

How Progressive Successfully Implemented New Customer Measures and Engaged an Entire Organization

Richard Watts, Progressive Corporation
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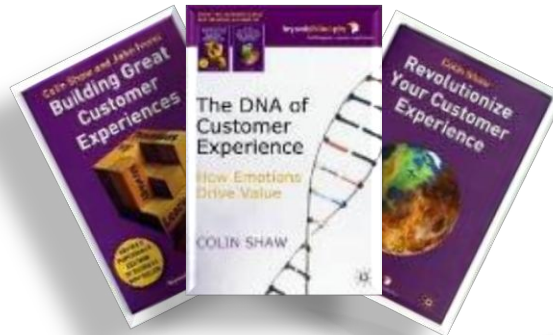
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Beyond Philosophy



**Customer Experience
is all we do!**



**Thought leadership is
our differentiator**



**Fourth book –
Now Available**



**Offices in London,
Atlanta with Partners in
Europe & Asia**



**Links with
Academia**



**Focus on the emotional side
of the Customer Experience**

We are Proud to Have Helped Some Great Organizations...

MORGAN SINDALL

TNT

Thames Water

Microsoft

Aflac

DELL

NORWICH UNION
an AVIVA company

Standard Chartered



Fireman's Fund

MEARS
GROUP PLC

Virgin mobile

AMERICAN EXPRESS

overbury
a passion for perfection

TURKCELL

SOUTH WEST TRAINS

MERCK

RBS
The Royal Bank of Scotland

barclaycard

Allianz

RBC

COMET
we live electricals

T-Mobile



direct line

Britannia

NatWest

BBC e

EDFENERGY

Stena Line
Making good time™

DH Department of Health

YorkshireWater



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Freddie Mac

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FedEx

1. Viewer Window



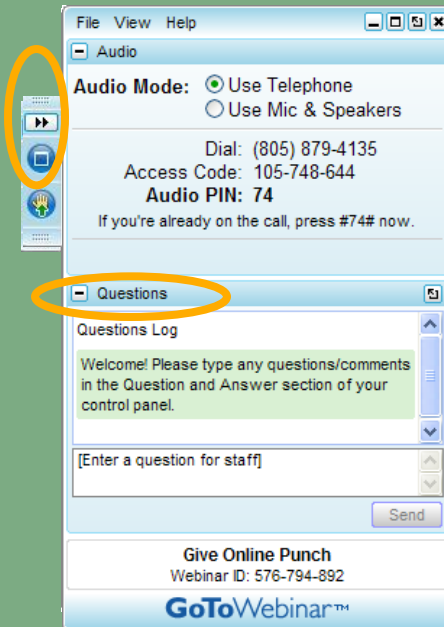
GoToWebinar Example Interface

Audio: Use your microphone and speakers (VoIP) or call in using your telephone.
Dial:
Access Code:
Audio Pin:

www.beyondphilosophy.com

The interface features a central white area with a purple and orange logo of two stylized figures. Below the logo, there are fields for audio settings and a URL. The background is a light green gradient.

2. Control Panel



File View Help

Audio

Audio Mode: Use Telephone
 Use Mic & Speakers

Dial: (805) 879-4135
Access Code: 105-748-644
Audio PIN: 74
If you're already on the call, press #74# now.

Questions

Questions Log

Welcome! Please type any questions/comments in the Question and Answer section of your control panel.

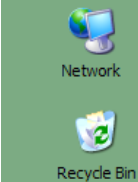
[Enter a question for staff]

Send

Give Online Punch
Webinar ID: 576-794-892

GoToWebinar™

The control panel is a window with a blue header and a white body. It contains sections for audio mode, dialing information, a questions log, and a punch button. The 'Questions' section is highlighted with a yellow circle.



