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CRM Strategies: An underlying market based strategy for insurers

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Introduction

Limited touch points make management of relationships with customers in insurance sector a challenging task. The company transmits the customers' data to the data warehouse once the policy is sold. In case of insurance sector the interaction of the customer with the company personnel and the company system happens initially and later on only in terms of payment of annual premium after the policy is sold. This is an irony of this so called "Long term relationship" with limited or no interaction. The interaction with the customer is limited to transactions rather than relationship management. It is very difficult for any retail financial services provider build customer knowledge based on such sparse touch points. The bank, the securities broker, the credit card company or even the local grocer knows more about the consumer's life style, financial situation and changing risk appetite and changing needs. They get this information from the number of unique transactions the customers have with these service providers. This is where the real challenge of relationship management emerges for the insurance companies that is to maintain continuity in interactions and frequent touch points to generate a cycle of data pertaining to the customers' financial and personal situation. The customers needs and wants vary considerably over time. In order to tap the customer potential to the fullest the challenge of keeping in pace with the changing customer needs lies with the insurance company. The challenge is to keep in pace with the changing needs of the customer and to provide him with **the right product at the right time**. To meet these challenges, there is a need to turn to customer-needs-driven CRM strategies. CRM strategies focus on the use of database technology to aid in developing long-term cooperative relationships with key consumers. Companies that proactively respond to customers needs even *before* they demand show responsiveness. It shows not just greater concern for their customers' welfare but also help the insurance company to tap the customers' potential to the fullest and to tap the opportunity at the latent stage itself. In today's competitive scenario a retained and satisfied customer base is much more advantageous than creating a new customer base. A satisfied customer will always like to be associated with the company for a long term and such strategies use customer knowledge to build market segmentation and service models, which enable meaningful long term value propositions to be offered rather than simply facilitating a more sophisticated product push to the market. These days insurance is becoming a challenging business with so many product mixes and competitors flocking the market. This makes it very confusing for the customers to

opt for which insurance plan and of which company. This indecisiveness leads to irritating attitudes of the customer and the sales and marketing executives land up with a tough job of convincing the customers. CRM can to a large extent resolve this issue of customer resistance towards the insurance brands and plans. An analytical CRM can assess the life time value of the customer with changes occurring at various phases and design suitable products for every phase. So an insurance company can provide one stop solution to the customers taking care of their fear factor at every phase of life. It is ultimately the fear factor or tax burden which drives a person to buy a insurance plan.

Current Status of CRM in insurance industry:

In India the insurance sector was opened up for private participation five years ago. In these five years the insurance market has witnessed dynamic changes which includes presence of a fairly large number of insurers both life and non-life segment. However in the current environment of moderate economic growth, the leading insurance companies of the market are obliged to implement customer loyalty building strategies to grow profitably . Most of the large multi-product companies enjoy a large customer base, but with a very low penetration rate (ratios of 1.1 or 1.2 products per customer are very frequent). Technology had a major role to play in terms of customer relationship management. Insurance companies have spent major amounts to procure the latest CRM soft wares. Even after such big investments insurers are largely oriented towards product and process management, instead of implementing strategies aimed at customer management. In this context, knowledge of the customer lies, almost exclusively, in the network of mediators, and not in the company .However, customers today are highly demanding, have a greater knowledge of what their needs are and demand the availability of multiple doors of access for their relations with their company: contact centre, offices, Internet, specialized advisors, etc. To be able to compete in this environment, the companies are required to transform both their operating model and the infrastructure supporting it. Therefore after telecom and banking, it's the turn of insurance companies to deploy customer relationship management (CRM) solutions. As competition intensifies, insurers are trying every trick in the book to retain existing customers, with a wide range of services driving the market for CRM applications in the process. The customer base is the most important asset for any insurance company. Winning new customers has a much higher cost than staying with the already existing customer base and increasing the business managed, offering products and services adapted to the needs of each customer profile. The customer portfolio is very heterogeneous with regard to its needs and in the value it provides to each customer, for which reason successful insurance companies need to have a customer policy oriented towards: 1)Increasing the individual value of customers by up selling and cross-selling actions.2)Retaining the most profitable customers (avoiding the "coffee for all" through its Premium and more personalized services.). 3)Segregating customers that generate low revenue for the company (through micro segmentation strategies).To implement these types of policies, it is necessary to perform a series of tasks within the organization. The framework of a transformation process of the organization towards comprehensive customer management. In this regard, there is a need for the insurance companies to advance in four major stages: identifying customers, differentiating them, interacting with them and personalizing the offer. The ultimate objective is to maximize the value gained from the customer base through a proactive management of each customer,

