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performance led digital marketing

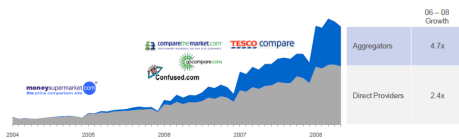
Finance Q1 Summary

April 29, 2009

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Key data

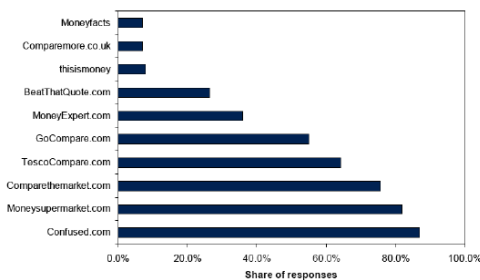
Brand growth: aggregators vs. direct providers (p.2)



Aggregator share of generic traffic (p. 3)



Aggregator brand share of response (p. 4)



Executive summary

This quarter has seen a significant shift in how advertisers are marketing financial services online. This recession-led transition is underpinned by three core changes:

1) Aggregators have continued to tighten their grip on the market

- a) Five-fold growth in aggregator brand queries between 06 and 08
- b) 68% of generic car insurance traffic being delivered to aggregators
- c) 54% of generic home insurance traffic being delivered to aggregators

As a result, advertisers should ensure they are making the most of all online marketing channels to maximise impact (see p.13).

2) Commoditisation is increasing as consumers look for the cheapest deals in the recession

- a) Breakout of search queries with modifiers such as "budget"
- b) 83% of home insurance policies sold online in Q1 were based solely on price

SEO, Display and PPC campaigns should reflect this change in terminology and price focus, through more tailored ad creative and landing pages.

3) Demand is outstripping supply for Banking products

- a) 90% drop in live buy to let campaigns on Google since market peak in September 2007
- b) Only 11% of new mortgages going to first time buyers
- c) Tightening of lending criteria for Banking products has seen companies unable to service the higher demand levels

This offers a major opportunity to grow market share for banking products through all digital channels since costs are at their lowest for over a year.

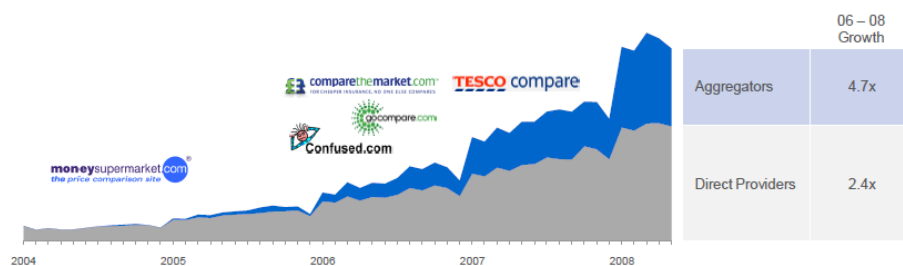
Introduction

This document reviews the Insurance and Banking sub-verticals. It also analyses positioning to understand who the main players have been in Q1 and how the market has shifted throughout the period. Finally, we will consider implications for Q2 and provide recommendations.

Insurance

It would be impossible to write a paper on the financial services sector without mentioning the obvious; for much of 2008 and for Q1 too we have seen the increased presence of aggregators in the market.

The chart below shows the huge growth in the aggregator market; a near five-fold increase between 2006 and 2008. Compared to only 2.5x growth for the direct providers, this is a massive increase.



*Growth in branded queries for aggregators vs. direct providers
Source: Google Data*

The growth in comparison search can also be seen in data from Google Trends. The aggregators opened up a new method of buying financial products online and created a market with keywords that had not been of strategic importance before:

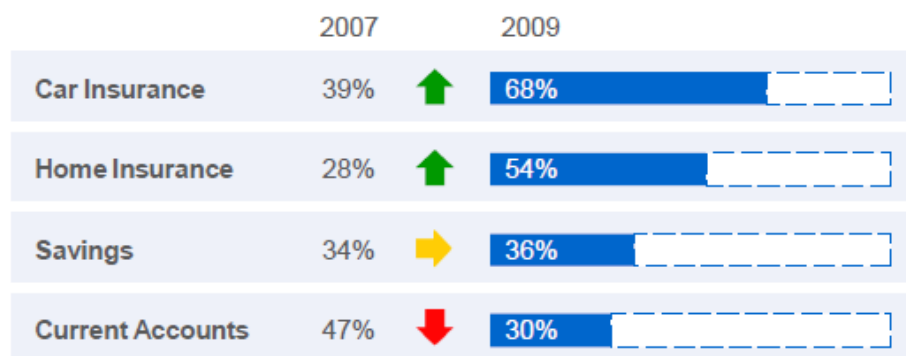


*Search trend for 'compare car insurance'
Source: Google Trends*

The pull of aggregators is encouraging more customers to go online in search of their financial products. Indeed, online Home Insurance sales were up 6% YOY at the end of 2008 according to Google.

