Engine for growth:
The impact of add-ons on motor insurance sales

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Executive Summary

Motor insurers face a conundrum. Technological advances, rising taxes, and an increase in personal injury claims have persistently pushed up firms' costs over the last decade, making it ever harder to eke out a profit.

But the traditional solution of increasing premiums to meet these costs is running out of road. More than 1 in 5 insurance customers are unhappy with the sector, leaving it in the ignominious position of being less popular than the banking industry. Premiums reached a peak in 2017 but the competition for customers leaves firms with little choice but to cut wherever possible. So motor insurers must find other ways to cover their costs, while keeping hold of existing customers and appealing to new ones.

Add-ons could be one solution to this challenge. Previous research has found that, in keeping with the growing prevalence of bundle solutions and the like, consumers say they want an 'ecosystem' of add-ons offered alongside their core insurance cover, will switch provider if they don't get them and – importantly for insurers searching for margins – would pay more for add-ons.

So the key question for motor insurers is: do customers mean what they say? Our latest experiment suggests so – but only in part.

Customers purchasing motor insurance, either direct or via a price comparison website, will choose add-ons when offered them. Vitally, those who choose add-ons are more likely to purchase the final deal than those that don't, with those using a price comparison website twice as likely to buy as those going direct. This suggests that, contrary to expectations, people using price comparison websites aren't just looking for the simplest deal at the cheapest price.

However, offering a bigger range of add-ons reduces purchase likelihood, and therefore the overall amount of additional value generated. According to traditional market research, consumers say they want a big ecosystem of add-ons; our advanced methods show they would actually buy less when offered one.

Consumers' preference towards different types of add-ons also varies. Our research reveals that standard ancillary types of motor insurance cover (windscreen, breakdown, personal injury, and courtesy car) are by far the most popular extras, whereas new innovative add-ons find it harder to appeal. This suggests that optimising price efficiencies and marketing for traditional add-ons is still a key strategy, and innovation in this area needs to be selective and consumer-centrically tested.

Different audiences also behave in different ways, presenting providers with opportunities for targeting and tailoring. Younger customers are much more inclined to purchase than older ones; those with children are more inclined to buy than those without. Customers with low levels of financial literacy are particularly keen to purchase deals with several add-ons, while those who haven't switched insurer in the last five years are more likely to purchase deals with add-ons than those who switch regularly.

Based on our findings, we make eight recommendations:

Motor insurance providers should:

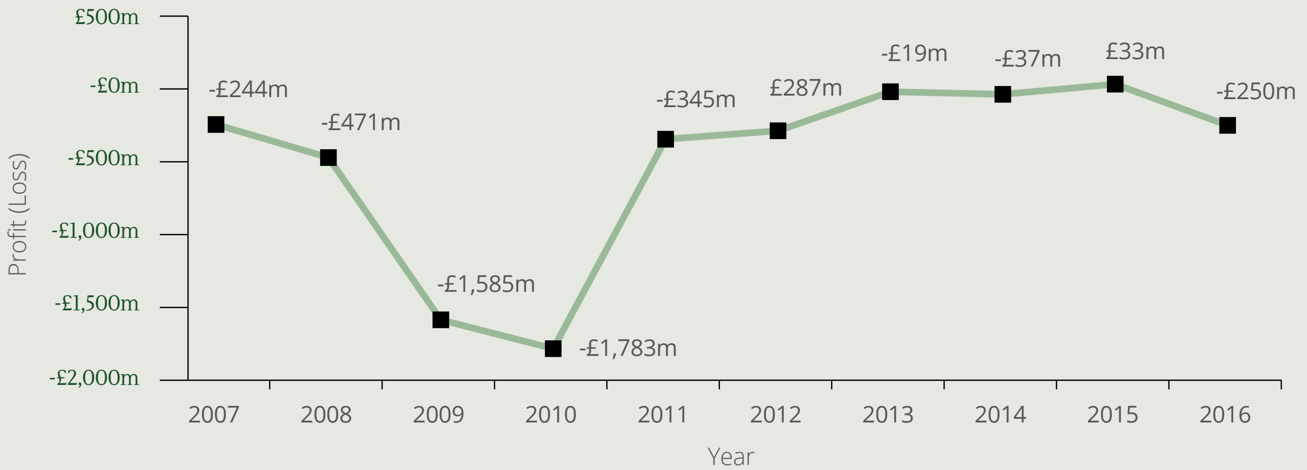
1. Invest in targeting add-on offers at customers purchasing via price comparison websites rather than direct;
2. Restrict the number of add-ons they offer to customers and optimise the range provided;
3. Maximise price efficiency on traditional add-ons, and be selective in offering innovative extras; and
4. Target add-ons at the most enthusiastic audiences and tailor their presentation to address customers' specific pain-points.

