



CRM: A NEW DIMENSION FOR SUCCESS OF INSURANCE INDUSTRY

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ABSTRACT

Insurance sector after telecom and banking is the turn to deploy the customer relationship management (CRM) solutions. Competition is ever increasing in insurance sector and hence for retaining the existing customers with wide range of services, CRM is catalyst in the process benefitting both insurer and insured. The current scenario in the insurance industry is a complex and competitive environment tinged with little stability. The major hassle the industry faces is getting more and more clients. Though the insurance companies need to take up the business of insurance but the selling insurance policies has now become an option for banks too. This has resulted in a lot of increased and an unwelcome competition. In modern era, customers tend to lose out buying policies, if they are not getting services from the provider. All this put the insurance in a more complicated business. Insurance companies would need to ensure that the customer is understood better and insure excellence policy administration and good billing system. However, this alone is insufficient for survival. Insurers have realized that CRM is essential to deliver quality service which in turn enhances the customer portfolio. This is but for good relation building on healthy base. The insurance companies with CRM conduct user-friendly with web-based as it satisfies current customers and gains new ones. In this paper, how the CRM holds a key in conducting insurance business is examined with focus on its relevance and rationality in the insurance industry for achieving the robust growth.

KEYWORDS: Insurance, CRM, Customer centric business strategy Productivity, cascading, Forward, Vertical Integration.

INTRODUCTION

Customer satisfaction in any sector is a multi-faceted dimension which encompasses quality product and value addition through value evidence. Understanding customers' value proposition through all their interactions with an appropriate methodology is one measure on which the insurance sector success heavily depends is called Customer Relation Management (CRM). It is perceived as an information technology solution for ensuring a better customer services by increasing business in competitive environment and meeting the demands of the market and the needs of customers. The customer is the focus all through in the process.

With emergence and acceptance of globalization, the insurance sector is booming all over the world and venturing in both developed as well as underdeveloped countries. The emerging prevalence of CRM is a great potential in the insurance sector as well as simplifying the big and small business operations protecting the economic interests of the insured. In brief, customer satisfaction is a basic factor in formation of an effective and vibrant organization on which competitiveness can win over. It is because of the fact that the entire marketing programme is catered to the phase that the consumer is the king.

RIGHT THINGS BUT NOT THINGS RIGHTS

No pretentious proportions will lead to bountiful benefits. Reliability of people in organization's is its greatest asset. Hence, the first and foremost to observe cautiously to invest in employing the 'right person for right job.' This minimizes cost and risks of the insurance company. It

tends to talk loudly about complaints and open the door for customers' to voice their complaints.

The nationalization of insurance has not brought any system of accountability but brought about job security of its employees. This era saw the growth of trade unionism not on very healthy kind. Instead of the insurance companies coming out with new products to meet the customers' needs, it was other way. The clients have to tailor their needs in line with available insurance cover. In other words, the insurance marketing was just no more than selling commodity. All this was due to failure of diligent marketing strategic approach of top Management as there was neither punishment nor reward. The mind-set was anti-thesis of what was expected in post-liberalization. It is disheartening to note that not even one public sector undertaking has sought exception not having grievance cell in the past ten years implies that the customers are dissatisfied. The endeavor of an effective management of the company is that if a complaint has happened once, it should not repeat again. But, in practice which is not so. All this is but for not having possible mission and visible vision as a working policy with citizens' charter; which enable each employee live up to the vision proposition. If the company's performance cannot match the vision, there is no reason why it should display vision as a public document.

INDIAN INSURANCE SERVICE

Insurance is a cooperative approach where the insurer pays the financial loss suffered by the insured consequent to the occurrences of unforeseen events as return for the payment of premium by the insured. It safeguards the interests of

the insured from uncertainty by providing certainty of payment at a given contingency. Today, the insurance service sector has emerged as a key driver of Indian economy accounting almost 50 percent of the growth of the total service sector. The proportion of insurance service sector fund in financial savings is accounted for 16 percent in 2008-09. Indian insurance market occupied 23rd position in the world insurance market accounting for 0.36 percent share. It does not mean that India is **disaster-free** but shows that the market is woefully **undeveloped**.

The business of insurance has spread and touching varied clientele in ever-competitive scenario as the product of insurance is widely selling with personal touch. One can offer service very well if one knows the profile of his customer. It is an aspect that one should not neglect particularly when it comes to purchasing and shedding risks of the insured. Today, many insurers came into being seeking the attention of people with wide options for insurance.

