CUSTOMER RELATIONSHIP MANAGEMENT TO IMPROVE THE PERFORMANCE OF INSURANCE SECTOR IN INDIA

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Abstract:

In this work we studied different aspects of Customer relationship management for improvement of the performance of Insurance sectors. We identified some factors which may prohibit the improvement. On the basis of literature review Lean relationship management has been identified. An assessment has been done to find out the base line performance level regarding Lean Customer relationship management in the insurance sectors.

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Introduction:

The current scenario in the insurance industry is a complex and competitive environment tinged with little stability. The major hassle the industry faces is obtaining clients. This is due to the fact that the big fish in the insurance industry dominate the sector. Since most insurance companies are not adequately equipped to help their agents deal with customer centered [1] problems Relationship Management in insurance enables insurance organizations to survive in a tough economic climate by using the data of the insurance companies of the existing customers and then use it to increase the level of profitability. The managers have a responsibility to enhance their customer relationships based on customer's unique requirements [1].

Insurers have traditionally adopted three distinct levels for competitive advantage. These include Customer intimacy [11], Operational Efficiency or Cost Leadership and Product Innovation. Top global Insurance companies are known to be leaders in one of these levels and have thus achieved competitive differentiation.

In the current situation of global economic slowdown [11], an effective Customer Relationship Management strategy can play a vital role in the success of organization. Getting closer to customers and effectively responding to their needs is a greater way to boost their loyalty and encourage deeper business relationships [5]. It is also a more strategic route to success than cutting costs and improving efficiency.

Customer Relation Management (CRM) enables customers themselves to do research on products has answers to their questions etc. In addition to this policyholders or beneficiaries can check their claim status, change their account information, submit complaints etc. Insurers find that CRM is assisting them in their marketing efforts as well through a comprehensive understanding of the client base. CRM aids the insurance companies by ensuring that campaigns are more affective.

Present challenges

With the nineties started the age of globalization. There was tremendous development on technological front. Distances started shrinking. There was opening of economy and removal of barriers [6]. There were perceptible changes in social and legal environment. The global wind of change meant that insurance business, which also has international dimension must also change. And change it did with the passing of IRDA Act. The year 2006 saw the demise of tariff regime and w.e.f. 1.1.2007 we are in a de-tariff regime in a free market. The liberalization has brought many private players. More are expected to join with further liberalization in the offing. We are now living in a very dynamic insurance environment. The implications are: -

•   The challenge is not only in selling insurance to external customer but also in selling discipline, punctuality, team-work, quality and better behavior pattern to our internal customer. We have to see ourselves through the eyes of the others. Poor service is no longer an option.

•   Demise of tariff means fierce competition and price war. The challenge is to maintain a price-level, which is fair to both the insurance companies and the customer. This indeed is a difficult job and a big challenge.

•   Product development & innovation [7] are new challenges for PSU Insurance Companies as this was a totally neglected area because of tariff regime. The private players will try to bring in the tested and tried product of their foreign partners.

•   Yet another challenge that has come in the wake of liberalization and de-tariffing is retaining the knowledgeable and competent people. Companies spend huge amount in training people, in upgrading their knowledge and skill. People do leave for greener pasture in a liberalized setup.

•   Companies may face difficulty in placing re-insurance if the direct Underwriting rate goes too low because of price war. In fact the companies have started feeling the heat.
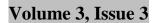
How can CRM help in addressing these challenges?

We have basically two kinds of CRM initiatives:-

i)   Operational CRM

ii)   Analytical CRM

The operational CRM is meant to bring operational improvement and excellence. It is focused on customer convenience. Information Technology [9] can be used in General Insurance industry in areas like:

a)   Integrating customer information from multiple channel.

b)   Sales automation – web-based sale – reduction in transaction cost of business.

c)   Better claim management and grievance handling - claim /grievance status on web.

The analytical CRM is meant to analyze the data created on operation side of CRM. It can be used with advantage in matters like:

•   Marketing opportunity within an existing customer database.

•   Information on customer retention / attrition.

•   Predictive capability to determine customer behavior

•   Portfolio analysis to know how various portfolio's are behaving and to take corrective steps.

•   Huge mass of data created on operational side of CRM can be made use of in various ways for various purposes.

What is Customer Relationship Management?