Regulators should:

1. Ensure the buying process on price comparison websites is structured so consumers can easily judge new deals against their existing offer;
2. Investigate whether offering more add-ons impedes consumer decision-making during the purchasing process;
3. Ensure explanations of the exact cover provided by ancillary motor insurance add-ons are clearly understood by consumers; and
4. Investigate whether less financially literate consumers are getting worse outcomes on motor insurance add-ons.

Introduction

Figure 1: UK motor insurance profits (based on ABI general insurance statistics 2016[i])



The motor insurance industry faces a challenging market landscape. The last decade has seen surges in personal injury claims, insurance premium taxes, and costs of replacing increasingly advanced car parts, making it harder and harder for motor insurers to turn a profit.

For a long time, the answer was obvious: increase premiums. An ongoing trend of continuous rises culminated in premiums reaching an all-time high of £847 in June 2017[ii].

But that trend has taken its toll on customer satisfaction. The cost of insurance is an infamous bugbear for consumers, with 1 in 5 unhappy with the industry[iii] – leaving insurers less popular than the banking industry. Falling satisfaction means competition for new customers – and existing ones – is fierce.

So premiums have started to fall. Insurers now have little choice but to pass on any announced cost savings, such as a recent Government curb on whiplash claims, to cut premiums whenever they can – which makes it harder for them to absorb the other increased costs they face.

The competition is made more acute by the regular drumbeat that customers should switch wherever they can, to take advantage of the infamous gulf between premiums offered to new and existing customers. While shopping around is the norm – two-thirds of new UK motor insurance policies are sold through price comparison websites[iv] – moneysupermarket.com estimates a nationwide cost of £650 million being paid by consumers not shopping around[v].

This perceived unfairness has led to the Financial Conduct Authority bringing in new rules requiring insurers to encourage customers to look elsewhere, to ensure they are getting the best deal when they renew[vi]. Meanwhile the Association of British Insurers and British Insurance Brokers' Association launched a plan in May 2018 aiming to tackle the difference in premiums between new customers and renewers[vii] – though it was met with scepticism by some due to a lack of targets.

Changing demand

Faced with a whirlwind of increased outgoings, decreasing premiums, lower customer satisfaction, and increased competition, insurers must also negotiate the changing nature of consumer demand that is affecting all sectors. But there are ways insurers could win back customer affection.

Research on the global insurance market in 2017[viii] suggested that consumers want an 'ecosystem' of add-ons alongside their insurance: additional cover options, discounts, technological upgrades, accessories, and rewards. Half of UK customers said they want these extras and nearly two thirds said they'd willingly switch provider if their current one didn't provide the add-ons they want. Promisingly, for a sector where price is often cited as a main concern, nearly 2 in 5 motor insurance customers said they'd willingly pay higher premiums for add-ons – offering a potential source of competitive advantage in a market that struggles to generate profits.

Providing an ecosystem of add-ons could also offer advantages to motor insurers beyond just consumer demand. Extras such as safe driving alerts and 'black box' maintenance systems could reduce the number of claims and call-outs down the line, reducing the pressure on margins.

Add-ons could also help solve the loyalty issue for motor insurers, who have little regular engagement with consumers and typically only come into contact with them during renewal, when premiums often increase. Add-ons such as safe-driving rewards or maintenance alerts could make the interactions customers have with their insurance provider more frequent and more positive.

Evidence from the US appears to bear these positives out. American motor insurers that offer 3 or more add-ons have average net satisfaction scores 40% higher than those just offering core insurance.