Progressive Insurance 2009 General Information

- **26,000 employees**
- **450+ claims offices and 50 service centers**
- **30,000+ Authorized Independent Agencies**
- **13 Million Policyholders**
- **\$14 billion Net Premiums Written (2009)+ 3%**
vs. 2008 - 60% / 40%
- **Types of Insurance:** auto, motorcycle, recreation vehicle, commercial auto, personal watercraft, boat, all terrain vehicle (ATV), and Segways
- **Fourth-largest U.S. provider of auto insurance**
- **Independent Agents:** largest writer of private passenger auto insurance
- **The largest U.S. provider of motorcycle insurance**



- To what extent does your organization currently use Net Promoter Score?
- It doesn't
 - It's in a satisfaction survey
 - It's a Key Performance Indicator
 - It's Embedded in the Operational Process
 - I don't know

➤ **How Likely is it that You Would Recommend Company X to a Friend Or Colleague?**

Customers can be grouped into three distinct categories:

- **Promoters 9, 10**

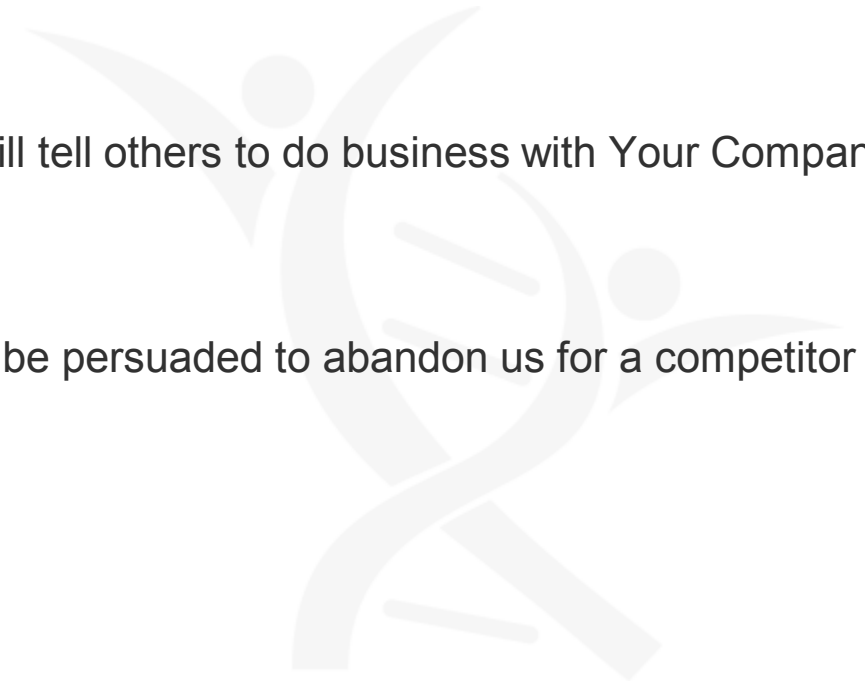
Loyal to the company and will tell others to do business with Your Company

