

Brand loyalty in insurance and energy markets

A report on the attitudes of UK consumers towards switching insurance and energy providers



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The changing consumer

This paper explains the changing loyalty of British consumers, and identifies new emerging segments. We look specifically at online insurance and energy markets, markets that have been disrupted by:

- the comparative ease of switching
- the prevalence of price comparison websites

In these markets providers have adapted to these conditions by pursuing strategies primarily aimed at acquiring new customers.

But how have these strategies have impacted on consumer loyalty, and on their relationship with brands? We explain the psychology behind both regular switching and brand loyalty among the four key consumer segments.

These segments reflect attitudes to brand retention and acquisition, by their propensity to switch, and by their response to brand advertising strategies. The 4 segments are:

- Conditioned switchers — conditioned into the switching 'game', they are always looking to play the game and drive

a new deal.

- Sceptical loyalists — but only loyal because they don't trust any supplier to be different
- Passive loyalists — time-poor and unaware of, or attracted to the idea of switching regularly
- Loyal opportunity switchers — find switching inconvenient, but if provoked, could be the next group converted to 'conditioned switchers'

Our study involved a national representative quantitative survey of 1,977 consumers. We used our online community to gain qualitative feedback from 30 respondents.

You'll find more details in our in-depth report, [which you can download here](#).

Both this paper and the in-depth report are relevant to brand managers, Insight and research managers, marketing managers and directors at any consumer facing organisation.



Do loyal customers miss out financially or are brands the big losers?

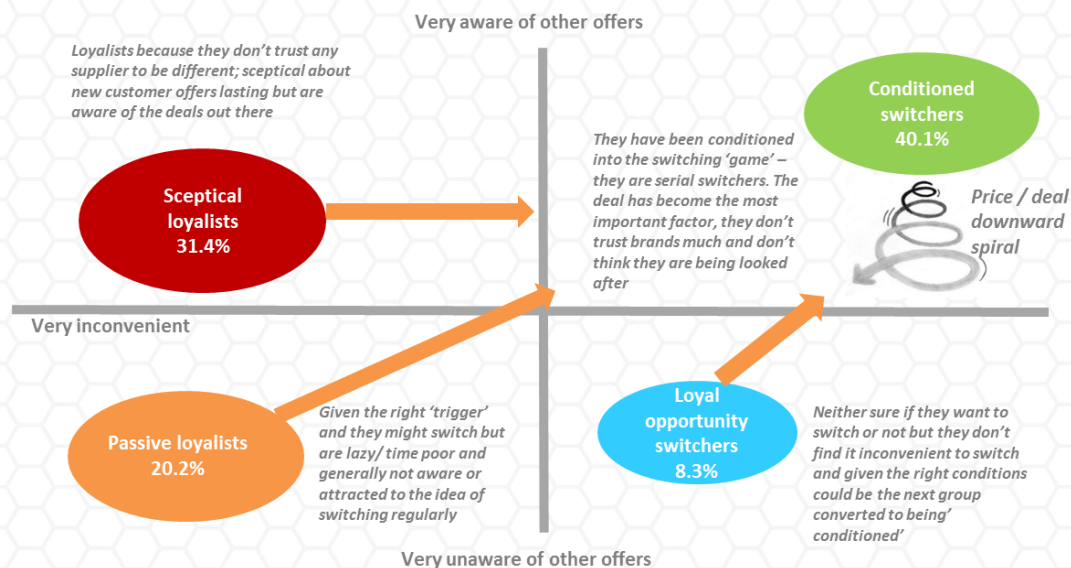
The changing face of the British consumer

- 40% of UK consumers – or 20 million adults – have become Conditioned Switchers - regularly switch car insurance or dual fuel provider to save money
- Loyal motorists in the UK could be losing up to £3bn in savings on car insurance and £4bn on energy by not switching - So why don't they switch?
- Almost half (45%) of car insurance customers have switched provider five or more times
- Many people want to stay loyal to a provider but switch to get the best deal, because they know new customers are rewarded better than existing ones
- Consumers are sophisticated and are becoming cynical
- Brands have it within their means to address the downward spiral of switching, but they need to understand the psychology of consumers better. They need to measure the right things, monitor how they are performing and embed a customer experience culture across the whole business

