CHAPTER-VII

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Until the early of 1980s, marketers focused on the acquisition of customers by attempting to develop a better marketing mix than the competition. Today, this paradigm is gradually loosing its position. New approaches are emerging in marketing research. The new relationship marketing paradigm reflects a change from traditional marketing to customer-focused management or market oriented management. Relationship marketing in the service context was first introduced by Berry (1983) to describe a long-term approach to marketing.

The Customer Relationship Management is a new strategy in marketing where the marketer tries to develop long term collaborative relationship with customers to develop them as life time customers. In the services sector, Customer Relationship Management has gained some recognition, especially in insurance sector. The consequent increase in competition has made “Relationship” a key differentiating factor to Life Insurance Corporation attempting to improve their market and profit positions. The wave of reforms that swept across the economy during 1990’s had its impact on the insurance sector also. The Malhotra Committee was constituted by the government in 1993 to examine the various aspects of the sector. The committee has recommended for privatization and liberalization which have reduced the barriers at entry level and removed the stringent regulatory atmosphere in the system.

The forces of deregulation, globalization and advancing technology have greatly increased the competitive pressure in the industries especially in the Life Insurance Corporation. Public sector life insurance company (LIC) is compelled to focus on retaining existing customers and maintaining a loyal customer base.

The present study is an attempt to identify the dimensions, which influence the customer relationship in the insurance industry. The objectives of the study are:

➢ Studying the concept of Customer Relationship Management in general and with particular reference to LIC.
Presenting a comprehensive profile of the Life Insurance Corporation of India, pre and post nationalization with specific reference to customer services.

Identifying the dimensions which influence relationship between customers and employees of LIC.

Measuring the Customers' and Employees' perception on the dimensions influencing Customer Relationship.

Comparing the customers and employees perceptions and studying the differences in perceptions, if any and,

Analyzing the benefits and major problems faced by the customers and employees in their relationships with LIC (Chittoor district in Nellore Division).

The data required for the research were collected through secondary and primary sources. The secondary data sources used for the research were the information obtained from the publications on reports of the LIC of India and Reserve Bank of India Bulletins, relevant books, journals, full text extracts from online databases etc.

The primary data were collected through a structured questionnaire administered directly to the customers and employees of the LIC branches in Chittoor district. For the purpose of research eight LIC branches in Chittoor district were chosen. A sample of 300 customers and 200 employees were chosen by Stratified Random Sampling method. The data were analyzed using the statistical tools namely Factor Analysis, Simple Mean and Standard Deviation, Analysis of Variance, 't' Test, Correlation Matrix, Multiple Regression Analysis and Kendall’s Coefficient of Concordance.

The report has seven chapters which cover

Introduction and design of the study, Review of literature, Conceptual framework of Customer Relationship Management, Profile of the Life Insurance Corporation of India pre and post nationalization with specific reference to customer
services and highlights the recent trends in the Indian Insurance Industry. Conceptual framework of Customer Relationship Management, Identification of the dimensions which influence relationship between customers and employees of LIC, analysis of customers' and employees' perceptions on Customer Relationship dimensions and evaluation of the benefits and problems in their relationship. The summary of findings and conclusions arrived at are presented in this chapter.

7.1 Summary of Findings

An in depth study was made into the evolution of the insurance industry tracing back to the earliest developments in the 19th century to gain an understanding on the profile of the Life Insurance Corporation of India.

The first of the insurance companies was started in India in 1818 at Calcutta. This was followed by the establishment of the Bombay Life Assurance Company in 1823 at Bombay, the Madras Equitable Life Insurance Society in 1829. All these companies operated in India but did not insure the lives of Indians. They were insuring the lives of Europeans living in India. Bombay Mutual Life Assurance Society indicated the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. There were no specific regulations for insurance business in India. They were subject to Indian Companies Act (1866). Two sets of legislations were passed; the Indian Life Assurance Companies Act and the Provident Insurance Societies Act in 1912. In 1928 the Indian Insurance Companies Act was enacted to enable the government to collect statistical information about both life and non-life insurance businesses. The Insurance Act, 1938 covered deposits, supervision of insurance companies, investments, commissions of agents, directors appointed by the policy holders among others. This piece of legislation lost significance after nationalization.