- **Passives 7, 8**

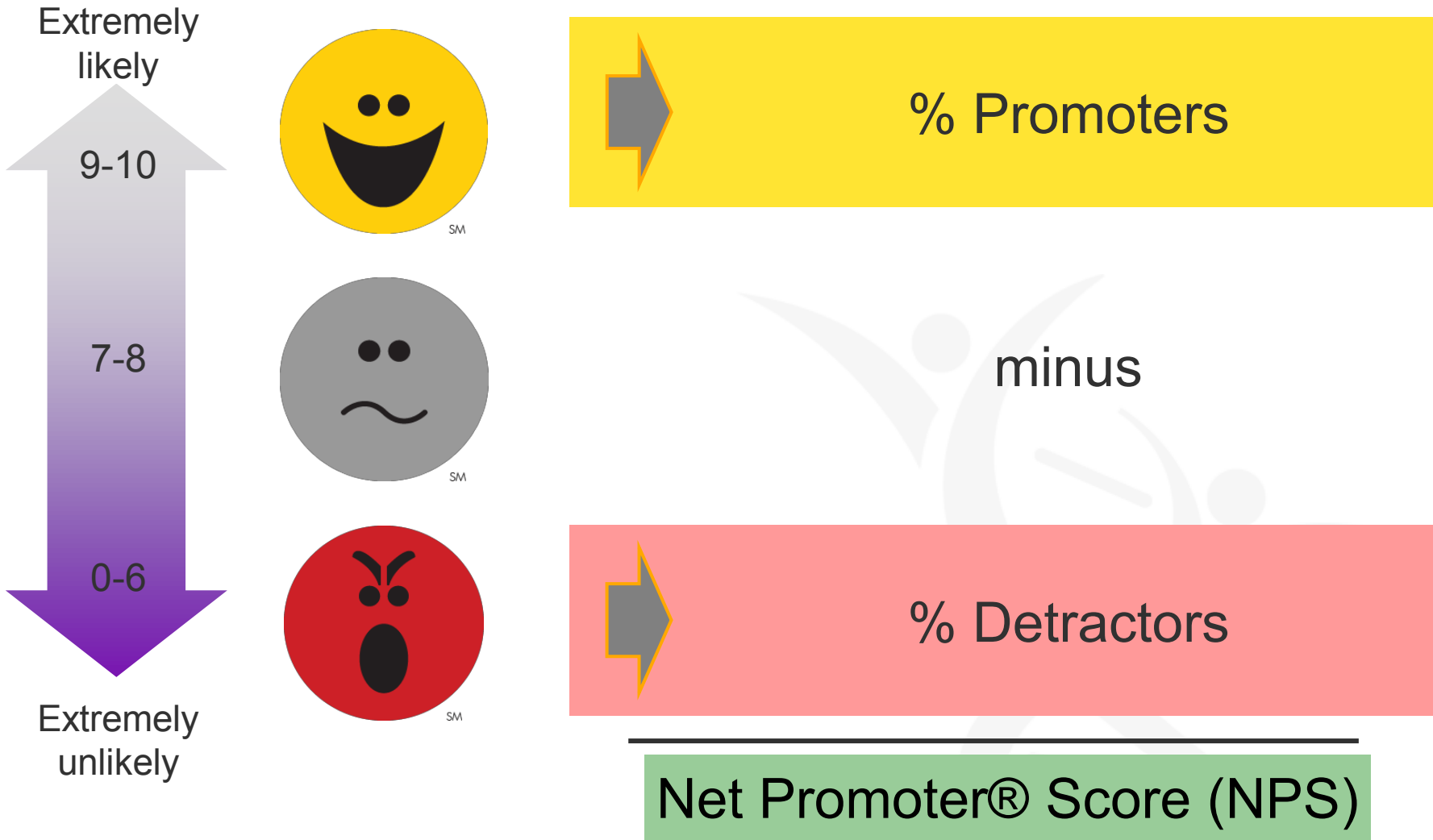
Satisfied customers but can be persuaded to abandon us for a competitor

- **Detractors 0-6**

Dissatisfied customers



How likely is it you would recommend?



Source: Fred Reichheld

“Would you recommend us to a friend?”

Probes *both* dimensions of loyalty....

Head - Rational

- **Best features**
- **Best service**
- **Best price**

Heart - Emotional

- **They know me**
- **They value me**
- **They listen to me**
- **They share my values**

Advertising is the Tax you pay for not being remarkable..... Robert Stevens – Geek Squad



The
Journey
Starts
With
The
CMO's
Mum

**Would You Do
That to Your
Mum??**

Don't Underestimate the Value of a Good Rallying Cry but also NPS®.....

