



CRM Practices for Life Insurance Business

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Abstract:

Service innovation and product innovation are the key factors in the growth of Indian Insurance Industry. Fire, engineering and motor, which constitutes 65% of non-life insurance premium in India, is under tariff. This data supports the former statement.

Malhotra committee recommended liberalization of insurance sector and it's close to five years since the Indian Insurance Industry was liberalized. Despite the growth recorded by the insurance sector, there remains a gap between the potential and the actual growth figure. To tap this potential, the existing players are resorting to new techniques to gain market share. Here we are giving benefits of one such approach to the insurance industry, which is well known but often neglected in practical approach. Customer Relationship Management in insurance sector. The importance to understand the benefits of retaining a customer, which are hidden, is to be brought into light, for the insurance sector. Some of the benefits like increased purchases, lower cost, free advertising through word of mouth, employee retention are directly contributing to the growth of the insurance companies. A case of USAA has been discussed and the benefits of retaining customers are presented here.

Keywords: Customer, management, Insurance, Relation, Market.

Introduction:

The Customer Relationship Management (CRM) is often considered a strategic imperative, not all customer relations need to be personalized. The need for personalizing integrations and determining the value of CRM depends on nature of products and services sold by the company, and on the level of dispersion of various customers' needs. CRM is a strategy which suits best for the business that have high valued customers with diverse needs. The cost of managing customer knowledge-based relationships might not be necessarily worth value derived. CRM is very much essential in service sectors like Life insurance, wherein the relationship is to be built up between the insurers and insured. Such relationship, many times dependent on customers' awareness levels in various kinds of insurance needs. At present, most of the insurers are providing different types of policies to the requirements of the customers.

The customer is becoming more and more "process-conscious". He wants to find himself in the process of the entire products-environ. He also wants to see himself in the product-environ as a part of it. Whatever business process is managed by companies, or by their partners or representatives or workers, should be customer-related, and / or, customer-centered. If chosen, we may say that every business, today, has to be of the customer, by the customer and for the customer.

A look around us impresses that the modern marketing efforts are being greatly influenced by the awareness level of the customers. This is because of the media, especially, the electronic one, and the various customer groups and organizations, and also the marketers, themselves, are vying with each other, in competition, to enlighten the customers, with the grayer and greener edges of the various products and services, and their markets that are available. All this results in either creating new awareness levels in the customers, or enhancing their existing levels, and also, to either develop, or direct, or divert the existing relationships of the customers with their products or services- purchase habits.

CRM necessitates viewing a customer not as a one time transaction but as a series of transactions over time. The focus then shifts from maximizing a single sale to maximizing a single customers' lifetime value to the insurance company.

Building Customer Relationships:

Though it is not an Indian Case, the central principle can be applied to Indian insurance industry too. USAA provides a strong example of a company that has focused on keeping its customers and building long term relationships with them.

USAA is a prominent example of a company focused on building long term relationships with customers.

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Customers' retention has been a core value of the company since long before customer loyalty became a popular business concept. In business since 1922, USAA provides for the insurance needs of a highly targeted market segment: current and former U.S military personnel and their families. Headquartered in San Antonio, Texas, USAA owns and manages more \$ 60 billion in assets. It consistently appears on fortune magazine's list of the 100 best companies to work for in America, and customer retention figures approach 100%. In fact, the most likely reason for a customer to leave the company is death.

The goal of the company is to "think about the events in the life of a career officer and then work out ways to help him to get through them". The company is intent on serving its current customer base and growing with them. To do this, USAA relies heavily on extensive customer research through surveys and a member advisory board that meets regularly with executives. The company also focuses on retaining the best employees and rewarding them for customer-oriented objectives such as percentage of customer questions or requests that are handled on the first call with no need for follow-up. They believe so strongly in the importance of customer retention that managers' and executives' own bonuses are based on this metric.

The striking example of how USAA gives priority to the needs of its existing customers occurred during the Gulf war. Anticipating the needs of those who were sent to the Gulf, the company encouraged them to downgrade their automobile insurance to save themselves money.