Customer Relationship Management can be defined as the business strategy that Influences an organization's process, culture and technology to optimize revenue and increase value [8] through understanding and satisfying the individual customer's needs.

Customer Relationship Management as a process encompasses the entire spectrum of activities starting from segmentation of customer date to acquisition and profitable retention. Each of these activities demand a very strong operational process effectively integrated with business intelligence.

CRM Insurance Implementation - Getting it right

Before embarking on a CRM implementation insurers need to:

1. Understand prospective policyholder requirements

2. Understand what products and services will retain them and increase profitability

- It is imperative that the objective behind the implementation is clearly spelt out and understood. Without this it is almost impossible to proceed further. Clarity of objectives both CRM and general organizational goals is mandatory for Insurance CRM success. It is only against this that the actual results are marked. Goals although varying from company to company should be realistic and benefit the firm in the log run. Establishment of these goals has to be done after excessive scrutiny of company requirements. The more clearly defined objectives are the more chance of CRM implementation has of succeeding.

- Organizations need to understand that the insurance CRM implementation is not merely about technology. CRM encompasses far more than mere technology and transcends to the customer as well. Organizations need to assimilate the fact that it is a combination of people, processes and technology. Obliterating this fact will surely hamper the process. Making the customer the focal point and understanding that it is about meeting their needs will go a long way in ensuring success.

- It is imperative that the entire organization realizes the importance of the implantation and endorses it. It requires approval not only from top management but individual employees as well need to give their support Staff need to accept the fact that this will do them good and willingly give off their best customer support effort.

- Implementing in phases is always easier and far less time consuming as well as being cost advantageous. There are always added advantageous when the implementation is done in stages rather than as a one-time plan. It facilitates the easy involvement of resources when done on a short-term basis, and makes easy the constant monitoring of results so that corrective measures can be taken.

- Adequate metrics need to be established if the organization wants to succeed at its CRM insurance implementation. Without this there will be no benchmark against which performance can be measured.

- It is imperative to train staff adequately in order to ensure that they are equipped to deal with the CRM implementation. It is essential to have productive staff in order to better customer service. Inexperienced staff will undoubtedly give wrong responses to questions and yield wrong customer service. It is important to see that staff maintains proper customer service. Training staff is thus essential.

- CRM manages to put the insurance company in a position where it is able to let staff know which customers are likely to leave and move to competitors. This helps staff take the required steps to stop this from happening and prevents the loss of valuable policyholders.

Problem CRM Implementation

CRM implementation differs from organization to organization but there are a few common steps one needs to follow to ensure a successful implementation. There are many factors that could influence the success of CRM implementation. Some of them are:

Organization Objectives

Clear-cut objectives are essential and they need to be communicated effectively to the entire organization. Let employees know how important CRM success is to the organization.

Solution to Suit Business Objectives

A business needs to look for a CRM solution that fits its needs, not the other way around.

Focus on All Business Aspects

It is important to involve management at several levels, focus on communication need and indulge in adequate training of the concerned employees throughout the organization.

Define the Business Problem

A business needs to clearly define the business problem see what benefits it wants to achieve and comments and adopt the required measures.

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Establishing Proper Metrics

Every organization has to compulsorily define performance metrics to ensure that it measures the return on investment adequately.

Business Processes not Technology

In order to succeed at CRM all companies need to understand that it is not about technology alone but about business processes as well.

Implement Change

Most employees tend to stick with their old ways and are reluctant to adapt to changes, it needs to be understood that the implementation of CRM involves immense changes and employees need to adapt themselves to it.

Using Skilled Managers

Organizations need to make sure that they use the most highly skilled and experienced group of professionals possible.

Choose the Right Methodology

Decide whether to use the classical or modern methodology bearing in mind that ease of usage, cost effectiveness and efficiency need to be gained. This is an important step in the CRM implementation as it has a bearing on the entire process.

Choose the Right Vendors

Companies need to know the vendors through looking at them from this perspective alone. This involves the process of scrutinizing the vendor and seeing whether or not the vendor can fulfill the requirements of the business.

Ease of Usage

The entire objectives of the CRM process are hampered if the CRM choice is difficult to use. It is highly essential to ensure that the system speaks of ease of usage and the ability to be easily customizable.

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Obstacles to Innovation

Internal process focus rather than external customer focus.

