



CUSTOMER RELATIONSHIP MANAGEMENT IN INSURANCE SECTOR

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Abstract

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. 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. Even, many insurance companies have large customer databases they are unable to turn it into usable knowledge. A greater focus on CRM is the only way by which the insurance sector can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition. Many insurance firms now recognize the value of marketing to drive take-up of channels and services. However, the majority of current marketing efforts are neither targeted nor value driven and as a result, have little impact (Insurance & Technology, 2002). The present study undertakes to analyze these problems and provide suitable suggestions.

Key Words: CRM Practices, CRM Strategies, Customer Satisfaction.

1.1 Introduction

The fundamental for building a customer-centric organization is Customer Relationship Management. Relationship building with the customers is an important goal of marketing and service business. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of CRM and its potential to help them acquire new customers and retain existing ones to maximize their lifetime value. CRM in the banking and insurance sectors involves reading the consumers' changing needs and creating services to satisfy these needs because building a relationship with customers in the banking and insurance industry is important to the survival of these two industries. 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. 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. Even, many insurance companies have large customer databases they are unable to turn it into usable knowledge. A greater focus on CRM is the only way by which the insurance sector can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition.

1.2 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 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. Its main objective is to use a wide set of tools and technologies and adapt various procedures that aims at promoting its relationship with the customer. It identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services. Thus, CRM is a managerial philosophy that seeks to build long term relationships with customers.

1.3 CRM Practices in Insurance Sector

CRM in the banking and insurance sectors involves reading the consumers' changing needs and creating services to satisfy these needs because building a relationship with customers in the banking and insurance industry is important to the survival

of these two industries. A greater focus on CRM is the only way by which the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition. Financial institutions were chosen because it mainly focuses on customer relationship and the rigor that customers are made to go through in the course of dealing with financial institutions. Building relationships with customers is significant because it provides better results to their customer base in order to identify, satisfy and retain their most profitable customers. Cordial relationship established between staff and customers motivate employees (i.e. staff) to give off their best and this intends affect these customers positively and enhance profitability of the institution. To the country as a whole, good customer relationship imbedded in financial institutions would help bring financial stability in the country and this is an important prerequisite towards economic growth. After the liberalization more number of insurance companies came in to existence, offering life insurance and other related products in India. Most of the 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.

1.4 Statement of the Problem

Insurance companies today must focus on delivering the highest value to customers through better communication, faster delivery, and personalized products and services. Since a large percentage of customers interaction will occur on the internet rather than with employees (Bultema, 2004). Technology must adapt to the changing and unpredictable market. Disappointedly, despite its increasingly acknowledged importance, little research has been focused on the proper implementation of the CRM concept. Public and private sector organizations often start from similar points e.g. customer complaints, patchy direct marketing, variable customer service or uncoordinated e-business or e-government projects. While e-government does not equal CRM, it is similar to the many early e-business initiatives in the private sector that are now being integrated into CRM (Economist, 2002). One of the reasons for CRM project failure in the private sector is the lack of focus at what needs to be achieved from CRM, at a macro, programmed level, and at a more micro functional or activity level (Insurance & Technology, 2003). While insurance companies have visions for the service models they would like to adopt, they lack the management and operational skills and experience to be able to do so alone. Many insurance firms now recognize the value of marketing to drive take-up of channels and services. However, the majority of current marketing efforts are neither targeted nor value driven and as a result, have little impact (Insurance & Technology, 2002). The present study undertakes to analyze these problems and provide suitable suggestions.

1.5 Objectives of the Study

1. To assess customers perception on the practices of customer relationship management in Insurance companies.
2. To study the functioning of the CRM in insurance sector
3. To examine awareness and Customers satisfaction towards CRM practices in Insurance companies.
4. To trace out the gap between the customers' perception and employees' presentation of CRM functions.
5. To give suitable suggestions for effective functioning of the CRM in public and private Insurance companies.

1.6 Research Methodology

The research methodology enlightens the methods to be followed in research activities starting from investigation to presentation. Rationale behind the research methodology lies on its meaningful considerations of variables and the approaches to study them. In this sense, the research methodology acts as a basement of any type of research. This is a descriptive study for which Tamil Nadu is selected as the geographical area. Before undertaking the study in full-fledged scale, a pilot study was held in various places in order to know the scope and problems involved in the present study.

1.7 Population and Sampling Procedure

Population of the study consists of two groups such as customers and employees of the Insurance companies. The research study takes up selected companies providing Insurance services from various districts of six banks, three from private sector and three from public sector. State Bank of India, Indian Bank and Indian Overseas Bank are selected from the Public Sector. On the other hand, ICICI Bank, HDFC Bank and City Union Bank Limited are selected from the private sector. From the large population, 600 customers (100 customers from each bank) are selected as per stratified random sampling technique. The other groups consist of the employees in different cadres of the banks in during the last 5 year period. From this group, 300 employees (50 from every bank) have been selected at random. In the process of study the objectives are predetermined. The methodology has been designed to fulfill the objectives for the study.

1.8 Findings and Suggestions

The implementation and operation of CRM software in the private sector often focuses on increasing sales, customer retention and profits. Public sector doesn't sell many products or services, and most don't expect CRM to increase revenue (Levine, 2003). In the public sector, CRM is primarily concerned with efficiently delivering services to citizens. In the private sector, the number of products and services are often in the thousands, while the services offered by a government, particularly at the state and local level, and generally range in the dozens to the hundreds. CRM may operate differently in private and public sectors, but the most effective CRM methods used in the private sector can be transferred to the public sector relatively painlessly. At the highest level, the use of CRM strategies and accompanying software solutions in the public and private sectors is similar in two fundamental ways. Both use CRM to focus on the customer while helping improve service delivery and customer care and both use the same underlying technology and principles. The biggest difference between both sectors is the type of customer that each serves. Many reasons that Private sector businesses use CRM also apply to the public sector: cost reduction, product and service delivery improvement, increased customer knowledge and better employee morale, among others. The value proposition for both public and private CRM is alike.

1.9 Conclusion

The study envisages various suggestions for practitioners from public and private sector insurance companies. The public sector CRM practitioners have to focus their CRM goals on prioritization of activities and resource sourcing for optimizing CRM. Whereas, private sector has to optimize organization's data capabilities and prompt creation of systematic review plans. As far as CRM technology and implementation concerns are considered, public sector has to avoid mere CRM technology push and continue the service access priorities whereas private sector has to integrate process and technology. For improved customer satisfaction in public sector, marketers have to offer multiple channels and deliver preferred services. In case of private sector, they have to provide multichannel access and single customer view. The study also identifies indirect drivers of CRM in the public and private sector companies. This is of critical importance to insurance firms where for change is high. The study also brings to light the fact that public sector lags behind the private sector in the implementation of CRM initiatives.

1.10 Scope For Future Research

The current research contributes towards understanding the relationship between CRM comparison parameters in public and private insurance firms. More research in this area of use of CRM in public sector for effective customer relation could be undertaken. Research into customer satisfaction leading to retention in the area of CRM implementation initiatives can be done in order to fully understand the dynamics of satisfaction in public as well as private sector. Research on impact of long-term relationships on various insurance firms and their impact on financial performance of insurance firms can be undertaken. Research needs to be done on convergence of CRM and relationship marketing with other paradigms in marketing.

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