For instance, if their cars were just going to sit in garages while they were gone, they wouldn't need liability coverage. And when two car families had one spouse in the Gulf, USAA gave them the rates for a single person with two cars. Although this approach obviously cost USAA immediate dollars, actions such as these clearly indicate USAA's commitment to its current members, serving to ensure their loyalty and grow their business over time. The commitment to customer retention and employees is reflected in what USAA refers to as the '**loyalty chain**'.

"If you don't take care of the employees, they can't take care of the customers. We give employees all they need to be happy and absolutely enthralled to be here. If they are unhappy, we will not have satisfied customers in the long run.... We must have passion for customers. If we don't we are in the wrong business. Our members have served our country, and we want to serve them. We take them seriously. We always ask, "what is the impact on our members?"

USAA provides a strong example of a company that has focused on keeping its customers and building long term relationships with them. Unlike the USAA example, however, many companies fail to understand customers accurately because they fail to focus on customer relationships. They tend to fixate on acquiring new customers rather than viewing customers as assets they need to nurture and retain. By concentrating on new customers, firms can easily fall into the traps of short term promotions, price discounts, or catchy ads that bring customers in but are not enough to bring them back. By adopting a relationship philosophy, on the other hand, companies begin to understand customers over time and in great depth, and are better able to meet their changing needs and expectations.

IBM's 2004 Global CRM Survey:

According to study from IBM consulting services, 85% of companies in America, Europe and Asia large and small, across every industry are not feeling fully successful with CRM. Fewer than 15% of global companies believe they are fully succeeding with their CRM initiatives. More than half of respondents' companies had annual revenues exceeding US\$50 million, 30% of respondents reported annual revenues of US\$ 1 billion to more than US\$50 billion. Despite the dismal results, CRM continues to hold great promise for most companies. Over 50% of the 373 companies surveyed believe CRM is relevant to increasing performance from a shareholder value perspective.

Around 75% of companies manage CRM at the division level such as marketing, sales, IT or Customer service. Only 25% of Companies run CRM from corporate, where a senior level team typically spans multiple divisions and business units. Surveyed revealed that corporate units achieve a CRM success from 25%-50% senior management in over 35% of companies impede CRM success by portraying CRM as useful, but not critical. Over 75% of Companies do not realize returns on CRM initiatives because they do not fully use CRM once it is implemented. Only 21% of responding companies view alignment as very important to CRM success.

Goals of CRM

This can also be termed as relationship marketing. Relationship marketing essentially represents a paradigm shift within marketing- away from an acquisitions/ transaction focus toward retention / relationship focus. The primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable for the organization. To achieve this goal, the firm will focus on the attraction, retention, and enhancement of customer relationships.

Finally, the goal of customer enhancement suggests that loyal customers can be even better customer if they buy more products and services from the company over time. Loyal customers not only provide a solid base for

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the organization, they may represent growth potential. This is certainly true for USAA, our opening example whose officer members;’ needs for insurance increase over their lifetimes as well as the lifetimes of their children. Other examples abound. A bank checking account customer becomes a better customer when she sets up a savings account, takes out a loan, and /or uses the financial advising services of the bank.

Significance of CRM

The slow down in global economy and tough competition among the enterprises made the companies to focus at cost containment and growth in profitability. CRM embodies six key disciplines sales force automation, Marketing Automation, help desk, and call centre. The CRM technology promise to retain customers and boost the top line. CRM’s largest vendors such as Siebel, people soft. Oracle and SAP will continue to grow and expand their reach into newer application segments.

ICICI Bank, HDFC Standard life, UTI and ABN-Amro are now looking at business process management to increase returns on investment, improve CRM and employee productivity. The world wide CRM service market reached \$22 billion in 2002-03, a 10.6% increase from the prior year according to Garter group. The group forecasts this market to hit \$47 billion by 2006. The CRM market in India has witnessed a healthy growth and expects the CRM software market to grow at a CAGR of 4.% to reach Rs.188crores in 2006.

P-Factors in Implementation

For implementing CRM, the company has to start with three P-factors namely People, processes and Planning. The P-factors affect sales, productivity, service, and profitability.