“Online Home Insurance sales were up 6% YOY at the end of 2008.”

Google



*Proportion of traffic delivered to aggregator sites from core generic search terms
Source: Google Data*

According to Google's data above we can see that the foothold of the aggregator is primarily centred in the Car and Home Insurance market. In the current economic climate consumers are looking to get the best possible deal on their essential financial products such as insurance and are therefore becoming more price-sensitive. Gaining ground in banking products will be much more difficult for aggregators while lending is low and people are feeling the pinch.

Despite the increased popularity of aggregators, Direct Line is still notable by its absence from any of the comparison panels. A unique strategy in the market and, especially given their high visibility in the PPC listings, an interesting focus point for advertisers who want to see if this digital David vs. Goliath strategy can really pay off as we head further into the economic downturn.

Due to their business model, the aggregators can typically afford much larger budgets than the direct insurers. This increased presence on generic search terms has a knock-on impact on their brand performance which results in a massive uplift in awareness¹ as seen below:

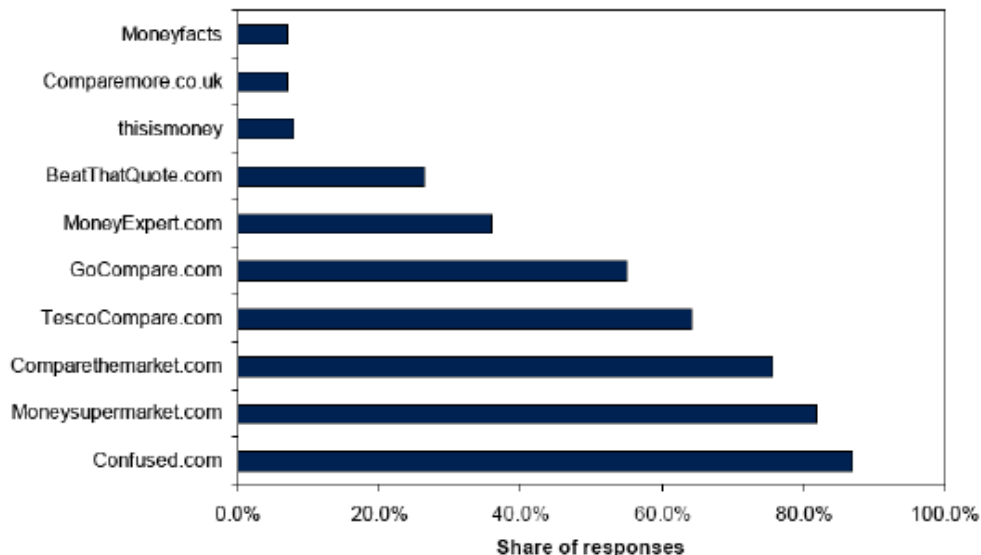
¹ Increased generic presence in paid search boosts brand performance. For more detail on this please contact us.



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"74% of new home insurance policies in Q1 were sold based on price."





Google



Aggregator brand 'Share of Response'

Source: Google

This aggressive entrance of aggregators has allowed them to buy market share in a well established market. Comparing the click share of GoCompare and MoneySupermarket to Direct Line we can see just how much traffic they receive from generic PPC terms in comparison:

	car insurance	cheap car insurance	car insurance quotes
	27%	22%	34%
	25%	26%	19%
	5%	5%	6%
	<0.9%	<1.3%	0.7%

High concentration of downstream clicks with over 50% of traffic from key queries going to only 2 aggregators

Source: Google

Microsoft estimates that only a small amount of aggregator marketing budgets is spent online. Their data suggests that as much as 90% is spent on TV advertising so there is still massive potential for online growth either through inflation within PPC or expansion to other areas such as banners and rich



