insurer losses in the new environment, emphasizing the critical importance of customer relationships and pricing at renewal.

It is clear that the current situation of full and partial engagement with price comparison sites, reactive disengagement, pricing anomalies, rewarding disloyalty, brand commoditization and erosion of profitability must be addressed by the insurance industry through a strategic review of the future role of price comparison sites.

The findings of this study point towards a strategy of employing a broad range of media channels incorporating the selective use of price comparison sites coupled with a more discriminatory pricing strategy, as being more likely to nurture an optimum combination of growth in customer volumes and overall profit. Insurance companies may be able to further counteract the competitive threat posed by price comparison sites by creatively building customer affinity along non-price dimensions. Examples include offering bundled products that lock customers in and improve retention rates, maximizing cross-selling opportunities to enhance profitability, and wider promotion of service attributes such as cover levels and claims support.

References and Notes

1. Aktan, B. and Teker, E. (2009) ‘Changing face of banks and the evaluation of Internet banking in Turkey’, *Journal of Internet Banking and Commerce*, Vol. 14, No. 1, available at http://www.arraydev.com/commerce/jibc/, accessed 16 August 2010.
2. The Institute of Direct Marketing. (2009) ‘Internet to beat TV by 2010’, 14 April, available at www.theidm.com/resources/daily-newsfeed/internet-to-beat-tv-by-2010, accessed 9 September 2009.
3. Dawes, J., Mundt, K. and Sharp, B. (2009) ‘Consideration sets for financial services brands’, *Journal of Financial Services Marketing*, Vol. 14, No. 3, pp. 190–202.
4. Alliance and Leicester. (2008) ‘Consumers head on-line for financial research’, 14 December, available at http://www.1888pressrelease.com/savers-surf-their-way-to-financial-decisions-pr-89964.html, accessed 8 September 2009.
5. Moneywise. (2008) ‘Endsleigh poised to close branch network’, 25 July, available at www.moneywise.co.uk/news-views/2008/07/04/endsleigh-poised-to-close-branch-network, accessed 8 September 2009.
6. The Institute of Direct Marketing. (2009) ‘Marketing budgets fall’, 13 January, available at http://www.theidm.com/resources/daily-newsfeed/marketing-budgets-fall/, accessed 8 September 2009.

7. Internet Advertising Bureau. (2008) 'Digital marketing spend continues to rise', 7 October, available at http://www.iabuk.net/en/1/internetadvertisingspendup21071008.mxs, accessed 9 September 2009.
8. Rosenkrans, G. (2009) 'The creativeness and effectiveness of online interactive rich media advertising', *Journal of Interactive Advertising*, Vol. 9, No. 2, pp. 18–31.
9. Kotler, P. and Caslione, J.A. (2009) 'How marketers can respond to recession and turbulence', *Journal of Customer Behaviour*, Vol. 8, No. 2, pp. 187–191.
10. The B2B Barometer® — Report 2 — February 2010, A joint initiative undertaken by Circle Research, Association of B2B Agencies (ABBA) and the Institute of Direct Marketing (IDM).
11. Bruce, L., Bondy, K., Street, R. and Wilson, H. (2009) 'How new multichannel thinking can deliver competitive advantage', *Journal of Direct, Data and Digital Marketing Practice*, Vol. 10, No. 4, pp. 329–335.
12. Money Week. (2008) 'Take care when using price comparison sites', 27 August, available at http://www.moneyweek.com/personal-finance/take-care-when-using-price-comparison-sights-93874.aspx.
13. Watson, J. (2008) 'New customer acquisition: Five ways to make it work again', 15 May, available at http://www.theidm.com/resources/idm-insights/new-customer-acquisition-five-ways-to-make-it-work-again/, accessed 17 May 2010.
14. Hughes, I. (2008) 'Customer loyalty in the UK general insurance market', *Journal of Direct, Data and Digital Marketing Practice*, Vol. 10, No. 1, pp. 29–42.
15. Lara, P.R. and Ponzoa, J.M. (2008) 'Evaluation of cost per contact and cost per response in interactive and direct media planning: A Spanish case study', *Direct Marketing: An International Journal*, Vol. 2, No. 3, pp. 159–173.
16. EMB UK. (2009) 'The consumer view of insurance purchase', available at http://www.emb.com/EMBDOTCOM/UK/UK/Marketing%20Analytics/EMB%20Briefings_Marketing%20Sciences%20research.pdf, accessed 17 May 2010.
17. Insurance Times. (2009) 'Insurers do not reward loyalty16 January', available at http://www.insurancetimes.co.uk/story.asp?sectioncode=13&storycode=376344, accessed 8 September 2009.
18. EMB UK. (2010) 'Don't shoot the messenger', available at http://www.emb.com/uk/news/dont_shoot_the_messenger.php, accessed 17 May 2010.
19. Financial Services Authority. (2008) 'Review into general insurance comparison websites May', available at http://www.fsa.gov.uk/pages/Doing/Regulated/Promo/thematic/review_gi_comparison.shtml, accessed 16 August 2010.
20. Laffey, D. and Gandy, A. (2009) 'Comparison websites in UK retail financial services', *Journal of Financial Services Marketing*, Vol. 14, No. 2, pp. 173–186.
21. Unpublished marketing campaign. (2008) Source not disclosed due to commercial sensitivity.
22. E-consultancy. (2008) 'MORE TH>N's Roberto Hortal Munoz on comparison sites', 5 August, available at http://econsultancy.com/blog/2653-q-a-more-th-n-s-roberto-hortal-munoz-on-comparison-sites, accessed 23 August 2010.
23. Mintel Research. (2009) 'Motor insurance — UK' May 2009, available at http://oxygen.mintel.com/sinatra/oxygen/display/id=395477/display/id=479856, accessed 23 August 2010.
24. Data Monitor Research Store. (2010) 'UK private motor insurance 2010', available at http://www.datamonitor.com/store/Product/toc.aspx?productId=DMFS2495, accessed 23 August 2010.
25. Insurance Times. (2010) 'IAG's UK claims cut margin', 2 June, available at http://www.insurancetimes.co.uk/story.asp?sectioncode=13&storycode=384718, accessed 9 June 2010.