

CUSTOMER RELATIONSHIP MANAGEMENT IN INSURANCE INDUSTRY

J.Lavanya¹, N.Markkandeyan²

¹Assistant Professor, Department of Commerce, GTN Arts College, Dindigul

²Academic Director, Department of Commerce, GTN Arts College, Dindigul

Email: ¹jlavanyamani@gmail.com, ²dglramani@gmail.com

Abstract—Customer relationship management is an old concept. It's all about how you treat your customer after the sale. After telecom and banking, it is the turn of insurance companies to deploy customer relationship management (CRM) solutions. As competition is increasing, companies are trying to retain existing customers, with a wide range of services driving the market of services for CRM applications. Customer Relationship Management is vital for building long-term relationships and retaining customers in order to emerge as winners in the competition environment. In simple terms CRM involves organizing and tracking all contacts with prospective and existing customer and in a simple scenario it involves: Recording all customers and interactions details in an organized manner into a database, and Generating alerts for pending actions such as follow ups, service calls and marketing, contacts.

Keywords—CRM Applications, Customer Relationship Management, Insurance Industry, Marketing, Service Calls.

INTRODUCTION

CRM is essential and vital function of customer oriented marketing to gather and accumulate related information about customers in order to provide effective service. It is a process that addresses all aspects of identifying customers, creating customer knowledge, building customer relationship and shaping their perceptions of the organisations and its products. CRM is a business strategy and therefore more than a functional strategy will have to provide direction to each department or employee that maintain contact with customers.

Analytical CRM can be developed to understand processing of claims in insurance sector. Deregulation of insurance industry in the Global has resulted in increased number of players in the market hence competition. In India also industry has undergone a major change. Before 2000, two state insurers - i.e., LIC and GIC were the only players in the market. These companies were created only after nationalisation.

It is an integration of technology with activities of employees and business associates to deliver faster, more customized service to customers. CRM solutions not only offer value to businesses, but importantly the main attribute "scalability", ensures that it can be implemented in various stages of increasing complexity and value.

ADVANTAGES OF RETAINING CUSTOMERS

- **It's cheaper than acquisition:** While the old adage about it costing five times as much to acquire a new customer may not be totally accurate, the basic principle is still accurate; it's more cost effective to keep someone in the fold than to bring in new customers.
- **Loyal customers are more profitable:** Not only is loyalty cheaper, it has better returns. According to research, engaged consumers buy 90% more frequently, spend 60% more indicate it is the per transaction and are five times more likely to indicate it is the only brand they would purchase in the future. On the average, they're high.
- **Stand out from the crowd:** Put your consumer hat on, and consider how many brands you interact with that actually seem to value your patronage. At the time of acquisition most brand focus only on customer centric oriented concept.

- **Customers will explore your brand:** That's a nice way of saying to sell them more stuff. Once a brand has proven itself with one product or service customers are six times more likely to say they would try a new product or service from the brand as soon as it is available.
- **Engaged customers pre-more feedback:** Feedback is critical to the success of any business. As research has shown, people who have complained and seen their issue resolved are 84% less likely to decrease their spend.

SIGNIFICANCE OF CRM IN INSURANCE INDUSTRY

In recent years insurance companies, like any other service oriented business, have seen the need to increase the importance of the customer and its retention. Moreover, have realized they need to look at customers as their first priority when making decisions.

For insurance companies is difficult to really know each individual client. Clients get lost in legacy claims, policy and billing systems. For companies to truly be involved in each customer's experience there must be a state of mind implemented to all employees. It must be an attitude that echoes throughout the whole company. By achieving this, a customer-centric company, sales efforts are optimized and customer loyalty is strengthened, as individual customers feel that their needs are understood and met in a way that is hopefully fast and convenient.

However, that state of mind cannot be implemented blindly. The customer-centric view point is a foundation for a smarter and more efficient system. This does not mean they should ever mistreat average customers, but perhaps give great customers a certain bonus. Giving perks, rewards and discounts are good ways of going about this. Also, it is much easier to retain old customers as it is much more expensive to obtain new ones.

Analytical CRM can be used in the insurance industry for the following applications.

- Acquiring new customers.
- Identifying cross selling/ up selling opportunities.
- Establishing the premium rates.
- Assisting the regulators to understand from rate and models.

In general performance of non-life sector is more challenging than life sector. With deregulation of insurance sector financial companies, banks are getting into non-life insurance sector to their existing customer base. This requires non-life insurers to add value in the value chain.

Finally, one must control the companies' costs and it expands. CRM can be very useful for this. The first key is for sales to know which opportunity will be more efficient. Meaning which opportunity will give them more profit for less time. The final key is to know when to lose that connection, unfortunately every interaction can't be personal; therefore, a company must know when to use automation for the more general transactions.

THE KEY PROCESSES OF CUSTOMER RELATIONSHIP MANAGEMENT

CRM involves attainment analysis and use of customer's knowledge in order to sell goods and services. Reasons for CRM coming into existence are the changes and development in marketing environment and web technology. Relationship with customers is a nearly distinguished as a key point to set competitive power of an organization. Technology would enable us to communicate at low costs with large numbers of individual customers and educate them, deliver customized solutions to them, engage and blind them. Web has disclosed a new medium for business and marketing have been enhanced.

