

Rac by: byline pr

Business



Company: iECustomer: RACSubmitted by: Byline PRDate: March 2000RED, the breakdown service launched by the RAC in autumn 1999, is revolutionary in more ways than one. It uses a completely different charging model to the traditional annual subscription fee.

It is the first and only service of its kind to be offered exclusively on the Internet. And it's a virtual company in another sense. Although owned and funded by the RAC, RED operates outside the company's main business. RED was set up to target an estimated 6 million UK motorists who traditionally do not take out breakdown cover and are averse to buying insurance of any kind – typically males aged between 20 and 40." You'd think every driver would take out this sort of insurance," says RED product Manager, Julian Temblett, " but they don't." Julian commissioned research to find out what it would take to overcome their resistance.

The research suggested that some people didn't like paying for something they might never need, and even if they agreed with the principle, they didn't like paying up front. It also showed that insurance was not high on the list for disposable income. But the research also revealed that the target group was price sensitive. " Our focus groups suggested that £49 would be an acceptable figure." Julian and his team settled on a pricing model closely based on pay-as-you-go mobile phones, which have proved to be enormously successful at attracting subscription-shy customers, particularly among the young. The £49 assistance fee would be payable only in the event of a breakdown – and would be collected the following day.

A subscription element, set at £1 a month was retained to cover administrative costs. Julian judged that if the subscription were to be collected monthly, the customer would barely notice the cost. At about half the price of typical breakdown services, there was no way the proposed service could be made to pay in the existing business regime. “ There were certain cost parameters we could control to keep costs down, such as the maximum length of tow offered with the basic package, but many of the other costs were fixed,” Julian says. This dilemma was solved by conceiving RED as an Internet-based service.

Traditional breakdown services are priced at around £100 with limited payment options. “ Processing cheques and direct debits adds a lot to the business cost, which is why traditional products rely on a one-off payment or – at best – allow the customer to spread the charge over three payments annually,” Julian says. “ The concept of a standing charge was very attractive.” By offering RED on the Web, the company could use automated credit and debit card payments to collect both elements of the service charge. Operating on the Web also promised to reduce other elements of cost – notably customer acquisition, administration and renewal.

And it offered the opportunity to use the Web site to liven up the image of breakdown insurance with content designed to keep customers informed, entertained and – above all – loyal. A distinctive image was also important to differentiate the service from the RAC’s main business and limit the risk of existing members jumping across. A major advantage of taking the internet route was time to market. “ E-commerce was a hot topic and there was an opportunity for positive PR. More importantly, our biggest competitor was in <https://assignbuster.com/rac-by-byline-pr/>

the middle of a merger and for various reasons other rivals were not well positioned to take advantage of the Internet model. Speed was of the essence,” Julian says.

After the business plan had been approved by the board, a launch date was set just eight weeks away. A Web design agency was appointed to do the creative work at the front end. iE was selected to do the bulk of the underlying technical work. Although RED was conceived from the start as autonomous, the key to keeping costs down was to use the RAC’s existing systems wherever possible. An interface had to be built to the breakdown management system. The team settled on an overnight batch process to update the breakdown system with details of new RED customers, but added a Web interface for RAC staff to check details of customers in the unlikely event of a breakdown on the day of joining.

There also needed to be fast reliable linkages to external systems for validation of credit cards and postcodes, and to the CardNet system for payments. The RAC fulfilment system would be used to produce labels for customer packs. RED would also need an interface to various internal accounting systems.” iE Integrator proved to be a powerful and flexible product that coped easily with all these challenges. In some respects it had more power than we needed.

For instance, it could have allowed us to do credit checking online, but because the risks involved were small and there would have been a cost associated with validating every transaction, we decided against it. But we had an eye to the future. We wanted a system that would allow us to build in

new capabilities,” Julian says. As for the business, the investment in technology and software development was a modest £100, 000. A partnership programme, designed to keep marketing costs down and to drive traffic to the RED site, began strongly with a deal with Virgin Mobile. Other marketing activities included advertising on the Web itself, including motoring portals and sites frequented by students.

Plans are also underway to offer related services via the RED site, such as vehicle inspections, and to cross-promote other RAC companies (including the British School of Motoring). Julian is reluctant to say how far RED has gone towards its goal of capturing the elusive 6 million, but the service to-date has successfully attracted the target audience and the numbers are promising. The truly revolutionary effect the venture has had is to turn the traditional breakdown service business model on its head. “ In the past, any breakdown was considered bad news because of its obvious impact on costs. With RED, we almost welcome it, because it increases our earnings.” RED is barely out of the pilot phase, but Julian emphasises the importance of the project.” How many companies have gone down because they didn’t recognise change in the marketplace? The Web offered us the opportunity to reinvent our business, and our technology partners helped us realise that vision.”