"I'm always worried that a good deal now is just a hook, and that the following year the company will be just as expensive or more than my old one. I suppose I could change again, but I think that they are all 'much of a muchness'. It is probably swings and roundabouts. I suspect I just can't be bothered"

Female, 65+, employed part-time,

*East
England*



Methodology

Quantitative online survey

- 1,977 nat rep online from Panelbase.com, used to investigate customer switching behaviours as well as their attitudes towards switching, loyalty, service and brands.

Qualitative online community

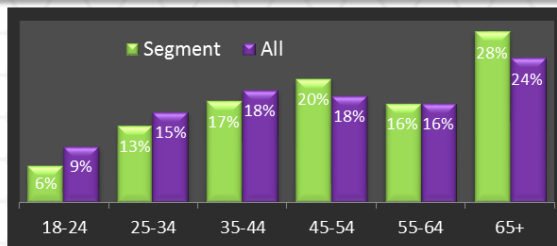
- 30 consumers selected from the loyalty/switching segments to take part in an online community to explore their attitudes, behaviours and motivations in greater depth.

The four segments

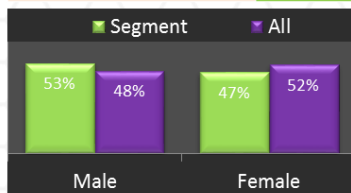
There were some differences in the demographics of the groups however the biggest difference came in their psychology and attitude towards brands, switching and loyalty.

Conditioned switchers

c. 10,225,500 motorists/ c. 9,200,000 energy households (c. 20,000,000 adults)



Employment	Segment	All	Index
Employed full-time (35 hours or more/week)	37.3%	37.8%	99
Employed part-time	14.0%	14.0%	100
Business owner	1.8%	1.8%	97
Self-employed	6.1%	6.3%	96
Homemaker	3.8%	4.9%	77
Unemployed	4.0%	4.1%	98
Full-time/ part-time student	2.3%	4.4%	52
Retired	29.8%	25.5%	117
Other, please specify	1.0%	1.3%	80



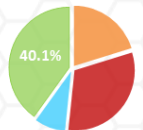
Average segment Age

51.5
index
105

Attitudes to price and service

Agreement scale where 1 Strongly disagree and 5 Strongly agree

	Avg. Segment	Avg. all	Index
I find that switching service providers is inconvenient	3.21	5.65	57
I don't have the time to switch service providers	2.82	4.31	65
I'm not aware of offers available from other providers other than my current one	2.51	4.11	61
I find the deals from different providers complicated and difficult to understand	3.92	5.24	75
I am easily persuaded to switch service providers	4.08	3.93	104



What are they like and what is the impact for brands?

Are conditioned into regular switching

- Slightly more likely to be MALE profile (53% - Index 109)
- Tendency to be of an older average age with the over 65+ over indexing (118)
- They don't find switching inconvenient and find time to switch
- They are very aware of offers from other providers
- They understand other offers
- Higher tendency to be Retired, less likely to be homemakers or students
- Price and new deals are their biggest drivers
- Multiple service switchers

"I'm a switcher. I've switched electricity and gas three times, household insurance four times, travel insurance four times and car insurance three times. Always when motivated by saving money"

(Ian T, male, 55-64, retired, West Midlands)

I always change between services such as insurance, credit cards, mortgages and I've now started with banking"

(Rona A, female, 25-34, self-employed, Scotland)

"Generally, I look forward to the switch with anticipation and optimism. If I could use an analogy, it could be like escaping a bad marriage, for a new, promising partnership, based on all the healthy and good aspects that are missing from the current union. Irrespective of bad experiences, you try and convince yourself, that the 'next transition' will run smoothly and seamlessly"

(Ashar C, male, 35-44, employed full-time, West Midlands)