UK motor insurers may also be keen to beat other industries to the punch before they infringe on market share. Banks and car manufacturers are overtaking insurers in customer satisfaction – and could potentially offer car insurance as their own add-on product to boost appeal.

So the key question is: do customers mean what they say about wanting add-ons? Could offering extras affect purchasing outcomes to give motor insurers a competitive edge? And which add-ons have most impact?

The traditional market research methodology that simply asks consumers what they want is limited – people may say they like the idea of an extra being offered, or that they would pay more for something they consider useful, but the crucial point firms and regulators want to know is whether those people **actually will at the point of making a purchasing decision.** At Dectech, we use advanced behavioural research and consumer modelling to answer these questions.

Our Research Methodology

Our PriceLab tool realistically replicates a particular purchase process and uses randomised controlled trials to determine how changing that process effects customer behaviour. This realistic research provides respondents with a more authentic experience than traditional conjoint research, prompting them to make choices that better reflect their real life decisions.

When combined with appropriate calibration, this allows us to provide better forecasts of customers' real world behaviour and create quantitative outputs that can be readily incorporated into business cases.

In the context of add-ons and motor insurance, we wanted to understand the impact that offering different add-ons, changing the number of add-ons available, and varying the purchasing process can have on customer decision-making – and therefore on firms' revenues.

To examine these factors, we designed an insurance purchase task, where respondents could select various add-ons before deciding whether to purchase the whole insurance and add-on package. By randomly changing the number and set of add-ons presented, we could determine which add-ons were most popular, and how the presence of add-ons effected purchase likelihood.

We also wanted to understand the difference between consumers going through price comparison websites (the channel the bulk of policies are purchased through currently) and those who go direct to a provider. To do so we created a fictitious price comparison website where some respondents first reviewed the various motor insurance products on offer before visiting the provider's website to select the various add-ons.

For both routes, consumers were taken through an online insurance buying process, offered add-ons, and then at the end asked if they would purchase the deal they had chosen.

Does the purchasing platform make a difference to add-on sales?

Figure 2: Consumer behaviour in simulated motor insurance purchase experiment

Purchase likelihood (PL)[a] and Expected Value(EV)[b]	Overall		Price Comparison Website		Direct	
	PL	**EV**	**PL**	**EV**	**PL**	**EV**
Overall	10.4%,	£43.81	13.5%	£56.99	6.8%	£28.93
With Add-On	11.2%	£48.90	14.8%	£64.61	7.7%	£33.67
Without Add-On	8.6%	£33.85	10.9%	£42.93	4.9%	£19.30

> *“68% of consumers chose an add-on when building their insurance deal”*

It's clear from our research that motor insurance **customers do want add-ons.** When offered them, it is the norm that those purchasing choose them – both when going direct and when going via a price comparison website.

While overall 10% of customers purchased the insurance deal they were offered at the end, those going through the price comparison website were twice as likely to buy as those who went direct (14% vs 7%; see Figure 2)[c]. This suggests that, contrary to what we might expect, customers using price comparison websites may not just be looking for the lowest possible price.

Those who purchased with extras in both routes chose similar number of add-ons of similar value, but the higher purchase likelihood has meant that the average **expected value of the purchase is higher for price comparison websites** than for direct (£57 per customer vs. £29 per customer).

Importantly, **customers choosing an add-on were more likely to purchase than those that did not** (11% vs. 9%)[d], regardless of which route they used.

Why was there a difference between platforms?

Some will ask: why did so many more customers who went via a price comparison website purchase than those who went direct, when they were presented with exactly the same deal and exactly the same prices for the add-ons?

The answer may well come down to two effects well-documented by behavioural science: **anchoring and mental accounting.**

The anchoring effect is the bias people have towards judging value based on the first figure they see. If someone goes via a price comparison website, the first price they see (for the core insurance offer) is the largest. The price of any further add-ons is relatively much smaller and easier to accept. As the final cost is closer to the first price they 'anchored' to, consumers are more likely to be happier with the overall package than those who see low cost add-ons first and a much higher total at the end.

Mental accounting is where people treat the value of money differently depending on how they intend to use it. On a price comparison website, consumers know they are getting the core insurance deal at a cheap rate. This means they are going through the rest of the process knowing they already have a saving 'banked', so are more willing to spend extra on add-ons – and happier to buy the final deal after choosing them.