- **Requires A Clear Link to Financial Results**
- **Requires Serious Resourcing**
- **Needs Solid Leadership Support**
- **Must Have Middle and Front line Involvement**
- **Requires Good Measurement Systems**
- **Needs A Feedback Loop**
- **Requires A Serious Confrontation with “Bad Profits”**

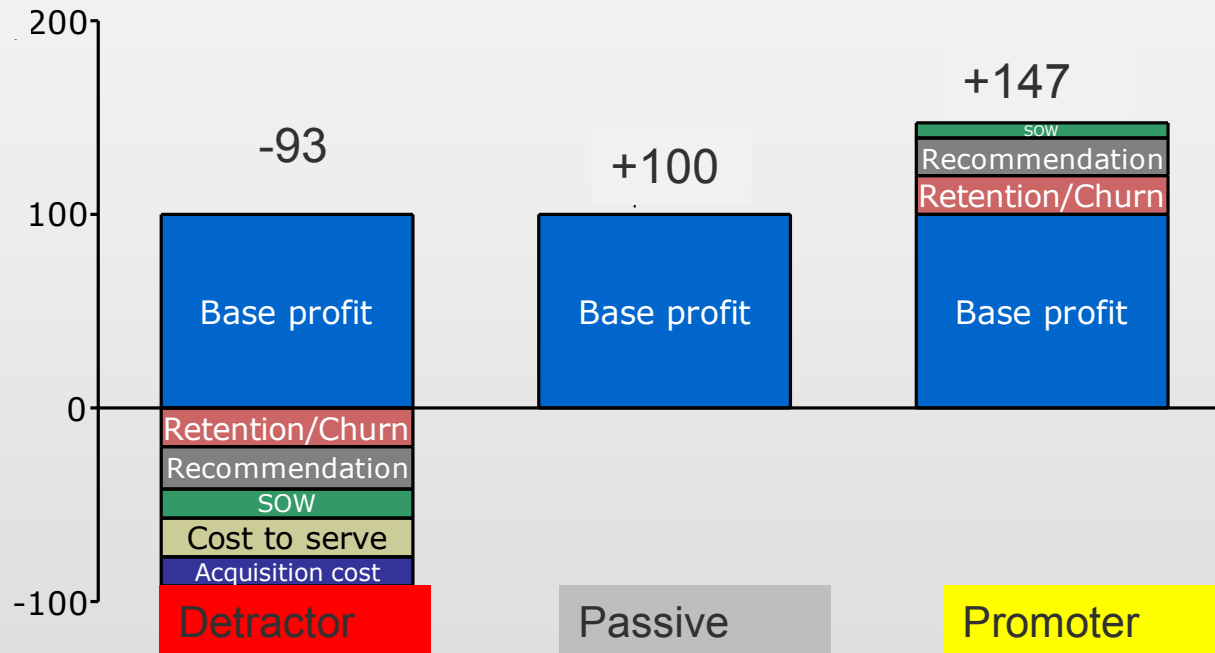
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**One Month Increase in Policy
Retention Translates to More than...**

**\$1 Billion of Additional
Earned Premium!!!**

Knowing Your Economics

Lifetime customer value segment X
(NPV, indexed)



Requires Serious Resourcing

alchemy

Net Promoter Score Report

Segment Net Promoter Score

Channel: Product:

State: Bill Plan:

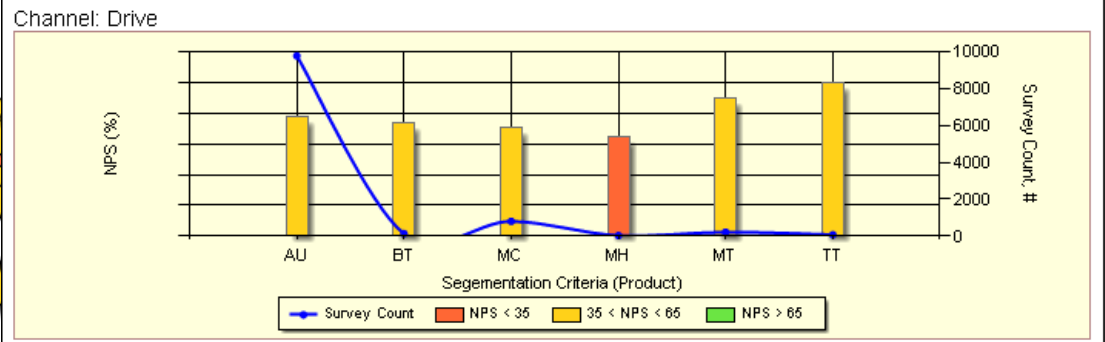
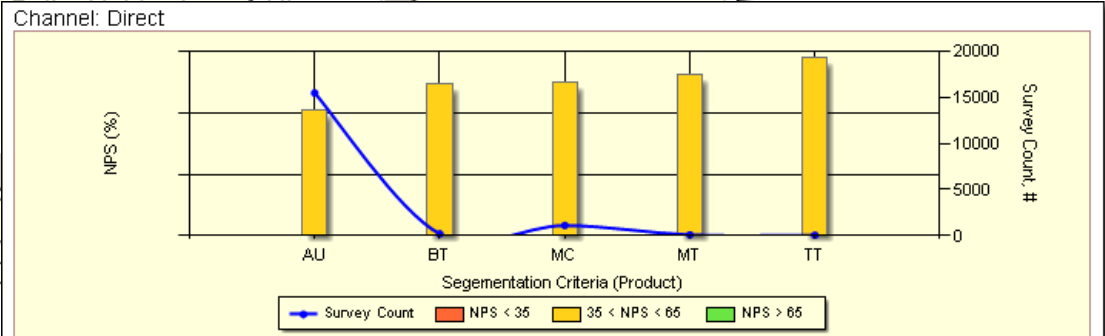
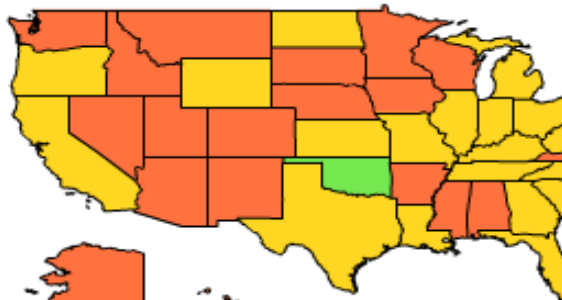
Gender:

Claims Feature:

Market: All MM NS

Net Promoter Score Map

NPS Legend ■ {65.0 - 100.0} ■ {35.0 - 65.0}



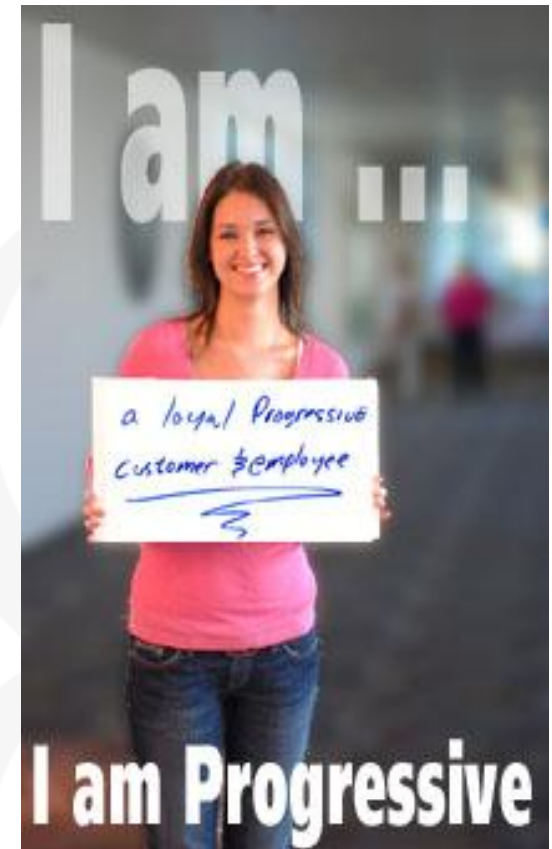
Solid Leadership Support

We have continuously embraced the concepts and analytics of total customer experience, and of more recent times adopted, and now have become somewhat recognized for, the depth of application of the Net Promoter® Score (NPS), which can provide substantial insight about those customers who see themselves as promoters, detractors, or simply indifferent based on their willingness to refer us to others. *Introducing such a customer experience improvements on multiple fronts into a more deliberate customer care culture that is embraced, managed, and advanced at every level of the organization by those who correctly see themselves as brand ambassadors and disciples, completely within our control, which drives what they think, feel and say about our service.*

respect every individual is the measure of progressive customer care philosophy from customers in most of our product lines increased in 2007, with big gain in our auto offerings sold through agents and direct. *2007 PGR Annual Report*