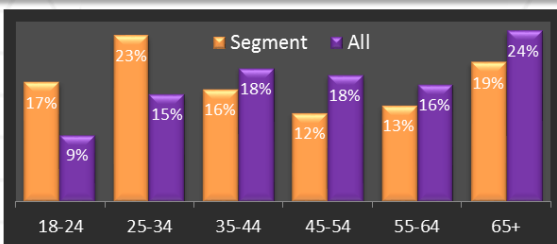
The issue/opportunity for brands

- The biggest segment so a large part of the marketplace. Do you want to or have to swim in this pond?
- They have been so conditioned into switching that they are very aware of offers, they like switching and loyalty has become of lesser importance than the next deal
- Price focused, always going to be accelerating the downward price war

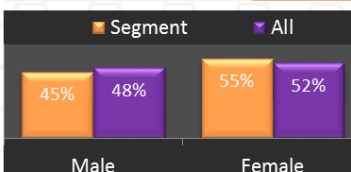
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Passive loyalists

c. 5,151,000 motorists/ c. 4,646,000 energy households (c. 10,100,000 adults)



Employment	Segment	All	Index
Employed full-time (35 hours or more/week)	35.4%	37.8%	94
Employed part-time	12.3%	14.0%	88
Business owner	2.3%	1.8%	124
Self-employed	4.3%	6.3%	68
Homemaker	6.0%	4.9%	123
Unemployed	8.8%	4.1%	215
Full-time/ part-time student	8.8%	4.4%	202
Retired	20.4%	25.5%	80
Other, please specify	1.8%	1.3%	139



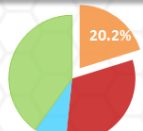
Average segment Age

44.3
index
90

Attitudes to price and service

Agreement scale where 1 Strongly disagree and 5 Strongly agree

	Avg. Segment	Avg. all	Index
I find that switching service providers is inconvenient	8.00	5.65	142
I don't have the time to switch service providers	6.39	4.31	148
I'm not aware of offers available from other providers other than my current one	7.34	4.11	179
I find the deals from different providers complicated and difficult to understand	7.28	5.24	139
I am easily persuaded to switch service providers	4.08	3.93	104



What are they like and what is the impact for brands?

Are conditioned into regular switching

- Slightly more likely to be female profile (55% - Index 106)
- Tendency to be of a younger average age with particular overrepresentation in the 18 to 24's and 25 to 34's (indexing 178 and 155 respectively)
- They DO find switching inconvenient and don't have time to switch
- They are NOT aware of offers from other providers
- They find other offers more complicated
- Higher tendency to be Business owners, homemakers Unemployed or students or students
- Loyalty offers, reputation and higher service are their biggest drivers
- They are far less likely to have had a bad experience with a car insurer of energy provider

"(Services) are more of a chore to me and something that you have no choice having. Lots of these brands seem to be never out of the news and it's never for anything good: price rises, price fixing, miss-selling, etc. A lot of people are not happy with new customer deals that ignore existing ones so these type of deals can potentially be damaging in the long run. Loyalty awards can be a great way of rewarding a customer and everybody likes a little something extra but it should always go hand in hand with quality and service"

(Kevin P, male, 25-34, employed fulltime, North East)

"I would rather have loyalty points than a new customer promotion, how can I make a balanced choice with these various, and often spuriously seductive introductory offers. I would rather give my custom to a supplier I can trust"

(Janet M, female, 55-64, employed fulltime, Scotland)

"Whoever you pick you get the same deal, more or less"

(Pat K, female, 65+, retired, West Midlands)

The issue/opportunity for brands

- They are not actively seeking to switch and want loyalty from a supplier they trust
- Being younger they may have been less exposed to bad experiences so haven't been triggered to switch
- An opportunity to keep them loyal and away from the switching pond

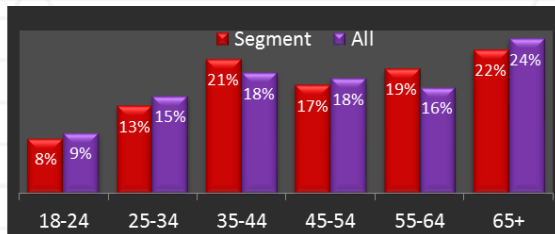
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The four segments — Sceptical loyalists and Loyal opportunity switchers

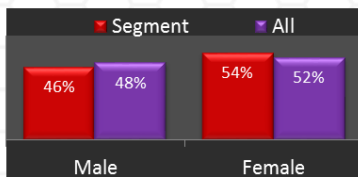
There were some differences in the demographics of the groups however the biggest difference came in their psychology and attitude towards brands, switching and loyalty.