On the nineteenth of January, 1956 the management of life insurance business of 245 Indian and foreign insurers and provident fund societies operating in India was taken over by the Government of India and then nationalized on 1st September, 1956. The Central Government appointed a Committee on Reforms in the insurance sector in April 1993, under the chairmanship of R.N. Malhotra to go into depth in the issues. Since the committee recommended the liberalization of the
insurance sector, the sector invited private participation to induce a spirit of
competition amongst the various insurers and to provide a choice to the customers.
The Insurance Regulatory and Development Authority (IRDA) was constituted as an
autonomous body to regulate and develop the business of insurance and re-insurance
in the country in terms of the Insurance Regulatory & Development Authority Act
1999. The Authority was constituted on 19th April 2000 vide Government of India’s
Notification No 277. The authority has the duty to regulate, promote and ensure
orderly growth of the insurance business and re-insurance business. IRDA started
giving licenses to private insurers. The first private life insurance company (ICICI
Prudential Life insurance) was registered with the IRDA in October 2002, and
started operations shortly thereafter, thereby, ending 40 years of public sector
monopoly.

The private players have taken numerous new initiatives to tap the rich
market potential. For instance, ICICI Prudential Life Insurance Company has
fulfilled its mission to be a scale player in the main market by introducing a
complete range of products to meet the individual needs of customers. The new
players have also improved the service quality. In this way, each life insurer has
approached the customers with fresh perspective. In other words, competition has
been highly intensified in the industry. In 2002 banks were allowed to sell insurance
plans. Bank assurance in its simplest form is the distribution of insurance products
through a bank’s distribution channels. It is the provision of insurance and banking
products and serving through a common distribution channel or to a common base.

The series of developments commencing from nationalization, resulting in
the formation of Public Sector Insurance Companies and the consequent reforms
and studies undertaken by the Government with an interest to develop the scope of
insurance activity in order to reach the rural population have been analyzed stage by
stage. Subsequently, the marketing efforts initiated by Public Sector Insurance
Companies with an objective of improving customer service and efforts taken by
the administration to study and bring about reforms by the formation of committees
to improve customer service especially in Public Sector Insurance Companies, were
also analyzed. The effects of the emergence of Private Sector Insurance Companies
and the commencement of operations in India by the foreign insurance companies
were collected.
In the present scenario, Public Sector Insurance Companies in India, face stiff competition from new generation Private Sector Insurance Companies and foreign insurance companies. In order to improve the performance of the Public Sector Insurance Companies, Life Insurance Corporation needs to concentrate more on Customer service and Customer Relationship.

The Life Insurance Corporation has established Grievance Redressal Machinery at Branch/Divisional/Zonal/Central office levels to redress the grievances of the policy holders promptly. The concept of Customer Relationship Management (CRM) has been integrated in grievance redressal mechanism by evolving a customer centric and productive approach to the complaints of the policy holders. All operating officers have a complaint cell which deals with complaints received by them directly from the policy holders, agents etc, besides attending to complaints formulated to them by other offices and Government agencies.

Besides the various types of services rendered by the LIC, on-line life insurance is now being handled by the Life Insurance Corporation at national level, by introducing computerization at various levels. In 2007 first Online insurance portal, http:// was set up by Bonsal Insurance Broking Private Limited, an Indian Insurance Broker for providing comparison of different types of insurance policies, their premiums and their purchase online. E-insurance offers a new gateway of revenues and provides additional market penetration, which is a need of the hour for Indian Insurance Segment.

From the existing literature on Customer Relationship Management and applying to the Indian Insurance sector, the variables which influence the relationship between customers and employees of various branches of LIC in Chittoor district were identified.

7.1.1 Dimensions Influencing Customer Relationship

1. Trust – is the extent of confidence in an exchange partner reliability and integrity.

2. Commitment – is an enduring desire to maintain a valued relationship.
3. Empathy – is enabling the two parties to see the situation from each other’s perspectives.

