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CUSTOMER RELATIONSHIP MANAGEMENT IN INSURANCE SECTOR - A STUDY OF PERCEPTIONS OF CUSTOMERS AND EMPLOYEES IN VISAKHAPATNAM CITY

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ABSTRACT

The behaviors of the customers in the services sector have been changing drastically during the last several years. The reason is all services firms have improved their existing mechanisms and come up with innovative ideas to attract the new clientele and gain the customer loyalty. Therefore, like banking and telecom industry, insurance industry need to study their customers and their changing behaviors. The very nature of the insurance business necessitates knowing health histories, life histories, beneficiary information and more about the demographic profile of the prospective customers. In the post-liberalization of insurance market in India; one factor that contributes to the overall performance of insurance players is Customer Relationship Management (CRM). Due to the increase in number of insurance players and rising awareness among customers about different products, companies in the insurance sector realize the importance of CRM. CRM allows insurance companies to enable the marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team. In this paper, author attempts to analyze the perceptions of customers and employees of insurance companies and their CRM practices.

KEYWORDS

Customer Loyalty, Customer Relations, Customer Satisfaction, Customer Selectivity, Customer Service.

INTRODUCTION

In today's challenging business environment customer service and more importantly customer loyalty are emerging as the key competitive advantages. Customer Relationship Management (CRM) is establishment, development, maintenance and optimization of long-term, mutually valuable relationships between customers and organizations. In the era of globalization because of availability of more products of similar quality, the customers are frequently changing their brand preferences. This constitutes a serious problem especially in the services sector. Because, the behaviors of the customers in the services sector has been changing drastically during the last several years. The reason is all services firms have improved their existing mechanisms and come up with innovative ideas to attract the new clientele and gain the customer loyalty. Therefore, like banking and telecom industry, insurance industry need to study their customers and their changing behaviors. However, insurance services are different from other services. Because, the very nature of the insurance business necessitates knowing health histories, life histories, beneficiary information and more about the demographic profile of the prospective customers. Even, many insurance companies have large customer databases they are unable to turn it into usable knowledge. With this introduction, this paper is divided into five sections, section II briefing the concept of CRM and review of literature, section III describes the CRM practices of insurance companies, section IV presents the observations of the study and section V has the conclusion. For thorough understanding of the analysis of observations of the study, tables are appended last.

THE CONCEPT OF CRM

The core concept of CRM is to maximize customer satisfaction. It helps to understand the nature of customers, their buying patterns and delivering a product of their choice. It makes the marketing strategies more scientific and goal driven. The strategic direction of an organization helps to identify a successful CRM programme. Many organizations are still not aware of the impact of CRM strategy and are unable to identify the gaps for developing further customer centric organization. This is because CRM is always viewed as technical development rather than strategic development. CRM delivers value to the organizations. CRM programme of an organization covers many areas such as product development, channel management, sales automation, customer acquisition, customer fulfillment, inventory management, customer service, customer billing and invoicing, payment management, credit management and prevention against fraud and customer retention. CRM suggests companies to reduce the costs of expensive mass marketing efforts and increase results from their CRM efforts. CRM is related to maintain good relations with customers. CRM enables the enterprise to be more competitive. Another important facet of CRM is customer selectivity. It is essential for an organization in tailoring its' programme and marketing efforts by segmenting and selecting appropriate customers for individual marketing programmes. CRM is a business strategy that goes beyond the profitability, revenue and customer satisfaction. Its main objective is to use a wide set of tools and technologies and adapt various procedures aims at promoting its relationship with the customer. Thus, the concept of CRM is to attract, maintain and enhance customer relationships.

REVIEW OF LITERATURE

Inseparability is a distinctive feature of services. Services produce and consume simultaneously. Maintenance of customer relations is important for service businesses.¹ The success of a service provider depends on the long-term relationships that develop between the provider and service user.² CRM delivers value to the organizations. It helps to understand the nature of customers, their buying patterns and delivering a product of their choice. It makes marketing strategies more scientific and goal driven.³ CRM helps the insurance companies to use customer-focused strategies. Insurance companies require CRM to acquire customers through various service touch points and to translate that operational data into actionable insights for proactively serving customers.⁴ The 20-60-20 rule says that 20 per cent of accounts are highly profitable, 60 per cent are marginal and 20 per cent are money-losers. Strong CRM can identify the specific category.⁵ The implementation of CRM should help insurance customers minimize their effort in dealing with the company and allow interactions and transactions from the comfort of their home or office at anywhere and anytime.⁶ Insurance companies can offer value added services to support their customers. The relationship between the policy holder and the insurance company intensifies by offering value added services. The value added services of an insurance company have to go beyond the traditional limits of the insurance business.⁷