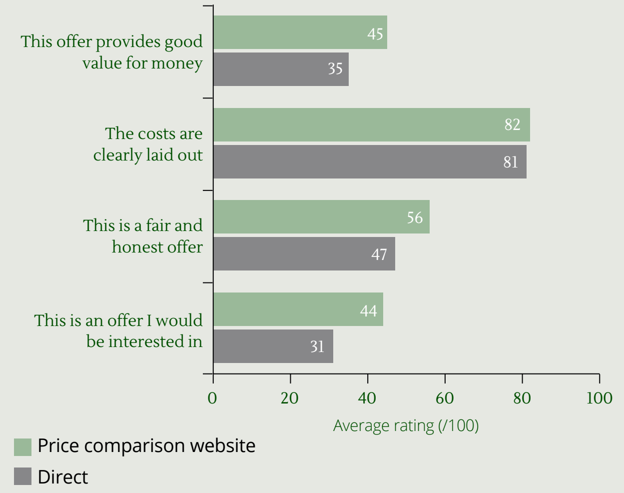
[a] Likelihood of purchasing the offered deal as judged by customers, based on their response of to a 0-10 likelihood scale and calibrated with our proprietary intention to behaviour algorithm to real-world level

[b] The total value of the add-ons chosen plus the core insurance price, multiplied by purchase likelihood, averaged across a group of customers

[c] Significant at $p < 0.0001$

[d] Significant at $p < 0.001$

Figure 3: Consumer perceptions of chosen insurance deal



The Value of Realistic Research

We use randomised controlled trials where purchase processes are recreated in a realistic way. In this research, this meant customers could select any add-ons they wanted before deciding whether to take up the insurance, as in reality. This allows us to quantify how the number of add-ons influences both size of basket and purchase likelihood.

This distinguishes our approach from other research methods, such as conjoint. Since conjoint fails to realistically recreate decision environments, you wouldn't be able to tell whether changes in purchase likelihood were due to the number of add-ons or their prices.

Purchasing platform also clearly affects how customers feel about the deal they are offered. People going via the price comparison website were more likely to rate the final deal better value than those who went direct (45 vs 35; see Figure 3). They were also more likely to consider the deal to be fair and honest (56 vs. 47) and as an offer they'd be interested in (44 vs. 31). These more positive perceptions likely also contributed to more consumers purchasing when going via the price comparison website.

Does offering more add-ons make a difference?

Figure 4: Consumer behaviour when offered different numbers of add-ons

Number of add-ons offered	Purchase Likelihood	Number of add-ons chosen	Value per Add-On Chosen	Expected value
4	11.2%	0.9	£20.62	£46.04
6	10.6%	1.3	£20.06	£44.68
8	10.1%	1.6	£20.03	£42.98
10	9.6%	1.9	£20.51	£41.47

In our experiment we varied how many add-ons were offered on both the price comparison website and when going direct, showing a range of 4, 6, 8 or 10 add-ons. The clear finding is that less is more: for both routes, **offering more add-ons makes people less likely to purchase**. This undermines the idea that consumers are looking for an ecosystem of add-ons.

Every increase in the number of options offered saw a decrease in the likelihood of purchase, and a fall in overall value generated. This trend was reflected across every demographic measured – every single group was less likely to purchase if they were offered more add-ons.

It could be assumed that while fewer people may purchase if 10 add-ons are offered, this would be outweighed by the fact that those who do purchase buy more add-ons. However, this is not the case. On average, customers do choose more add-ons if more are offered. But because the average value of each add-on chosen is not significantly higher and overall purchase likelihood is lower, **the expected value is lower when more add-ons are offered.**

Why is this the case? **Cognitive bias towards simplicity**. Customers are less likely to feel overwhelmed if they are offered fewer add-ons in the process of buying insurance, even if it means there is less likelihood of them being offered an add-on they want. This means they are more likely to make it to the end of the process feeling happier, and more confident about their decisions. Giving them too much choice makes them feel uncertain when they get to the end of the process, and more likely to say no to the final deal.

Which add-ons make the most difference?

