
Customer Relationship Management in Indian Life Insurance Sector

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Abstract

Customer relationship management is an old concept. It's all about how you treat your customer after the sale. Businesses that handle well succeed referrals and repeat sales are the lifeblood of business. They are also a direct result of effective customer relationship management. Financial Services industry is part of an economy & successful operation of the industry sets impetus for other industries and development of an economy. This article focuses related to customer relationship building especially for retail investors from life insurance sector and its management in general, based on the principles of Relationship management in service organizations. Identifying the managerial practices and measures for relationship building for effective and efficient business is the epitome of this article. Right from basic concept of CRM, its strategy & technique formulation to evaluation of CRM, various aspects of customer relationship management are covered in this article.

Keywords: Financial Services, Economy, CRM, Retail Investor.

Introduction

Customer relationship management is an old concept. It's all about how you treat your customer after the sale. Businesses that handle well succeed referrals and repeat sales are the lifeblood of business. They are also a direct result of effective customer relationship management.

Customer relationship management (CRM) is a practice that puts the customer at the center of the equation. Over the years myriad software applications have sprung up to simplify and streamline this process. In simple terms, CRM involves organizing and tracking all contacts with prospective and existing customers and in a simple scenario, it involves:

- Recording all customer and interactions details in an organized manner into a database
- Providing the tools to view selected customer or prospect data in a desired manner
- Generating alerts for pending actions such as follow ups, service calls and marketing contacts

In a more complex large enterprise scenario like life insurance companies, CRM can become a complicated exercise including:

- **Marketing:** Modules for Customer segmentation, List management, Campaign management, Lead

management, Loyalty management and other marketing tasks

- **Sales:** Modules for Sales forecasting, Sales performance management, Territory management, Commission management and other selling routines
- **Service:** Installations & Maintenance, Customer service and support, Field service management, Claims and other service management modules

CRM is a business philosophy based on upon individual customers and customised products and services supported by open lines of communication and feedback from the participating firms that mutually benefit both buying and selling organisations.

In short, CRM provides selling organisations with the platform to obtain a competitive advantage by embracing customer needs and building value-driven long-term relationships.

Determinants of CRM

Trust

The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the other company as agreed upon implicitly and explicitly.

Value

The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.

In addition to trust and value, salespeople must:

Understand customer needs and problems; Meet their commitments; Provide superior after sales support; Make sure that the customer is always told the truth (must be honest); and Have a passionate interest in establishing and retaining a long-term relationship (e.g., have long-term perspective), See Diagram 1.2 for more details.

Stages in the development of a Customer Relationship:
(Shown by Diagram 1.1)

- The Pre-relationship Stage

The event that triggers a buyer to seek a new business partner.

- The Early Stage

Experience is accumulated between the buyer and seller although a great degree of uncertainty and distance exists.

- The Development Stage

Increased levels of transactions lead to a higher degree of commitment and the distance is reduced to a social exchange.