4. Reciprocity – exists when two parties operate in such a way that they both gain from the relationship.

5. Interaction – is the form of exchange such as information, financial transactions and social exchanges in both directions.

6. Quality – is multidimensional, inclusive of the interaction (i.e., functional quality), the service environment and the outcome (i.e., the technical quality).

7. Attraction – is the pull exercised by the LIC on the customer’s conscious and unconscious states of mind.

8. Emotional Element – how the customer is made to feel by the interaction.

9. Customization – tailor made services to fit the needs of each individual

10. Social Responsibility – it is the responsibility of the Life Insurance Corporation towards the fulfillment of the needs of the society.

Customer Satisfaction and Customer Loyalty have been adjudged as the two relationship outcomes to measure the genuine relationship between customers and employees of Life Insurance Corporation.

The findings of the present research work with respect to the analysis made about the perceptions of customers and the perceptions of employees on relationship dimensions are presented:

7.1.2 Customers’ Perceptions

a) In order to check for the differences among the various demographic groups of customers, with respect to the ten dimensions, one-way Analysis of Variance and ‘t’ test were conducted. The following are the findings arrived.

Perceptions of the customers belonging to various age groups namely, less than 25 years, 26-35 years, 36-45 years, 46-55 years and above 55 years are similar
with respect to the relationship dimensions of Commitment, Quality and Attraction, but have differing perceptions of Trust, Empathy, Reciprocity, Interaction, Emotional Element, Customization and Social Responsibility. The mean scores of the customers belonging to the age group of 26-35 years, are observed to be higher in almost all dimensions than the remaining groups. It indicates that the existence of better relationship of the customers in this group, with the LIC authorities.

Male and female customers have similar impressions regarding the relationship dimensions of Trust, Commitment, Empathy, Reciprocity, Interaction, Quality, Attraction and Emotional Element. But their views are differing with respect to the dimensions of Customization and Social Responsibility. Mean scores of the female customers are found to be higher than that of male customers. It indicates that the existence of better relationship between female customers and LIC authorities.

Married and unmarried customers and the customers belonging to the various occupational groups namely Business, Government Employee, Private Employee and professionals have similar perceptions about the ten relationship dimensions.

Customers belonging to the various income groups namely have similar perceptions regarding the relationship dimensions of Trust, Commitment, Empathy, Reciprocity, Interaction and Emotional Element. But their views are differing with respect to the relationship dimensions of Quality, Customization and Social Responsibility. Mean scores of the customers belonging to the income group of Rs.2.0 to Rs 2.5 Lakhs are at the maximum indicating the existence of better relationship between customers belonging to the income group of Rs.2.0 to Rs 2.5 Lakhs and LIC management.

The perceptions on Commitment, Empathy, Reciprocity, Interaction, Attraction and Emotional Element are similar among the customers belonging to the different longevity periods. But they have differing impressions regarding the relationship dimensions such as Trust, Quality, Customization and Social Responsibility. The mean scores of the customers belonging to more than 20 years of insurance experience are at the maximum in almost all above said dimensions indicating the existence of better relationship between the customers belonging to
more than 20 years of insurance experience and LIC management. Mean scores of the customers with less than 10 years of insurance experience are found to be low indicating weak relationship of this group of customers with LIC. It clearly indicates that longer the customer's stay, stronger is the relationship.

To find out the differences among the various demographic groups of customers, with respect to Customer Satisfaction and Customer Loyalty (Relationship Outcomes), one-way Analysis of Variance and 't' test were conducted. The following are the findings arrived.

The Perceptions of customers belonging to various age groups namely, less than 25 years, 26-35 years, 36-45 years, 46-55 years and above 55 years are differing with respect to Customer Satisfaction and Customer Loyalty.

Male and female customers have similar perceptions with respect to Customer Satisfaction. But their impressions are differing with respect to Customer Loyalty.

Married and un-married customers have similar perceptions regarding the Customer Satisfaction and Customer Loyalty.

The customers belonging to various income groups have similar perceptions regarding the Customer Satisfaction. But their views are differing with respect to Customer Loyalty.

The Perceptions of customers belonging to various occupational groups are similar with respect to Customer Satisfaction and Customer Loyalty.