To understand whether consumers really do want an ecosystem of add-ons, and are willing to switch provider if they don't get offered a wide enough range, we need to know which add-ons are most effective in encouraging people to purchase.

As such, in the experiment we tested a wide range of possible add-ons, offered at random in each scenario. We included several types of add-on:

- Standard ancillary insurance cover: for breakdowns, personal injury, windscreens and courtesy car.
- Rewards and discounts: safe-driving rewards, maintenance and repair discounts, and discount fuel and car hire.
- Alerts and trackers: find-my-car assistance and vehicle maintenance, theft, and safe-driving alerts.
- Technological car upgrades: digital radio, voice control, and wireless internet connection.
- Driving accessories and extras: items such as a child seat, roof rack, sat nav, or TopGear magazine subscription.
- Additional services: concierges, purchase and sale support, and financing advice.

We wanted to gauge the appeal of each add-on and its effect on purchase likelihood separate from price concerns. As such, we conducted a separate survey to establish how much consumers expected each add-on to cost. By basing the price on consumer expectations, we minimised the likelihood of customers refusing to purchase a deal purely because they thought an add-on was too expensive.

Figure 5: Consumer preferences for different add-ons offered

Add-Ons	Offered price	Purchase likelihood
Windscreen cover	£20.00	7.0%
Discount fuel	£20.00	6.7%
Courtesy car	£20.00	5.9%
Breakdown cover	£35.00	5.3%
Safe-driving rewards	£17.50	3.5%
Personal injury cover	£25.00	3.3%
Theft alerts	£15.00	3.1%
Wireless connection	£25.00	2.5%
Digital radio upgrade	£20.00	2.0%
Vehicle maintenance alerts	£10.00	1.9%
Safe-driving alerts	£10.00	1.4%
Find-my-car assistance	£10.00	1.3%
Free sat nav	£17.50	1.2%
Maintenance and repair discounts	£17.00	1.1%
Voice control technology	£30.00	1.1%
Purchase and sale support	£20.00	0.9%
Discount car hire	£15.00	0.8%
Free Child seat	£10.00	0.8%
Concierge services	£25.00	0.7%
Free Roof rack	£10.00	0.5%
Annual Top Gear magazine subscription	£10.00	0.4%
Financing advice	£15.00	0.1%

We found that **the most popular add-ons are the ones that are most typically offered already.** Seven add-ons had more customers purchasing them than the proportion of customers who didn't purchase any add-ons at all: windscreen cover, discount fuel, courtesy car cover, breakdown cover, safe-driving rewards, personal injury cover, and theft alerts. Of those, four options are types of cover that are included in many (though not all) comprehensive insurance options as standard, or already offered as add-ons by most insurers.

Discount fuel and safe-driving rewards stood out as less commonly offered options that were popular. However, the popularity of the former could be thanks to the low cost that consumers estimated it would be provided for (£20). This could be hard for providers to arbitrage, and it may be much less popular if sold at current market price.

Technological upgrades, such as safe-driving alerts, find-my-car assistance, and voice control technology, were broadly middle of the pack in terms of popularity. They generally only had between 1-2% of customers purchasing them – typically younger consumers. This demonstrates that there is some market interest, but providers would have to account for the trade-off of fewer sales that comes with offering more add-ons to consumers.

Driving accessories and additional services were almost universally unpopular.

Figure 6: Consumer perceptions of different types of add-ons

		Average rating (/100)			
Add-Ons	Purchase Likelihood	Good value for money	Clear and easy to understand	Innovative for car insurance	Very useful to have
Standard ancillary insurance cover	5.4%	59	81	45	70
Rewards and discounts	3.0%	51	75	59	51
Alerts and trackers	1.9%	44	77	59	46
Technological car upgrades	1.9%	42	74	60	41
Driving accessories and extras	0.7%	42	79	50	31
Additional services	0.6%	36	73	52	32

We can infer some of the reasons for the popularity of the various add-ons from how customers generally perceived them. The data shows that **innovation is not necessarily a key driver of consumer appeal**. The most commonly purchased add-ons – standard ancillary cover options – rated highly on being seen as good value, easy to understand, and useful; they generally scored poorly for innovation.