both from a commercial and services perspective. On the other hand, it is necessary to develop the marketing function and that the “customer vision” is shared throughout organization, both in central services and in territorial organization.. The process to detect the customers’ needs and personalization of the offer should be based on the corporate information services. Traditionally, the sector’s companies have used IT to optimize processes and reduce operating costs, but from a product viewpoint .Now, however, the use of technology to manage, in personalized manner, customer relations through the different channels is a requirement to implement the customer strategy and to generate higher revenue. From a commercial strategy standpoint, it is necessary to have tools to manage customer relations with the company, which facilitate the comprehensive management of contacts with customers and the company through the different channels, as well as the decision-making on products, channels and contact type. These tools should be operational at all contact points of the company with the customers, so that it is necessary to integrate them in the different information systems .In short, the implementation of a customer strategy is an unavoidable necessity for the insurers in our market. Those that are more flexible and efficient in their implementation will enjoy a competitive advantage in the short and medium term, but the road is long and needs changes to be implemented in many areas of the company. There is a evolutionary change in the technology that has revolutionized the entire insurance sector. Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. While the CRM market in India is not very mature all the, bigger players such as ICICI Prudential Life Insurance Company, HDFC Standard Life, Birla Sunlife Insurance have adopted it. Insurers have now realized that CRM is essential if they want to deliver high quality services since it satisfies current customers and gains new ones. This is because policies get sold only if relationships are built. CRM solves these problems with its user-friendly, web-based CRM tools that increase sales opportunities. The main objectives of the insurance companies who opted for the software are :1)Insurance CRM decreases the time required to make product changes 2)A holistic integrated customer view 3)Targeted marketing 4)Customer retention 5)Increased growth 6)Increased policy sales 7)Increased insurance market share 8)CRM Insurance integrates marketing with other operations 8)Efficient distribution channels are secured 9)CRM provides the chance to reduce operating expenses 10)To provides for more affective and efficient communication 11)To improves the response time 12)To increases customers satisfaction 13)Insurance application queries/ claim status queries can be answered sooner 14)To reduce the time that is normally taken for printing 15)Policy mailing time is reduced 16)To decreases overall costs 17)To aid the call centre activities 18)Insurance CRM to guarantee lead management As the rules of winning customer relationships are changing the need is there to measure the changes and effectiveness of these on the existing business models . To understand what is happening we must look at the drivers of CRM technology its, actual implementation and effectiveness.