Sceptical loyalists

c. 8,007,000 motorists/ c. 7,222,000 energy households (c. 15,700,000 adults)



Employment	Segment	All	Index
Employed full-time (35 hours or more/week)	35.0%	37.8%	93
Employed part-time	15.9%	14.0%	114
Business owner	2.1%	1.8%	115
Self-employed	8.0%	6.3%	127
Homemaker	6.4%	4.9%	131
Unemployed	1.8%	4.1%	43
Full-time/ part-time student	4.7%	4.4%	107
Retired	24.4%	25.5%	96
Other, please specify	1.6%	1.3%	127



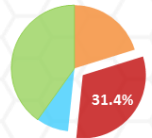
Average
segment Age

49.3
index
101

Attitudes to price and service

Agreement scale where 1 Strongly disagree and 5 Strongly agree

	Avg. Segment	Avg. all	Index
I find that switching service providers is inconvenient	7.60	5.65	134
I don't have the time to switch service providers	5.32	4.31	123
I'm not aware of offers available from other providers other than my current one	5.41	4.11	132
I find the deals from different providers complicated and difficult to understand	6.32	5.24	121
I am easily persuaded to switch service providers	3.57	3.93	91



What are they like and what is the impact for brands?

They don't believe you, they are sceptical

- Slightly more likely to be female profile (54% - Index 105)
- No real age profile but some tendency towards middle ages
- They **DO** find switching **inconvenient** and **don't** have time to switch
- They are **NOT** aware of offers from other providers
- They find other offers more complicated
- Higher tendency to be Self employed and homemakers, but not the unemployed
- They are the **MOST** likely to have had a bad experience with a car insurer (Index 114) or energy provider (index 109)

"I'm always worried that a good deal now is just a hook, and that the following year the company will be just as expensive or more than my old one. I suppose I could change again but I think that they are all 'much of a much', it probably swings in roundabouts. I suspect I just can't be bothered" (respid 1978, female, 65+, employed part-time, East England)

"Switching seems too complex; I cannot easily see the advantages in terms of price comparison or service. If I could, I would have no hesitation in changing suppliers based on cost/value. Having said that I do not trust any of the suppliers to maintain competitive tariffs as I believe they operate in a cabal" (respid 2165, male, 45-54, employed full-time, South East)

"I like to know where I am and don't believe switching achieves much of a saving, I don't have time to keep swapping suppliers" (respid 61, female, employed full-time, South East)

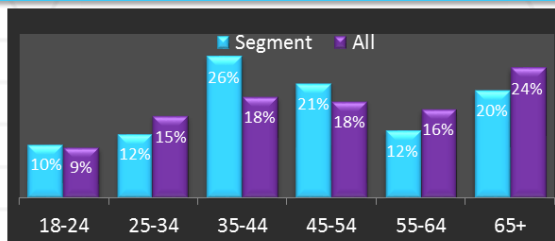
The issue/opportunity for brands

- They are very sceptical. They view advertising with an unbelieving eye and are looking for the small print
- They don't seem to have a lot of trust for service brands, probably from past experience and being time poor and not seeking offers show a tendency towards 'better the devil you know'
- Build trust with this group and they could be strong loyalists

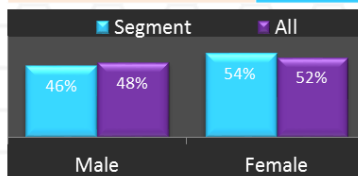
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Loyal opportunity switchers

c. 2,116,500 motorists/ c. 1,909,000 energy households (c. 4,150,000 adults)



