

Research paper on allstate and progressive insurance comparison

[Business](#), [Company](#)



Abstract

US insurance industry is subject to various changes ranging from technological advance to consumer behavior change. In that respect, firms' performance and competitiveness are dependent on their operations and marketing efficiency. In that view, the analysis has sought to demonstrate different approaches that firms apply in marketing their products and addressing market changes. To begin with, the industry has been identified to have been marked by increased spending as firms seek to attract more customers. In addition, consumer behaviors have changed from consideration of only the leading brands to also including the others in their evaluation process. In that view, the leading firms including Allstate and Progressive have been identified to have adapted strategies that seek to maintain their leadership.

However, although the two companies are leaders in the market, they apply different approaches in marketing and advertising their products. That entails the manner in which they deliver their message in their advertisements. For Allstate, the message is delivered with a view of demonstrating the customer problems and providing solutions. On the other hand, Progressive advertisements entail providing information about their products value. In addition, Allstate seeks to tailor its products to its segments while Progressive applies an all-inclusive approach for all segments. Further, Allstate has been identified as the larger of the two in terms of market capitalization and employees. That trend has also identified in revenues and profitability hence an indication of its approach efficiency relative to Progressive Insurance.

Introduction

Insurance industry is a very competitive market owing to the few firms that control significant market share. In that respect, businesses seek to enhance their performance through various marketing strategies that suit their target markets and products. Thus, business applies product positioning, pricing, place and promotion strategies to attract and retain customers for sustainability. In addition, there has been increased innovation that has been enabling by technological advance and globalization. In that view, this analysis seeks to demonstrate how brands operates and applies marketing strategies to compete. That is done with reference to America based Insurance Companies; Allstate and Progressive whose operations, strategies and performance are compared.

Analysis

- Industry overview

Increase in marketing expenditures has marked the insurance industry. However, the market fundamentals in terms of consumer behavior raise questions about the approach according to McKinsey Research. First, there is a disproportionate spending on auto insurance targeting at the 30% of the auto insurance buyers with high price sensitivity and least loyalty. There has also been consolidation of the market share to the leading businesses as consumers increasingly consider the few leading brands for their needs. The marketing expenditure increased by 15% over the past decade has been propelled by an arms race that saw the total spending rise to \$6billion in the year 2011. Thus, as carriers sought to increase spending as a way of

boosting customer awareness, the other followed suit. In addition, digital marketing through social media channels influences over 40% of the consumers decisions that are made in the consideration phase. Further, the retention of car insurance ranges at around 90% while marketing has been primarily focused on the acquisition. Finally, although the trend has provided an opportunity for participants in the arms race to continue dominating the market. (McKinsey & Company, 2014)

There has been a change in the way consumers shop today. Auto insurers usually began their shopping journey by considering four to five brands and the trend has been that they tend to choose their policy from those brands. However, the current market is facing changes with customers dropping brands and even adding more in their consideration through the evaluation stage. In that respect, although it has an advantage being among the first brands under consideration, it no longer guarantees being the policy of choice for the customers. (McKinsey & Company, 2014)

- Companies' overview

- Allstate

It is the largest publicly held insurer in America focusing on personal lines and casualty. The company was founded in 1931 and became a public company in 1993. It is well known for its Slogan that one is in good hands with Allstate. The company has grown to be leading corporations and was position 92 on the Fortune 500 list of US companies. (Allstate, 2014a)

People

The company has over 70000 professionals including agency owners, employees as well as the staff. Among all its employees, 57% are women while minorities are 32%. In addition, over 40% of the managers and officers are women, and 24% are from minority groups. (Allstate, 2014a)

Customers

The company has reinvented retirement and protection to help about 16 million households in insuring their today for a better tomorrow.

Corporate Governance

The business has thrived under guidance of its high ethical standards, exemplary corporate governance and its commitment to better principles as well as ethical standards.

Diversity

The company is also marked by diversity n terms of agents, employees as well as customers as it embraces diversity in everything. In that view, the business does not only serve customers, but serves communities in which they invest. In addition, it enhances its corporate citizenship through concern for its suppliers and the people it hires. (Allstate, 2014a)

Culture

The company has a high-performance work culture that encourages accountability, innovation, as well as improvement and learning. The workplace is fast-paced, collaborative and challenging with the company's goals being to provide a challenging and exciting work, as well as reward

employees for their efforts on the basis of pay for performance. Thus, the company offers a comprehensive total compensation package. (Allstate, 2014a)

Products

The company's products include home, life and property insurance as well as services. The services are offered through Allstate exclusive financial representatives, Allstate agencies, and independent agencies as well as through www.allstate.com in addition to 1-800 Allstate. In the year 2013, the company had over 12, 000 exclusive agencies as well as financial representatives in US and Canada. The private passenger autos, as well as homeowners insurance, are marketed under the Encompass, Allstate and Ensure brand names. On the other hand, Ensure is an Allstate company that offers Ensure Auto insurance brand directly to customers through an online platform, through call centers as well as through selected agents that include Answer Financial. (Allstate, 2014a)

- Progressive

The company began its operations in 1937 and has grown to build a superior position for auto insurance consumers through continuous improvement of products as well as competitive pricing. It offers competitive rates that are enhanced by its 24 hours online and in-person services to all markets throughout the United States. Customers can directly access and purchase auto insurance products through the online service of through the phone as well as via an independent insurance agent. In that respect, there is a price variance depending on the method that the customer chooses to buy

through. The company leadership has a quest for a business to become number one choice for auto insurance in the US. (Progressive, 2014a)

People

The business has its headquarters in Ohio and has over 25, 000 employees in it is over 450 offices across the country.