Integration, Process Key to CRM

A strong business process, robust application integration capabilities and solid management buy-in are key factors in any successful CRM installation.

Facilitating Teamwork

The processes within CRM create a system where everyone works in a team to harness resources for maximum effectiveness. Such teamwork contributes to efficiency and to consistency of standards and quality throughout the organization.

Lean Management for successful implementation of CRM

Lean Management [10] is the most useful management philosophy in this context for successful implementation of Customer Relationship Management. It is based on five principles, which is demonstrated below.

Principle 1: *Specify what adds value from the customer's perspective.*

Lean CRM starts with an understanding of what adds value from the customer's perspective. If processes don't directly add value to customers, or don't support processes that do, such as hiring the right customer service staff, then they are targets for "obliteration." Developing this level of understanding of how customers think about value and which processes deliver it do probably many companies face the single biggest challenge.

Principle 2: *Identify all the steps along the entire value chain*

From a CRM perspective, the value chain starts with branding processes that raise awareness through the traditional marketing, sales and service processes all the way to the customer's experience of using the product. This means that in addition to the company's processes, we also need to understand the processes the customer goes through when using the product. If partners are involved in any part of the value chain, their processes need to be understood, too.

Principle 3: *Create a continuous flow of work*

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Once we know how value flows through all the processes in the customer experience, the processes need to be redeveloped so that the value flows seamlessly to the customer without interruption. A continuous flow of work removes many of the sources of waste that destroy value, both from the customer's and the company's viewpoint.

Principle 4: *Only make what is pulled by the customer*

In Lean CRM, it is the customer who triggers the processes in the value chain. This can either be through a customer-driven contact or as the result of a previous contact, such as a follow-up call after a sales inquiry.

Principle 5: *Strive for perfection by continuously removing waste*

Most companies work toward achieving industry best practices in CRM. In stark contrast, Lean CRM strives to achieve CRM perfection. It does this by continuously improving all aspects of the processes in the value chain using Kaizen techniques. Although this sounds expensive, the pursuit of perfection actually reduces longer-term costs by reducing the many sources of waste that individually increase costs.

Balancing value to customers with customer lifetime value

Unlike much of what passes for CRM today, Lean CRM is truly driven by customers. Triggered by a customer event, value flows seamlessly through continuous processes to the customer. But value needs to flow in the other direction, too, or the company will quickly go out of business and the value chain will be broken.

Fortunately, developing an understanding about how value flows through the value chain to customers leads to understanding how value flows back to the company. It is then only a matter of using Value Driver Analysis to balance the flow of value in both directions, so that customers and the company can share value equitably and maintain a profitable business relationship over time.

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Conclusion

It is very much clear that the successful implementation of Lean Customer Relationship Management is a responsibility to Managers/Policy makers.

To find out the trend of successful implementation of LEAN Customer Relationship Management, a questionnaire [2] is prescribed for managers/policy makers of Insurance service sector.

Questionnaire [3]

1.   Does the customer drive everything you do, or does your company drive everything that customers are allowed to do?

2.   Have you segmented your customer base by their needs, wants & requirements?

3.   Do you know how each segment assesses the value your company and its products deliver to them?

4.   Do you know how customers really use your products?

5.   Do you know which touch points along the end-to-end customer experience add value to customers?

6.   Do you know which business processes deliver or support each touch point?

7.   Do you know what causes "waste" in your processes?

8.   Do you actively search for and remove waste in your processes?

9.   Do you identify the customer events that trigger processes to immediately kick-into action?

10.   Do you know which processes drive revenues for your business, which ones drive costs and which ones drive risk?

If the policy maker or administrative person answered yes for most of the questions, it is clear that they are using Lean CRM [10] principles to drive their business. They are probably among the most successful companies in their field.

If they have a mix of yes and no answers, it is needed to pay attention to some areas of their business. Identify which areas are the weakest and put in place a rapid action plan to fix them.

If most of the answers were no, there have some serious work ahead of them. Work with an experienced Lean CRM partner to identify their priority areas for improvement and put in place a comprehensive plan to fix them.

Recommendation:

An assessment can be done within the policy makers and managers of the insurers in the market on the basis of above questionnaire to identify the weakest part which obstacles them for successful implementation of Customer Relationship Management using Lean Management philosophy.

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