People Factor

A positive interaction among employees, customers, and vendors will create a successful enterprise. The importance of people’s change favourable towards the work and interaction with each other is a valuable contributor for successful implementation of the CRM concept.

Process Factor

Before introducing a new technology, the company management needs to review their business and workflow processes. It is important to note at the source of order namely internet, the mail or the call centre and continues through the shipment of products.

Planning Factor

A well developed plan will give the managers to stretch boundaries and achieve organization goals.

Outsourcing the CRM

The outsourcing provider or bureau provides a CRM platform that offer an integrated blend of live agent and automated IVR, Web and e-mail services, connected with contact management and if needed, integration with the business enterprise existing database.

Outsourcing the CRM can reduce customer retention costs, with out compromising the responsiveness, accuracy, availability, and quality of customer service. By outsourcing CRM and intelligence, companies will have powerful analytics with fewer payrolls overhead. According to a survey reported in Tele professional magazine, “Companies who fully outsource CRM had most favourable results. This is reflected in a grater 10-year average return to investors, a higher average 10 year annual growth rate and a larger average percentage change in annual earning per share”

Off shoring CRM Locations

A large number of companies around the world have set up thousands of off shoring call centre to provide integrated customer service solutions. Australia has about 4000 call centers employing 225000 people with US\$7 billion revenue. Similarly India has nearly 1000 companies employing over 100,000 people with revenues of US\$1 billion. Philippines and Ireland has 70 and 500 companies employing over 12000 and 4000 people respectively.

Vital Reasons to Outsourcing CRM

The compelling reasons to outsource usually include cost reduction, improved customer service, and access to leading edge technology and avoiding significant capital investments.

- Cost Reduction
- Specialist Manpower
- Improved Customer Service
- Insight into improved customer services
- Technology

Role of IT in CRM

Information Technology can be used as frontline tool for betterment of overall efficiency in all areas of life insurance companies. Optimum benefits of IT can be derived through following tools.

- a) Front-End application programs
- b) Green channel
- c) Single window system

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- d) Networking
- e) Online Premium payment
- f) Internet Initiatives
- g) Info Center
- h) Intranet

Tenets of CRM for Life Insurance Business

The following four fundamental ideas explain the value proposition of CRM which can be applied for insurance business.

1. **Use of existing relationships to maximize revenue:** CRM focuses on establishing stronger relationships with existing policy holders, retaining good policy holders and weeding out bad policy holders. With CRM, policy holders' life time value can be maximized by retaining them at previously impossible retention levels.
2. **Use of Customer knowledge to consistently deliver excellent service:** Effective CRM should surprise the policy holders with how well the company knows them. When knowledge about an individual customer aggregates over time and allows the company to deliver personalized service.
3. **Developing repeatable sales process:** CRM facilitates integration of policy holder knowledge through supporting technology and allows companies to use knowledge of past transactions to effectively sell to both new and existing policy holders.
4. **Deliver value and develop policy holders' loyalty:** loyalty can be stimulated by proactively using collected information to resolve issues before they become problems.

Relevance of CRM to Insurance Agents

A look at the concept may suggest that CRM is of Greater relevance to the service marketing than to the product one. Mainly because most of service industries, especially the life insurance one, are "people intensive", "people oriented" and "people-centre". Therefore, if it is properly understood and adopted, CRM may, assist in giving much needed edge of tangibility to the otherwise bland and intangible product and service of life insurance.

In life insurance sales, it is the agent who is the seller of the product, and the adviser on whose words of professional advice and suggestions, the policy holder relied upon, mostly, to buy a policy. The crux of the CRM principle is that the agent should consistently endeavor to manage his/her life insurance business process with customer related interests.

Conclusion:

Building relationships and managing business through these bonds is the essence of CRM. A successful relationship will be one that lowers the business costs, increase the company's revenue and retains profitable relationship a win-win situation for the company's business and its most valuable assets, and customers.

Since the focus is on delivering the value it is important to deliver the quality in the core service. The example USAA provide convincing support for the argument that excellence in the core service or product offered is essential to a successful relationship strategy. This company have benefited tremendously from their loyal customer base. Hence by focusing on CRM the Indian industry may bridge the gap between the potential and actual growth.

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