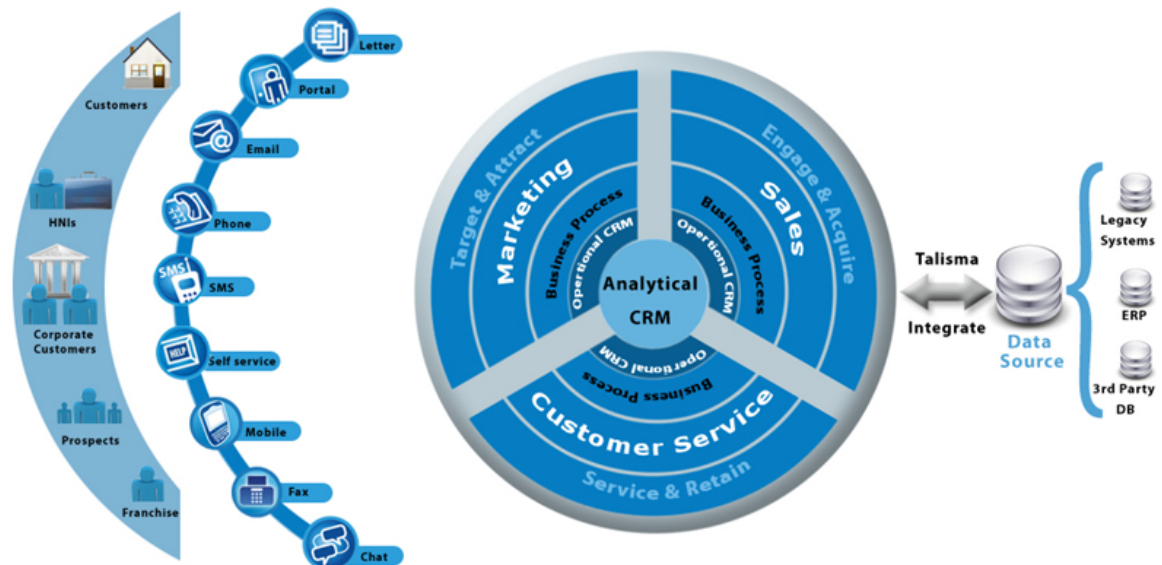
CRM packages used by insurance companies included in the sample are

1. **ICICI Prudential** : The company was earlier using GoldMines (a sales and marketing tool) and HEAT (an operational CRM solution) from Front Range Solutions. Currently the company has invested in CM3 from Teradata and SAS’s statistical tool for BI[business intelligence]. ICICI Prudential sees CRM playing a significant role in acquiring new customers. CRM has helped them to obtain

granular details about customers, helping to design better products, improve service levels and reduce operational costs. CRM has helped ICICI Prudential Life capture five lakh customers through effective event-based marketing and lead tracking to cross- and up-sell products.

- 2. AVIVA & Birla Sunlife :** Both the companies deploy Talisma’s e-CRM suite that has helped hem launch products and services to differentiate itself from competitors. Talisma’s suite offers integration with call centre operations. The suite promised a common integrated platform for different customer-facing departments [sales, marketing and customer services] within the organization.” The CRM suite has been deployed in marketing, sales and service as well in the partner and sales ecosystem (comprising bank assurance partners and insurance agents). Aviva has implemented several modules of Talisma e-CRM, such as marketing, sales, servicing, and contact centre. The only component it hasn’t used is the chat module. Today, there are 450 personnel using the e-CRM suite at Aviva.

The TALISMA Application



Source: www.talisma.com

- 3.HDFC Standard Life :** They are using some indigenously designed software called CI customer intelligence (CI).

Research Methodology

Objective of the study

1. Understand the current level of technological application in insurance sector.
2. To identify the level and compatibility of analytical CRM technologies in amongst companies and employees.

3. To identify more touch points in the insurance schemes between the customer and the company so that sufficient data inputs are provided to the CRM systems on a continuous basis.
4. A proper CRM strategy in place will ease of selling pressures on the company.

Hypothesis:

1. The current level of CRM applicability is very high in the insurance industry.
2. The employees are highly compatible with usage of CRM systems.
3. Selling pressures will ease off with a proper CRM strategy in place.
4. A knowledge management competence will lead to a relationship marketing competence.

The above hypothesis will be tested using relevant statistical tools for drawing inferences which will later on be used for drawing conclusions and setting out recommendations.

Data Collection:

Sample size: A sample size of 30 respondents from different insurance companies and different levels from junior to top level executives were chosen. The insurance companies covered in the sample are, HDFC Standard Life, ICICI Prudential, Birla Sunlife and Aviva. Reliance Insurance.

Data Collection Tool: A questionnaire (Appendix 1) was prepared.

Data was collected on the basis of in-depth interviews with the insurance professionals ranging from junior to senior management levels. Responses were collected through the structured questionnaires. The questionnaire was divided into 3 parts.

Section A was general profile about the respondents.

Section B was about CRM related aspects in insurance services

Section C covered the attitude of the employees towards CRM.