Culture

The work environment provides an opportunity for learning to grow and risk taking as a means of enhancing performance. Further, the business has a sound communication system that enhances its interaction among employees and with its consumers. The process enhances understanding of the organization, its products as well as its customer needs. (Progressive, 2014a)

- Target segments

The industry is marked by diverse market targeting strategies given the different approaches that the leading firms apply given their differentiated products.

- Allstate

Allstate's Consumer Segmentation Strategy

With changing customer's expectations, there is an increasing need for the businesses to change from the one size for all products and services. In that respect, there has been changing towards preference for consumers in need for advice and choice between the Companies' various brands. In that respect, the business has been guided by consumer sensitivity and differences to deliver brands that are tailored to offer the desired value

propositions. However, the company prides itself as the only brand capable of serving customers in all the four segments. Thus, it differs from the competitors in that it tries to emphasize of value and choice compared to the competitors who dictate terms for the customers. (Allstate, 2014a)

Brands' strategies

- Encompass

The brand is sold through the independent agencies and is targeted at the brand neutral customers with a preference for services as well as support from the independent agents.

- Answer Financial

The brand is marketed for the brand neutral consumers that seek a choice between the insurance carriers.

- Allstate

The brand is primarily sold through the Allstate exclusive agencies and is targeted at brand sensitive customers that have a preference for localized and personal service, as well as advice. (Allstate, 2014a)

- Ensure

It is a brand that is sold directly to the brand sensitive customers through online and phone services.

Targeted consumer marketing

The Business applies targeted marketing including the Mayhem that was inducted in the 2011 Madison avenue walk of fame. In addition, the company embraced in self-directed commercials for brand sensitive customers specifically for Ensure product after it was acquired in 2011. (Allstate, 2014a)

- Progressive

The business provides commercial and personal insurance covers as well as another specialty property –casualty insurance products in addition to related services. Its primary market is the US. The brand's products offer customers protection against losses resulting from physical damage or collision to their motor vehicles, uninsured body industry as well as other personal injuries and property damage. (Progressive, 2014a)

The personal lines segment focuses on insurance for personal autos and the special lines products including mobile homes, motorcycles, and watercrafts among others. On the other hand, the commercial segments provide coverage for liability for physical damage of autos, pickup trucks, vans and dump trucks. (Yahoo Finance, 2014b)

- Advertising

The industry marketing is highly dependent on advertising with the aim of creating awareness on their products and services availability, as well as their value to customers. In that respect, the two brands have been involved in massive advertising campaigns and the following is an analysis of their approaches. (McKinley, 2014)

- Progressive

The business applies promotion strategies such as advertisement through

- TV commercials
- Progressive websites
- Progressive blog

- Newsroom
- Social media through channels such as YouTube (Progressive, 2014b)
- Allstate

The business applies promotion strategies such as advertisement through

- TV commercials
- Company website
- Social media through channels including YouTube. (Allstate, 2014b)

With Progressive advertisements as applied on you tube adverts, the company focuses on educating its customers on the value that they could derive from the products. That approach differs from Allstate advertisements that are branded Mayhem and which focus on informing customers on what they need to do to solve their problems. (Progressive, 2014b) In that respect, the two companies apply different approaches in marketing their products to the market. In that view, progressive seeks to demonstrate the customer problems and offer a solution by recommending its product. On the other hand, the Allstate adverts provide information on the products value for the customer to evaluate its appropriateness. (Allstate, 2014b)

- Performance

Although the two brands are among the leading insurance brands in the US market, their different approaches determine their performance that can be summarized in the following table.

Source: (Yahoo finance, 2014a)

The comparison shows that Allstate is significantly larger by market capitalization of \$28. 27Billion compared to Progressive that has a capitalization of \$16. 11 Billion. The size is also reflected in employee numbers with Allstate having more employees than progressive. The trend is also reflected in revenues, profit and EPS hence Allstate having a greater presence in the market and better performance. (Yahoo finance, 2014a)

- Recommendations

In view of the industry change as well as change in consumer behavior, it is crucial for businesses to adopt suitable strategies to enhance their competitiveness. That should entail a segment based approach for marketing guided by the following

- Target specific segments on the basis of the explicit appreciation of the lifetime value of the customers
- Understand consumer behaviors at all levels of the consumer journey
- Follow effectively with the targeted strategies with a focus on offers that makes a call for customers to act and switch the products
- Support the sophisticated views of various segments and tailor marketing messages as well as track their tactics by segment and channel.
- Provide value propositions that would enhance customer loyalty and attract new customers even from competitors and who are in search for products to address their unmet needs. (Sengupta, 2005)

Conclusion

In view of the analysis, it is clear that the two companies operate in a highly competitive industry and one that is marked by changes in consumer behavior. Thus, the industry has experienced increased spending on marketing although its appropriateness has been questioned in the research by McKinley. The concern was as to why it is disproportionately focused on the auto insurance customers' acquisition while the challenge in the industry relates to customer retention. In addition, the increased adoption of digital and social media platforms use by customers increasingly influence their decision making. On the other hand, Allstate and progressive insurance brands have been shown as being among the leading industry players that account for a significant market share. However, the two businesses have different approaches in a bid to differentiate their products and enhance competitiveness. However, Allstate focuses on four key segments with specific brands; the Progressive Insurance has one fit for all with only classification of its products as commercial and personal life insurance. In that view, Allstate has been able to adjust quickly to market changes by tailoring its products to specific needs. On the other hand, Progressive applies more advanced sales platforms including online sale for its products as well as sales through call centers in addition to the in person sales and marketing. Owing to the differences, the firms have different performance that is marked by Allstate having better operating margin and EPS compared to Progressive.

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