Employment	Segment	All	Index
Employed full-time (35 hours or more/week)	55.8%	37.8%	148
Employed part-time	10.4%	14.0%	75
Business owner	0.0%	1.8%	0
Self-employed	6.1%	6.3%	97
Homemaker	1.8%	4.9%	37
Unemployed	1.8%	4.1%	45
Full-time/ part-time student	2.5%	4.4%	56
Retired	21.5%	25.5%	84
Other, please specify	0.0%	1.3%	0



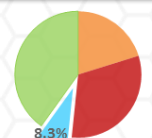
Average
segment Age

47.4
index
97

Attitudes to price and service

Agreement scale where 1 Strongly disagree and 5 Strongly agree

	Avg. Segment	Avg. all	Index
I find that switching service providers is inconvenient	3.70	5.65	65
I don't have the time to switch service providers	4.04	4.31	94
I'm not aware of offers available from other providers other than my current one	7.92	4.11	193
I find the deals from different providers complicated and difficult to understand	5.24	5.24	100
I am easily persuaded to switch service providers	3.89	3.93	99



What are they like and what is the impact for brands?

They are confused about switching

- Slightly more likely to be female profile (54% - Index 105)
- Tendency to be more middle aged, 35 to 44 and 45 to 54 (indexes of 140 and 119 respectively)
- They **DON'T** find switching **inconvenient** but they are **NOT** aware of offers from other providers
- Higher tendency to be Full time employed
- They are the **LEAST** likely to have had a bad experience with a car insurer (Index 70) though average for energy providers (index 102)

"I think switching is a hassle but can be worthwhile. I have switched gas/electricity providers twice before and that has been relatively easy" (Andrew P, male, 35-44, employed full-time, Scotland)

"I find myself swamped by jargon a lot of the time and wouldn't have a clue how to find the best deal for myself... Generally I do feel loyal to service brands as long as they as provide a fluent and efficient service whilst looking out for the best value for me as a customer" (Roger M, male, 25-34, employed full-time, Yorkshire & The Humber)

The issue/opportunity for brands

- This segment are confused, they show attributes of both wanting to switch but also loyalty. They are consistent in either switching or staying loyal and their attitudes reflect this.
- If they see an offer they can be persuaded however they show no action that makes them actively seek offers
- A brand that can delight these customers may be able to retain them against switching

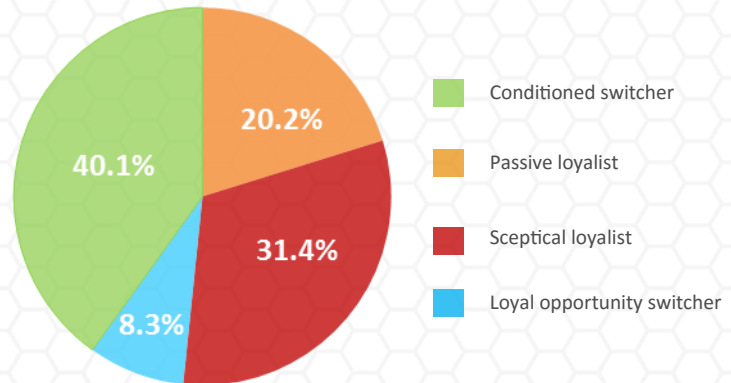
"Service brands pricing tariffs can be so long and drawn out that it's a chore to choose... Don't trust any of them anymore... Utility companies' bills can be so confusing that I stick with British Gas" (Rosalind B, female, 55-64, retired, Scotland)

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The scale of switching

40% or 20 million UK adults have become 'Conditioned Switchers' when it comes to car insurance and/or dual fuel. These are people who have been conditioned into the switching 'game' – they are serial switchers. They don't entirely trust brands and the 'deal' or price has become the most important element.

The research reveals that the other types of consumer – from Sceptical Loyalists (31.5%), Passive Loyalists (20%) to the smallest group, Loyal Opportunity Switchers (8.5%) are ALL in the market for switching. So even if they aren't currently in the 'Conditioned Switcher' segment, a bad experience or a feeling of not being treated fairly could easily convert them. Relying on consumer apathy isn't a wise strategy for brands.



