

## Vehicle Recovery - UK - September 2010

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### What is this report about?

Vehicle recovery service is a mature market sector, with future growth mainly reliant on increases in car ownership. However, severe recession in the UK economy has resulted in the first decline in the number of cars in use since the end of the Second World War. The reduced spending power that has been evident throughout this recession has affected sales of non-essential purchases, a factor which has hampered sales of breakdown cover.

### What have we found out?

- The Vehicle Recovery Services market is largely an intermediary market with nearly three quarters of all vehicle owners purchasing or acquiring their breakdown cover through their car insurer, bank, car dealer or other intermediary.
- Nearly one third of all vehicle owners at 32% bought or acquired their breakdown cover as part of their motor insurance policy so the insurance renewal period is a key period for influencing vehicle owners' renewal of breakdown cover.
- Of the 28% of vehicle owners who purchased breakdown cover direct, half was purchased over the internet including 11% purchasing via a price comparison website. Internet marketing will grow in importance as a distribution channel for the marketing of breakdown cover.
- The long term development of electric vehicle technology may result in an increase in vehicle leasing rather than outright purchase. The provision of breakdown cover may shift to becoming almost entirely an original equipment supplied product rather than an aftermarket renewal product.
- Higher car operating costs such as maintenance and fuel are encouraging vehicle owners to seek lower costs in other discretionary areas of vehicle operating cost expenditure. Breakdown cover is a discretionary area of spend, and has felt the impact of consumers seeking lower-cost alternatives.
- Recovery services companies need to develop customer relationship strategies that enable a dialogue to begin with the customer as soon as they become members of a breakdown service. This is key to enhancing the experience of the brand and is significant in influencing the member's brand loyalty at renewal.

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