

Progressive case study

Business, Risk Management



Progressive Case Study Progressive Auto Insurance company is among many other competing firms in the industry. Some of the others include State Farm, Allstate, and GEICO. They are currently the third biggest private auto insurance industry. From the time they came into existence they have strived for being the most innovative company in the market and shared the values of " fair, fast, best. " Beginning in 1957 Progressive mainly dealt with standard drivers but soon after they developed a strategy that benefitted them greatly. For the next 25 years they started to focus on the nonstandard driver, who are the drivers that insurers would not cover. Particularly they segmented motorcyclists who had recently received a DUI. They priced the premiums high which resulted in high profitability. They found out that the motorcyclists were actually a lot lower risk than other companies originally perceived. Starting in 1990, they started a practice of immediate response which reduced trauma for the person involved and also helped them in getting an accurate quote for the damages. They also introduced the gold card which reduced the time it took for people to respond to Progressive. In 1995, Progressive became the first insurance company to expand its business to the world wide web. The biggest innovative move they made was in 2000 when they introduced the concierge service which included full service repair and customer service at their own shops. Starting in 2006 Progressive was enjoying high profitability due to unanticipated accident frequencies. Thus many companies cut their prices to keep up with the competition. The problem with this is severe underwriting losses. They tried the tactic of reducing prices below their competitors in hope to gain market share but this was the opposite result for them. The CEO Glenn Renwick

recommended slowly returning to the underwriting profits of 4% rather than the drastic price drops which could hurt them if the accident frequencies increased. JD power and Associates gave Progressive a sub par score for overall customer satisfaction of 14. They also fared low on brand awareness ranking in at 57% unaided brand awareness. Their competitors were at GEICO(79%), Allstate(69%), and State Farm(74%). Although they increased their advertising from 8 million in 1997 to 263 million in 2006, they were lagging behind the leading competitors in the field. Although Progressive have been striving as an innovative insurance company they have been lacking behind a few leading companies. It appears that they may need to narrow in on their strengths and cut out some of their programs to make sure they are ensuring high customer satisfaction. After learning that there are many risks out there, people want to know that they will be in good hands after a major disaster or incident. People will always rely on insurance companies because there numerous risks out there that people face everyday. With these companies people feel at ease about the everyday risks that they constantly endure.