Data Analysis

Hypothesis Testing:

Hypothesis 1:

The current level of CRM applicability is very high in the insurance industry.

This hypothesis is tested by checking the degree of association of employees from the three basic departments of operations, sales and IT support. t-test was applied between mean scores of attitude towards CRM.

Non significant difference was found ($t = 0.521$, $df = 50$), between sales force and non sales force (operation and IT).

Category	N	Mean	SD	SE	t	df
Sales	30.00	3.985	0.329	0.065	0.521	50
Non Sales	30.00	3.929	0.435	0.085		

To understand the association of employees with the CRM systems. A basic analysis was also done through the percentage method which reveals that all the respondents were aware of the CRM process in the organization. It gave a **100%** result without any discrepancy. This shows a widespread awareness of the basic concept of CRM. An in-depth interview with the respondents with open ended question revealed that the knowledge of CRM purpose was limited to the following factors viz. customer data capturing or collection, reminder service, record logins, new proposal planning, customer detail for future reference, renewal reminders and query handling. This shows that though the elementary knowledge is there but that is limited only up to operational CRM. Still the entire power of CRM in terms of its analytical aspect is not tapped to the maximum.

Hypothesis 1 is accepted in terms of operational CRM

Hypothesis2.

The employees are highly compatible with usage of CRM systems

The analysis done through in-depth interviews revealed that the operations departments generally use CRM systems only for entering data and they are unaware of the advanced uses of the system. The usage of this data is done in terms of referential data and for handling the queries. The employees have a very limited view or opinion about the CRM systems and their usability. On analysis of the responses of the employees with respect to usefulness of CRM in terms of servicing and prospecting revealed that 80% of the respondents have given it above average rating for operations CRM. However we had to explain in detail about analytical CRM while administering the questionnaire. After understanding the dimensions of analytical CRM they gave themselves a below average rating with respect to the usage and handling of the system.

On the basis of the qualitative analysis done through in-depth interviews the above hypothesis is rejected.

Hypothesis 3

Selling pressures will ease off with a proper CRM strategy in place.

Table 12: Rating of CRM S/w in terms of Customer Servicing and prospecting

Response	N	%
Very Useful	2	10.53
Useful	6	21.05
Average	6	21.05
Useful at times	14	42.11
Not useful at all	2	5.26
Total	30	100.00

On the basis of the above we can conclude that the CRM is useful to a great extent as it is considered average and above average in terms of client servicing and prospecting. **However the attitude of the employees is oriented towards the operational CRM as shown by the table below.**

	Mean Score	Rank
The CRM we use helps to improve the customer experience by resolving complaints rapidly.	4.53	1

Hence hypothesis 3 is accepted.

Hypothesis 4

A knowledge management competence will lead to a relationship marketing competence

Parameter	Mean Score	Rank
CRM with BI (Business Intelligence) tools can help insurance	4.00	6
CRM / software helps in lead tracking to cross- and up-sell products.	4.00	6
Cross- and up-selling capability is important to provide market opportunities within an existing customer database.	3.74	9
There is less focus on selling products to the existing customers and more stress is on acquiring new customers	3.58	10
Often the ability of an insurer to generate leads by means of event-triggering, re-engineered touch points and cross line-of-business referral can outstrip their ability to manage said leads	3.58	10

Knowledge management competence refers to gathering updated knowledge about the customers and using this for targeting products as per their life cycle and situational stage. This will enhance their marketing competence. From the above table [refer appendix 2] it is evident that the employees have give lower ranks to the terms

required for knowledge management competence. It might be because their orientation purely towards operational CRM.

On the basis of the above results the fourth Hypothesis is rejected.