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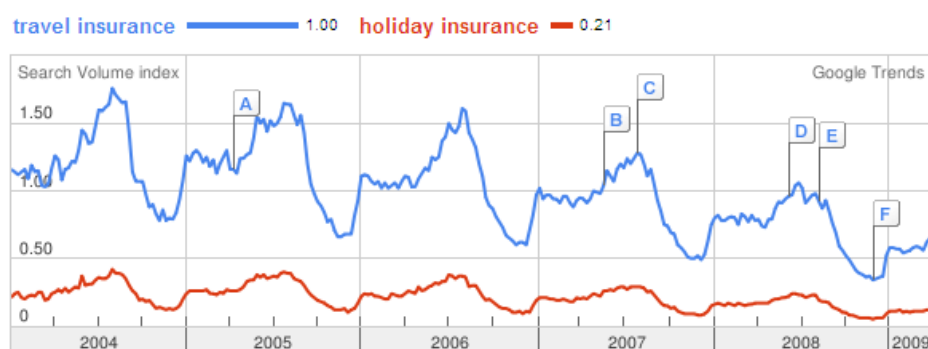
"60% of Britons are planning to holiday within the UK; double the amount last year."

The Independent

media. However, our experience in this area has shown that sustainability has been achieved through a more even split of around 50/50.

As you would expect during a recession, the key motivator online is price. This commoditisation will continue across most insurance products and will increase pressure on advertisers to remain competitive without impacting on quality and coverage. According to Google, for example, 74% of new home insurance policies in Q1 were sold based on price. This proportion increased to 83% when looking at online purchases in isolation.

Travel insurance has declined sharply as consumption of non-essential purchases such as holidays has decreased:



This has resulted in the seasonal peaks becoming much less pronounced in comparison to previous years. This downturn is in contrast to the 17% YOY search increase for generic travel terms and suggests that more UK holiday makers are choosing to take their annual break on UK soil. This idea is supported by the Independent who suggests that 60% of Britons are planning to holiday within the UK; double the amount last year².

What this means for advertisers is a rethink regarding strategy. There is now an increased emphasis on 'budget' terms in line with the current economic climate and it is likely that a successful travel insurance campaign from a direct provider places significant importance on these terms and has an offering in line with the current trend. Aggregators are an exception to this rule in that they are able to still meet consumer requirements who click through on generic terms by providing an array of quotes at various prices with different features.

² The Independent. Kunal Dutta. 2009. *2009: The Year of the Staycation* [Online] (Updated 6th April 2009). Available at <http://www.independent.co.uk/travel/news-and-advice/2009-the-year-of-the-staycation-1663394.html> [Accessed 20 April 2009]

Category Leader Data

The below data was provided by Google and represents an average of Q1 monthly performance for the category leaders in the Insurance sub-vertical.

Product	Impressions	CTR	Clicks	Cost	CPC
<i>Home Insurance</i>	601,816	5.46%	32,888	£143,603.33	£4.37
<i>Life Insurance</i>	270,840	3.83%	10,368	£77,522.67	£7.48
<i>Pet Insurance</i>	955,905	1.73%	16,547	£64,621.00	£3.91
<i>Travel Insurance</i>	817,809	8.59%	70,169	£60,990.93	£0.87
<i>Van Insurance</i>	122,558	9.65%	11,832	£75,792.00	£6.41

In summary we expect to see the aggregators continue to dominate the top of the market for 2009 and beyond. The challenge for the direct insurers who wish to maintain an independent PPC presence will be to strike a balance between position and profitability. The key to success will be offering incentives to your target audience and persuading them to bypass the tempting comparison process.

Banking

"50% of traffic from key queries is being received by just 2 aggregators"

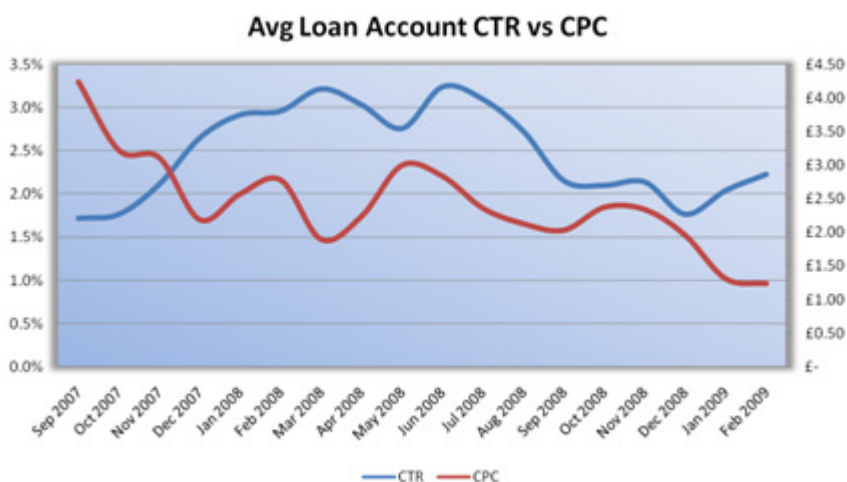
Google

As expected during a recession the Banking sub-vertical has seen massive change. Again, the aggregators are having a huge effect on the market and have been steadily increasing their market share with 50% of traffic from key queries going to just 2 aggregators according to Google. Furthermore, Google data shows that MoneySupermarket receives a huge proportion of searches for 3 of the top terms:

- Loans – 44%
- Cheap Loans – 40%
- Secured Loans – 25%

Adding the impact of the recession to the increased dominance of the aggregators, highlighted above, paints a very challenging picture for the direct provider in 2009.

Surprisingly, interest levels for loans have remained fairly constant despite the downturn and according to MSN; reduced market competition has lowered CPCs.



Average Loans Account CTR and CPC
Source: MSN

However, a tightening in lending criteria will mean that fewer people will be able to get the loan they want. Additionally, there is an emerging trend for shorter term loans as highlighted by Google Insights for Search:

Rising searches

1.	payday loans	+600%
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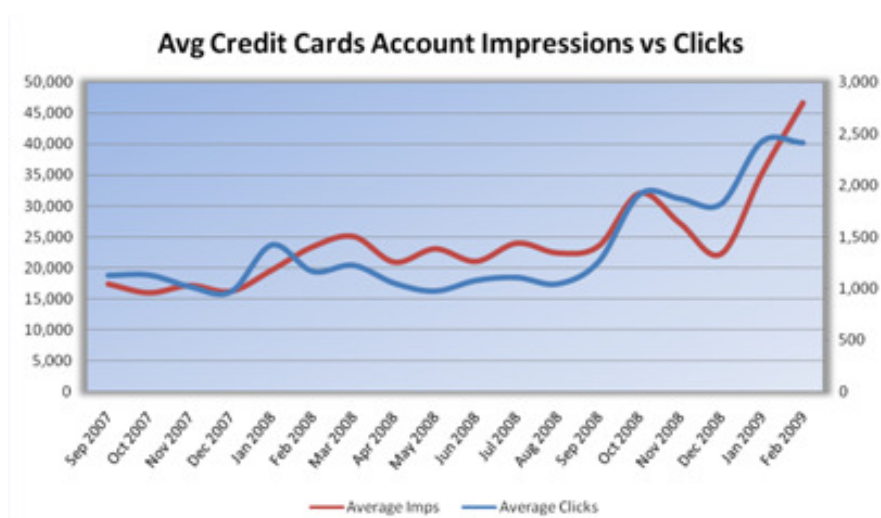
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"September 2008 saw a 9.4% increase in consumer credit card spend and a significant upturn in online interest"

This suggests that much of the interest comes from customers looking to tide themselves over on a short term basis rather than making investments into their home or making large purchases.

Considering the short-term focus of new customers in the loans market it would make sense to see an upturn in the Credit Cards market. In fact, September 2008 saw a 9.4% increase in consumer credit card spend and a significant upturn in online interest.

MSN



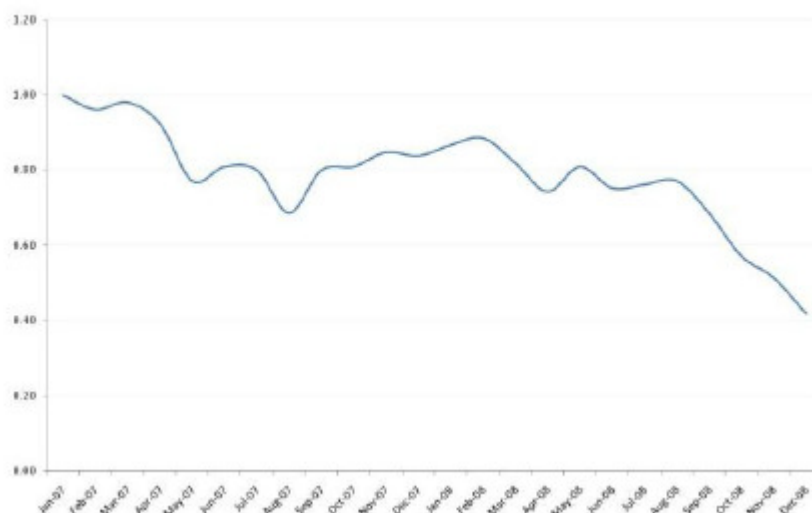
Average Credit Cards Account Impressions and Clicks

Source: MSN

However, due to the tighter economic conditions forcing many advertisers to change product focus to 'core' insurance products, CPCs have fallen by around 40%. Indeed what we are observing is classic supply and demand. Due to the current economic climate we have seen a surge in demand and a reduction in CPC as advertisers opt out of the auction.