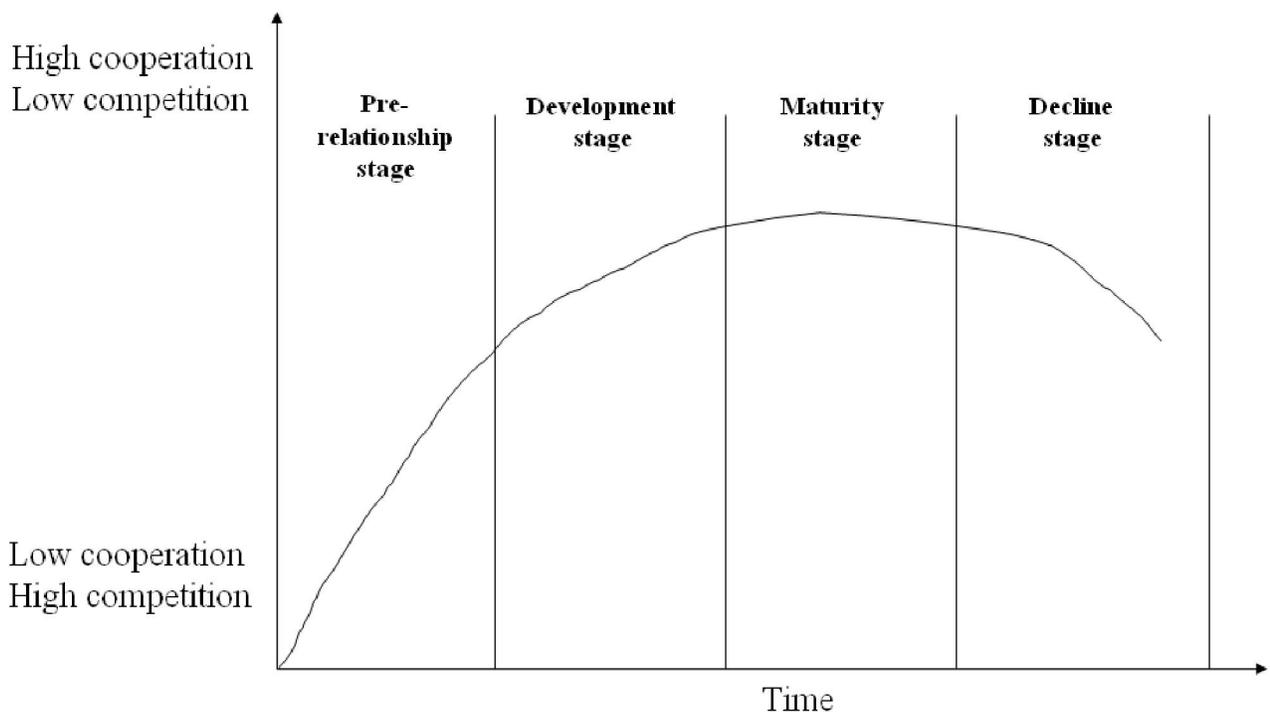
- The Long-term Stage

Characterised by the companies' mutual importance to each other.

- The Final Stage

The interaction between the companies becomes institutionalized.

A Relationship Life Cycle Model



(Wilkinson and Young, 1997)

Diagram 1.1

Models of Customer Relationship Management

The Brock and Barcklay (1999) model of selling partner relationship effectiveness

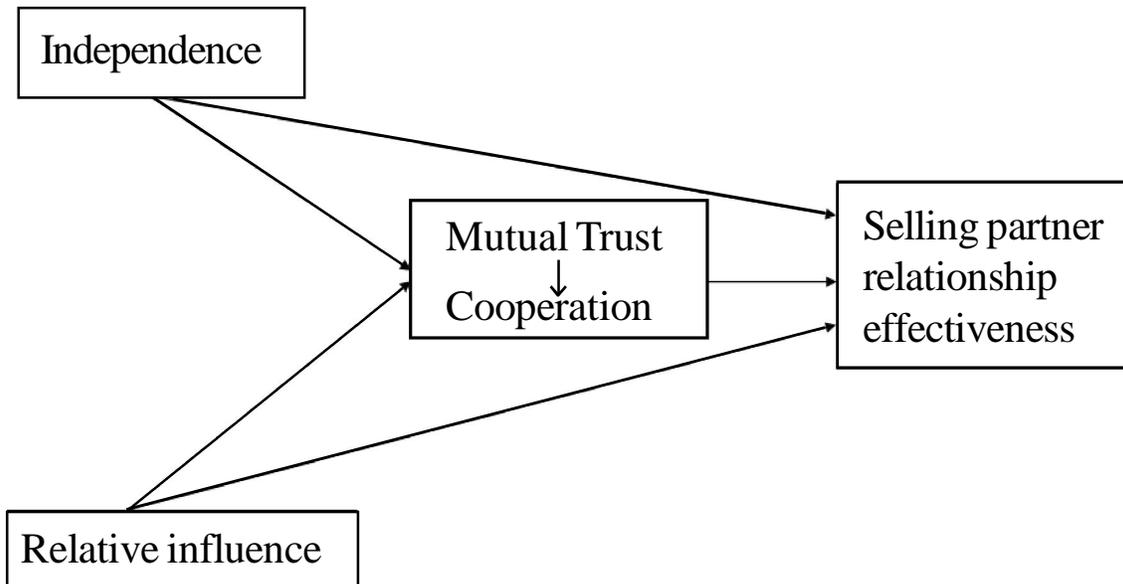


Diagram 1.2

Managing Customer Relationships

The global salesperson must be involved in the following activities in order to initiate, develop and enhance the process that is aimed at building trust and commitment with the customer.

- **Initiating the relationship**
 - Engage in strategic prospecting and qualifying;
 - Gather and study pre-call information;
 - Identify buying influences;
 - Plan the initial sales call;
 - Demonstrate an understanding of the customer's needs;
 - Identify opportunities to build a relationship; and
 - Illustrate the value of a relationship with the customer
- **Developing the relationship**
 - Select an appropriate offering;
 - Customise the relationship;
 - Link the solutions with the customer's needs;

Discuss customer concerns;
Summarize the solution to confirm benefits; and
Secure commitment.

- **Enhancing the relationship**
 - Assess customer satisfaction;
 - Take action to ensure satisfaction;
 - Maintain open, two-way communication; and
 - Work to add value and enhance mutual opportunities

Functions of Customer Relationship Management

Direct functions (are the basic requirements of a company that are necessary to survive in the competitive marketplace) (a) Profit (b) Volume and (c) Safeguard

Indirect functions (are the actions necessary to convince the customer to participate in various marketing

activities) (a) Innovation (b) Market (c) Scout and (d) Access.

The most common techniques include using information gathered during the sales process to build emotional anchors and connections so that customers think of you and your business first when they have a need. Storing and categorizing this information in an electronic environment allows you to use it more effectively but simply noting important facts and refreshing your memory before periodic marketing calls can be equally effective. The 2008 Executive Survey by Gartner and Forbes.com states plainly that, "retaining and enhancing relationships with current customers is the number one business issue, followed by attracting new customers." Businesses that properly implement a customer relationship strategy stand a significantly higher chance of achieving both of these goals.