Some reward and discount options scored well as good value for money, innovative, and useful, but were rated poorly for clarity on exactly how they would work. The least popular options scored poorly across the board. Driving accessories were not seen as useful or good value – customers often prefer to choose their own products, rather than relying on the ones chosen by an insurer. Additional services were seen as particularly poor value for money.

We know that offering fewer add-ons is better than offering lots, suggesting that providers should **focus their offer on options providing additional cover.** If this is already part of the comprehensive package, then rewards and alert options are likely to be more valued than equipment or service-based extras. However, this is not to say that providers should shy away from offering innovative new add-ons: rather, that they should be selective in providing newer options, mindful that offering additional add-ons comes with a trade-off on purchase likelihood.

How do different audiences behave?

Detailed analysis of our findings revealed strong differences between different demographics in how likely they were to purchase: especially by age, number of children, and financial literacy. How often a consumer switched motor insurance provider was less influential, but still showed a clear trend.

Figure 7: Purchasing behaviour of different consumer demographics

		Purchase Likelihood	Expected Value
Age	18-34	33%	£142.62
	35-49	16%	£66.81
	50-64	8%	£31.89
	65+	4%	£17.23
Number of Children U18	0	7%	£31.08
	1	18%	£75.84
	2	22%	£92.80
	3+	29%	£126.80
Number of times switched in last 5 years	0	13%	£57.38
	1	11%	£47.19
	2	9%	£40.31
	3+	8%	£33.68
Financial Literacy	Low	18%	£78.19
	Mid	10%	£40.12
	High	8%	£35.26

The most substantial demographic difference, by some distance, was in age. Overall a third (33%) of all customers under 35 purchased, compared to 16% of 35-49 year olds and just 4% of over 65s (see Figure 7). Higher appetite among younger consumers may be explained by the flat price for the core insurance product offered to all consumers, which could have been seen as a better deal for younger drivers than older ones. Younger drivers will also often be less experienced insurance purchasers by virtue of having had fewer opportunities to do so, and may be more impulsive buyers.

The next most significant disparity in customer behaviour was by number of children, with purchase likelihood ranging from just 7% for those with no children to 29% for those with 3 or more. This likely reflects greater time pressures and desire for convenience for consumers with more children.

Those who have not switched insurer in the last five years were noticeably more likely to purchase than regular switchers (13% vs. 8%), possibly because regular switchers are inclined to only buy if they are certain they are getting a good deal.

There were also big differences in purchase likelihood depending on how financially literate consumers were[e]. The less financially literate were much more likely to purchase overall, and with more add-ons. Nearly a fifth (18%) of those scoring in the bottom third on financial literacy purchased; those with moderate and high financial literacy were distinctly more reticent (10% and 8% respectively).

Responding to audience differences

Motor insurers may benefit from targeting add-ons at more enthusiastic demographics (e.g. the young and those with dependents) and loyal renewers looking for reasons to stay.

Our findings raise questions over whether less financially literate consumers, who on average purchase more add-ons, are getting value for money. Though purchasing more add-ons is not in itself a sign of a poor outcome, further research is required to ensure those with lower levels of financial awareness fully understand the additional products they are purchasing.

The Competition and Markets Authority has already set a precedent for action in this area. Insurers offering no claims bonus protection were compelled from 2015 to provide clearer explanations, after it was found 60%[ix] of customers who claimed to understand it well thought it provided protection that it didn't. Regulators will want to keep a close eye on this area to ensure less financially literate consumers don't think they are receiving more benefit than they are from add-ons.

[e] Judged using a seven question quiz on knowledge of basic finance facts and investment principles, such as the current inflation rate and whether a cash sum or percentage discount offers better value

Recommendations

Consumer demand for add-ons is real. The majority of consumers will opt for add-ons if offered, even with the additional price taken into account.

So how should motor insurance providers and regulators respond?