CRM PRACTICES IN INSURANCE SECTOR

It is known fact that LIC of India is the only public sector organization operating life insurance business in India having monopoly in the market until the insurance sector is liberalized in 1999. After the liberalization of the sector now 21 life insurance companies (as of March, 2010) are offering life insurance products in India, most offers across the industry are difficult to differentiate on the basis of offer quality, pricing, distribution or promotion for that matter. All products are saturated on the basis of certain parameters. In a nut shell, there is a cut-throat competition in the market and the companies have realized the importance of the superior customer service as the key for their survival. To face the competition almost all the companies operating in the life insurance market of India are always in the fore front of designing and implementing various CRM practices. The effort in recent times has been to bring the services as

close as possible to the customers and initiating to improve the quality in services as well. All of them have adapted different CRM practices to attract, retain and satisfy the customers. The nature and implementation of some of the CRM practices of the life insurance companies are discussed in brief as follows:

FRONT END SERVICES: With a view to enhance the customer responsiveness and services, organizations have started the online services to policy-holders through computers. This online service enabled policy-holders to do all types of transactions relating to the policy. To provide the policy related services, all the branches of insurance companies across the country were almost of cent percent computerization.

INTERACTIVE VOICE RESPONSE SYSTEMS (IVRS): Insurance Companies have Interactive Voice Response Systems (IVRS) especially in urban centers. These are menu driven services and enables customer to ring up the company and receive information about their policies. This information would also be faxed on demand to the customer. To avail IVRS facilities from any of the centers customer has to dial the companies specified unique telephone numbers.

ORGANIZATIONS' WEBSITE SERVICES: The organizations have given its policy-holders a unique facility to operate the policy through the internet absolutely free and also to view their policy details on the internet. Separate login portal for the customers is provided in each organization's website. This portal was a single outlet for an array of services.

CUSTOMER RELATIONSHIP REVIVAL PROGRAMMES (CRRP): If the policy has lapsed due to non-payment of premiums within the due date, the terms and conditions of the policy contract are rendered void, till the policy is revived. A lapsed policy has to be revived by payment of the accumulated premiums with interest as well as giving the health requirements as required. By implementing CRRP, some of the organizations identifies the customers who are having lapse policies and motivates them for the revival of the lapse policies. These special revival programmes are conducted every year within a specific month.

CUSTOMER RELATIONSHIP REASSURANCE PROGRAMMES (CRRAP): Some of the insurance companies conduct the meetings with the customers who require the assistance to do the policy related transactions. Through CRRAP, the representatives of the organizations (field personnel) will be assigned the duty of providing all the assistance required to the customers on a continuous basis.

ELECTRONIC DATA MANAGEMENT SYSTEM (EDMS): The latest addition to the present day companies' technologies was added in the form of digitalizing the policy documents. Using the EDMS technology, policy documents would be observed virtually from any branch office across the country. The up to date information of the policy can be provided to the customers by using the EDMS services.

CUSTOMER CLUBS: Based on the revenue generating from the customers on a long term basis, some of the companies in the insurance sector are providing the membership to their customers. Customers who are having the membership in the clubs will be treated as high net-worth individuals of the organization. Additional services will be provided to the customers having the membership in the customer clubs of the companies. This will improve the customer loyalty as well as customer retention.

CUSTOMER CONTACT PROGRAMMES: Through the customer contact programmes the companies are continues and extended the relationships with their customers further. To achieve this objective, some of the companies are announcing any selected month in a year as customer servicing month. During this month the organizations will conduct customer service campaigns at different locations across the country. These campaigns would also focus on selling of new policies introduced by the organizations.

SERVICES FOR THE PAYMENT OF POLICY PREMIUM: Premiums, other than single premium, may be paid by the policyholders in yearly, half-yearly, quarterly or monthly modes of installments. The customers would opt to pay the premium through various channels. Policy premium can be paid in cash at the service counters of any of the branch offices of the insurance companies. The alternative channels available to pay the premium are: Banks, On-line Centres, Electronic Bill Presentation and Payment (EBPP), Automated Teller Machines (ATM), Portal payment gateway, Organization's online service centers, and Sales agents of the organizations.

SERVICES OF COMPLAINTS MANAGEMENT SYSTEM (CMS): Policyholders Grievance Redressal Cells exist in all the branch offices of the insurance companies which are headed by senior officers who can be approached by policyholders for redressal of their grievances. The grievance machinery has been further expanded with the appointment of the Insurance Ombudsman by the Government of India at different centers. Policy holders can approach the Insurance Ombudsman for the redressal of their complaints free of cost.

CLAIMS SETTLEMENT SERVICES: The companies have laid great emphasis on expeditious settlement of maturity as well as death claims. Only in the case of fraudulent suppression of material information was the claim repudiated. This is to ensure that claims are not paid to fraudulent persons at the cost of honest policyholders. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees of the organizations. As a result of such review, depending on the merits of each case, appropriate decisions are taken.