Consumers have choice

Triggers

Brands do have the ability to make consumers switch or stay. There are many triggers to switching, including service and the lack of true reward for loyalty, but price is the key reason. Brands with the right strategy for managing all of these elements will encourage long-term customer loyalty.

Of the other segments who, as yet, are not 'Conditioned Switchers', a bad experience could easily trigger them to switch. If brands want to avoid encouraging people to chase a deal and the creation of 'price junkies', they need to work harder to build trust, reduce the risk of bad experiences and truly reward existing customers.

In many of the case studies it's clear that brands that have customer service strategies to deal with situations as and when they arise. They treat customers as intelligent people, demonstrating they have the customers' interests at heart, so helping avoid the switching spiral. However too many brands take a 'if the customer is going to leave let's entice them back with an offer' approach. Whilst this strategy can work, it fosters mistrust amongst consumers, who feel the brand is looking to rip them off.

It's vital to measure the right things when planning and running customer experience and satisfaction research. There's no point

asking how quickly the phone was answered or if the person was helpful if operatives have no insight into the value of the customer calling, and no opportunity to entice them with an proposal that makes them feel really valued. While a price deal is the obvious offer, there may be other benefits that brands could consider offering to their most loyal and valuable customers.

A key trigger for switching is a bad experience with the brand, though this alone does not account for rising numbers of Conditioned Switchers. One of the differences between the segments is the degree to which they have suffered a bad experience. Sceptical Loyalists are more likely to have had a bad experience – more so even than Conditioned Switchers.

The difference in behavior is that Sceptical Loyalists are more apathetic about switching because they believe all brands are the same. Passive Loyalists, who rarely move supplier, and Loyal Opportunity Switchers have had the least bad experiences. This might, in part, explain why they have not yet been driven down the Conditioned Switcher path. As the verbatim comment on the next page shows, it can take just one bad experience to make a customer change their mindset and become a regular switcher.

Case study

"I know you almost get penalised for staying with a company. I had a look over my grannie's car insurance as she was sure she was getting a really good deal because she had been with the same company for years.

I searched for it on a comparison site with all the same add-ons like wind-screen cover, legal cover etc and saved her over £300! I was so mad! They really do take advantage of people, leading them to believe they are rewarding them for loyalty!

I cannot understand how treating current customers with no respect by trying to over-charge them can be a good strategy?!"

(Female, 25-34, self-employed, Scotland)

Yes I've had a bad experience with a brand	Car Insurance	Dual Fuel
All consumers	18%	23%
Conditioned switcher	19%	23%
Sceptical loyalist	21%	25%
Passive loyalist	14%	19%
Loyal opportunity switcher	13%	23%
Bad experiences do cause loyal customer to switch		

The impact of a bad experience with a brand

The research illustrates the fundamental importance of brands offering good customer service and rewarding loyal customers properly, if they are to avoid alienating them and giving them a reason to switch.

Price is no doubt important, but for many consumers it is not the only factor in keeping them loyal. Brands that can identify ways to address this creatively will be able to maintain price premiums in markets where commoditisation is rife.

In both the verbatim comments and the online qualitative research, few consumers spoke of being 'surprised or delighted' by a brand. Most did not trust brands and were disappointed by suppliers' attitudes towards them. Many consumers just want to feel they are loved, to believe they can trust their provider to properly reward them for their loyalty.

Differentiation is always difficult in a price-driven spiral. The deal becomes the most important factor, with some consumers actually enjoying the 'game' of finding a new deal. There's a real opportunity for brands to focus on retaining those loyal customers not yet jaded by a bad experience.

Brands need to understand these customers at every step of their journey. They have the opportunity to turn the sales approach around. By under-promising and over-delivering, brands can continually surprise, delight, and of course, retain their customers.