Diversified institutions came into being in the field of insurance service operations. Information for customers is important and CRM in insurance renders services comprehensively; what products the customers willing to acquire; how safely and securely settle the claims. This will enable the insurer to attract customers' responses to any promotions. Specifically, why the insurance need appropriate measures for making effective business operations in tune with the set objectives are;

- Success in the insurance sector originates from positive customer relations. Maintaining customers' profiles and providing a more personalized service to meet the specific needs and build their loyalty is more helpful to the insurance sector.
- Ensure an effective product management to the needs of the insured within a shorter product development cycle
- Effectively monitor productivity and sales performance which objective is being met and the area needing improvement
- Process the underwriting and claims to strengthen positive and effective relationships with software solutions keeping the work processes at high standard
- Enhance the corporate structure in addition to the field work
- Alleviate risk, meet the diversified needs, and improve the financial challenges and employee operations are some of the successes expected by the insured.
- CRM provides all the facilities with up keep of time through its software developers adapting technologies to the insurance industry's needs.

CURRENT MARKET SCENARIO OF INSURANCE

Organization having satisfied employees with right attitude create customer satisfaction. Basically, employees are the key in keeping the customer happy. When the employees are unhappy, they create unhappy customers. In a study on customer migration, majority (68 percent) customers are dissatisfied with the employees serving them. The position is not different in Insurance

Companies. It did not matter much in post-nationalization era but certainly matter much more in post-liberalization era. Bringing insurance to the common man, penetration in rural areas, investment in socially relevant schemes and monopolistic tariff regime are major issues confronting the insurance sector. A forgotten lesson was that unless the insurance companies **show excellence** in their operations and performance, they cannot stand on their own and generate margin on a sustainable basis. The need to achieve the all-round operational excellence was never drilled into the minds of people in insurance sector.

Age of globalization started with nineties and tremendous development on technological front for effective utilization of resources was put on the economy on acceleration. The services of such significant sector were in tune of safeguarding and enhancing the efficiency of effectiveness. The satisfaction of insured customers' requires **building relationship of confidence and trust** between the buyer and the seller. Towards this, distances started shrinking and removal of barriers; perceptible changes in social, legal and conducive climate for insurance business came into operation with passing of Insurance Regulatory Development Authority, Act in 2006 implemented on January 1, 2007.

According to a report from Indian Info-line (January 2004), India has the highest number of life insurance policies in force in the world. Today, there are 58 insurance companies apart from Life Insurance Corporation of India which are conducting their business with keen competition. The competition has been tougher in the last ten years and more of the same is expected in the next five years. The industry is pegged at Rs 400 billion in India. Gross premium collections stand at two percent of Gross Domestic Product which has been growing at 15 to 20 percent. George Varghese, Head, Marketing Division, SAS says, "More than three-fourths of India's insurable population has no life insurance, pension cover and post-retirement protection cover." Further, having brought customers into the fold of insurance, a new challenge is that of retaining them. Therefore, there is an urgent need to improve and increase the convenience and conform level of the customers. It is possible to meet these challenges only through initiative of CRM. Here one should be remembered that CRM is driven by technology; so it is only an enabler but not a solution by itself.

WHY NEED OF CRM?

Insurance companies experiencing competition from within and abroad. Making this problem-situation into an opportunity lies always on the prudent management adopting or adapting tactics and strategies. In line of this, customer relationship management is a measure of winning competitiveness as it is the information-drive approach to customer analysis and process automation; and thereon supplement customer-value proposition. An action on tangible services – (i) prompt and accurate issue of document, (ii) prompt and fair settlement of claim, (iii) good listening mechanism, (iv) better problem solving approach, (v) reliable manner of service and (vi) meet requirement of customers on time every time - in lieu of intangible promises would give utmost satisfaction to

customers. The measures that enhance insurance services with empathy are:

- Attend phone calls – courteous instead of saying that so-and-so is on leave or is away from his seat. Find reply from the concerned employee and ensure calling back the concerned person.
- Client visit – client needs to be attended like a friend giving him a seat and a glass of water; empathize with the client in his movements of distress caused due to his sustaining loss. Further ensure that he is not made to visit for the same reason again and again, and his interest is attended to on top priority.
- Attend promptly all enquiries
- Handle with fairness and not try to hide behind legality and technicality which in any case the customer is not aware of.

In a way if followed the above canons certainly, the customer relationship management provides better service to the insured protecting him against perils or risks and the insurer enabling to retain the existing customers and bringing in new customers in his ambit of business.

PROCESS OF CRM

CRM is a complex, a three-step process with far-reaching effects on the very way of conducting the business. These are described below for the benefit of clear understanding.