METHODOLOGY AND OBSERVATIONS OF THE STUDY

The perceptions of the customers and employees on CRM practices of insurance companies are mainly studied. Sample of 1200 respondents representing the stakeholders of the organizations comprising of 600 customers and 600 employees in the Visakhapatnam City who belongs to eight life insurance companies operating in the area are selected for the study. Simple random sampling method is used for the selection of sample. The perceptions of the customers are analyzed on the basis of their sex, age, area and social status. The perceptions of the employees are analyzed on the basis of their job classification and work experience in the organizations. The responses of the customers on the basis of their sex further classified into male and female. The areas of the customers are taken in to account as they belong to urban and rural area. Age of the customers classified into four different groups such as below 31 years, 31 – 44 years, 45 – 64 years and 65 years and above. The social status of the customers considered as employees, businessmen and others category include farmers, housewives etc. Where as the responses of the employees are analyzed on the basis of their job classification such as managers, development officers and sales agents. The work experience of the employees in the present study is considered as below 6 years, 6 – 10 years, 11 – 20 years and 21 years and above. Two types of structured questionnaires were constructed and pre-tested. Finalized questionnaires were used for obtaining the needed information. Information gathered from the respondents was analyzed by calculating percentages. Chi-square values were computed for notifying the significance of differences among the respondent groups. For thorough understanding of analysis, the statistical values of perceptions of customers and employees are shown in Table 1 and 2 respectively which are appended last.

PERCEPTIONS OF CUSTOMERS

Out of the total 600 respondents, nearly 80 per cent of the respondents are male and the remaining 20 per cent are female. It is very interesting to note that about 45 per cent of the respondents are in the age of 31 – 44 years and 15 per cent are of the age below 31 years. Nearly 38 per cent are in the age of 45 – 64 years and the remaining 2 per cent are of the age 65 years and above. Regarding the respondents' areas, nearly 65 per cent of them are belong to urban area and remaining 35 per cent belong to rural area. Considering the status of the respondents, it can be seen that a majority of the respondents i.e. 64 per cent are employees followed by 21 per cent are businessmen and remaining 15 per cent consists of other category includes agricultural farmers, housewives etc.

All the respondents were asked whether they are satisfied with the services of CRM practices of the organizations or not. The differences in the perceptions of customers are shown in Table 1. It is noticed that there are significant differences exist in the perceptions of the proportion of respondents among the male and female with regard to CRM practices such as IVRS services, organizations' website services, EDMS services, customer clubs and customer contact programmes. However, no significant differences exist in the perceptions of the proportion of respondents among the male and female with regard to remaining CRM practices such as front end services, customer relationship revival programmes, customer relationship reassurance programmes, premium payment services, complaint management services and claims settlement services. It is noticed that the majority of the proportion among female respondents are not satisfied with the services of organizations' website services, EDMS services and customer clubs. Where as majority of the proportion among male respondents are not satisfied with the services of IVRS and customer contact programmes.

As per the age groups, there are significant differences exist in the perceptions of the proportion of respondents among all the age groups with regard to the services of all the CRM practices of the organizations. It is noticed in the study that the majority of the proportion of respondents among the age of 31 – 64 years

are not satisfied with the services of CRM practices of the organizations. Where as the majority of the proportion of respondents of age below 31 years and 65 years and above told that they are not satisfied with the services of CRM practices of the organizations.

As per the area, there are no significant differences exist in the perceptions of the proportion of respondents among the two areas with regard to the services of customer clubs and customer contact programmes. However, significant differences exist in the perceptions of proportion of respondents among the two areas with regard to the services of the remaining CRM programmes. It is noticed that the majority of the proportion of respondents belong to urban area are not satisfied with the services of CRM practices such as front end services, EDMS services, IVRS services, customer contact programmes and claims settlement services. Where as the majority of the proportion of respondents belong to rural area is not satisfied with customer relationship reassurance programmes, complaints management system and premium payment services.

According to the status of respondents, it is noticed that there exist significant differences in the proportion of respondents among the different status groups with regard to the services of all the CRM practices of the organizations. It is noticed that the majority of the proportion of respondents who are employees are not satisfied with the services of CRM practices such as EDMS services, IVRS services, customer contact programmes and website services of the organizations. Where as, the majority of the proportion of respondents who are businessmen told that they are not satisfied with the services in the payment of policy premium and customer relationship revival programmes. The proportion of respondents who belong to other category told that they are not satisfied with the customer relationship revival programmes and claims settlement services.