Platform is pivotal

1. **Providers should invest in targeting add-on offers at customers purchasing via price comparison websites rather than direct**
2. **Regulators should ensure the buying process on price comparison websites is structured so consumers can easily judge new deals against their existing offer**

The platform customers use to purchase motor insurance makes a difference to their behaviour. Those going via price comparison websites are much more likely to buy add-ons, to purchase the final deal, and to think it is fair and good value. Providers should allocate their budgets with this in mind. But this tendency to purchase add-ons means those going via price comparison websites could pay more than they intended. Regulators have already compelled insurers to give customers direct comparisons to how much previous insurance packages cost. They should also investigate whether the buying process of price comparison websites, where customers choose the core deal first and then add-ons after, makes it harder for customers to compare and judge if they are getting a better overall package.

Less is more

3. **Providers should restrict the number of add-ons they offer to customers and optimise the range provided**
4. **Regulators should investigate whether offering more add-ons impedes consumer decision-making during the purchasing process**

Restricting the number of add-ons offered could provide a win-win for providers and regulators. Offering fewer add-ons improves purchase likelihood and generates more value overall. This suggests that while consumers do want add-ons, there is little competitive advantage in offering a wide ecosystem of them. With that in mind, providers should optimise the reduced range of add-ons they offer each customer. Longer lists of add-ons drive decision fatigue for consumers and could cause worse purchasing outcomes as a result – which regulators will also want to avoid.

Best of both worlds

5. **Providers should maximise price efficiency on traditional add-ons, and be selective in offering innovative extras**
6. **Regulators should ensure explanations of the exact cover provided by ancillary motor insurance add-ons are clearly understood by consumers**

Ancillary insurance options, such as windscreen and breakdown cover, are by far the most popular add-ons, and innovation is not a positive in and of itself for customers. Apart from a few options which can help to reduce claims (such as maintenance alerts and safe-driving rewards), there is little interest in novel extras – indeed, there may be benefits to insurers offering these for free rather than selling them if the result is fewer claims and more customer engagement. As such, providers should stick to promoting and maximising margins on traditional cover add-ons, and regulators should ensure consumers understand exactly what protection is provided by these. Providers should be selective about offering newer, more innovative add-ons, being mindful of the trade-off for purchase likelihood that comes with offering more.

Horses for courses

7. **Providers should target add-ons at the most enthusiastic audiences and tailor their presentation to address customers' specific pain-points**
8. **Regulators should investigate whether less financially literate consumers are getting worse outcomes on motor insurance add-ons**

Younger drivers, those with more children, and the less financially literate are more likely to choose add-ons and to purchase. In addition, they have preferences for different products – those with children are comparatively keener on time-saving add-ons, while younger customers want more cutting-edge technological upgrades. Renewers also seem to be more enthusiastic for deals with add-ons than switchers – providing these extras may be one way insurers could appeal to customers looking towards the door. There are also signs that the least financially literate consumers may be susceptible to purchasing more add-ons. Regulators may want to research whether consumers are fully aware of what is provided, and perhaps consider educational initiatives or behavioural nudges to improve financial literacy if it is found less literate customers are losing out.

Detailed methodology

Sampling

The primary research undertaken for this report was conducted online from 02/05/18 to 08/05/18, with a nationally representative sample of 1,186 UK consumers aged 18 and over currently holding a motor insurance policy.

Paradigm

The research involved running consumers through a fictitious but realistic motor insurance purchase process. Each consumer was presented with the same scenario – they had to renew a zero excess third party, fire and theft motor insurance policy for a 2016 1.2 litre Ford Fiesta Zetec. The details and price of the policy and vehicle were fixed to minimise the impact of this variable on our results.

We recreated two insurance purchase processes. The first purchase involved customers directly contacting an insurance provider, reviewing a standard motor insurance product and several optional add-ons before proceeding to view the total price of the product and any selected add-ons.

The second purchase process involved reviewing the price of the same standard insurance product a price comparison website before being redirected to an insurance provider's website, where optional add-ons were presented, before viewing the individual and total price of the product and any selected add-ons.

In each purchase process, we presented either four, six, eight, or ten add-ons. Each add-on had its own description and price, and consumers could choose whether to purchase each add-on independently. Each group of add-ons presented were randomly created for each consumer from a long list of twenty-two, shown in Figure x.