Middle and Front Line Involvement

- Front Line Knows this Already
- Middle – a Challenge



The Daily Work Experience: How It Feels To the Rep Creating an Honorable Job for Employees

Customers (80% NPS)



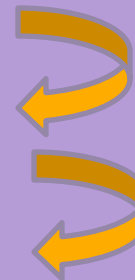
Service Profit Chain

Heskett, Sasser, and Schlesinger, 1997

Employee Loyalty

Customer Loyalty

Economic Benefit

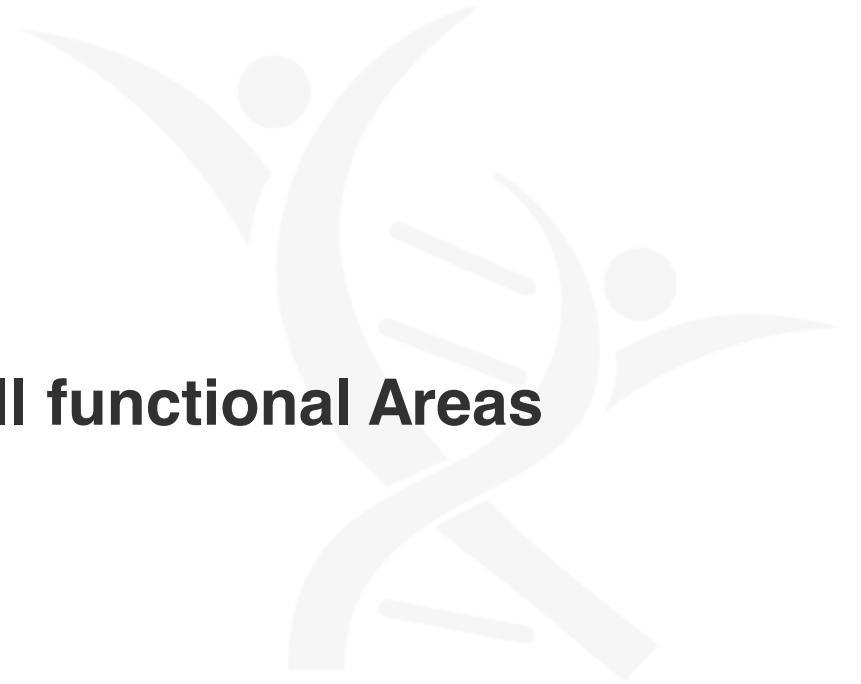


Employees (14% NPS)

Source: Fred Reichheld

Requires Good Measurement Systems

- **Reliable**
- **Consistent**
- **Accurate**
- **A Single Currency for All functional Areas**



Needs A Feedback Loop – Verbatims are a Treasure Trove

- Integration with Front Line Work Flow
- Alchemy
- Making it Personal

Comments Ticker [» More on NPS Report](#)

Channel: Product: State:

Show Q2 1 2 3 4 5 Speed: Last:

	Policy	Date	Q1	Q2	Comments (Last 400)
●	41201688	12/17/2009	5	5	not at this time.
●	37037526	12/17/2009	3	3	Until an insurance issue occurs, really don't have any way to rate the company's performance. Based on the number of commercials you run, it looks like a significant percentage of the premiums are enjoyed by the TV networks.