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Credit Cards CPC Trend
Source: Google

Search behaviour is now evolving, as with other categories, to include comparison terms. Compare and Save and MoneySupermarket between them received 48% of the traffic for 'credit card' searches according to Google in Q1. Again, the impetus behind credit card applications is to ease cash flow problems for customers.

If advertisers are considering an entrance to market or a push of existing activity and the product can stand up alongside the aggregators then now is a good time to gain ground in the market whilst CPCs are low and the competition is weakened. Success in this difficult market will ensure that any successful campaigns are well-placed when the economy starts to recover and more advertisers attempt to enter the market.

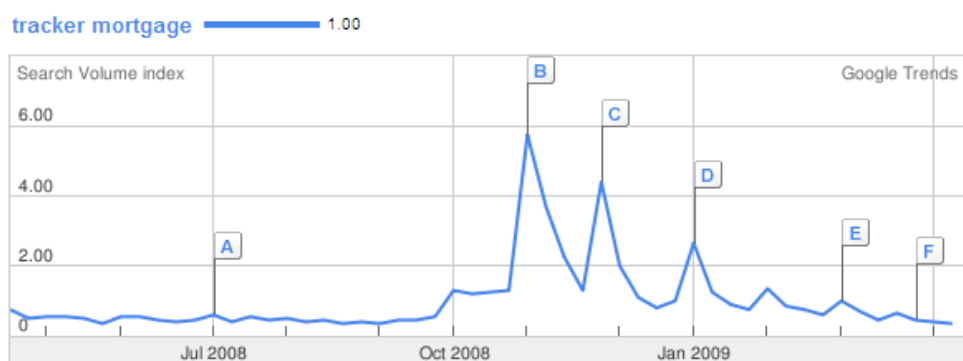
According to the British Bankers' Association, mortgages approvals are at their lowest level since 1997. Mortgages have been hard hit due to the economic downturn with a 30% fall in lending in 2008 according to CML. This decline is expected to continue through 2009 where RICS have forecast an additional 10% drop.

Throughout the end of 2008 and 2009 to-date we have seen a consolidation of the market as providers look to increase their share of the relatively stable remortgage market rather than targeting first time buyers and buy to let propositions. These are not performing well due to several factors including a high average deposit requirement for purchases now standing at 25%. Such is the scale of the decline in the buy to let market there are now only 398 live buy to let products available as opposed to 3662 at the peak of the market in September 2007.

Fast Facts

- 46% - the YOY decrease in mortgage approvals for March
- 30% - The fall in UK mortgage lending during 2008
- 25% - The average deposit required for new mortgages
- 11.7% - The proportion of mortgage sales coming from first-time buyers. The lowest since April 2006

Within the remortgages market there has been a spike in interest as homeowners have looked to capitalise on the reduced Bank of England base rate. However, this was countered as many lenders opted to pull their tracker offering:

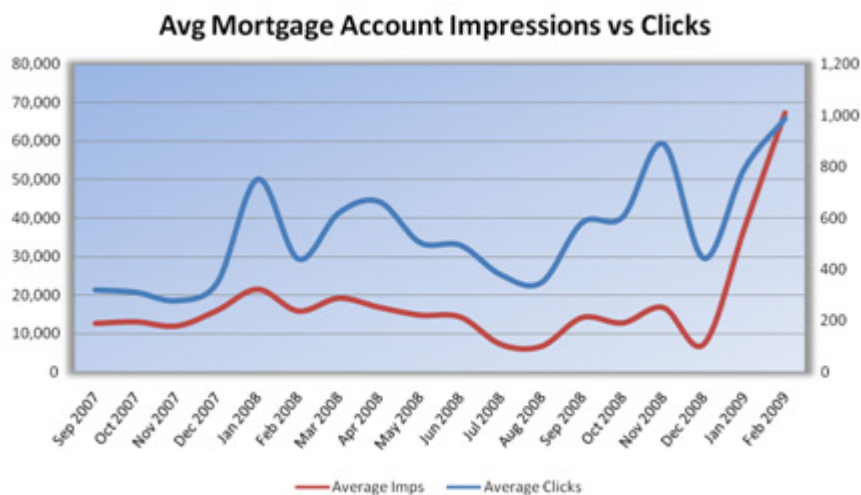


The outlook for mortgages for the remainder of 2009 looks set to be focused on consolidation:

- Market size is set to remain constant, therefore growth for advertisers will come from winning business from rivals in the remortgage market
- New mortgages will continue to fall according to Google, however, there is a glimmer of hope, according to the Telegraph, as property sales have increased for the first time since 2007
- General 'interest' is on the up and it increases the need to have fantastic offers available in order to service the market in its current state



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Average Mortgage Account Impressions and Clicks
Source: MSN

However, the market challenge will be positioning favourably against the aggregators who, as with the other products, can afford to maintain high positions due to their business model. For example, MoneySupermarket alone are receiving 43% and 30% of traffic for the terms 'Mortgage' and 'Remortgage' respectively according to Google.

Conclusion

As the credit crunch continues in the UK it is important to recognise how the market has changed recently and how this can be applied to the medium term.

Ultimately, the financial services market is becoming more commoditised than ever before. Consumers are increasingly entering a 'what-if' mindset and are looking to:

- Protect assets
- Cut non-essential spend
- Save any surplus income that would usually be considered as disposable (70% of surveyed Britons told Mintel that the current economic fears have led them to cut back despite being financially secure)

This is supported by Google data as consumer interest in saving has seen a steady increase recently:



The aggregators are naturally well-placed given current consumer-thinking to service them based on the ultimate factor, which is price and the challenge for the direct providers will be to win customers from these comparison sites.



Critical Success Factors for Q2 and Beyond

There are a number of things you can do to increase your chances of success:

- **Go holistic**
 - PPC is one channel in a broad online spectrum. Make use of the content network, SEO, display, e-mail and affiliates to yield much higher volumes at a lower overall CPA. This allows an increased presence across the board which, in turn, will fuel your cheap brand activity
 - Use PPC to influence your SEO strategy. As identified in this paper people are becoming increasingly drawn by “budget” terms. Plan ahead and review your SEO strategy on these keywords to put yourself in a strong position
- **Conversion attribution**
 - Use it to understand the impact of one advertising channel on another. Moving away from the last-click model it is becoming increasingly popular to weight the various channels to understand their overall importance in achieving a common conversion.
 - For instance, conversion attribution can help you understand how influential your banner placements are for driving PPC sales. Where last click may have historically devalues a particular channel the attribution method may actually bring about a massive rethink in how budgets are allocated online
- **Position is key**
 - Particularly with financial services the majority of click volume is located in the top 3 positions. With the growth of aggregators this is magnified. If you plan on being a major player in the market then you must recognise the strategic importance of a high position for the long-term health of your campaign and weather the storm. By preparing early, a good CTR & position can be achieved and maintained before the CPC spikes after the impressions
- **Use exact match on your most important terms**
 - Although CPCs can be higher on exact match terms they generally receive a much higher CTR than broad match counterparts
 - Google bases the quality score for same-keyword variants on the effect match. If you don't currently have an exact match variant in your account then Google will use data from the wider market to assign your QS. This can make your optimisation efforts much more difficult
- **Target the long-tail**
 - Searchers are savvy. 87% of online car insurance purchases are via at least one long-tail term



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- They will conduct multiple searches before deciding where to buy
 - They will spend more time doing so
 - 37% of online car insurance purchases occur more than 30 days after the first search
- **Cut out unwanted exposure**
 - An account that is using Broad Match needs to use negative keywords to help limit the number of wasted impressions from irrelevant searches
- **Get creative**
 - Online shoppers are more price sensitive
 - 83% of online home insurance sales were based on price compared to 73% for those policies bought offline. To this end ensure your ads are relevant and reflect your offering.
 - If you are running a special offer make sure you mention it in your ads
 - Discounts for multiple product-purchases will perform well and are likely to earn you greater customer loyalty in the long-run
- **Invest in your brand**
 - Insurance products are becoming increasingly commoditised so brand is a key way to attract customers. Plan your search activity round other activity such as TV for the best chance of taking advantage of brand uplift
 - Further to this, always ensure you are bidding on brand terms and regularly policing the SERPs for any competitors that may crop up
 - In the longer term you may want to look at the trademark process for ultimate brand protection

If you would like further information on anything discussed in this paper please do not hesitate to contact us. We will be happy to include content on requested topics in the next release at the end of Q2.