First of all, for fair and effective customer segmentation, the customer database needs to be quite rich in information. This includes demographic information, information on lifestyle, family, needs and preferences. The challenge for most organizations is to collect this data given that the normal process of selling and carrying out services collects very little information of this kind.

Overall the actuarial calculation activity, primarily involves collecting statistics on the probability of the insured damage to occur within the specific category the insured objective belongs to.

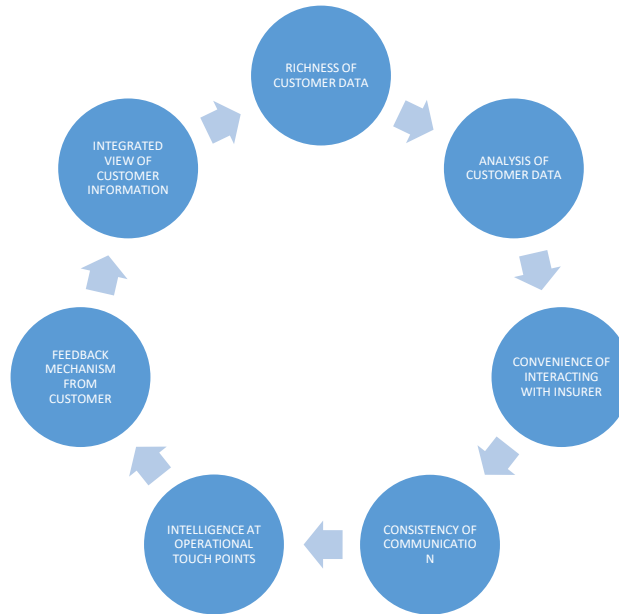
Once having collected statistical data related to the categories of the insured objectives, the next step is to truthfully estimate the future losses for a sufficiently long period of time depending on which the technical insurance rates are set.

Customer Relationship Management in Insurance Industry

The second step consists in analysing this database, its objectives being segmentation, cross-selling, long-term customer retention etc. Goals are achieved through different approaches of the analysis namely by data association, clustering or classification.

The next step concerns the importance of the interaction with the insurer in a location and through various channels that are available to the customer, which is extremely important for an efficient service management.

Applications and Modules of CRM in insurance sector



- Cross and up selling capability to provide market opportunities within an existing customer database.
- Predictive capability to determine customer behavior.
- Information regarding customer retention or attrition helps to determine the likelihood of policy lapses and helps identify customers worth targeting for retention campaigns.
- Customer segmentation that leverages data to create accurate categories for use in marketing strategies.
- Market automation that combines analytics with campaign management functionality to help drive a more effective and efficient marketing campaign.

Collaborative CRM

Applying collaborative interfaces (such as e-mail, conferencing, chat, real time) to facilitate interaction between customers and organizations, as well as between organizational entities dealing with customer information (customer to sales representatives, sales to marketing, agent to provider).

Operational CRM

Automating horizontal Integrated business processes involving front-office customer touch point sales, marketing and customer service-via multiple, interconnected delivery channels and integration between front-office and back-office.

Analytical CRM

Analyzing data created on the operational side of the CRM equation for the purpose of business performance management. Analytical CRM is tied to data warehouse architecture; it is most often evident in analytical applications that leverage data marts.

CONCLUSIONS

CRM will be able to manage the huge database of customers; also, will facilitates the online customer interaction for the sake of quick access, better service and delivering right offers at right time to the right customers. CRM implementation is also a cost effective and time saving activity, which will provide the long-range solutions to the insurance players. Thus, the need to integrate customer data from multiple channels, to increase sales force productivity (including agents), raising service standard, customer satisfaction, loyalty of customers will be always in demand.

CRM is a powerful tool, but it remains just a technology that cannot yield results by itself and it needs someone to know how to use it. Managers often used the CRM system to gather information about their customers and to be able to adapt their offer to the needs and desire of each client. Unfortunately adjusting the offer for a market segment which is too narrow can be extremely expensive and if the organization fails to effectively process the information it can be overwhelmed by too much information. No matter how well implemented, the customer relationship management system cannot replace a solid strategy must already exist when implementing CRM.

The Banking, Financial services and Insurance (BFSI) sector and telecom will continue to drive the CRM market, but the uptake of CRM in the insurance vertical will climb steeply and growth will be rapidly higher. Insurance firms spend close to 12% of their IT budgets on CRM software and services. Recently the new concept "Bank Assurance " has been adopted in banking industry. That is the banks are compelled to enter into insurance business. If the bankers enter into the insurance business, this will affect the interest of the existing companies heavily.

While the insurance sector is seeking to maintain a balance between acquiring customers and developing existing ones. The insurance companies are experiencing unacceptable levels of customer churn. CRM with BI (Business Intelligence) tools can help insurance firms monitor the ebb and flow of customer behaviour, giving them a holistic 360-degree view of their customers.

REFERENCES

- [1] Biswamohan, D., Bidhubhusan, M., 2012. "E-CRM Practices and Customer Satisfaction in Insurance Sector", Research Journal of management Sciences.
- [2] Use of information System in banking and Insurance Sector – Dr. R.S.Meena
- [3] Indian On Demand CRM market worth USD 16-18 million – Kailash pandiyan.