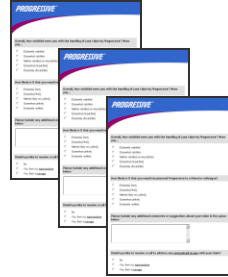


Closing the Loop Promotes Accountability

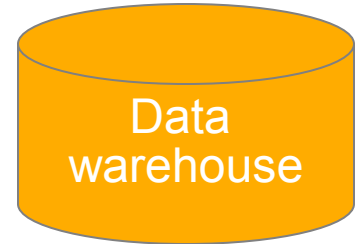
Customer



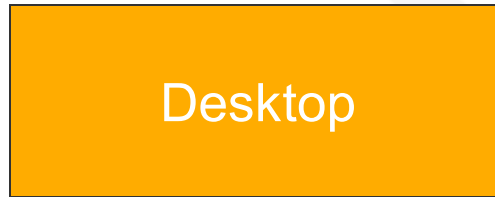
Completed surveys



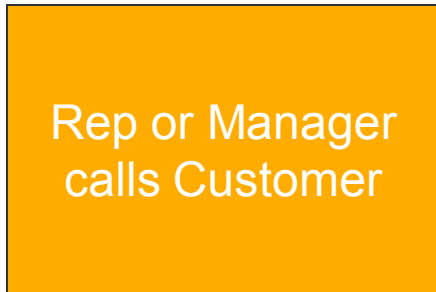
Data warehouse



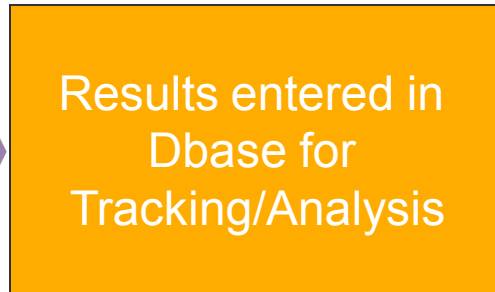
Desktop



Rep or Manager
calls Customer



Results entered in
Dbase for
Tracking/Analysis



Improve!

Product
Process
People



Read the Angst with Your Process



ID Cards

Comments NPS 10%

Strengths 19%, NPS = 60%

% of Positive Comments	Topic
63%	Fast delivery
20%	Online availability (temp ID)

- It's too soon to tell, however the enrollment process and delivery of our insurance cards were swift so that was a real plus!
- Enjoyed the responsive attitude that used all current technology to get my cards live time and not waiting for a week. Great stuff!

Opportunities 81%, NPS = -2%

% of Negative Comments	Topic
73%	Missing or slow delivery
8%	Incorrect information
6%	More cards

- ...I do not receive my cards unless I call!! I've been told that they come with my renewal packet but never do! Just the Disclaimer and Legal jargon. No Cards!
- If there are two drivers and two cars on a policy, send four cards so each person can carry one and have one in each car.

Like Paper or Plastic ?????

NPS Exercise

NPS Survey Comment:

“No complaints, except that the electronic bill pay service did not work for me. I wanted to set up recurring payments, but could not.”

NPS for EFT prior to actions: 38

Decomposition of NPS:	Fulfillment EFT	NPS
	Complete	45
	Fail	26

Typical Issue Identification and Response:

Authorization Process for Electronic Funds Transfer is Broken:

Failure Rates of 18%

Failure Has a ~ 20 point Lower NPS and Substantially lower Retention Rates

- Comments
- Measures
- Action
- Result

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A Serious Confrontation with “Bad Profits”

- Put science around what may sound irrational
- Eat Your Own Cooking
- Seek Out Friendly Fire
- A careful look at Fees
- What happens in “bad times”



Progressive Insurance – Where on the Journey?