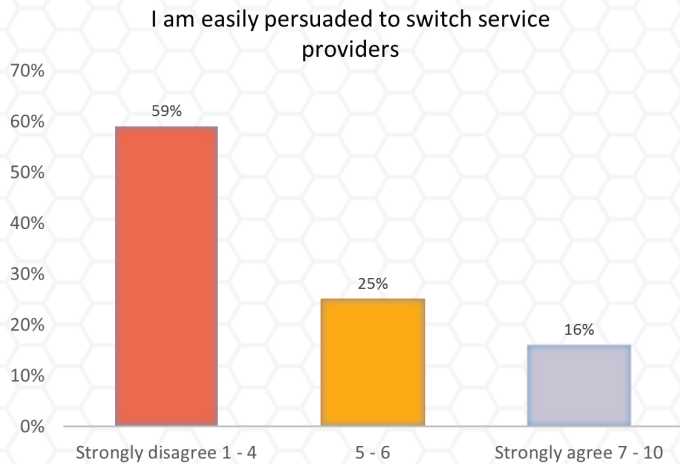
The cost to a customer of staying loyal

Research indicates that the most loyal consumers in the UK could be losing £2.2 to £3.6 billion in savings on car insurance by remaining with their existing provider.

It also indicates that consumers could be losing up to £4.1 billion in savings on household energy by ignoring offers and remaining loyal to their existing provider.

If it costs so much, why do so many customers stay loyal? Many are apathetic, others say they don't have enough time, or they don't trust any other brands sufficiently to believe they really will be treated differently. As a result they become 'hostages' only switching when a trigger causes them to.





Despite switching behaviours a large proportion of UK consumers say they are not easily persuaded to switch (59%)

The frequency and ease of switching

A large proportion (45%) of car insurance customers have switched provider five times or more. Only 15% have had one provider.

On average, car insurance customers are likely to switch every three years.

The majority (59%) of dual fuel customers have either never switched service providers or only the once.

On average, dual fuel customers are likely to switch every five years.

The differences between Insurance and Energy

Car insurance is an annual contract with a renewal notice – an automated reminder for customers to check their policy and a potential trigger to switch. This goes some way to explaining the higher switching rates when compared to dual fuel, for instance. However, our research shows that, handled well, this annual contact also presents an opportunity for insurers to nurture loyalty amongst customers – many of whom really don't want the hassle of switching, and would rather stay with one trusted provider.

New customer deals vs. Loyalty offers

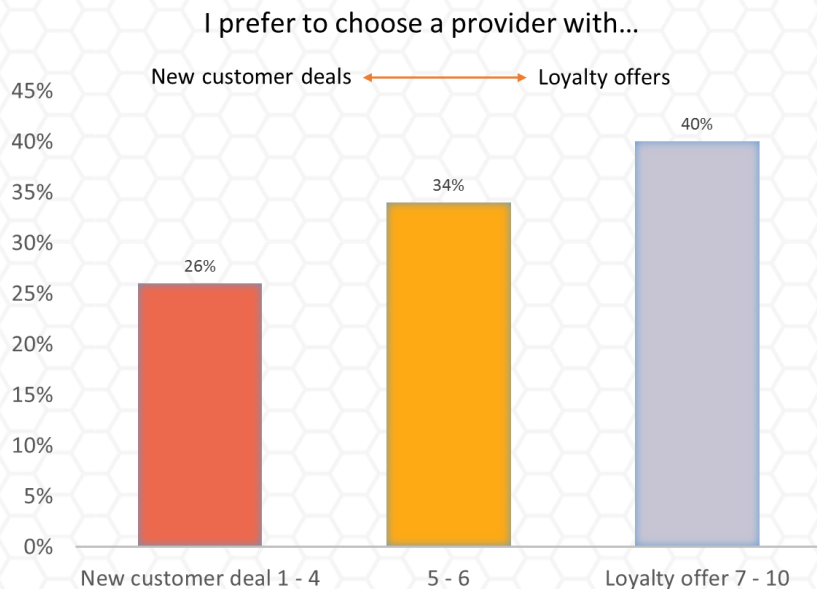
Overall UK consumers prefer a service provider that has loyalty offers (40%) rather than new customer deals.

However, there is a difference in attitude amongst the four segments.

Many customers just want to trust a brand and know that they are getting the best deal. They don't wish to be penalised for remaining with the brand.