The customers belonging to various longevity periods have differing perceptions regarding the Customer Satisfaction. But their views are similar with respect to Customer Loyalty.

b) The strength of association of the ten relationship dimensions (Independent variables) namely Trust, Commitment, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element Customization and Social Responsibility with dependent variables such as Customer Satisfaction and Customer Loyalty has been ascertained by forming Correlation Matrices. It is
followed by a Multiple Regression Analysis where separate regression equations were framed for each of the dependent variables, with the ten relationship dimensions.

From the correlation matrix, it is found that there is a strong positive relationship between the ten relationship dimensions and Customer Satisfaction/Customer Loyalty.

The multiple linear equations were found to be statistically good fits as the value of $R^2$ was found to be 88% for Customer Satisfaction and 85% for Customer Loyalty. From the Multiple Regression Analysis, it can be inferred that the domestic variable of Age and the relationship dimension variables such as Trust, Commitment, Reciprocity, Attraction and Emotional Element show significant relationship with Customer Satisfaction. The variables like Trust, Commitment, Reciprocity, Interaction and Social Responsibility exhibit significant relationship with Customer Loyalty. Reciprocity and Social Responsibility have emerged as key dimensions to influence Customer Satisfaction and Customer Loyalty respectively. Hence, the Life Insurance Corporation of India need to concentrate on promoting Trust, Commitment, Reciprocity, Interaction, Attraction, Emotional Element and Social Responsibility among the customers in order to enhance and strengthen the customer relationship.

c) To identify the benefits enjoyed and the problems faced by the customers in their relationship with the LIC, the customers were asked to rank the benefits enjoyed and the problems faced by them.

Chi squared value indicates simultaneous agreement of the customers with respect to the ranking of the various benefits enjoyed and also the problems faced by them. The customers have ranked 'tailor-made service' as the first and foremost benefit acquired in their relationship with the insurance employees. It is followed by the 'Immediate financial support', 'due recognition and respect', 'quick response for any kind of service' and 'limited procedural formalities'. Contrary to expectations limited procedural formalities followed by the employees of LIC has been ranked at the last among the five benefits stated.
‘Indifferent attitude of the officials during busy hours’ is rated as the first and foremost problem faced by the customers in their relationship with the employees of LIC. It is followed by the ‘delayed decision making due to too much dependence on superiors’, ‘bureaucratic harassment’, ‘red-tapism’, ‘innumerable procedural restrictions’, ‘biased attitude’.

7.1.3 Employees’ Perceptions

a) To find out the differences among the various demographic groups of employees, with respect to the ten dimensions, one-way Analysis of Variance was done. The following are the findings arrived at from the results:

The perceptions of employees of various occupational positions namely clerical, supervisory level and decision making level are almost similar with respect to the relationship dimensions namely Commitment, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element Customization and Social Responsibility. Their perceptions are differing with respect to Trust. The mean scores of the clerical cadre employees are found to be higher than the remaining two cadres. It indicates that the existence of better relationship between the clerical cadre employees and customers. Employees belonging to supervisory level and decision making level are supposed to be exhibiting better relationship with the customers.

The male and female employees have similar perceptions with respect to the relationship dimensions of Trust, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element, Customization and Social Responsibility. They vary significantly with respect to Commitment. It can be observed that the male employees have higher mean scores than that of female employees indicating the existence of better relationship between male employees and customers of LIC.

Employees with varying service experience have similar perceptions regarding the relationship dimensions namely, Trust, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element, Customization and Social Responsibility. With respect to Commitment their impressions are differing. The mean scores of the employees with service experience of above 12 years are found to be high. It can be concluded that the more the service experience the employees posses, the better is their relationship with the customers.
The perceptions of the employees with various family sizes are similar regarding the ten relationship dimensions.

To find out the differences among the various demographic groups of employees, with respect to Customer Satisfaction and Customer Loyalty (Relationship Outcomes), one-way Analysis of Variance and 't' test were conducted. The following are the findings arrived.