Customer-centric Business Strategy: Finding the win-win opportunities with customers are the focus of any company pursuing business. Do more that benefits customers and so they will do more that benefits the company. The planning of customer relationship is relatively simple. Plan around customer wants but not company goals, focus on listening to customers but not forcing them to listen to you and promote communication of marketing including database marketing (e-database marketing, e-database, e-marketing, etc). Thus, insurance business revolves around customers and hence there is customer-centric business strategy.

Redesign Functional Activities: The function of insurance span is a broad continuum from marketing automation on one side to the field service on the other. To get more in consort with customers, redesign the functional activities on implementing CRM while working at cross-purposes with powerful functional Departments like Accounting and Information Technology. Integrating and re-engineering integrally the functional activities of insurance with CRM is fairly an obvious fact.

Select Right Software: Select only software of CRM that supports new workflow and work process yielding better information for decision-making strategically. The end-to-end functionalities are so dissimilar and therefore select the software package of **sweet spot** which does everything providing the best functionality.

CREATE CORPORATE CULTURE

The insurance contract is a contract of **utmost good faith**. The insurance policy is an intangible promise to pay in times of happening of an event but it also promises reliability (ability to perform promised service), trust (quality of product), assurance (delivering the promise

with accuracy and adequacy), competence (knowledge of product), responsiveness (willingness to provide prompt service) and tangibility (appearance of facilities). The insurer is to build up reputation by building the confidence among its customers. He must be fully accountable for his promises made through cover note or Insurance Regulator to the public and accept this accountability for all the action done - breach of mandatory provisions, non-inclusion of warrants or conditions, charging wrong premium or overstatement by intermediaries at the time of pre-sales and post-sales, etc.

Bringing both employees and customers together with positive attitude and empathy among employees towards customers and creating an effective and prompt response towards customers; there is every need to follow corporate culture which ensures by serving the customers with six 'C's namely communication, cooperation, cheerfulness, credibility, challenge and continuity. All this confidence would be generated only if the insurance company is **quick to serve** with **sense of care** – treat courteously and ergonomics of environment to accomplish the job for which customer has come to the doorstep of the company. The sense of care is vital tool in achieving customer satisfaction.

FULL USE AND EXPECTED FRUITS

Customer satisfaction in insurance means the use of product purchased at a cost purchased for a cost for the ultimate satisfaction of buyer when a claim is made. The satisfaction is fully achieved only when a product so purchased gives its full use but also stipulates that the product bought by the buyer will give him the **expected fruits** implying **peace of mind** during in its use by the customer. Thus, customer relationship management is the process or methodology bringing together information about customers' needs and behavior – product and its generic service with forward vertical integration; marketing effectiveness and responsiveness with an added value to retain the existing customers and bring potential customers within the ambit of marketing a product. This builds up a stronger relationship.

CASCADING EFFECT

Is dissatisfaction a cascading effect? Yes! It is. The present day customer buys his product but not getting ultimate satisfaction. It means, he is an active seeker of value evidence say, prompt service. The customers of insurance dwell more on promise of satisfaction made by agent/company advertisement/industry/legislation; the judgment of customer service is mainly on the basis of what is asserted about the policy of product *i.e.* issue of document promptly. Any lapse on the part of operating office turns proactive rather than preventive between the insurer and the insured; thus affects renewals and consequent loss of clients, image of the company and finally profitability. The cascading effect is explained with an illustration below.

An unsatisfied customer tells his perception or experience to 11 others who in turn tell yet another 5 each which ripples spreading dissatisfaction to 67. This **word of mouth** adverse publicity must be stopped and avoid incurring manifold increase in expenses which is an

additional cost to the company for finding with new customers in the place of those customers alienated due to one adverse perception. Hence, saving one lost customer needs to be looked in the light of acquisition cost of 67 potential customers. According to a market study conducted in the US is that one prospective customer costs six times more than retaining one existing customer. The cascading effect of dissatisfaction is, therefore, (67 x 6) **402 times**. In another study, a 5 percent increase in retention of customers saves up to 18 percent of cost. Therefore, all the efforts must be put in retention of customers to achieve reduction in expenses of management.

CONCLUSION

Half the battle in the insurance industry is in ensuring that the right fit staff are informed and are monitored constantly. The other half is tend to provide service delivery promptly. The issues for insurance business in the competitive environment is of knowing opportunities in managing services through tangibilization and empathy; and overcoming inconsistencies in customers management in the organization. In a word, the insured should go with peace of mind with value evidence, which through **word of mouth** save more economies on one hand and increase business on the other for which the customer relationship management is a reliable and valid actor of factors enshrining the set goals.