NPS “Sacrifice”

Recommend buried in larger Survey
Owned by Research Group
Not Understood by Org



No Change

NPS Diagnostic

Acceptance as new Perspective
Cornerstone of Analysis
Jointly owned by Marketing & Business



Burning Platform for Change

NPS Implementation

NPS perceived as a Change enabler
Cornerstone of customer relationship improvement
Jointly owned by business leaders and frontline



Mobilization for Sustainable Change

NPS Full Potential

Customer Advocacy permeates culture
Org focused on creating Promoters and reducing Detractors
Embedded in operational Processes



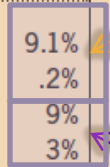
Profitable Organic Growth

Progressive vs. The Industry

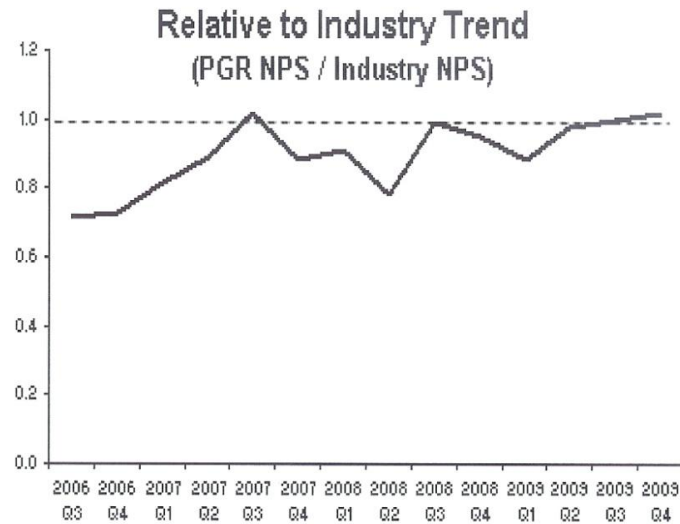
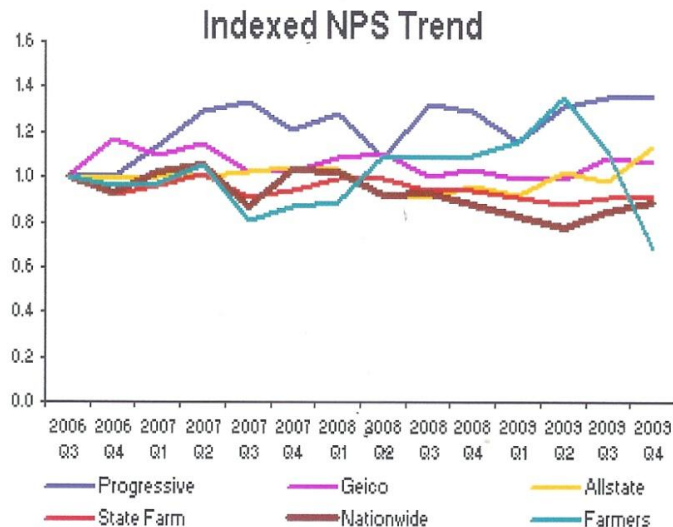
Objectives and Policies Scorecard

Financial Results		Target	→ 2009	2008	2007	5 Years ¹	10 Years ¹
Underwriting margin	- Progressive	4%	8.4%	5.4%	7.4%	9.3%	9.1%
	- Industry ²	na	.7%	(.2)%	1.7%	2.3%	.2%
Net premiums written growth	- Progressive	(a)	3%	(1)%	(3)%	1%	9%
	- Industry ²	na	.5%	(1)%	(1)%	-%	3%
Policies in force growth	- Personal Auto	(a)	5%	2%	2%	3%	7%
	- Special Lines	(a)	3%	7%	8%	8%	13%
	- Commercial Auto	(a)	(5)%	-%	7%	4%	15%
Companywide premiums-to-surplus ratio	(b)		2.8	3.0	3.0	na	na
Investment allocation	- Group I	(c)	20%	18%		na	na
	- Group II	(c)	80%	82%		na	na
Debt-to-total capital ratio	(d)	< 30%	27.5%	34.0%	30.6%	na	na
Return on average shareholders' equity (ROE) ³	(d)		21.4%	(1.5)%	19.5%	18.8%	19.7%
Comprehensive ROE ⁴	(d)		35.5%	(13.3)%	17.7%	19.5%	21.1%

Margin



Growth



Any Questions?



Other than Would You Do That to Your Mum?

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