"When I received a renewal for my car it was £200 more than the previous year despite there being no claims. When I contacted them with the price I had found on a comparison site (£250 cheaper!) they were surprised I wanted to cancel. However, after I had cancelled they got back to me with a new price. Too late – they should have offered me that price in the first place."

(Female, 55-64, retired, Yorkshire & the Humber)



Consumer attitude towards advertising campaigns - both new customer offers and loyalty offers

Some brands are now exploring the idea that no new customer deal should be made available that isn't available to existing loyal customers. Other brands continue to push out offers to new customer from which loyal customers are excluded. There are precious few examples of brands advertising benefits exclusively to the loyal consumer.



Readily available online pricing and brand information has enabled customers to become increasingly 'savvy' about manipulating brand offers to their advantage. Brands that are confident enough to choose a different approach to attracting and keeping customers, have a real opportunity to differentiate themselves.

"My primary concern when looking for a change of bank is to look at the whole deal. Most banks offer some sort of financial 'sweetener' to attract the customer and encourage them to switch."

(Male, 55-64, self-employed, South West)

"The Halifax ad doesn't stand out at all and is so similar to other banks advertising this type of offer."

(Female, 55-64, employed part-time, Scotland)

"I like the Npower and Halifax ads as they show offers for new and existing customers and give enough information so you know what the offer is."

(Female, 18-24, employed fulltime, South East)



"I don't know who the energy one is for, but I like the simplicity of the concept."

(Female, 65+, retired, South East)

"Good advertising. Enough detail to make you interested and ask for more information. It specifically states who can take advantage of the offer, when it is valid for and how you can apply."

(Male, 35-44, employed full-time, West Midlands)

"NPower say their offer is open to new and existing customers, which can be attractive, but it gives the impression that prices are going up so you should take up their offer and pay no more. They could go down, which means you would be stuck with the higher agreed price."

(Female, 65+, retired, West Midlands)

Viewpoint

"The TalkTalk advert is not bold enough and has way too much fine print, which puts me off reading it. It also looks suspicious that only the large text states that something is free."

(Female, 18-24, employed fulltime, South East)

"This is again the six month freebie to suck you in, but what happens after that? I am sceptical."

(Female, 65+, retired, South East)



What options do brands have?

Which pond to swim in?

Should Brands be totally price driven or focus on rewarding loyalty? It's very difficult to do both. While offering the lowest prices might work as an enticement for the 40% of consumers who are hell bent on the next deal, they know the offer won't last and are not going to be loyal when it ends.

Pursuing new custom with 'sweeteners' can alienate existing customers. Understand the proportion of existing customers who fit into each segment.

Surprise and Delight

Few consumers spoke of their 'surprise or delight' at brands. Most did not trust brands and many were disappointed by service providers' attitudes towards them.

Some brands like Virgin, Nationwide and others are exploring not offering anything to a new customer that they won't offer existing customers. Is this a strategy that can be adopted by your brand? How can you surprise and delight customers for remaining loyal?

Cultural cohesion

A seamless approach to customer service. Organisational silos hamper operational efficiency, frustrate customers and will, ultimately detract from your competitive position.

Even well-known and respected companies have inadvertently created barriers between customer care, finance, marketing and IT departments, preventing them from having a complete picture of their customers across touchpoints.

Break down silos and embed the insight gained from measuring and monitoring customer experience and satisfaction into every part of the business. Make insight a part of your company - a habit that will enable you to continually improve the customer journey.

Empowerment

Brands need to develop strategies and empower customer service staff to deal with situations and treat customers as intelligent people. By doing this they will build trust with customers and demonstrate they have their interests at heart. Understanding employees' experiences and views should form part of the strategic approach.

Customer psychology

Brands need to understand the psychology of consumer decisions to ensure their advertising will work for both existing and new customers.

Metrics and measurement of the customer experience

Measure the right things at the right time and adjust your strategy accordingly to gain a competitive edge.

Contact Us

Give us a call for more information about our services and products

Beehive Research
2-6 Boundary Row
London, SE1 8HP
0203 714 4174

info@beehiveresearch.co.uk

Visit us on the web at
www.beehiveresearch.co.uk