Figure x: Long List of Optional add-ons

#	Add-On Name	Add-On Description	Add-On Price
1	Purchase and sale support	Get legal costs included if there is a dispute following the purchase or sale of your car	£20.00
2	Financing advice	Speak to a qualified professional for advice on how to best finance the purchase of a new car	£15.00
3	Safe-driving alerts	Receive warnings about your driving (e.g. if your car goes above the speed limit)	£10.00
4	Safe-driving rewards	Get cashback or another incentive when technology shows you have been driving safely	£17.50
5	Vehicle maintenance alerts	Receive warnings when your car requires maintenance	£10.00
6	Maintenance and repair discounts	Get 10% off maintenance and repair services at selected garages	£17.00
7	Theft alerts	Receive warnings if sensors detect your car is being damaged or stolen	£15.00
8	Breakdown cover	Get roadside assistance if your car breaks down, and if your car can't be fixed we will tow you to a nearby garage	£35.00
9	Voice control technology	Operate your car's functions through spoken instructions, and control features such as your sat-nav, radio, and phone with just your voice.	£30.00
10	Wireless connection	Free wireless internet connection for your car	£25.00

continued overleaf

11	Find-my-car assistance	Free tool to help you locate your car wherever you are	£10.00
12	Concierge services	Get free lifestyle management services. Experienced planners can arrange your life for you, including finding the best holiday deals, buyings gifts, organising events, and getting tickets.	£25.00
13	Windscreen cover	Get the cost of repairing chips or cracks to the windscreen covered or a full replacement for free	£20.00
14	Free Sat nav	Replacement sat nav if yours is damaged OR a free sat nav	£17.50
15	Free Child seat	Replacement car seat if yours is damaged OR a free car seat	£10.00
16	Free Roof rack	Replacement roof rack if yours is damaged OR a free roof rack	£10.00
17	Digital radio upgrade	Free digital radio to replace your standard car radio	£20.00
18	Courtesy car	Free hire car if yours breaks down or is stolen or damaged	£20.00
19	Medical expenses/ personal injury cover	Get the costs for medical assistance covered or receive compensation for injuries sustained in a car accident	£25.00
20	Discount car hire	Get 10% off car hire in the UK and abroad	£15.00
21	Discount fuel	Get 10% off when you buy petrol or diesel	£20.00
22	Annual TopGear magazine subscription	Get free copies of TopGear magazine every month for a year	£10.00

The prices of the add-ons were ascertained by asking 303 consumers to estimate the price of the corresponding products and taking the median estimate. This ensured we tested prices that are not too different from consumers' reasonable expectations.

Since there are two purchase processes and four different numbers of add-ons presented, each consumer was randomly allocated to one of eight test groups. These groups are shown in Figure y.

After selecting any add-ons and reviewing the policy details and price, consumers then rated their likelihood of purchasing the package (on a zero to ten scale). This was our key outcome variable, which was statistically modelled.

Figure y: Test Groups

		Purchase Route	
		Direct to Provider	Price Comparison Website
Number of add-ons Presented	4	Group 1	Group 2
	6	Group 3	Group 4
	8	Group 5	Group 6
	10	Group 7	Group 8

Modelling

We used an ordinal logit regression to model consumer purchase likelihood. The purpose of modelling is to determine the impact of other information (such as consumers' age) and control for these factors, thereby allowing us to estimate the impact of purchase route and add-ons net of these extraneous factors. The set of controlling factors were:

- **Current motor insurance provider**
- **Tenure with current motor insurance provider**
- **Means of purchasing current motor insurance**
- **Price of current motor insurance**
- **Type of motor insurance (e.g. third party, fire, and theft)**
- **Annual or monthly motor insurance payments**
- **Motor insurance excess**
- **Number of motor insurance claims**
- **Motor insurance provider switch frequency**
- **Financial literacy**
- **Age**
- **Gender**
- **Employment status**
- **Education**
- **Relationship status**
- **Household income**
- **Number of children**
- **UK region**
- **Use of Price Comparison Websites**

Calibration

Having modelled the purchase likelihood rating of each consumer, given their personal circumstances and the experimental condition they were allocated to, we then intention to behaviour calibration. This calibration is based on our research of consumer stated intentions and their following behaviour and converts each consumer's purchase likelihood rating into an actual purchase likelihood percentage. These calibrated purchase likelihood percentages are then used to determine the market impact of various changes to the motor insurance purchase process.

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