The perceptions of employees of various occupational positions, male and female employees, employees with varying experience and employees with various family sizes are similar with respect to Customer Satisfaction and Customer Loyalty.

b) The strength of association of the ten relationship dimensions (Independent variables) namely Trust, Commitment, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element, Customization and Social Responsibility with dependent variables such as Customer Satisfaction and Customer Loyalty has been ascertained by forming Correlation Matrix. It is followed by a Multiple Regression Analysis where separate regression equations were formed for each of the dependent variables, with the ten relationship dimensions.

From the correlation matrix of the employees' perceptions on the ten relationship dimensions, it is found that there is a strong positive relationship between the ten relationship dimensions and Customer Satisfaction/ Customer Loyalty.

The multiple linear regression equations were found to be statistically good fits as the value of $R^2$ is found to be 74% for Customer Satisfaction and 68% for Customer Loyalty. From the Multiple Regression Analysis, it is inferred that the domestic variable of Gender and relationship dimension variables such as Trust, Commitment, Reciprocity and Quality are exhibit that there is a significant positive effect of these variables on Customer Satisfaction. Domestic variable of Service Experience and relationship dimension variables such as Trust, Interaction and Emotional Element are found to be positive and show a significant relationship with Customer Loyalty. Reciprocity and Emotional Element have emerged as key
dimensions to influence Customer Satisfaction and Customer Loyalty respectively. Hence, LIC need to concentrate on promoting Trust, Commitment, Interaction and Quality among the customers in order to enhance customer relationship.

c. To identify the problems faced by the employees in their relationship with the customers during transactions, the employees were asked to rank the problems faced by them during transactions with the customers.

Chi squared value indicates simultaneous agreement of the employees with respect to the ranking of the various problems faced by them. The employees have ranked 'non empathetic behavior' of the customers as their first and foremost problem. It is followed by 'not receptive to change' on the part of the customers. The other problems namely 'always demanding quick delivery through short cut', 'Bossy nature of the customer', 'indifference to adhere to security systems' and 'failure to follow procedure' were ranked third, fourth, fifth and sixth respectively.

7.1.4 Employees’ Perception versus Customers’ perception

To find out the differences in the perceptions of the customers and employees with respect to the various dimensions individually ‘t’ test was applied.

It can be inferred from the application of ‘t’ test that there exists a significant difference in the perceptions of Customers and Employees with respect to each of the individual dimensions namely Trust, Commitment, Empathy, Reciprocity, Interaction, Quality, Attraction, Emotional Element and Social Responsibility.

Further it could be interpreted from the mean scores, that the customers’ have higher perception than the employees with respect to the relationship dimensions namely Trust, Reciprocity, Interaction, Attraction and Emotional Element. With respect to the relationship dimensions namely Commitment, Empathy, Quality and Social Responsibility employees’ have higher perception than the customers. It indicates that the employees feel that they maintain high customer relationship in LIC whereas the customers perception about the level of customer relationship is low. Therefore, there is a need to focus more on improving
customers' perception on the relationship dimensions such as Commitment, Empathy, Quality and Social Responsibility employees in order to enhance customer relationship in Life Insurance Corporation.

7.2 Conclusions

Service sector in the present day contributes 75% of the Gross Domestic Product not only in the developed economics throughout the world but also in developing countries like India. With the increase of activity in the services sector, this percentage is bound to grow further.

Insurance is one of the major constituents of the service sector and its contribution in increasing the GDP of an economy is more. Since, there is a lot of scope for development, Global investors have been targeting the Indian services sector in general and the insurance sector in particular.

The entry of new generation Private and foreign insurance companies not only necessitated the improvement of infrastructure facilities in the existing Public sector insurance companies in India (LIC of India), on par with those made available to the customer in their insurance companies, but has also paved the way for the implementation of well developed, thoroughly tested and deeply entrenched concepts in the system of insurance which are already in practice in the developed nations. The most important concept thus introduced into the Indian insurance industry has been the strategy of Customer Relationship Management.