You can have the best products at the best prices, but if you neglect customer service or customer relationship management you won't have the one thing you need to succeed: customers. Showing existing customers that they matter and that you appreciate their business inspires loyalty. That loyalty translates into the referrals and repeat sales that move your bottom line in the right direction. In addition, it is far less expensive to retain an existing customer than it is to attract a new one.

Translation: "taking care of your client's means more for you".

We can improve Customer Relationship Management & it doesn't take much. Simple things like birthday cards, opinion surveys and focus groups are a great way to connect with your customers. Coupons, discounts and special perks for loyalty and referrals are also a good way to show your appreciation for your customers. Businesses are facing unprecedented pressure to deliver value. Lowering customer acquisition costs, decreasing administrative waste, and improving the outlook held of the customers they serve has become of paramount importance. Inefficient, impersonal

processes threaten the future success of many businesses. A great deal of data is being generated in the course of interactions with prospective and existing customers. Properly analyzed, the data can identify leads, product opportunities, customer segments and market trends, for example. Such analysis can also support the selling process by tracking responses and alerting salespersons, Sound customer relationship management practices are the answer.

The major focus of CRM is to facilitate customer-centric operations leading to strong customer relations and loyalty. CRM seeks to do these through improved:

Customer Experience Management: Even if customers have to deal with different persons and offices of an enterprise, they will receive a meaningful, helpful and consistent experience. CRM enables this by maintaining easily-retrievable customer records from anywhere across the enterprise. The records will show customer purchase history, contact details and pending actions.

Sales force Automation: Sales people are supported through automated alerts about pending actions, customer issues and possible leads.

Customer Service: Customer call centers and Web-based help desk facilities & role of IT can lead to quicker and more satisfactory customer service.

Channel Partners Management: Channel partners also need organized attention and excellent support to improve their performance.

In order to have a high level of customer retention, the customers must be happy with the level of service they receive and the company's ability to meet or exceed their needs. Expectations play a big part in client satisfaction. If a company can exceed the customer's expectations, the chance of them returning is significantly increased.

Proactive CRM is one important method of exceeding customer's expectations.

Proactive Customer Relationship Management: When it comes to good customer relationship management, it always best to be proactive rather than reactive. Anticipating concerns before they become problems can often make the difference between a customer returning and never setting foot in the store again. Taking care of customer concerns should be fast and immediate whenever possible. The longer a client has to stew over a concern, the greater the probability that they will not return. Since taking care of a client's concern quickly and efficiently increases the probability that the customer will return, employee empowerment can make a huge difference in the time it takes to resolve a concern. When an employee doesn't have the authority to immediately resolve a concern, the customer has longer to stew over the concern. Employees that have direct interaction with the customers should be empowered to make decisions for immediate resolution of the concern. The end goal of active customer relationship management is to positively nurture the consumer-seller relationship over time, inspire continued customer satisfaction, and spur on future transactions.

Technique for CRM

One of the best marketing techniques for customer relationship management is one-on-one interaction with the customer, In order to have a high level of customer retention, the customers must be happy with the level of satisfaction they receive with the company's ability to meet or exceed their needs. Besides meeting or exceeding their needs, an important aspect of customer satisfaction is perception. If the customer perceives that a company truly cares about their needs, they will continue to patronize a business.

- " Customer Relationship Management by Walking Around
- " Customer Relationships and the Ten-Foot Rule
The following rule is a good start to get all employees on board.

The Ten-Foot Rule

- Any employee within ten feet of a customer will acknowledge their presence.
- The employee will acknowledge the customer with a standard greeting like "good morning."
- If the customer asks for a specific person, item or directions the employee will personally escort the customer to that person, item or location within the company.
- Customer Retention by Exceeding Expectations

Discussion & Conclusions:

Customer relationship management (CRM) is the key for success of organizations. When the organizations grow larger and larger, complexity increases in controlling potential customers. Establishing a Systematic and well organized CRM systems calls for understanding and analyzing the key success factors. CRM is a new business philosophy based on trust and value; The core function of CRM is the value creation process; Customer relationships develop over time; The role of global salespeople in the process is that of both relationship builders and relationship promoters; and The basic premise of CRM is to offer superior value to customers in an effort to turn prospects into customers, customers into loyal customers, and loyal customers into partners. Life Insurance companies want intermediaries who can deliver solutions to customers, not simply products. They need intermediaries with technical knowledge and skills. They need people with relationship, communication, and negotiation skills & Customer Relationship Building skills. Improving CRM is an important part of the financial Sector especially in life insurance sector. This can be measuring of customer satisfaction, Making customer satisfaction targets part of the individual performance report, Extra focus on complaint management and solving client problems, installing product approval processes (including compliance and risk management) that guarantee careful information to the client. To become more customer-centric and optimize customer lifetime value, financial services providers need to consider the following five variables

that create mutual value to the customer and the services provider: 5C's Coverage, Cost, Convenience, and Care & Compliance. To serve as a practical tool for managing customer relationships, the lifetime value optimization we have to adopt these 5C's.

The results of customer value optimization can be highly rewarding. Life Insurance companies that have adopted this approach have been able to achieve business growth and profitability in competitive environment.

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