PERCEPTIONS OF EMPLOYEES

Out of the total 600 respondents, half of them i.e. 50 per cent are sales agents and out of the remaining 50 per cent, 25 per cent are managers and 25 per cent are development officers. Classification of respondents based on the work experience, more than 35 per cent of the respondents are having 11 – 20 years of work experience in the organizations, where as nearly 35 per cent are having the work experience of 6 – 10 years, nearly 20 per cent are having the work experience of below 6 years and the remaining 10 per cent of the respondents are having the work experience of more than 20 years. It is also noticed that the majority of the respondents among the managers are having the work experience of more than 20 years. The majority of the respondents among the sales agents are having the work experience of below 6 years. Nearly equal percentage of respondents among the development officers is having the work experience of below 6 years.

All the respondents were asked to mention whether the present CRM practices of the organizations is fulfilling the customer requirements or there is a need for improvement in the CRM practices of the organizations. As shown in Table 2, except the proportion of differences with regard to perceptions on EDMS services, there are significant differences exist in the perceptions of the proportion of respondents among all the three groups of employees on CRM practices of the organizations. However, it is noticed that majority of the proportion of respondents among the managers are felt that there is a need for the improvement in the CRM practices such as customer relationship revival programmes, customer relationship reassurance programme and services of customer clubs. Whereas majority of the proportion of respondents among the development officers opined that the CRM practices such as payment of policy premium, complaints management system, website services and the services of customer clubs requires to be improved. Majority of the proportion of respondents among the sales agents felt that there is a need for improvement in the CRM practices such as claims settlement services, IVRS services, front end services and customer contact programmes.

On the basis of work experience of the respondents, significant differences exist in the perceptions of the proportion of respondents among the four work experience groups with regard to all the CRM practices of the organizations. It is noticed that, majority of the proportion among the respondents having below 6 years of work experience felt that there is a need for the improvement in the CRM practices such as IVRS services and customer relationship revival programmes. Whereas majority of the proportion among the respondents having 6 – 10 years of work experience felt that there is a need for the improvement in the CRM practices such as customers clubs, customer contact programmes, complaints management services and services in payment of policy premium. Majority of the proportion among the respondents having 11 – 20 years of work experience opined that there is a need for the improvement in the CRM practices such as customer relationship reassurance programme and claims settlement services. Majority of the proportion among the respondents having more than 20 years of experience said that there is a need to change the CRM practices such as front end services, website services and EDMS services.

CONCLUSION

There is a sea change in the Indian insurance services during the last one and half decades. The customer has been considered a pivotal factor for the growth and survival of the services sector. The present study indicates CRM practices of insurance companies are quite satisfactory, regarding several lacunae that need to be reminded. From the findings of the study it is clearly identified that the CRM practices of the organizations have partially failed in reaching to all sorts of customer segments. Hence, there is an urgent need on the part of the organizations to analyze the existing practices, find out the constraints or impediments in meeting the goals of these practices. First, the organizations should pay attention for improving the existing CRM practices as well as services and then should take-up improvements and new interventions for modifications as quickly as possible.

TABLE – 1: PERCEPTIONS OF CUSTOMERS

CRM Practices of the Organizations	Significance of Chi-square Values at 5 per cent level			
	Sex	Age	Area	Status
Front End Services	Significant	Not Significant	Significant	Significant
IVRS Services	Significant	Significant	Significant	Not Significant
Organizations' Website Services	Not Significant	Significant	Significant	Significant
Customer Relationship Revival Programmes	Significant	Not Significant	Not Significant	Significant
Customer Relationship Reassurance Programmes	Significant	Not Significant	Significant	Not Significant
Electronic Data Management System	Significant	Not Significant	Not Significant	Significant
Customer Clubs	Not Significant	Significant	Not Significant	Significant
Customer Contact Programmes	Significant	Not Significant	Significant	Not Significant
Services for the Payment of Policy Premium	Not Significant	Significant	Not Significant	Significant
Services of Complaints Management System	Significant	Not Significant	Significant	Significant
Claims Settlement Services	Not Significant	Significant	Not Significant	Significant

Source: Field Study

TABLE – 2: PERCEPTIONS OF EMPLOYEES

CRM Practices of the Organizations	Significance of Chi-square Values at 5 per cent level	
	Classification	Work Experience
Front End Services	Not Significant	Significant
IVRS Services	Significant	Not Significant
Organizations' Website Services	Significant	Significant
Customer Relationship Revival Programmes	Significant	Not Significant
Customer Relationship Reassurance Programmes	Significant	Significant
Electronic Data Management System	Significant	Not Significant
Customer Clubs	Not Significant	Significant
Customer Contact Programmes	Significant	Significant
Services for the Payment of Policy Premium	Not Significant	Significant
Services of Complaints Management System	Significant	Significant
Claims Settlement Services	Not Significant	Significant

Source: Field Study

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