The customer and the employee of LIC are the pillars on which customer relationship is built. In the present day, the demands and expectations of the customers are significantly increasing day by day. The LIC should develop the desired skill, sensitivity and perception to gauge the customers' expectations in the changing scenario. A healthy work culture and proper customer oriented attitude on the part of the employees can have a positive effect on the strengthening of Customer Relationship. This could be made possible not only by motivating the employees but also in improving their performance skills through proper, well designed Customer Relationship oriented programs to serve the customers in the best possible way.
In this research, the perceptions of the customers and employees in LIC with regard to the dimensions that influence Customer Relationship leading to positive Relationship outcomes namely Customer Satisfaction and Customer Loyalty have been gauged and have been prioritized for the use by the Life Insurance Corporation of India. The research reveals that though the employees perceive that there exists a sound / ideal customer relationship, the customers perceive that the relationship levels need improvement. Thus, there exists a gap between the perceptions of the customers and employees, on the ongoing level of Customer Relationship. An optimum level of relationship can be reached only when the perceptions of the employee and that of the customer on customer relationship tally with each other. The LIC of India needs to concentrate on improving the standards relating to the dimensions namely Commitment, Empathy, Quality and Social Responsibility to achieve this optimum level. The implementation of this strategy would definitely help to bring about a Maximum Intensified customer relationship between the customers and employees in Life Insurance Corporation of India.

7.3 Suggestions

- Since the LIC is enthusiastic in initial strategies to acquire the customers, the corporation may adopt certain incentive strategies for the customers to encourage them. This strategy would pave the way to maintain smooth relationship between executives and customers.

- The separate department of customer care may be started for adopting psychological strategies to acquire the customers and for their maintenance.

- The Life Insurance Corporation of India should conduct a survey to measure the customer preference and level of satisfaction.

- Instead of terminating the problematic and unwanted customers, the LIC should come forward to analyze the basic needs and expectations of the problematic customers. This will be vital in reducing the stained relationship with unwanted customers.

- Training programs must be periodically conducted to increase the enthusiasm and awareness among the employees towards CRM.
The customers prefer and expect transparency with the employees. So, customer interaction programs must be essential to understand the characteristic features of the customers.

Information search plays a vital role in consolidating optimistic relationship between customers and employees. So, meticulous care must be taken by the LIC to advertise its services/products.

Customers should not be persuaded by the advertisement of celebrity endorsement. They must enthusiastically verify the offers and other gift schemes with utmost care. This would avoid unnecessary loss and stained relationship with the insurance industry.

A healthy work culture and proper customer oriented attitude on the part of the employees can have a positive effect on the strengthening of customer relationship. This could be made possible not only by motivating the employees but also in improving their performance skills through proper, well designed Customer Relationship oriented programs to serve the customers in the best possible way.

7.4 Scope for Future Research

- A thorough understanding of the critical determinants influencing relationship between customers and employees of LIC in insurance industry can be achieved by cross sectional studies across different types of insurance companies. Hence, further research on Customer Relationship Management practices in foreign and private insurance companies can be undertaken to arrive at a holistic view of the insurance companies in India.

- It would be useful to assess the Customer Relationship Dimensions developed in the study and apply it to other sectors of the service and manufacturing after validating the measurement scale and the Customer Relationship Dimensions model to suit their individual requirements.
The present study concentrates on selected characteristics of the individual customer and employee of LIC to arrive at the determinants of Customer Relationship Management. There are number of other characteristics of the Life Insurance Corporation (e.g. competitive intensity, profitability and reputation of insurance companies) that may also affect the strength and support base of the relationship between customers and employees of LIC. Future research can examine these issues more closely.

The results of the research provide support to the fact that the relationship dimensions have a positive influence on Customer Satisfaction and Customer Loyalty. There is a general agreement that Customer Satisfaction and Customer Loyalty should be conceptualized as a multi-dimensional construct which includes expectations, perceptions, attitudes and behavior of the respondents. The present research will widen/open the scope for further research for exploring and assessing the complexities of these two constructs.

Research reveals that the perceptions of the customers and employees of LIC- Nellore Division, Chittoor district of Customer Relationship Management vary with respect to certain demographic characteristics like Age, Gender, Income, Occupation and Experience. The present research will enthuse and enable to do further research in future with regard to the above demographic characteristics in Prakasham and Nellore districts.