Findings

1. There is a widespread understanding of the general concept of CRM systems and their usability in insurance service.
2. Majority of the companies are using Talisma software of CRM in insurance services. A few have their own indigenously developed software which caters to CRM process in the organization.
3. CRM is used in these companies basically for customer data entry and logins, reminder services, customer details for future references, and for query handling which are just basic functions of CRM. These are almost the universal purposes of CRM in the sample studied.
4. The data from the customer is collected mainly at the time of sales and there is no updating of the collected data except for service requirement and complaint profiling.
5. Amount and kind of data which is captured is strikingly similar in nature. The data captured predominantly comprises of details regarding name, age address, and income, family profile- in terms of number of dependants, number of insurance policies held.
6. Over and above this information additional data is collected on the interest of the consumer like his indulgence in some activity which risks his life and his date of birth.
7. The employees are of the opinion that an ideal customer relationship exists when they are provided with effective advice during transactional encounters or otherwise and also providing them with relevant communications about products which will actually be useful for them. This is the point where CRM implementation gap exists.
8. The employees had rated the CRM above average when asked about customers servicing and prospecting. This is basically due to their limited awareness of the CRM potential.
9. The insurers also strongly hold the view to create a CRM interface between the channel partners and the company.
10. The employees are also of the view that since private players have stiff competition in the market, the only mechanism by which they can create a niche for themselves is by differentiating themselves on service quality.

Conclusion & Suggestions

On the basis of the above research and general discussions with executives at different levels ranging from junior to senior level management CRM paradox were identified.

The user paradox

It clearly indicated that a substantial gap exists in the visioning and actual use of the CRM software. The softwares are not exploited to the maximum and solutions are selectively chosen. There is a huge disconnect between the technology usage and the executives using the softwares. The executives are not aware of the power and uses

of CRM softwares. At the branch level it is viewed only as a tool to capture transactional data. The executives are unaware of the analytical or the business intelligence part of CRM. The survey reflected the that exists in the industry. The entire initiative of CRM acquisition and cost involved in creating supporting infrastructure ultimately gets nullified because improper orientation of employees towards CRM. There was also a hitch on the part of the management to provide training to the executives on CRM systems on account of higher opportunity costs. They don't want to trade off even a day's revenue contributed by the executive in lieu of the training program. Ultimately the investments involved in having a CRM solution and infrastructure goes unutilized to the maximum limit.

The system paradox

The research reflected that the companies are all into using operational CRM. The data captured through various touch points is relevant and substantial at the point of sales. However this data loses its way in the data warehouses and the data is not checked regularly for redundancy. This redundant data is used at times for marketing initiatives resulting in pitching the wrong products to customers thus losing the credibility of company calls to customers. For e.g. A customer reported that his 70 year old father was called for selling life insurance plans. The father was the old customer of the insurance company. These issues would not have cropped up if the executives have an understanding that a single CRM solution can be used universally for all purpose. Like operational CRM cannot perform the function of analytical CRM. From the functional aspect it was observed that the actual benefit of CRM in insurance can be achieved if analytical CRM is also used along with operational CRM. The analytical CRM will help in solving the following issues:

- **Using dynamic data of the existing customer s for marketing initiatives:** One of the major handicaps in data capturing of CRM minimal level of touch points in the insurance system. The only conscious interaction initiative by the company is the premium payment reminders send by the insurance company's. This issue can be addressed by creating more touch points in the system especially for the profitable customers.
- **Customer profiling:** This solution (Analytical CRM) can also be applied for profiling the customers according to their profitability into high net worth customers and retail customer base. This differentiation will help them to design focused marketing strategies. In the absence of this kind of a system at times the high net worth customer are often approached with products which do not tap their full investment potential .At times the HNI customer may also go unidentified because the investments have been made by same customer in the names of different members in the family. This investment when considered in totality shows will qualify the customer for HNI base which in practical scenario doesn't happen. To overcome this issue a possible solution can be to have Case identification Numbers/ Customer Connectivity Key in which all the linked customer id's are encapsulated.

This solution will also be beneficial in capturing the paying habits of the customers like paying pattern so as to sell him products which will help in maximizing his investment in terms of returns.

Improvising Quality of sales: Quality of sales can be ensured by identifying defaulting customers who have a history of cheque bounces or free look cancellations. This will also ensure the quality and authenticity of customer data.

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