

# [Progressive case study](https://assignbuster.com/progressive-case-study-case-study-samples/)

[Business](https://assignbuster.com/essay-subjects/business/)

They achieved this competitive advantage by creating immediate response, data inning, detailed research on specific drivers, standard and preferred auto insurance, express quotes, use of the Internet, and a heavy recruiting process. This new and innovative approach to a dull and boring Industry created value to policyholders.

Porter described the approach to a business strategy as five competitive forces. Bargaining power of suppliers, Rivalry among existing competitors, threat of new entrants, threat of a substitute services, and bargaining power of buyers. Progressive is affected directly by these competitive factors.

The first being rivalry among mediators. Progressive has three other competitors that they are constantly clashing for market share, which are Allocate, State Farm, and Geol..

State Farm, with pretax operating profit of $3. 5 billion (2006) and an rating from industry rater A. M. , is number one in the personal auto insurance industry with a market share of 18%. Allocate, with $7.

2 billion in pretax income and a 90% renewal ratio (2006), has become the second largest player in both personal auto and homeowners industry with an 11-12% market share. Lastly, GECKO, with a 11. Billion dollars in earned premium and the highest rating In the Industry for financial strength and claim-paying ability, Is number four in the personal auto Insurer with 6. 7% market share in 2006. Progressive has challenged these three companies by creating more innovative approaches such as immediate response and express quote, as well as tapped into standard policy writing, which is dominated by Allocate and State Farm. Another competitive force is the threat of new entrants.

There is always the threat of a smaller Insurance company coming in and under cutting the big four by having a sees expensive policy.

One the other hand, most smaller Insurance companies are not trusted, or do not provide the exemplary customer service that the big four provide. It is also hard to compete with the big four because of the brand awareness that the big four companies have. Bargaining power of suppliers is irrelevant/low since they provide a service. Bargaining power of suppliers means that the companies that provide Progressive with tangible assets or raw materials for the development of an end product eat away at their profits. Progressive doesn’t have that problem.

Companies that are greatly affected by suppliers are the Lorene Industries, or a construction company. Bargaining power of consumers has proved to be high at times. The reasons for this are because even though insurance is a necessity, consumers have many different options to choose from. Also, because of the heavy competition amongst the big four consumers can easily shift to another insurance company with ease while still enjoying similar services. One way that consumers have exercised their bargaining power Is with the passing of proposition 103 In November B

I Nils proposition manatee rate cuts AT z I Nils greatly affected Progressive, as they had to pay out $50 million to 260, 000 policyholders.

The company incurred small underwriting losses in 1989 and sales were flat in both ’89 and ’90. It also led too reduction from the California market. All in all, the “ cost of proposition 103 and the competitive pressure from Allocate caused a crisis at progressive. ” With the rise in gas prices there is a threat of substitutes. As opposed to driving a car people can take a bus, metro, or even ride their bikes.

High gas will reduce the mount of cars consumers will ultimately buy.

This is a serious concern for insurance companies. Progressive has no control over this factor since they cannot control gas prices and consumers are price driven. If gas prices continue to rise purchasing cars will decline. Some recommendations based on the analysis is to continue to create more innovative techniques to satisfy consumers. Also, continue to dump lots of money into marketing campaigns.

It seems as though the more confident consumers are with a company and its brand the “ more likely to call an independent agent and ay… L feel comfortable buying the product from you”. Lastly, since there is an increase in gas prices there is a serious threat for substitutes with that being said Progressive should incorporate financial services or investment products, as well as other insurance products such as non-medical and life insurance. I feel as though Progressive is following pretty closely to theAppleInc. Approach by not following the status quo, offering services that weren’t available anywhere else, and attempting to find new and more innovative ways of satisfying customers.